



INDIA  
**budget  
statement**  
2022



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Foreword

Union Budget 2022 was presented at a critical juncture i.e. in the backdrop of the upcoming elections in five states, the looming omicron threat and the precarious economic situation across the globe. In this time, the H’ble FM Nirmala Sitharaman did well to present a budget which adroitly balances fiscal concerns without compromising on measures much needed to support the nascent economic recovery.

The budget focuses on a familiar strategy of enhancing capital expenditure to drive growth, with the intention of crowding in private investment through higher public spending. However, what stands out in this budget is the massive 35.4% infusion in capital expenditure to INR 7.50 lac crore (INR 7.5 trillion) in 2022-23. The FM also announced a whopping INR 1 lac crore (INR 1 trillion) to assist states in catalyzing investment in the economy, in the form of 50-year interest free loans.

This budget’s core is built around the PM GatiShakti Mater plan, which is an all-encompassing transformative digital approach to realize the vision for long term economic growth and sustainable development. This plan is sought to be driven by integrating together the seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure, which in turn are to be supported by the complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure. The touchstone of this Master Plan will be world-class modern infrastructure and logistics synergy among different modes of movement, both of people and goods and location of projects.

Under the PM GatiShakti initiative for multi-modal connectivity, the government’s allocation of INR 20,000 crore (INR 200 billion) will play a key role in the development of efficient logistics in the country.

The emphasis placed by this government on digital governance is a striking feature of this budget. For skilling, a national Digital Ecosystem for Skilling and Livelihood is proposed to be launched through the DESH-Stack e-portal. A Digital University to provide world-class quality universal education is also proposed. An open platform, for the National Digital Health Ecosystem is yet another initiative. 75 DBUs have been announced. E- Passports are proposed to be implemented by next year. The proposed ‘One-Nation One-Registration Software’ for property registrations will do much good for the real estate sector through the Unique Land Parcel Identification Number to facilitate IT-based management of records. 100 per cent of 1.5 lac post offices will come on the core banking platform. ULIP, designed for API. Open-source mobility stack, for organizing seamless travel of passengers will also be facilitated.





Launch of blockchain-based digital rupee starting 2022-23 as the CBDC finally clarifies the Government's intent to seize the much overdue initiative to have its own national crypto currency and relegate the role of other crypto currency's floating in the market to mere DVA. This combined with the stiff thirty percent tax on capital gains on such DVA's can be viewed as an early indicator of the Government's intention to discourage such assets, though a clear policy is still to be formulated on this account.

Green initiatives include an increase in the allocation for hydro and solar projects in fiscal 2022-23 to INR 1 lac crore (INR 1 trillion) and the issuance of Sovereign Green Bonds in government projects to reduce India's carbon footprint. Other key initiatives include the battery

swapping policy for resolving the issue of charging EVs and plans to launch charging stations, where the government will provide the land and encourage the private sector to identify models of offering BaaS. Inclusion of green bonds in the borrowing plan are an interesting innovation.

In terms of specific policy announcements, the move towards self-reliance through protection for domestic manufacturers (change in custom and import duties) and increased participation in Defence Sector procurements and research for the private sector, aligns with the long-term goal of Atmanirbhar Bharat.

The e-passport initiative and the extension of ECGLS for hospitality services by SMEs to March 2023, with an increased cover of INR 5

lac crore (INR 5 trillion), will also help revive travel and tourism post pandemic.

The capping of surcharge on long-term capital gains at 15% is a much-appreciated benefit, as it will reduce tax for VCs and angel investors. Start-ups will get one more year of tax incentives. New manufacturing companies will also get an additional year (till March 2024) of concessional tax, till they commence manufacturing. However, larger businesses do not have much to rejoice on the direct tax front.

The middle class has all the reasons to be disappointed as tax slabs remain unchanged for them and no direct tax benefits have been announced. Though the GST law is being continuously amended to cut down on tax evasion, the much-needed reform

to simplify the GST tax structure remains on the backburner.

The revised Fiscal Deficit in the current year is estimated at 6.9% of GDP and the Fiscal Deficit in 2022-23 is estimated at 6.4% of GDP. Higher fiscal deficits are now globally acceptable under the 'new normal'. Although markets could be disappointed with the more than expected high fiscal deficit of 6.4% of GDP for 2022-23, it was prudent on part of the H'ble FM not to undertake aggressive fiscal consolidation at

the cost of supporting the green shoots sprouting at this juncture.

While presenting the budget in the Lok Sabha, the H'ble FM said that this Union Budget 2022-23 will lay the foundation for India's economic growth and expansion for the next 25 years. Though 25 years is a long horizon to make a prediction, this budget surely ticks all the right boxes at this hour, and most importantly, by eschewing any populist measures in an election year, sets a refreshing benchmark which all political

parties will hopefully follow in times to come.

We dedicate our Budget Statement to the fast technological and digital advancement the country is currently undergoing. We are betting big on technology to usher in EODB, EOL, transparency and root out the scourge of corruption, thereby shaping this decade as India's "Techade".

**Verendra Kalra**  
*Managing Partner*



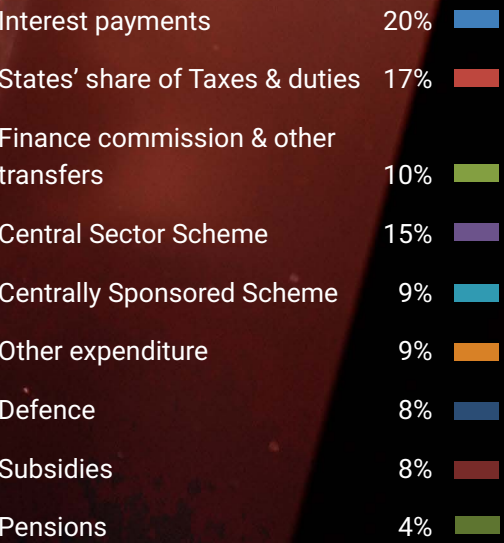


BUDGET AT A GLANCE

Where the money comes from



Where the money goes



BUDGET FINANCIALS

		(Amount in INR billion)			
	Particulars	2020-21	2021-22	2021-22	2022-23
		Actuals	BE	RE	BE
1	Revenue Receipts (2+3)	16,339	17,884	20,789	22,044
2	Tax Revenue (Net to Centre)	14,263	15,454	17,651	19,348
3	Non-tax revenue	2,076	2,430	3,138	2,697
4	Capital Receipts (5+6+7)	18,759	16,948	16,911	17,405
5	Recoveries of loans	197	130	220	143
6	Other receipts	379	1,750	780	650
7	Borrowings & other liabilities*	18,183	15,068	15,911	16,612
8	Total Receipts (1+4)	35,098	34,832	37,700	39,449
9	Total Expenditure (10+13)	35,098	34,832	37,700	39,449
10	On Revenue account	30,835	29,290	31,673	31,947
11	Interest payments	6,799	8,097	8,138	9,407
12	Grants in aid for creation of capital assets	2,309	2,191	2,377	3,176
13	On Capital account**	4,263	5,542	6,027	7,502
14	Effective Capital Expenditure (12+13)***	6,572	7,733	8,404	10,679
15	Revenue deficit (10-1)	14,496	11,406	10,884	9,902
		(7.3)	(5.1)	(4.7)	(3.8)
16	Effective Revenue deficit (14-12)	12,187	9,215	8,507	6,726
		(6.2)	(4.1)	(3.7)	(2.6)
17	Fiscal deficit {9-(1+5+6)}	18,183	15,068	15,911	16,612
		(9.2)	(6.8)	(6.9)	(6.4)
18	Primary deficit (16-11)	11,384	6,971	7,773	7,205
		(5.8)	(3.1)	(3.3)	(2.8)

\* Includes drawdown of cash balance

\*\* RE 2021-22 for Capital Expenditure includes capital infusion/loans to AIAHL/AI for settlement of past guaranteed and sundry liabilities, not backed by assets amounting to INR 51,971 crore (INR 519.71 billion) . Excluding this, capital expenditure in RE is estimated INR 550,740 crore (INR 5507.40 billion)

\*\*\* Grants for creations of capital assets also includes allocations under Demand driven/entitlement based scheme MGNREGS, which would vary based on demand

Notes:

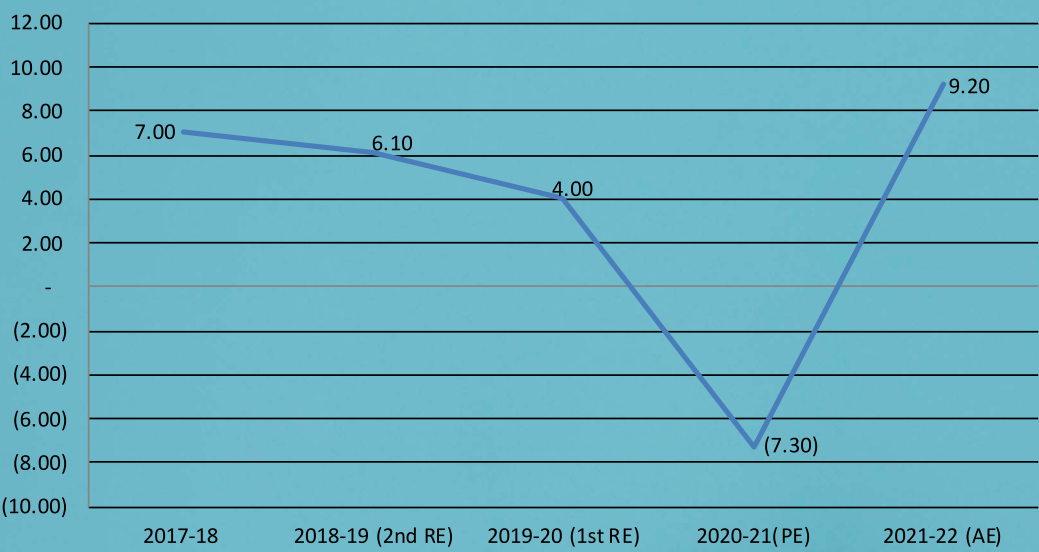
(i) GDP for BE 2022-23 has been projected at INR 2,58,00,000 crore (INR 258,000 billion) assuming 11.1% growth over the estimated GDP of INR 2,32,14,703 crore (INR 232,147.03 billion) for 2021-22 (RE)

(ii) Individual items in this document may not sum up to the totals due to rounding off

(iii) Figures in parenthesis are as a percentage of GDP

ECONOMIC INDICATORS

GDP Growth (at constant Market prices)

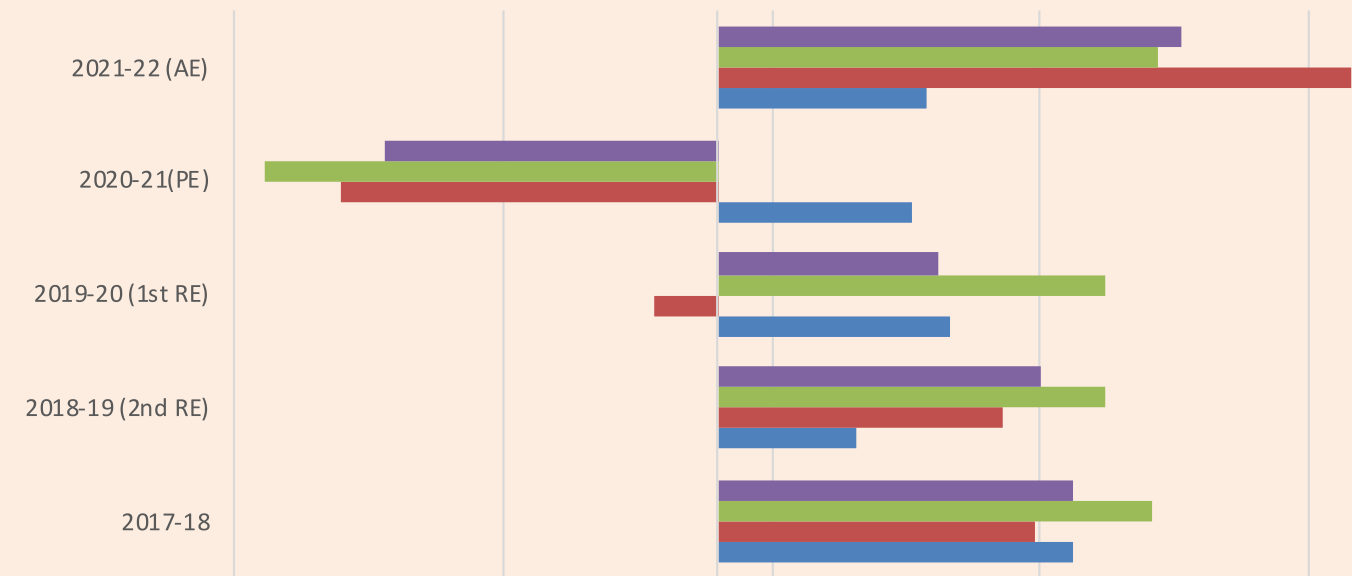


Year	%
2017-18	7.00
2018-19 (2nd RE)	6.10
2019-20 (1st RE)	4.00
2020-21(PE)	(7.30)
2021-22 (AE)	9.20



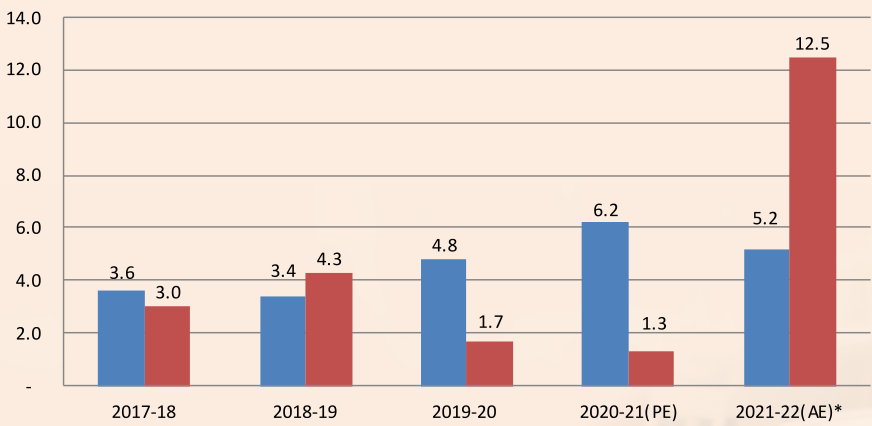


Growth in GVA  
at constant Market prices



Year	Agriculture & Allied	Industry	Services	GVA
2017-18	6.6	5.9	8.1	6.6
2018-19 (2nd RE)	2.6	5.3	7.2	6.0
2019-20 (1st RE)	4.3	(1.2)	7.2	4.1
2020-21(PE)	3.6	(7.0)	(8.4)	(6.2)
2021-22 (AE)	3.9	11.8	8.2	8.6

Inflation CPI and WPI  
[Average]%



Year	Inflation CPI [Combined]	Inflation WPI [Average]
22017-18	3.6	3.0
2018-19	3.4	4.3
2019-20	4.8	1.7
2020-21(PE)	6.2	1.3
2021-22(AE)*	5.2	12.5

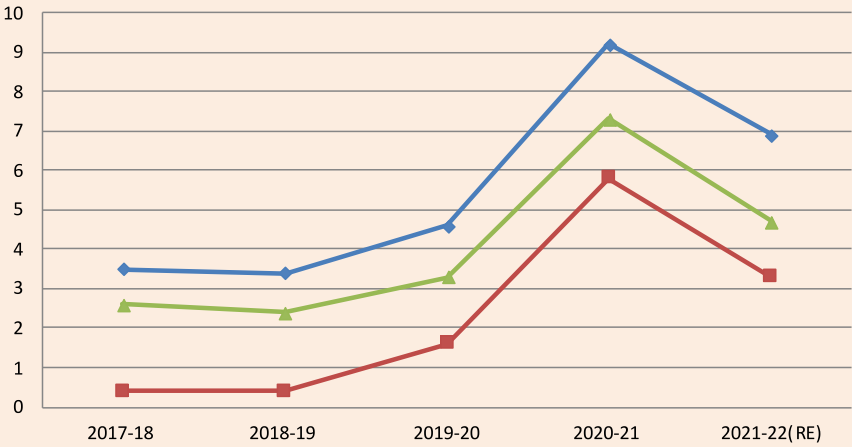
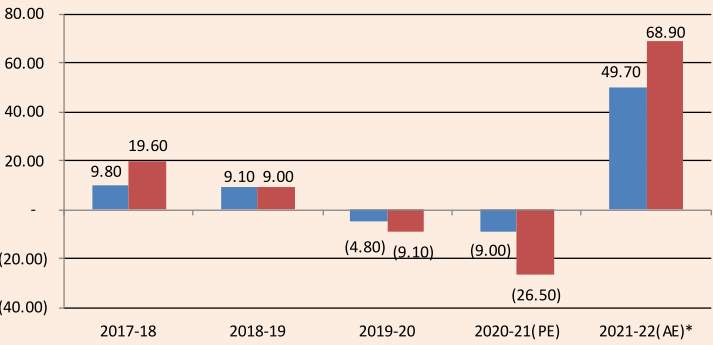
\* Average April- December

Economic Indicators

Growth in Foreign Trade [Average]%

Year	Exports Growth	Imports Growth
2017-18	9.80	19.60
2018-19	9.10	9.00
2019-20	(4.80)	(9.10)
2020-21(PE)	(9.00)	(26.50)
2021-22(AE)*	49.70	68.90

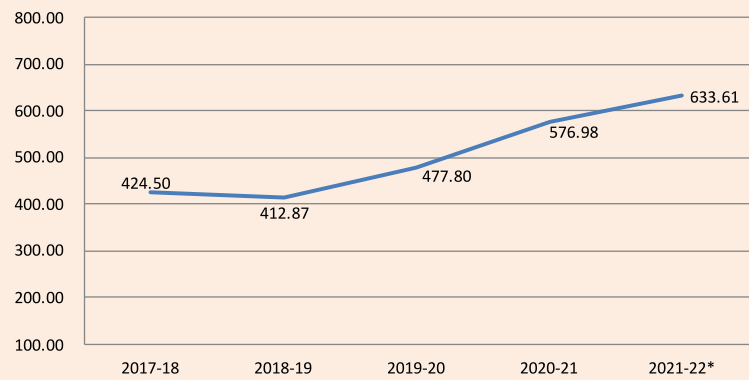
\* Average April- December



Deficit Trends (% of GDP)

(As per the new classification of expenditure)

Year	Fiscal Deficit	Primary Deficit	Revenue Deficit
2017-18	3.5	0.4	2.6
2018-19	3.4	0.4	2.4
2019-20	4.6	1.6	3.3
2020-21	9.2	5.8	7.3
2021-22(RE)	6.9	3.3	4.7



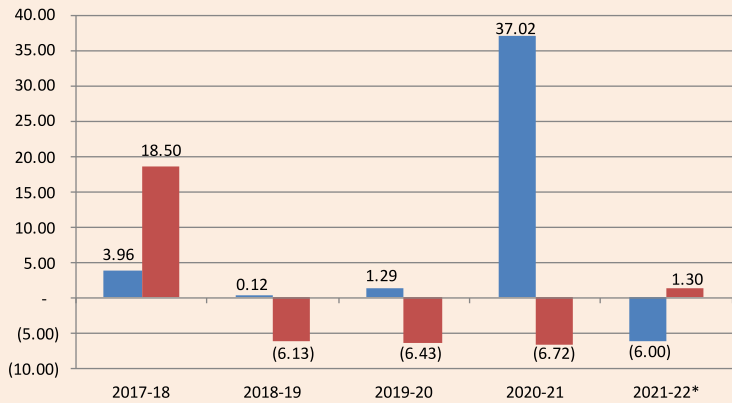
Forex Reserves

Year	In USD billion
2017-18	424.50
2018-19	412.87
2019-20	477.80
2020-21	576.98
2021-22*	633.61

\*As on December 31, 2021

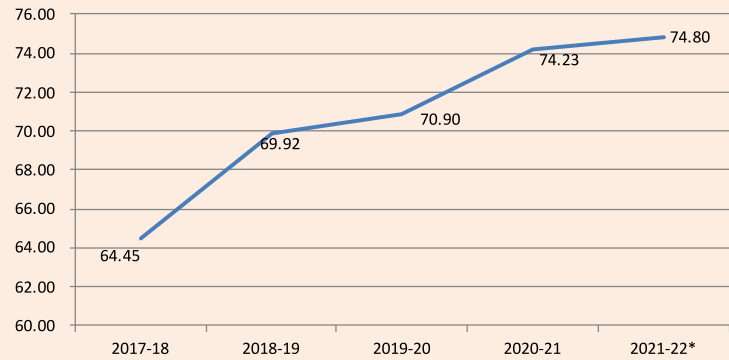
Foreign Investment

(FPI/FII Net investment in USD billion)



Year	Equity	Debt
2017-18	3.96	18.50
2018-19	0.12	(6.13)
2019-20	1.29	(6.43)
2020-21	37.02	(6.72)
2021-22*	(6.00)	1.30

\*Upto January 25, 2022



Exchange Rate

Year	Exchange Rate (INR per USD)
2017-18	64.45
2018-19	69.92
2019-20	70.90
2020-21	74.23
2021-22*	74.80

\* January, 2022

# ECONOMIC SURVEY 2021-22

The Economic Survey 2021-22 reverts to a single volume as the two-volume format was becoming unwieldy and the thematic chapters of Volume 1 were not adequately linked to the sectoral chapters of Volume 2, thereby the change.

The theme of the Survey relates to the art and science of policy making under conditions of extreme uncertainties caused by not just the repeated waves of the pandemic, but also the uncertainty about the post-COVID world due to accelerated shifts in technology, consumer behavior, supply-chains, geo-politics, climate change and a host of other factors.

The default mode of policy-making in India and most of the world has traditionally been to rely on a pre-determined 'Waterfall' approach – an upfront analysis of the issue, detailed planning and finally meticulous implementation. This Economic Survey sets out to explain the alternative 'Agile' approach based on feed-back loops, real-time monitoring of actual outcomes, flexible responses, safety-net buffers and so on which is particularly relevant today because of the explosion of real-time data that allows for constant monitoring.

Such information includes GST collections, digital payments, satellite photographs, electricity production, cargo movements, internal/external trade, infrastructure roll-out, delivery of various schemes, mobility indicators, to name just a few.

The Indian economy is estimated to grow by 9.2% in real terms in 2021-22 (as per the First AE), after a contraction of 7.3% in 2020-21. Growth in 2022-23 will be supported by widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth, and availability of fiscal space to ramp up capital spending. The year ahead is also well poised for a pick-up in private sector investment with the financial system in a good position to provide support to the revival of the economy. Thus, India's GDP is projected to grow in real terms by 8.0-8.5% in 2022-23.

Macro-economic stability indicators suggest that the Indian economy is well placed to take on the challenges of 2022-23. One of the reasons that the Indian economy is in a good position is its unique response strategy and the supply-side reforms including deregulation of numerous sectors, simplification of processes, removal of legacy issues like 'retrospective tax', privatization, production-linked incentives and so on. Even the sharp increase in capital spending by the Government can be seen both as demand and supply enhancing

response as it creates infrastructure capacity for future growth. This year's Survey particularly highlights the importance of process reforms in a number of sectors.

## GDP and GVA at a glance:

The Indian economy is estimated to grow at 9.2% in 2021-22, as against a contraction of 7.3% in the previous fiscal. This means GDP in actual terms in 2021-22 will surpass the pre-COVID level of INR 145.69 lac crore (INR 145.69 trillion) in 2019-20.

GVA at Basic Prices is estimated at INR 135.22 lac crore (INR 135.22 trillion) in 2021-22 as against INR 124.53 lac crore (INR 124.53 trillion) reflecting a growth of 8.6%.

The improvement in the economy comes over a GDP contraction of 7.3% during 2020-21 due to the pandemic and resultant lockdown imposed to curb the spread to the deadly corona virus which severely dented the economic growth in 2020-21 fiscal.

Coming out from severe second wave of the virus, Indian economy has shown a remarkable progress in 2021-22. Several high frequency indicators have reached pre-COVID levels.

The recovery is mainly due to the performance of manufacturing sector which is expected to grow at 12.5% as against contraction of 7.2% a year ago. The agriculture sector is estimated to see a growth of 3.9% in FY 2021-22 higher than 3.6% growth recorded in the previous financial year. Significant growth is also estimated in mining and quarrying (14.3%), and trade, hotels, transport, communication and services related to broadcasting (11.9%).

## Agriculture

India has been able to step in successfully to cater to the increased global demand after the second half of 2020, despite the unprecedented global pandemic. Our nation has emerged as a significant global supplier of food and other essential agricultural products. Indian agriculture sector

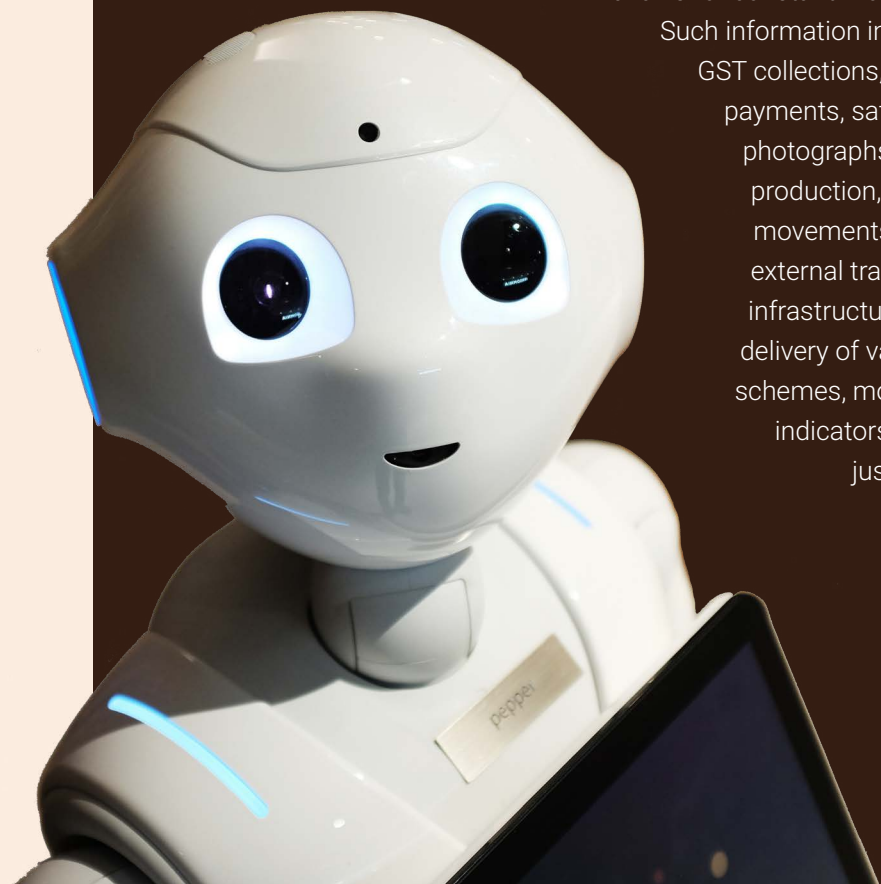
was among the few segments that remained robust amid the pandemic miseries.

The agriculture sector has experienced buoyant growth in the past two years. The sector, which is the largest employer of workforce, accounted for a sizeable 18.8% (2021-22) in GVA of the country registering a growth of 3.6% in 2020-21 and 3.9% in 2021-22. Growth in allied sectors including livestock, dairying and fisheries has been the major drivers of overall growth in the sector and indicates that focus needs to shift more towards harnessing the potential of allied activities.

## Industry and Infrastructure

Global Industrial activity continued to be affected by the disruptions caused by the COVID-19 pandemic. While the Indian industry was no exception to these disruptions, its performance has improved in 2021-22.

Gradual unlocking of the economy, record vaccinations, improvement in consumer demand, continued policy support towards industries by





### Economic Survey

the government in the form of Atmanirbhar Bharat Abhiyan and further reinforcements in 2021-22 have led to an upturn in the performance of the industrial sector. The growth of the industrial sector, in the first half of 2021-22, was 22.9% vis a vis the corresponding period of 2020-21 and is expected to grow by 11.8% in this financial year.

Initiatives under Atmanirbhar Bharat including introduction of structural and procedural reforms, record vaccinations, various PLI scheme designed to attract investments in sectors of core competency and cutting-edge technology, Make-in-India programme to boost domestic manufacturing capacity, reduction of corporate tax rate, etc. and steps to improve operational efficiency have helped the industrial sector to keep up its ante.

The recovery of the industrial sector, positive business expectations propelled by extensive reforms and improved consumer demand, suggests that further improvements in the industrial performance can be expected.

### Services Sector

The services sector as a whole has mostly recovered from

the impact of the nationwide lockdown imposed during March-May, 2020 and localized lockdowns during the second covid wave in April-May, 2021, although some of the sub-sectors continue to be impacted. During the first half of 2021-22, the Services sector grew by 10.8%. The recovery is more pronounced given the GVA of Services crossed the pre-pandemic level in Q2 of 2021-22. However, being a contact intensive sub-sector, GVA of 'Trade, hotels, transport, communication & services related to broadcasting' still remains below its pre-pandemic level. The overall Services sector GVA is expected to grow by 8.2% in 2021-22, although the spread of Omicron variant brings in a degree of uncertainty for near term, especially in segments that require human contact.

Startups in India have grown remarkably over the last six years. The number of new recognized startups have increased to over 14,000 in 2021-22 from only 733 in 2016-17. As a result, India has become the third largest startup ecosystem in the world after the US and China. Further, a record 44 Indian startups have achieved unicorn status in 2021 taking the overall tally of unicorns in India to 83, most of these are in the services sector.

### Prices and Inflation

The average headline CPI-C inflation in India moderated to 5.2% in 2021-22 (April-December) from 6.6% in the corresponding period of 2020-21 and was recorded at 5.6% in December, 2021. CPI Inflation remained range bound as food prices eased considerably due to the supply management response by the Government. Proactive measures were taken to contain the price rise and reduction in central excise and subsequent cuts in VAT by most States has also helped ease petrol and diesel prices.

(WPI), after remaining very benign during the previous financial year, witnessed a sharp uptick, rising to 12.5% during 2021-22 (April-December). This was attributable to the pick-up in economic activity, sharp increase in international prices of crude oil and other imported inputs, and high freight costs.

The divergence between CPI and WPI can be explained by factors such as variations due to base effect, difference in scope and coverage of the two indices, their price collections, items covered and difference in commodity weights. Further, WPI is more sensitive to cost-push inflation led by imported inputs. With the

gradual waning of base effect in WPI, the divergence in CPI-C inflation and WPI inflation is also expected to narrow down.

### External Sector

External trade recovered strongly in 2021-22 after the pandemic-induced slump of the previous year, with strong capital flows into India, leading to a rapid accumulation of foreign exchange reserves which crossed the milestone of USD 600 billion and touched USD 633.6 billion as of December 31, 2021. As of end November, 2021, India was the fourth largest forex reserves holder in the world after China, Japan, and Switzerland.

Owing to the recovery of global demand coupled with revival in domestic activity, India's merchandise exports and imports rebounded strongly and surpassed pre-COVID levels during the current financial year. During 2021-22 (April-December), the merchandise exports and imports recorded growth of 49.7% and 68.9% compared to corresponding period of last year. The revival in exports was also helped by timely initiatives taken by Government. USA followed by UAE and China remained the top export destinations in April-November, 2021, while China, UAE and USA were the largest import sources for India.

FPI flows remained volatile due to global uncertainties relating to US monetary policy normalization, rising global energy prices, fear of new variants of COVID-19 and strong inflationary pressures. While the debt market witnessed net purchases during April-December, 2021, valuation concerns and profit booking by portfolio investors led to outflows from the Indian equity market, leading to net FPI outflow of USD 6 billion, vis-à-vis net FPI inflow of USD 28.5 billion in corresponding period a year earlier.

Indian rupee depreciated by 4.5% (YoY) against US dollar in 2020-21. Although the rupee exhibited movements in both directions against US dollar during April-December, 2021, it depreciated by 3.4% in December 2021 over March 2021.

**Fiscal Developments**

During the year 2020-21, the shortfall in revenue collection owing to the interruption in economic activity and the additional expenditure requirements to mitigate the fallout of the pandemic on vulnerable people, small businesses, and the economy in general, created immense pressure on the available limited fiscal resources. As a result, the budgeted fiscal deficit for 2020-21 was revised from 3.5% in BE to 9.5% in RE. The fiscal deficit for 2020-21 Provisional Actuals stood at 9.2% of GDP i.e. lower than RE.

The MTFP Statement presented with Budget 2021-22 envisaged a fiscal deficit target of 6.8% of GDP for 2021-22. This reduction in deficit during the current year was budgeted on account of reduction in expenditure and a budgeted marginal increase in gross tax revenues.

The data on Government accounts for April to November, 2021, released by the Controller General of Accounts, shows that the Government is well on track for achieving the budget estimate for fiscal deficit in 2021-22.

Immediately after the COVID-19 outbreak, Government of India chose to first create safety-nets for the vulnerable sections of the society/ small businesses before going on to introduce stimulus packages to boost economic recovery. The change in the mix of stimulus effected in 2020-21 towards a larger share of capital spending, has continued in the current year as well. The stimulus measures announced so far during the year 2021-22 include liquidity enhancing and investment boosting measures such as the Production Linked Incentives scheme, credit guarantee schemes and export boosting initiatives.

With the bouncing back of the economy in the current financial year, the revenue receipts of the central government during April to November 2021 have gone up by 67.2% (YoY), as against an expected growth of 9.6% in the 2021-22 BE (over 2020-21 Provisional Actuals). The buoyant

tax collections of both direct and indirect taxes, along with the non-tax revenue boosted by RBI's surplus transfer to the Government, have contributed to the increase in the revenue pool. This performance is strong not only over the corresponding period of the previous year but also when compared to the pre-pandemic levels of 2019-20.





DIRECT TAXES

A. RATES OF INCOME TAX

Individual Income Tax Rates

Tax Slabs

No changes in income tax slab rates have been proposed in the budget.

With no change in the basic exemption limit, income tax slabs and rates, an individual tax payer

will continue to pay the tax at the same rates applicable in AY 2022-23.

Individuals with a net taxable income of up to INR 5 lac (INR 0.50 million) in a financial year will be able to avail tax rebate of INR 12,500 under section 87A in both the existing/old and new concessional tax regimes.

Effectively, individual taxpayers with net taxable income of up to INR 5 lac (INR 0.50 million) will continue to pay zero tax in both the tax regimes.

Slab rate applicable to an Individual and HUF opting for concessional tax regime under section 115BAC:

Total Income	Rate
Up to INR 2.50 lac (INR 0.25 million)	Nil
INR 2.50 lac to INR 5.00 lac (INR 0.25 million to INR 0.50 million)	05%
INR 5.00 lac to INR 7.50 lac (INR 0.50 million to INR 0.75 million)	10%
INR 7.50 lac to INR 10.00 lac (INR 0.75 million to INR 1.00 million)	15%
INR 10.00 lac to INR 12.50 lac (INR 1.00 million to INR 1.25 million)	20%
INR 12.50 lac to INR 15.00 lac (INR 1.25 million to INR 1.50 million)	25%
Above INR 15.00 lac (INR 1.50 million & above)	30%

Slab rate applicable for the individual in the old scheme:

Total Income	Rate
Up to INR 2.50 lac (INR 0.25 million)	Nil
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 million) if TI < 5 lac	0%
INR 2.50 lac to INR 5.00 lac (INR 0.25 to INR 0.50 million)	5%
INR 5.00 lac to INR 10.00 lac (INR 0.50 to INR 1 million)	20%
Above INR 10.00 lac (INR 1 million)	30%



Rates of Surcharge

No change in the applicable rates of surcharge, applicable for individual, HUF, AOP, BOI, AJP (including non-residents). They remain unchanged.

Total Income	Rate	Effective%
Exceeding INR 50 lac (INR 5 million) to INR 1 crore (INR 10 million)	10%	34.32%
Exceeding INR 1 crore (INR 10 million) to INR 2 crore (INR 20 million)	15%	35.88%
Exceeding INR 2 crore (INR 20 million) to INR 5 Crore (INR 50 million)	25%	39.00%
Exceeding INR 5 Crore (INR 50 million)	37%	42.74%

Firms/ Local authorities

The rates of tax continue to be the same as that specified for AY 2022-23.

Co-operative societies

In the case of co-operative societies, the rates of income-tax will continue to be the same as those specified for AY 2022-23. However, there is change in the rate of surcharge. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income exceeds INR 1 crore (INR 10 million) but does not exceed INR 10 crore (INR 100 million). Surcharge at the rate of 12% shall continue to be levied in case total income exceeds INR 10 crore (INR 100 million). Marginal relief is provided in cases of surcharge.

Companies

The rates of tax continue to be same as that specified for AY 2022-23.

Type of Company	TI < INR 1 crore (10 million)	TI INR 1 to 10 crore (INR 10 to 100 million)	TI> INR 10 crore (INR 100 million)
Section 115BAB Company	17.16%		
Section 115BAA Company	25.17%		
Domestic Company (Turnover not exceeding INR 400 crore (INR 4 billion)	26.00%	27.82%	29.12%
Domestic Company (Compliant with conditions of section 115BA)	26.00%	27.82%	29.12%
Domestic Company (Others)	31.20%	33.38%	34.94%
Foreign Company	41.60%	42.43%	43.68%

PROMOTING VOLUNTARY TAX COMPLIANCE

Provisions for filing of updated return of income

It is proposed to insert a new sub-section (8) in section 139 of the Income Tax Act, enabling furnishing of an updated return and a new section 140B, for payment of corresponding additional tax. This provision provides an opportunity to the taxpayer to rectify any omissions or mistakes in their correct estimation of income and to furnish an updated return, with some additional tax, within a period of 2 years from the end of the relevant AY::

- Any person, can file an updated return regardless

of whether or not he has furnished a return under section 139(1) or under section 139(4) or under section 135(5). Thus, a taxpayer who could not file the return in the normal course is eligible to file an ‘updated return’.

- The provision is not applicable if the updated return, is a return of a loss, has the effect of decreasing the total tax liability, results in refund or any increase in refund determined in the return furnished earlier under sub-section (1), (4) or (5) of

section 139. Such an updated return can be furnished only for declaring some additional income and not for making any additional claims or seeking refunds.

- Following persons shall not be eligible to file the updated return:

- \* Persons subjected to search under section 132 or requisitioned under section 132A
- \* Person subjected to survey under section 133A, other than section 133A(2A)



<div><ul style="list-style-type: none"><li>* Person to whom a notice has been issued for any money, bullion, jewellery or valuable article or thing seized or requisitioned under section 132 or under section 132A in the case of any other person;</li><li>* Where a notice has been issued that any books of account or documents seized or requisitioned under section 132 or section 132A (in the case of any other person).</li><li>• Further, no updated return shall be furnished by any person for the relevant AY, where:<ul style="list-style-type: none"><li>* The person has already filed the updated return under this sub-section (8A), thus the taxpayer cannot file another ‘updated return’ for the same AY,</li><li>* Any proceeding for assessment or reassessment or re-computation or revision of income is pending or has been completed for the relevant AY,</li><li>* The AO has any</li></ul></li></ul></div>	<div><p>information in his possession against any such person for the relevant AY under the Prevention of Money Laundering Act, 2002 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or the Prohibition of Benami Property Transactions Act, 1988 or The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and same has been intimated to him before filing the date of updated return,</p><ul style="list-style-type: none"><li>* Any information for the relevant AY under an agreement referred to in sections 90 or 90A is received by the AO before the filing date of updated return by such person, and same has been intimated to him before filing the date of updated return.</li><li>* Any prosecution proceedings under Chapter XXII have been</li></ul></div>	<div><p>initiated for the relevant AY in respect of such person, prior to the date of his filing of return under the proposed sub-section(8A) of section 139, or</p><ul style="list-style-type: none"><li>* The person belongs to the such class of person as may be notified by the CBDT.</li></ul><p>It is also been proposed to amend section 139(9) to provide that a return filed under the proposed sub-section (8A) of the said section 139 shall be defective unless such return is accompanied by the proof of payment of tax as required under the proposed section 140B.</p><p>A new section 140B has been proposed to provide for the tax required to be paid for opting to file a return under the proposed provisions i.e., sub-section (8A) of section 139:</p><ul style="list-style-type: none"><li>• Where no return was furnished by the assessee, assessee is liable to pay tax due together with interest and fee along with additional income-tax contained in section 140B(3).</li></ul></div>	<div><ul style="list-style-type: none"><li>• Where return of income was furnished by the assessee under section 139(1) or section 139(4) or section 139(5), the assessee is liable to pay tax due together with interest and fee along with additional income-tax contained in section 140B(3) as reduced by interest paid in the earlier return.</li></ul><p>The tax is to be computed after taking effect of the taxes paid as detailed in the said section. The updated return must carry the proof of payment of such tax, additional tax, interest and fee</p><p><b>Quantum of additional tax</b></p><p>Section 140B(3) provides the quantum of additional tax payable by filing ‘updated return’:</p><ul style="list-style-type: none"><li>• 25% of the aggregate of tax and interest payable, where the ‘updated return’ is furnished within 12 months from the end of the relevant AY.</li><li>• 50% of the aggregate of tax and interest payable, where the ‘updated return’ is furnished after 12 months from the end of the relevant</li></ul></div>	<div><p>AY but before completion of the period of 24 months from the end of the relevant AY.</p><p><b>VKC Insights</b></p><p><i>Introduction of this section is aimed at encouraging and providing a window to taxpayers for voluntary compliance. However, it carries a high cost in the form of payment of additional tax ranging from 25-50% in addition to basic tax, interest and fee payable, which makes the scheme slightly unattractive and would discourage taxpayers to make voluntary disclosures or corrections. Further, whether there is immunity from levy of penalty on voluntary compliance through furnishing of an updated return should be clarified.</i></p><p><b>Litigation management when in an appeal by revenue an identical question of law is pending before jurisdictional High Court or Supreme Court</b></p><p>It is proposed to insert a new section 158AB, to provide that where the collegium is of the opinion that any question of law arising in the case of an assessee</p></div>	<div><p>for any AY (‘relevant case’) is identical with a question of law already raised in his case or in the case of any other assessee for an AY, which is pending before the jurisdictional HC or SC or in an SLP under article 136 of the Constitution, against the order of ITAT or the jurisdictional HC, as the case may be, in favour of such assessee (‘other case’), it may, decide and intimate the CIT or Pr.CIT not to file any appeal, at this stage, to the ITAT or HC.</p><p>‘Collegium’ has been proposed to comprise of 2 or more CCIT or PrCIT or CIT, as specified by the Board.</p><p>Consequently, sunset clause has been proposed to Section 158AA.</p><p><b>VKC Insights</b></p><p><i>The amendment has been brought with the intent of reducing the cost and time in litigation, which will greatly help in reducing repeated lawsuits between taxpayers and the department on matters already in dispute and pending to be heard before higher appellate forums.</i></p></div>
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**Amendment in section 245MA for DRC**

It is proposed to insert a new sub-section to this section to enable the AO to pass an order giving effect to the resolution of dispute by the DRC.

**Clarification regarding treatment of Cess and Surcharge**

In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to include an explanation retrospectively to clarify that for the purposes of section 40a(ii), the term 'tax' includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax. Amendment is made retrospectively to make clear the position irrespective of the circular of the CBDT.

Amendment will take effect retrospectively from AY 2005-06 onwards.

**14A disallowance in absence of exempt income**

It is proposed to provide the explanation that disallowance

under section 14A shall attract even though exempt income has not accrued or arisen or received during the PY in which expenditure has been incurred to earn the exempt income.

**Clarifications on allowability of expenditure under section 37**

In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to insert another explanation to sub-section (1) of section 37 to further clarify that the expression 'expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law' under explanation 1, shall include and shall be deemed to have always included the expenditure incurred by an assessee:

- For any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
- To provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or

perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or

- To compound an offence under any law for the time being in force, in India or outside India.

**Deduction on payment of interest under 43B only on actual payment**

In order to the curb the mischief of claiming deduction, it is proposed to amend explanation 3C, explanation 3CA and explanation 3D of section 43B to provide that conversion of interest payable under clause (d), clause (da), and clause (e) of section 43B, into debenture or any other instrument by which liability to pay is deferred to a future date, shall also deemed to be non-payment of such interest.

**Consequence for failure to deduct/collect or payment of tax – Computation of interest**

Section 201 deals with the consequences of persons who fail

to deduct tax or after deducting, fail to deposit the same to the credit of the Central Government. Accordingly, assessee is liable to pay interest for delayed period and similarly in case of TCS.

Owing to computation of interest being subject matter of frequent litigation, it is proposed to:

- Amend section 201(1A) to provide that where any order is made by the AO for default under sub-section (1), interest shall be paid by the person in accordance with the order made by the AO in this regard;
- Amend section 206C(7) to provide that where any order is made by the AO for default under sub-section (6A) of the said section, interest shall be paid by the person in accordance with the order made by the AO in this regard.

**FOLLOWING HEADINGS TO BE INSERTED BACK INSIDE 'RATIONALIZATION MEASURES' ALREADY MAILED IN PART 2:**

**Faceless Schemes under the Act**

Owing to certain modifications being proposed which will have impact on the Information technology structure and other factors, which shall result in delay in stabilization of the system, accordingly it is proposed to extend the date of issuing directions for relevant sections as under:





SN	Section	Scheme	Date of Limitation	Extended date of limitation
1.	92CA	Faceless determination of arm's length price	March 31, 2022	March 31, 2024
2.	144C	Faceless Dispute Resolution Panel	March 31, 2022	March 31, 2024
3.	253	Faceless appeal to Appellate Tribunal	March 31, 2022	March 31, 2024
4.	255	Faceless procedure of Appellate Tribunal	March 31, 2022	March 31, 2024

#### Amendment in Faceless Assessment under section 144B

The provision of section 144B of the Income Tax Act, 1961 (hereinafter referred to as ‘the Act’) were inserted by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 to provide the procedure for faceless assessment with effect from April 1, 2021 and the provisions of Faceless Assessment Scheme, 2019 ceased to operate from that date.

However, various difficulties are being faced by the administration and the taxpayers in the operation of the faceless assessment procedure. In view of the above, it is proposed that the existing provisions of the section 144B may be amended to streamline the process of faceless assessment in order to address the various legal and procedural problems being faced in the implementation of the said section.

Clause 42 of the Finance Bill, 2022 proposes certain amendments in Section 144B of the Income Tax Act, 1961. Sub-clause (b) thereof provides that sub-section (9) of this section shall be omitted and shall be deemed to have been omitted retrospectively with effect from the April 1, 2021 i.e from inception.

Sub-section (9) of section 144B provides that the assessment proceedings shall be void if the procedure mentioned in the section was not followed. The said sub-section refers to violation of the procedure laid down by the law whereas a large number of disputes have been raised under this sub-section involving technical issues arising due to use of information technology, leading to unnecessary litigation. It is, therefore, proposed to omit this sub-section i.e., sub-section (9) of section 144B from its date of inception.

This amendment will take effect retrospectively from April 1, 2021.

#### Rationalization of provisions relating to assessment and reassessment

The Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from the April 1, 2021. The said amendment modified, inter alia, sections 147, section 148, section 149 and also introduced a new section 148A in the Act. In cases where search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A, on or after April 1, 2021, assessment or reassessment is now made under sections 143 or 144 or 147 after the Finance Act, 2021.

- It is proposed that before resorting to the reassessment provisions as mentioned in section 148, the AO shall not be required to take prior approval if he has passed an order under 148A(d).
- Explanation 2 to section 148 (as inserted through Finance Act, 2021) states that in

case of escapement of income the reassessment proceedings shall be initiated for 3 AYs. The same has been proposed to be deleted. Meaning thereby that in the cases, where the reassessment orders are to be framed in pursuance to the search proceedings under section 132, the same shall not be restricted to 3 years, as was mentioned earlier.

- Corresponding changes have been made to section 153B which pertains to prescribing the time limit for carrying the search assessment. The said section shall not apply in respect of the search conducted on or after April 1, 2021.
- A relevant change has been proposed to made in the first proviso to section 149(1) in terms that in the same, the reference to section 153A or section 153C has been inserted. It has been proposed that the time lines for initiating the reassessment proceedings shall be in consonance to the time limits prescribed in section 153A or section 153C, as they stood prior to the Finance Act 2021. In other words, in the case of search proceedings the reassessment proceeding has to be based on the time lines stated in sections 153A/153C, i.e. 6 years from the date of search.
- Corresponding changes has been made in section 132(8) which says that books of account or other documents seized shall not be retained by authorized officer for a period exceeding thirty days after passing of the assessment order, except with prior approval of the prescribed authority.
- The provision of section 153 provides for the time limit for computing the assessment and reassessment proceedings. Explanation 1 thereof provides for the exclusion of certain events which shall not be considered for the purpose of computing the said limitation period. In the same, it has been proposed to insert that the period (not exceeding 180 days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A, shall be excluded. Meaning thereby that the time limit for passing the assessment order shall be enlarged by the time taken under the said activity. Similar changes have been proposed in section 153B which prescribes the time lines in case of search assessments.
- The provision of section 149(1)(b) states that the reassessment proceedings can be initiated upto a period exceeding 3 years but not more than 10 years if the income escaped is more than INR 50 lac

(INR 5 million). The same has been proposed to be quantified to be represented in the form of (a) asset; (b) expenditure in respect of a transaction or in relation to an event or occasion and (c) an entry or entries in the books of account. Thus, the scope of this provision has been enlarged and more clarified.

- A new section 148B has been proposed, which states that no assessment order shall be passed without the prior approval of the Addl. CIT, in accordance with the earlier existing provisions viz. section 153D.
- Penalty provisions under section 271AAB are attracted in the cases wherein the search proceedings are conducted. The same mentions a term ‘specified date’ which is relevant for payment of taxes. Explanation to the said section defines the term ‘specified date’. This earlier used to refer only to section 153A and the same has been amended to include section 148.

SOCIO-ECONOMIC WELFARE MEASURES

Extension date for commencement of manufacturing or production under section 115BAB

Section 115BAB provides for an option of concessional rate of taxation at 15% for new domestic manufacturing companies commencing manufacturing or production of an article or thing on or before March 31, 2023.

It is proposed to amend the section so as to extend the date of commencement to March 31, 2024.

Amendment will apply from AY 2022-23 onwards.

Extension of date of incorporation for eligible start up for exemption

100% deduction of profits are provided to an eligible start-up for 3 consecutive AYs out of 10, beginning from the year of incorporation, at the option of the assessee under section 80-IAC provided it is incorporated before April 1, 2022. In view of delays in setting up of such units due to COVID pandemic, it is proposed to extend the period of incorporation of eligible start-ups to March 31, 2023.

Amendment will apply from AY 2022-23 onwards.

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*This extension of sunset clause for manufacturing companies in section 115BAB and for start-ups in 80-IAC by a year is proposed in view of the delay in setting up/registration which emanated as a result of the COVID-19 and also as an effort to promote in-house production under ‘Make-in-India’ campaign to establish a globally competitive business environment.*

Reduced AMT Rate for co-operative societies

To provide parity between co-operative societies and companies, it is proposed to modify section 115JC(4) to reduce the AMT rate at which co-operative societies are liable to pay income-tax from 18.5% to 15%.

Tax Incentives to IFSC

In order to incentivize operations from IFSC, it is proposed to provide the following additional incentives:

- To extend exemption under section 10(4E) to income accrued or arisen to or received by an NR as a result of transfer of offshore derivative instruments or over-the-counter derivatives entered into with an Offshore Banking Unit of an IFSC under section 80LA(1A).
- To extend exemption under section 10(4F) to income of an NR by way of royalty or interest, on account of lease of a ship in a PY, paid by a unit of an IFSC under section 80LA(1A), if the unit has commenced its operations on

or before March 31, 2024.

- To provide exemption under new section 10(4G) to any income received by an NR from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such NR, in an account maintained with an offshore banking unit, in any IFSC under section 80LA(1A), to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.
- Amendment proposes to define ‘ship’ and ‘portfolio manager’ separately.
- To amend the explanation to section 56(viib) for amending the definition of ‘specified fund’ to include Category I or a Category II AIF regulated under the IFSCs Authority Act, 2019.
- To amend clause (d) of section 80LA(2) to provide that in addition to the income arising from the transfer of an asset being an aircraft, the income arising from transfer of an asset being a ship, which was leased by a unit of the IFSC to any person shall

also be eligible for deduction under section 80LA(1A), subject to the condition that the unit has commenced operation on or before March 31, 2024.

Incentives to State-Government NPS subscribers

A deduction is allowed for contributions by the Central Government or any other employer to the NPS account under section 80CCD if it does not exceed 14% of his salary where such contribution is made by the Central Government. In order to ensure that the State Government employees get full deduction of the enhanced contribution by the State Government, it is proposed to increase the limit of deduction under section 80CCD from the existing 10% to 14% retrospectively from AY 2020-21 onwards in respect of contribution made by the State Government to the account of its employee.





Direct Taxes

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Amendment is proposed with a view to help in enhancing the social security benefits of the State Government employees and bring them at par with Central Government employees.

Condition of releasing of annuity to a disabled person

Section 80DD provides for deduction of amount deposited under an insurance scheme which provides for payment of annuity as lump sum amount for the benefit of a dependent, being a person with disability, in the event of the death of the individual or the member of the HUF in whose name subscription to scheme stipulated in the said provision has been made. It is proposed to 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 scheme has been made and where payment or deposit has been discontinued.

Further, section 80DD(3) provides that if the dependent with disability, predeceases the individual or the member of the HUF, the amount deposited in such scheme shall be deemed to be the income of the assessee in PY of receipt. It is proposed that the above provision shall not apply to the amount received by the dependent, before his death, by way of annuity or lump sum by application of the condition referred to in the proposed amendment.

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The amendment has been proposed in cognizance of the ruling of the Hon’ble Supreme Court in Mr. Ravi Agrawal vs Union of India (WPC 1107 of 2017) delivered on January 3, 2019, wherein the Apex Court had observed that legislative intent of section 80DD was to give incentive to the persons having dependents with disability, by allowing deductions where such parents/guardians of dependents with disability take insurance policies of the nature specified in this provision. While the legislative intent of drafting section 80DD is to secure the future of the persons suffering from disability, namely, after the death of the parent/guardian with the presumption is that during his/her lifetime, the parent/

guardian would take care of the handicapped child, this causes genuine hardships where funds are required in certain cases for the benefit of the dependent with disability during lifetime of the parent/guardian. The Apex Court had recommended suitable amendment to be given to section 80DD by the Parliament to address this concern, directing the AO to revisit provisions of the section.

Tax-exemption on COVID-19 medical treatment or death

It is proposed to amend retrospectively from AY 2020-21 onwards by inserting:

- A new sub-clause in the proviso to clause (2) of section 17 and to insert a new sub-clause in the proviso to state that any sum paid by the employer in respect of any expenditure actually incurred by the employee on illness relating to COVID-19 on his own / family member’s medical treatment, shall not be forming part of ‘perquisite’.
- Proviso to clause (x) of section 56(2) and insert two new clauses in the proviso so as to provide:
  - any sum of money received by an individual,

from any person, in respect of any expenditure actually incurred on illness relating to COVID-19 on his own / family member’s medical treatment, shall not be the income of such person;

- any sum of money received by a member of the family of a deceased person, from the employer of the deceased person (without limit), or from any other person or persons, to a maximum of INR 10 lac (INR 1 million), where the cause of death of such person is illness relating to COVID-19 and the payment is received within 12 months from the date of death of such person, shall not be the income of such person.

‘Family’ proposed to have the same meaning as assigned to in the explanation 1 of section 10(5).

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Vide press release dated June 25, 2021, CBDT had announced tax exemption for amount received by a taxpayer for COVID-19 medical treatment from employer

or from any person during FY 2019-20 onwards. It had also provided tax exemption to ex-gratia payment received by family members of a person from the employer (without any limit) or from other person, to a maximum of INR 10 lac (INR 1 million) on the death of the person on account of COVID-19 during FY 2019-20 onwards. The legislative amendments for the same have been incorporated now.

Facilitating strategic disinvestment of PSCs

Section 79(1) inter-alia provides for denial of carry forward and set-off of loss in case of change in shareholding in case of a company by more than 51%. In order to facilitate the strategic disinvestment of public sector companies, it is proposed to amend the section to provide that it shall not apply to an erstwhile public sector company subject to the condition that the ultimate holding company of such erstwhile public sector company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least 51% of the voting power of the erstwhile public sector company in aggregate.

If the above condition is not complied with in any PY after the completion of strategic disinvestment, the provisions of sub-section (1) shall apply for such PY and subsequent PYs.

Amendment will apply from AY 2022-23 onwards.

WIDENING AND DEEPENING OF TAX BASE

Reducing 2-year non-filer requirement for higher TDS/TCS

In order to widen and deepen the tax-base and to nudge taxpayers to furnish their return of income, Finance Act, 2021 inserted sections 206AB and 206CCA in the Act. The said sections provide for special provision for deduction and collection of Tax at source respectively, in case of specified persons at higher rates specified therein. ‘Specified person’ has been defined to mean a person who has not filed the returns of income for both the two AYs relevant to the two PYs immediately preceding the FY in which Tax is required to be deducted or collected, for which the time limit for filing return of income under section 139(1) has expired; and the aggregate of Tax deducted at source and Tax collected at source in his case is INR 50,000 or more in each of these 2 PYs.

It is proposed to reduce 2 years requirement to 1 year by amending sections 206AB and 206CCA.

In order to reduce the additional burden on individual and HUF taxpayers covered under section 194-IA, 194-IB and 194M for whom simplified tax deduction system has been provided without requirement of TAN, it is proposed that the provisions of section 206AB will not apply in relation to transactions on which tax is to be deducted under the said sections.

In addition to above, it is also proposed to rectify a drafting error in sections 206AB and 206CCA wherein the terms ‘deductor’ and ‘collectee’ respectively were used incorrectly. Further, since the returns are now being furnished electronically, it is also proposed that in place of ‘filing’ of return, the term ‘furnishing’ of return may be substituted.

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*Sections 206AB and 206CCA inserted with effect from July 1, 2021, provide for higher rate of TDS/TCS on deductees who have not filed the return of income for both of the two AYs relevant to the two PYs immediately before the PY in which tax is required to be deducted/collected and where aggregate of TDS and TCS is INR 50,000 or more in each of these two PYs. Functionality to check single PAN as well as bulk PAN is available under the ‘Compliance Check for section 206AB and 206CCA’ menu on the Reporting Portal.*

**Introduction of TDS under section 194-IA on Stamp Duty Value of property**

It is proposed to amend section 194-IA to provide that in case of transfer of an immovable property (other than agricultural land), Tax is to be deducted at the rate of 1% of such sum paid or credited to the resident or the stamp duty value of such property, whichever is higher. In case the stamp duty value as well as the consideration paid for the transfer of immovable property, are both less than INR 50 lac (INR 5 million), then no Tax is to be deducted under section 194-IA.

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*Amendment has been brought in view of taxability of stamp-duty valuation of properties under sections 50C and 43CA. The deduction of tax at this valuation will result stamp duty value of transaction to reflect in the AIS Forms of taxpayers. Clarity is yet to be received:*

- In cases where such value does not exceed 110% of the consideration received;*
- Where the taxpayers had entered into agreements covered under proviso to section 50C and 43CA, and stamp duty valuation as at such date of agreement needs to be taken into consideration, whether the Tax is to be deducted on stamp duty valuation as at the date of agreement;*
- Interplay between rule 37BA(3) on AIS forms where stamp duty valuation will reflect and proportionate tax credit claim be mechanically denied to taxpayers, if consideration offered to tax is less than stamp duty value, falling under either of the above two scenarios.*

**New section 194R for withholding tax on benefit or perquisite**

In order to widen and deepen the tax base, it is proposed to insert a new section 194R with effect from July 1, 2022 to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that Tax has been deducted in respect of such benefit or perquisite at the rate of 10% of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression ‘person responsible for providing’ has been proposed to mean a person providing such benefit or perquisite or in case of a

company, the company itself including the principal officer thereof.

Further, in a case where the benefit or perquisite, as the case may be, is wholly in kind or partly in cash and partly in kind but such part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such benefit or perquisite, the person responsible for providing such benefit of perquisite shall, before releasing the benefit or perquisite, ensure that Tax has been paid in respect of the benefit or perquisite.

No Tax is to be deducted if the

value or aggregate value of the benefit or perquisite paid or likely to be paid to a resident does not exceed INR 20,000 during the FY. Further, the provisions of the said section shall not apply to an individual or a HUF, whose total sales, gross receipts or turnover does not exceed INR 1 crore (INR 10 million) in case of business or INR 50 lac (INR 5 million) in case of profession during the FY immediately preceding the FY in which such benefit or perquisite, as the case may be, is provided.





Expanded reporting for producers of a cinematograph film

Under section 285B, the producer of cinematographic films is obliged to furnish within 30 days from the end of the FY or from the date of completion of the film, whichever is earlier, a statement containing particulars of all payments over INR 50,000 in the aggregate made by him or due from him to each person engaged by him.

It is proposed to widen the scope of section 285B to include persons engaged in specified activities to expand the reporting requirements in Form 52A. 'Specified Activities' would mean event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

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Amendment comes to effect CAG's recommendations to CBDT in report on Entertainment Sector to curb revenue leakage on non-receipt of 52A and non-levy of late fee/penalty on belated furnishing and considers:

- To pro-actively pursue the receipt of Form 52A from all movie producers;
- Extending disclosure requirement vide Form 52A for assessees engaged in other emerging sub-sectors of Entertainment Industry, viz. documentary producer, event management firms/companies etc.;
- Changing template of Form 52A to include PAN of payees receiving payments from the producers;
- Capturing details of receipts earned by movie producers from various movie rights/ overflow (surplus receipts);
- Making it mandatory to disclose all details sought as per Form 52A;
- Making it necessary to disclose, separately, details of amounts actually paid during the FY and amounts due for payment as on the date of filing of Form 52A to facilitate cross verification of receipts in respect of the assessees who are following cash/ mercantile basis of accounting.

We expect such reporting requirements to be incorporated in Form 52A.

Bonus and dividend stripping now applicable to securities and units

Section 94 contains anti avoidance provisions to deal with transactions in securities and units of mutual fund which, inter-alia, include dividend stripping and bonus stripping. It is proposed to amend section 94(8), pertaining to the prevention of tax evasion through bonus stripping, so as to make the said provision applicable to securities as well. It is also proposed to amend explanation to the said section to modify the definition of 'Unit', so as to include units of business trusts such as InvIT, REIT and AIF.

REVENUE MOBILIZATION

Taxation of Cryptocurrency

A new scheme providing for taxation of such 'Virtual Digital Asset' has been proposed in the Finance Bill, 2022, the salient features of which are as under:

- Proposed section 115BBH seeks to tax transfer of any virtual digital asset.

- \* Tax is at the rate of 30%.
- \* No deduction in respect of any expenditure (other than cost of acquisition) or allowance or set off of any loss shall be allowed while computing income from transfer of such asset.
- \* Set off for any loss arising from the transferr of VDA shall not be allowed against any other income.
- \* Loss shall not be allowed to be carried forward to subsequent AYs.
- New section 194S proposed to be inserted from July 1, 2022 provides for deduction of Tax on payment for transfer of virtual digital asset to a resident.
- Tax is proposed to be deducted at the rate of 1%.
- For above section 194S, the person before making the payment shall ensure that the Tax has been paid in respect of such consideration in case the payment for such transfer is:
  - \* Wholly in kind or in exchange of another virtual digital asset where there is no part in cash; or
  - \* Partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such transfer.
- In case of specified persons, the provisions of section 203A and 206AB will not be applicable.
- No Tax is to be deducted in case the payer is the specified person and the value or the aggregate of such value of consideration to a resident is less than INR 50,000 during the FY. In any other case, the said limit is proposed to be INR 10,000 during the FY.
- It is also proposed to provide that if Tax has been deducted under section 194S, then no Tax is to be collected or deducted in respect of the said transaction under any other provision of Chapter XVII.
- Where any sum paid for transfer of virtual digital asset is credited to any account, whether called 'Suspense Account' or by any other name, in the books of account of the person liable to pay such sum, such credit of the sum shall be deemed to be the credit of such sum to the

account of the payee and the provisions of section 194S shall apply accordingly.

- In case of overlapping of provisions of 194-O and 194S, then Tax shall be deducted under section 194S.
- For the purposes of the said section, it is proposed to provide that 'specified person' means a person:
  - \* Being an individual or HUF whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed INR 1 crore (INR 10 million) in case of business or INR 50 lac (INR 5 million) in case of profession, during the FY immediately preceding the FY in which such virtual digital asset is transferred;
  - \* Being an individual or HUF having income under any head other than under PGBP.

Explanation to section 56(2)(x) is proposed for amendment for the expression 'property' to include virtual digital asset. Further, section 2(47A) has been inserted to define the term 'virtual digital

asset’, to mean any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and any other token of similar nature are included in the definition.

VKC Insights

With crypto dealings slowly gaining ground in India, there was strong need for introduction of income-tax provisions to cater to its taxability in

*India. By virtue of the proposed amendments, crypto has been legally recognized in India. While simultaneous provisions have been brought in for Rupee Digital Currency to be issued by RBI, which is outside the ambit of definition provided in the new section 2(47A), tracking of transactions and withholding tax compliances in absence of a central regulator will be challenging. Circumstances in which taxability will be speculative, business or capital gains or disclosure of investments held in the financial statements and tax return has not been penned down.*

Sunset clause for section 115BBD

Finance Act, 2020 abolished the DDT, providing taxability of dividend in the hands of the shareholders. It is proposed to discontinue section 115BBD (which provides for tax on the dividend income received by an Indian company from a foreign company).

PHASING OUT EXEMPTIONS

Withdrawal of certain exemptions under section 10

It is proposed to amend clauses (8), (8A), (8B) and (9) of section 10 to provide that the provisions of the said clauses shall no longer apply to remuneration, fee or income, on grounds of their outlived their utility in the era of simplification of tax laws and where exemptions and tax incentives are being phased out as a matter of stated policy of the Government. Further, if under a tax treaty, India gets a right to tax a particular income and the other country is expected to then relieve double taxation by exemption or credit method, providing exemption by India amounts to surrender of right of taxation by India in favor of the other country.

RATIONALIZATION MEASURES

Insertion of new section 239A

In view of the above, it is proposed that a new section 239A may be inserted to provide that such a person, who has made the deduction of Tax under such an agreement or arrangement and borne the Tax liability, when no Tax deduction was required, may file an application for refund of such Tax deducted before the AO, instead of the current provisions of preferring an appeal before the CIT(Appeals) as provided under existing Section 248.

Such person can, if he is not satisfied with the order of the AO, can go into appeal against such order before the Commissioner (Appeals), under section 246A. Accordingly, the provisions of section 248 will no longer be applicable.

Onus of explaining cash credits under section 68

It is proposed to amend provisions of section 68 so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider. However, this additional onus of proof of satisfactorily explaining the source in the hands of the creditor, would

not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund, Venture Capital Company registered with SEBI.

Offences and Prosecutions provisions expanded to TCS

Sections 278A and 278AA are related to punishment with prosecution against persons for failure to pay Tax to the credit of Central Government under Chapter XVII-B for Tax deducted at source. It is proposed to provide for punishment with prosecution against person failing to pay tax collected at source under section 276BB as already provided under section 278A and 278AA.

Set off of loss in search cases - Amendment in the provisions of section 79A

It is proposed to insert a new section 79A to provide that notwithstanding anything contained in the Act, where consequent to a search, requisition or survey other than under section 133A(2A), the total income of any PY of an assessee includes any undisclosed income, no set off, against such undisclosed income, of any loss,



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whether brought forward or otherwise, or unabsorbed depreciation under sub-section (2) of section 32 shall be allowed to the assessee under any provision of this Act in computing his total income for such PY.

Further, the term ‘undisclosed income’ is proposed to be defined for the above purpose as:

- Any income of the PY represented, either wholly or partly, by any money, bullion, jewellery or other valuable article or thing or any entry in the books of account or other documents or transactions found in the course of a search, requisition or survey, which has:
  - Not been recorded on or before the date of search or requisition or survey, in the books of account or other documents maintained in the normal course relating to such PY; or
  - Not been disclosed to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner before the date of search or requisition or survey, or
- Any income of the PY represented, either wholly or partly, by any entry in respect of an expense recorded in the books of account or other documents maintained in the normal course relating to the PY which is found to be false and would not have been found to be so, had the

search not been initiated or the survey not been conducted or the requisition not been made.

Amendment will take effect from AY 2022-23 onwards.

Power to levy 271AAB, 271AAC and 271AAD penalty granted to CIT(A)

In order to improve deterrence against non-compliance among tax payers, it is proposed to amend the sections 271AAB, 271AAC and 271AAD by enabling the CIT(Appeals) to levy penalty under these sections, along with AO.

Amendment in Faceless Assessment under section 144B

The provisions of section 144B of the Act were inserted by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 to provide for the procedure for faceless assessment with effect from April 1, 2021 and consequently the provisions of Faceless Assessment Scheme, 2019 ceased to operate from that date.

However, various difficulties are being faced by the administration and the taxpayers in the operation of the faceless assessment procedure. In view of the above, it is proposed that existing provisions of section 144B may be amended to streamline the process of faceless assessment in order to address various legal and procedural problems being faced in implementation of the said section.

Clause 42 of the Finance Bill, 2022 proposes certain amendments in Section 144B of the Income Tax Act, 1961. Sub-clause (b) thereof provides that sub-section (9) of this section shall be omitted and shall be deemed to have been omitted retrospectively with effect from the April 1, 2021 i.e., from inception.

Sub-section (9) of section 144B

provides that assessment proceedings shall be void if the procedure mentioned in the section was not followed. The said sub-section refers to violation of the procedure laid down by law whereas a large number of disputes have been raised under this sub-section involving technical issues arising due to use of information technology, leading to unnecessary litigation. It is, therefore, proposed to omit this sub-section i.e., sub-section (9) of section 144B from its date of inception.

Amendment will take effect retrospectively from April 1, 2021.

Rationalization of provisions relating to assessment and reassessment

Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from April 1, 2021. The said amendment modified, inter alia, sections 147, section 148, section 149 and also introduced a new section 148A in the Act. In cases where search is initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A, on or after April 1, 2021, assessment or reassessment is now made under sections 143 or

144 or 147 after the Finance Act, 2021.

- It is proposed that before resorting to the reassessment provisions as mentioned in section 148, the AO shall not be required to take prior approval if he has passed an order under 148A(d).
- Explanation 2 to section 148 (as inserted through Finance Act, 2021) states that in case of escapement of income the reassessment proceedings shall be initiated for 3 AYs. The same has been proposed to be deleted. Meaning thereby that in the cases, where the reassessment orders are to be framed in pursuance to the search proceedings under section 132, the same shall not be restricted to 3 years, as was mentioned earlier.
- Corresponding changes have been made to section 153B which pertains to prescribing time limit for carrying the search assessment. The said section shall not apply in respect of search conducted on or after April 1, 2021.
- A relevant change has been proposed to made in first proviso to section 149(1) in terms that in the same, reference to section 153A or

- section 153C has been inserted. It has been proposed that the time lines for initiating reassessment proceedings shall be in consonance to the time limits prescribed in section 153A or section 153C, as they stood prior to the Finance Act 2021. In other words, in the case of search proceedings the reassessment proceeding has to be based on the time lines stated in sections 153A/153C, i.e. 6 years from the date of search.
- Corresponding changes has been made in section 132(8) which says that books of accounts or other documents seized shall not be retained by authorized officer for a period exceeding thirty days after passing of the assessment order, except with prior approval of the prescribed authority.
  - The provision of section 153 provides for time limit for computing the assessment and reassessment proceedings. Explanation 1 thereof provides for exclusion of certain events which shall not be considered for the purpose of computing the said limitation period. In the same, it has been proposed to insert that the period (not exceeding 180 days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A, shall be excluded. Meaning thereby that the time limit for passing assessment order shall be enlarged by the time taken under the said activity. Similar changes have been proposed in section 153B which prescribes time lines in case of search assessments.
  - Provision of section 149(1)(b) states that reassessment proceedings can be initiated up to a period exceeding 3 years but not more than 10 years if the income escaped is more than INR 50 lac (INR 5 million). The same has been proposed to be quantified to be represented in the form of (a) asset; (b) expenditure in respect of a transaction or in relation to an event or occasion and (c) an entry or entries in the books of accounts. Thus, the scope of this provision has been enlarged and more clarified.
  - A new section 148B has been proposed, which states that no assessment order shall be passed without the prior approval of the Addl. CIT, in accordance with the earlier existing provisions viz. section 153D.
  - Penalty provisions under section 271AAB are attracted in cases wherein search proceedings are conducted. The same mentions a term ‘specified date’ which is relevant for payment of taxes.

Explanation to the said section defines the term ‘specified date’. This earlier used to refer only to section 153A and the same has been amended to include section 148.

**Enhancement of penalty under section 272A**

Section 272A provides for penalty of INR 100 per day for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections etc. The penalty had been commented upon by the CAG in their report on the entertainment sector as being too low and not been increased since the section was introduced in 1999. It is proposed to increase the amount of penalty for failures listed under sub-section (2) of section 272A to INR 500 per day.

**Amendment in the provisions of section 179**

Title of the section 179 inadvertently refers to the liability of directors of private company in liquidation. The liability of directors of a private company under this section is not conditional upon the company being in liquidation and the section makes no reference to

liquidation. Therefore, to make the title of the section uniform with its provisions, it is proposed to amend the title of the section to ‘Liability of directors of private company’.

Further, explanation to the section clarifies that the expression ‘Tax due’ in the section includes penalty, interest or any other sum payable under the Act. In order to avoid unnecessary litigation and to provide further clarity, it is also proposed to insert the word ‘fees’ in scope of the expression ‘Tax due’ under explanation to the section.

**RATIONALIZATION OF THE PROVISION OF CHARITABLE TRUST AND INSTITUTIONS**

Finance Bill, 2022 proposes to rationalize provisions of exemption regimes for any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of section 10(23C) (*hereinafter referred to as ‘First Regime’*) and Section 12AA/12AB (*hereinafter referred to as ‘Second Regime’*). Proposals are as under:

**Ensuring effective monitoring and Implementation of two exemption regimes**

- Maintenance of Books of account under both the regimes:  
In order to ensure proper implementation of both the exemption regimes, it is proposed to amend clause (b) of section 12A(1) and 10th proviso to section 10(23C) to provide maintenance of books of account and other documents in such form, manner and place as may be prescribed.  
This would apply in cases where the total income, without giving effect to the exemption sections, exceeds the maximum amount not chargeable to tax.
- Penalty for passing on unreasonable benefits to trustee or specified persons:  
New section 271AAE has been proposed to provide for penalty on trusts or institution under both the regimes, to operate without prejudice to any other provision of chapter XXI. Thus, if any penalty is leviable under any of the other provisions of this chapter, in addition

to the proposed penalty, that penalty would also be applicable.  
The proposed new section seeks to provide that, if during any proceeding under the Act, it is found that a person, being any trust or institution under the first or the Second Regime, has violated the provisions of 21st proviso to section 10(23C) (discussed in subsequent paragraphs) or section 13(1)(c), the AO may direct that such person shall pay by way of penalty:

- \* 100% of aggregate amount of income applied, directly or indirectly, by such person, for the benefit of any person referred to in section 13(3) where the violation is noticed for the first time during any PY;
- \* 200% of aggregate amount of income of such person applied, directly or indirectly, by such person, for the benefit of any person referred to in section 13(3), for subsequent violations.
- Reference to Pr. CIT or PCIT/CIT for cancellation of registration/approval:  
Section 12AB(4) proposed to be substituted to provide





that where the specified CITs for the Second Regime, notice violations, receive a reference from AO under 2nd proviso to section 143(3) or where case is selected with risk management strategy

formulated by the Board, he shall:

- \* Call for necessary documents to make inquiry of violation,
- \* Pass an order in writing cancelling registration of trust after affording reasonable opportunity of being heard to the assessee,
- \* Pass an order in writing refusing to cancel the registration, and
- \* Forward a copy of the above orders as applicable to the AO.

The term ‘specified violation’ is proposed to be defined by inserting an explanation to above section:

- \* Where any income under Second Regime is applied other than for the objects; or
- \* The trust of institution under Second Regime has income from PGBP not incidental to the attainment of its objectives or separate books of account are not maintained by it in respect of business which is incidental to the attainment of its objectives; or
- \* Where any income under Second Regime is applied from property held under a trust for private religious purposes which does not ensure for the benefit of the public; or
- \* The trust or institution under Second Regime established for charitable purpose created or established after commencement of this Act, has applied any part of its income for the benefit of any particular religious community or

caste; or

- \* Any activity being carried out under Second Regime, which is not genuine or is not being carried out in accordance with all or any of the conditions subject to which it was registered; or
- \* The trust or the institution under Second Regime has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of section 12AB(1)(b), and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality.

Sub-section (5) of section 12AB is proposed to be substituted to provide that the order under clause (ii) or (iii) of sub-section (4) shall be passed before expiry of the period of 6 months, calculated from the end of the quarter in which the first notice is issued by the CIT, calling for any document or information, or for making any inquiry, under clause (i) of sub- section (4);

Similarly, 15th proviso to section 10(23C) is proposed to be substituted to provide a similar mechanism for approved entity falling under First Regime.

It is proposed to insert another proviso to sub-section (3) of section 143 providing that where the AO is satisfied that any trust or institution under First or Second Regime has committed any specified violation, as defined in the explanation 2 to 15th proviso to section 10(23C) or explanation to section 12AB(4), as the case may be, he shall send reference to CIT to withdraw the approval/ registration and no order making an assessment of the total income or loss shall be made by him without giving effect to the order of the CIT. Limitation period of completion of assessment is proposed to be extended accordingly to exclude period falling between date of reference to CIT till date of receipt of copy of such order.

Bringing Consistency in the provisions of Two Exemption Regimes

- Accumulation provisions:
  - \* It is proposed to amend the provisions of section 11(3) to provide that if the accumulated income is not applied within 5 years, the

same shall be taxed in the 5th year itself.

- \* It is proposed to insert explanation 3 to the 3rd proviso to section 10(23C) to provide that if it is not able to apply 85% of its income during the PY, it will be allowed to accumulate such income for a period not exceeding 5 years, provided the following conditions are complied with:
  - » A statement is furnished in the in the prescribed form and in the prescribed manner to the AO, stating the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed 5 years;
  - » The statement is furnished before the due date of filing of return under section 139(1);
  - » Money so accumulated or set apart is invested in forms or modes specified section 11(5); and

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» Period during which the income could not be applied for the purpose for which it is so accumulated or set apart, due to an order or injunction of any court, shall be excluded.

\* Where such accumulated income is deemed as income in case of non-compliance of specified conditions, the same shall be taxed in the 5th year itself.

- Bringing consistency in the provisions relating to payment to specified person: It is proposed to insert 21st proviso to section 10(23C) to provide that where the income or part of income or property of any trust or institution under the First

Regime, has been applied directly or indirectly for the benefit of any person referred to in sub-section (3) of section 13, such income or part of income or property shall be deemed to be the income of such person of the PY in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 shall also apply to trust or institution under the First Regime.

- The provisions of section 115TD to apply to entities under First Regime: It is proposed to amend the provisions of section 115TD, 115TE and 115TF (providing for voluntarily winding up, dissolution, merging and exist tax in case of entities under Second Regime) to make them applicable to any trust or institution under the First Regime as well.
- Filing of return by person claiming exemption under section 10(23C) It is proposed to insert 20th proviso to section 10(23C) to provide that for entities under the First Regime to furnish their tax returns within the due date under section 139(4C).

Providing Clarity on Taxation in Certain Circumstances

- Allowing certain expenditure in case of denial of exemption Different provisions mandate denial of exemption to the trusts or institutions under both the regimes. In order to bring clarity in the computation of income chargeable to Tax in such cases, following amendments are proposed:
  - \* Where exemption is denied to an entity under Second Regime, its income chargeable to tax shall be computed after allowing deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of the trust or institution, subject to fulfilment of the following conditions:
    - » Such expenditure is not from the corpus standing to the credit of such entity;
    - » Such expenditure is not from any loan or borrowing;
    - » Claim of depreciation is not in respect of an asset, acquisition of which has been claimed as application of income in the same or any other PY; and
    - » Such expenditure is not in the form of any contribution or donation to any person.
  - \* Provisions of sections 40(a)(ia), 40A(3) and 40A(3A), shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head PGBP.
  - \* No deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any other provision.

Similar provisions have been inserted for entities under the First Regime.

- Taxation of certain income of the trusts or institutions under both the regimes at special rate In order to rationalize the provisions, the following amendments are proposed:
  - \* It is proposed to amend section 13(1)(c) to provide that only that part of income which has been applied in violation to provisions of the said clause shall be liable to be included in total income.
  - \* It is also proposed to insert 21st proviso in section 10(23C) to

specifically provide that where the income of any trust under the First Regime, or any part of the such income or property, has been applied directly or indirectly for the benefit of any person in section 13(3), such income or part of income or property shall be deemed to be income of such person of the PY in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 shall also apply to it.

- \* It is proposed to amend section 13(1)(d) to provide that only the that part of income which has been invested in violation to the provisions of the said clause shall be liable to be included in total income.
- \* It is proposed to insert explanation 4 in 3rd proviso to section 10(23C) to specifically provide that provide that if the accumulated income is not applied within 5 years, the same shall be taxed in the 5th year itself.
- \* It is proposed to insert new section 115BBI providing tax on First



<p>or Second Regime entities, having specified income, to be taxed at 30% on the aggregate of specified income. No deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision in computing specified income.</p>	<p>13(1)(d); or</p> <p>» Any income which is deemed to be income under 21st proviso to section 10(23C) or which is not excluded from total income under clause (c) of sub-section (1) of section 13; or</p> <p>» Any income which is not excluded from total income under clause (c) of section 11(1).</p>	<p>or the institution, subject to the condition that the trust or the institution:</p> <p>* Applies such corpus only for the purpose for which the voluntary contribution was made;</p> <p>* Does not apply such corpus for making contribution or donation to any person;</p> <p>* Maintains such corpus as separately identifiable; and</p> <p>* Invests or deposits such corpus in the forms and modes specified under section 11(5).</p>	<p>Trust or institution under both the regimes are required to apply 85% of their income for the purposes specified. As is evident from the word ‘application’, it means actually paid. This is the position which has been held by different courts also.</p>	<p><b>Consequential Amendment</b></p> <p>• Amendment to sub-section (1A) of section 35</p> <p>It is proposed to amend sub-section (1A) of section 35 to provide that the deduction claimed by the donor (and not the donee currently in the section) with respect to the donation given to any research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) of sub-section (1) of section 35 shall be disallowed unless such research association, university, college or other institution or company files the statement of donations. This amendment will take effect retrospectively from April 1, 2021.</p>	<p>an order directing revision of the order of TPO.</p>
<p>* Explanation to the proposed section defines ‘specified income’ to mean:</p> <p>» Income accumulated or set apart in excess of 15% of the income where such accumulation is not allowed under any specific provisions; or</p> <p>» Deemed income referred to in explanation 4 to 3rd proviso to section 10(23C) or 11(3) or 11(1B); or</p> <p>» Income not exempt under section 10(23C) on account of violation of the provisions of clause (b) of its 3rd proviso or not to be excluded from total income under the provisions of section</p>	<p>• Voluntary Contributions for the renovation and repair of temples, mosques, gurudwaras, churches etc. notified under section 80G(2) (b):</p> <p>In order to provide clarity, it is proposed to insert explanation 3A in section 11(1) to provide that where the property held under a trust or institution includes any temple, mosque, gurdwara, church or other place notified under clause (b) of section 80G(2), any sum received by such trust or institution as a voluntary contribution for the purpose of renovation or repair of such temple, mosque, gurdwara, church or other place, may, at its option, be treated by such trust or institution as forming part of the corpus of the trust</p>	<p>It is also proposed to insert explanation 3B in section 11(1) to provide that in case of violation of above conditions, such sum shall be deemed to be the income of such trust or institution of the PY during which the violation takes place.</p> <p>Similar provisions have been proposed for entities under the First Regime. These amendments will take effect retrospectively from AY 2021-22 onwards.</p> <p>• Clarifying that application will be allowed only when its actually paid</p>	<p>Accordingly, it is being clarified by inserting explanations [explanation 3 to section 10(23C) and explanation to section 11] to provide that any sum payable by any trust under the First or Second Regime shall be considered as application of income in the PY in which such sum is actually paid by it irrespective of the PY in which the liability to pay such sum was incurred by such trust according to the method of accounting regularly employed by it. It is further proposed to insert proviso to the proposed explanations to provide that where during any PY, any sum has been claimed to have been applied by such trust, such sum shall not be allowed as application in any subsequent PY.</p> <p>These amendments will take effect from AY 2022-23 onwards.</p>	<p><b>Section 263 on revision of order of TPO</b></p> <p>It is proposed to amend the provisions of section 263 to provide a specified CIT who may call for and examine the record of any proceeding under this Act, and if he considers that any order passed by the TPO, working under his jurisdiction, to be erroneous in so far as it is prejudicial to the interests of revenue, he may pass</p>	<p><b>Amendment in the provisions of section 119 of Income-tax Act</b></p> <p>Considering genuine hardships faced by certain classes of persons in filing return of income and not to impose a fee for a default which is beyond their control, it is proposed to insert section 234F and include it in the list of sections mentioned in clause (a) of section 119(2), so as to enable the Board to issue such orders or instructions, as deemed fit.</p> <p><b>Reduction of Goodwill from block of assets to be considered as ‘transfer’</b></p> <p>It is proposed to clarify that for the purposes of section 50, reduction of the amount of goodwill of a business or profession, from the block of asset in accordance with sub-item (B) of item (ii) of sub-clause (c) of clause (6) of section 43, shall be deemed to be transfer.</p> <p>Since amendment to the effect that goodwill of a business or profession is not a depreciable asset has been made applicable from AY 2021-22, above amendment will also take effect retrospectively from AY 2021-22.</p>



## INDIRECT TAXES

### INDIRECT TAXES

Amendments carried out in the Finance Bill, 2022, vide clause 99 to 113 will come into effect from a date to be notified, as far as possible, concurrently with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature. Amendments carried out in the Finance Bill, 2022, vide clause 114 to 123 will come into effect on the date of its enactment.

### GOODS AND SERVICES TAX (GST)

#### Amendments in the CGST Act, 2017

- A new clause (ba) to sub-section (2) of section 16 of the CGST Act is being inserted to provide that ITC with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under section 38.

Further, sub-section (4) of section 16 of the CGST Act is being amended so as to provide for an extended time limit for availment of ITC by a registered person in respect of any invoice or debit note pertaining to previous financial year up to November 30 of the subsequent financial year.

**VKC Insights:** *The amendment intends that ITC can only be availed if a supplier has furnished details of outward supply made which is duly reflected in GSTR-2B of the recipient. Further, time limit for availing ITC is being extended up to November 30 of the subsequent financial year which was previously October 20.*

- Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where a person:  
**VKC Insights:** *ITC would not be available to the recipient if the details of such invoice or debit note has been*

*not furnished by the supplier in GSTR-1. The amendment provides statutory backing to Rule 36(4) of CGST Rules, 2017.*

- Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where a person:
  - \* Paying tax under section 10 of the Act has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return.
  - \* Other than those paying tax under section 10, has not furnished returns for such continuous tax period as may be prescribed.

**VKC Insights:** *GST registration of the taxable person who has not filed Form GST CMP-03 to intimate the department about the amount of stock (including the inward supply of goods from unregistered persons) held by them on the date of opting into the scheme is liable for cancellation. For taxable persons other than those who have opted for CMP-03 scheme, GST registration can be cancelled if the returns have not been filed for such continuous period as may be prescribed.*

- Sub-section (2) of section 34 of the CGST Act is being amended so as to provide for an extended time limit for issuance of credit notes in respect of any supply made in a financial year up to November 30 of the subsequent financial year.

**VKC Insights:** *Time limit for issuance of credit notes for previous financial year is being extended up to November 30 of the subsequent financial year which was previously October 20.*

- Section 37 of the CGST Act is being amended to:
  - \* Prescribe conditions and restrictions for furnishing the details of outward supply and



- for the communication of such details to the recipients.
- \* Do away with two-way communication process in filing of return.
- \* Provide for an extended time limit up to November 30 of the subsequent financial year for rectification of errors in respect of details of outward supplies furnished under sub-section (1).
- \* Provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).

**VKC Insights: Amendment intends to provide for conditions and restrictions which shall be communicated to the recipient within such time and in such manner as may be prescribed. Such conditions and restrictions will reduce the need for two-way communication process between supplier and the recipient.**

**Time limit for rectification of errors relating to outward supply (such as omitted debit/ credit notes) for previous financial year is being extended to November 30 of the subsequent financial year which was previously October 20 (for credit notes). Further, the return of outward supply will be available for filling only in tax period-wise sequential order.**

- Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and ITC to the recipient by means of an auto-generated statement and to do away with two-way communication process in return filing.

**VKC Insights: ITC will be available to the recipient only on the basis of system generated GSTR-2B report for relevant tax periods.**

- Section 39 of the CGST Act is being amended to:
  - \* Provide that non-resident taxable person shall furnish return for a month by 13th day of subsequent month.
  - \* Provide an option to persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed.
  - \* Provide for an extended time up to November 30 of the subsequent financial year, for rectification of errors in the return furnished under section 39.
  - \* Provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.

**VKC Insights: Taxpayers having an aggregate turnover up to INR 1 crore (INR 10 million) can file their GSTR-3B on quarterly basis. Option has been provided to such taxpayers to either deposit Tax monthly on self-assessment basis or deposit any other amount determined in such manner and subject to such conditions and restrictions as may be prescribed.**

**Rectification of errors or omissions for a financial year can be made up to November 30 of the subsequent financial year and filing of GSTR-01 will be a pre-condition to filing of GSTR-3B.**

- Section 41 of the CGST Act is being substituted so as to do away with the concept of 'claim' of eligible ITC on a 'provisional' basis and to provide for availment of self-assessed ITC. Accordingly, every registered person shall be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger. The credit of input tax availed by a registered person in respect of

such supplies, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest. However, where the said supplier makes payment of Tax in respect of the such supplies, the said registered person may re-avail the amount of credit reversed.

**VKC Insights: Self-assessed claim of ITC will be allowable only to the extent it is reflected in Taxpayer's GSTR-2B. Where any ITC is availed over and above that reflected in Form GSTR-2B, the excess portion will be reversed along with interest payable thereon. However, subsequently where tax has been paid by the supplier and reported in Form GSTR-01, taxable person will be entitled to re-avail the amount of credit reversed earlier.**

- Sections 42, 43 and 43A of the CGST Act are being omitted so as to do away with two-way communication process in return filing.

**VKC Insights: The above sections specified mechanism for matching, reversal and reclaim of ITC wherein it was detailed that every inward supply furnished by a registered person shall be matched with the corresponding details of outward supply furnished by the supplier in such manner and within such time in GSTR-2 return. Finance Bill 2022 has proposed to remove section 42, 43 and 43A from the CGST Act.**

- Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of return under section 52. Further, reference to section 38 is being removed consequent to the amendment in section 38 of the CGST Act.

**VKC Insights: Form GSTR-7 filed by e-commerce operators under section 52 of the Act for Tax collection at source has been brought within the ambit of late fees applicable under section 47 of the Act.**

- Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 48 of

the CGST Act is being amended so as to remove reference to section 38 therefrom.

- Section 49 of the CGST Act is being amended to:
  - \* Prescribe restrictions for utilizing the amount available in the electronic credit ledger.
  - \* Allow transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person. However, no such transfer shall be allowed if the said registered person has any unpaid liability in his electronic liability register.
  - \* Provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger by a registered person.

**VKC Insights: Unutilized balances in electronic cash ledger will now be available for transfer to the electronic cash ledger of another registered person under CGST Act or to a distinct person under IGST Act. Tax cannot be transferred if taxpayer is having unpaid liability in his electronic liability register.**

- Sub-section (3) of section 50 of the CGST Act is being substituted retrospectively, with effect from July 01 2017, to account for removal of section 42 and 43 of the Act.

**VKC Insights: Amendment is in line with omission of section 42 and 43 of the Act.**

- Sub-section (6) of section 52 of the CGST Act is being amended so as to provide for extended time limit up to November 30 of the subsequent financial year for rectification of errors in the statement furnished under sub-section (4) by E-commerce operators.

*VKC Insights: E-Commerce operators can now amend their errors and omission of previous financial year till November 30 of the subsequent financial year which was previously October 20.*

- Section 54 of the CGST Act is being amended so as to:

- \* Provide the time limit for claiming refund of Tax paid on inward supplies of goods or services or both under section 55 as ‘two years’ from the last day of the quarter in which the said supply was received which was previously ‘six months’.

- \* Extend the scope of withholding of or recovery from refunds in respect of all types of refund.

- \* Provide clarity regarding the ‘relevant date’, for filing refund claim in respect of supplies made to a Special Economic Zone developer or a Special Economic Zone unit, which shall be the due date for furnishing of return under section 39.

*VKC Insights: Refund of excess balance in electronic cash ledger will be filed on the basis of GSTR-3B return. Eligibility period of filing refund application for taxes paid on notified supplies of goods or services has been extended to 2 years from the quarter ending in which the services are received.*

- Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 168 of the CGST Act is being amended so as to remove reference to section 38 therefrom.

*VKC Insights: Amendment is in line with substitution of section 38 of the Act.*

- Notification No. 9/2018 - Central Tax dated January 23, 2018, is being amended so as to notify retrospectively, with effect from June 22, 2017, www.gst.gov.in as the Common Goods and Services Tax Electronic Portal, for all functions provided under Central Goods and Services Tax Rules, 2017, other than those provided for e-way bill and for generation of invoices separately under sub-rule (4) of rule 48 of the CGST Rules.

*VKC Insights: GST official website has now been inserted in CGST and IGST Acts respectively for facilitating registration, payment of tax, furnishing of returns, computation and settlement of integrated tax, e-way bill and for carrying out such other functions.*

- Notification No. 13/2017 - Central Tax, dated June 28, 2017, is being amended retrospectively, with effect from July 01, 2017, so as to notify rate of interest under sub-section (3) of section 50 of the CGST Act as 18% for ITC wrongly availed and utilized.

*VKC Insights: Interest liability on wrong, excess or undue claim of CGST ITC by registered taxable person has been notified at 18% per annum with effect from July 01, 2017.*

**Amendments in the IGST Act, 2017:**

- Notification No. 6/2017 - Integrated Tax, dated June 28, 2017, is being amended retrospectively, with effect from July 01, 2017, so as to notify rate of interest under

sub-section (3) of section 50 of the CGST Act as 18% for ITC wrongly availed and utilized.

*VKC Insights: Interest liability on wrong, excess or undue claim of IGST ITC by registered taxable person has been notified at 18% per annum with effect from July 01, 2017.*

**Amendments in the UTGST Act, 2017:**

- Notification No. 10/2017 - Union Territory Tax, dated June 30, 2017, is being amended retrospectively, with effect from July 01, 2017, so as to notify rate of interest under sub-section (3) of section 50 of the CGST Act as 18% for ITC wrongly availed and utilized.

*VKC Insights: Interest liability on wrong, excess or undue claim of SGST/ UTGST ITC by registered taxable person has been notified at 18% per annum with effect from July 01, 2017.*

**Retrospective amendments of GST rates notifications:**

- Central Tax, Union Territory

Tax and Integrated Tax on supply of unintended waste generated during the production of fish meal (falling under heading 2301), except fish oil, is being exempted during the period commencing from July 01, 2017, and ending with September 30, 2019 (both days inclusive), subject to the condition that if said tax has been collected, the same would not be eligible for refund.

*VKC Insights: GST on supply of unintended waste generated during production of fish meal (excluding fish oil) is being exempted retrospectively from July 01, 2017. However, refund thereof will not be granted if Tax has already been collected and deposited.*

- Service by way of grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name it is called by the State Governments, has been declared as an activity or transaction which shall be treated neither as a supply of goods nor a supply of service vide Notification No.

25/2019- Central Tax (Rate) dated September 30,2019, Notification No. 24/2019- Integrated Tax (Rate) dated September 30,2019 and Notification No. 25/2019- Union Territory Tax (Rate) dated September 30,2019. These notifications have been given retrospective effect from July 01, 2017. However, no refund shall be made of tax which has been collected, but which would not have been so collected, had the said notifications been in force at all material times.

*VKC Insights: GST will not be applicable on granting of alcoholic liquor license, against consideration in the form of license fee or application fee as it is neither treated as supply of goods nor a supply of service retrospectively with effect from July 01, 2017. Refund will not be granted if the tax has already been collected and deposited.*



CUSTOMS

Amendments in The Customs Act, 1962

- Clause (34) of section 2 which contains the definition of ‘proper officer’ is being modified to specifically state that assignment of functions to an officer of Customs by the board or the principal commissioner of Customs or the commissioner of Customs shall be done under the newly inserted sub-sections (1A) and (1B) of Section 5 in the Customs Act, 1962 (52 of 1962).
- Section 3 is being amended to specifically include the officers of DRI, audit and preventive formation in the class of Officers. This amendment has been made to remove any ambiguity as regards the class of officers of Customs.
- Sub-section (1A) and (1B) have been inserted in section 5 of the act to explicitly provide power of assignment of function to officers of customs by the board or as the case may be by the principal commissioner of Customs or commissioner of Customs. This amendment has been necessitated to correct the infirmity observed by the courts in recent judgments that the act required explicit provision conferring powers for assignment of function to officers of Customs as ‘proper officers’ for the purposes of the Act, besides the definition contained in clause (34) of section 2 of the Customs Act.
- Sub-section (4) to section 5 is being inserted to delineate the criteria which board may adopt while imposing limitations or conditions under sub-section (1) or while assigning functions under sub-section (1A) to the officer of Customs. For instance, one of the limitations or conditions that the board currently imposes on ‘officers of Customs’ is that they are required to operate within a specified territorial jurisdiction. However, with the launch of faceless assessments and

other trade facilitation initiatives wherein, for instance, a need is felt for the development of industry-specific expertise in assessments the board may need to confine jurisdiction to certain goods or class of goods.

- Sub-section (5) to section 5 is being inserted to ensure that wherever necessary, for the proper management of work, two or more officers of customs, can concurrently exercise powers and functions (for example in the case of faceless assessment).
- Section 14 is being amended to include provisions for rules enabling the Board to specify the additional obligations of the importer in respect of a class of imported goods whose value is not being declared correctly, the criteria of selection of such goods, and the checks in respect of such goods. This amendment is a measure to address the issue of undervaluation in imports.
- Section 28E is being amended to omit the explanation given under clause (c) and to omit clause (h).
- Section 28H is being amended to make provisions for prescribing appropriate fees by board relating to application for advance ruling and also give flexibility to the applicant to withdraw his application at any time before a ruling is pronounced from the current time period of 30 days. Consequently, sub-section (3) is being omitted.
- Sub-section (7) of section 28I is being substituted so as to remove the word ‘Members’ and also make changes accordingly.
- Sub-section (2) of section 28J is being substituted so that advance ruling under sub-section (1) of section 28J is now valid for a period of three years or till there is a change in law or facts on the

basis of which the advance ruling has been pronounced, whichever is earlier.

- A proviso is also being inserted to provide that the advance rulings in force on the date on which the Finance Bill, 2022 receives assent of the President, the said period of three years shall be reckoned from the date on which the finance bill receives assent of the President.
- Section 110AA is being inserted with a view to affirm the principle that, wherever, an original function duly exercised by an officer of competent jurisdiction, is the subject matter of a subsequent inquiry, investigation, audit or any other specified purpose by any other officer of customs, then, notwithstanding, such inquiry, investigation, audit or any other purpose, the officer, who originally exercised such jurisdiction shall have the sole authority to exercise jurisdiction for further action like reassessment, adjudications, etc. consequent to the completion of such inquiry, investigation, audit or any other purpose.
- Section 135AA is being inserted to protect the import and export data submitted

to Customs by importers or exporters in their declarations by making the publishing of such information unless provided by the law, as an offence under the Customs Act.

Other Legislative Amendments Pertaining to Customs

- A new clause has been inserted in the Finance Bill, 2022. This clause seeks to give validation to any action taken or functions performed before the date of commencement of the Finance Act, 2022, under certain Chapters of the Customs Act by any officer of Customs, as specified in Section 3 of the Customs Act, as amended, where such action was in pursuance of their appointment and assigning of functions by the Central Government or the Board under the Customs Act.



[PLEASE CLICK HERE](#) to access Appendix I: Amendments in the First Schedule to The Customs Tariff Act, 1975



[PLEASE CLICK HERE](#) to access Appendix II: Pruning and review of Basic Customs Duty concessions/ exemptions:



[PLEASE CLICK HERE](#) to access Appendix III: Proposals involving changes in effective basic Customs Duty Rates in respect of Phased Manufacturing Program [PMP] with respect to specific Electronic Goods

Other proposals involving changes in Basic Customs Duty Rates/ Health Cess in respective notifications [With effect from February 2, 2022, unless specified otherwise]					
SN	Heading, sub-heading, tariff item	Commodity	From	To	Change
<b>Agricultural Products and By Products</b>					
1	0306	Live Black tiger shrimp (Penaeus monodon)	30%	10%	-20%
2	0306 19 00	Frozen Krill	30%	15%	-15%
3	1518	Algal Oil for manufacturing of aquatic feed	30%	15%	-15%
<b>Fuels, Chemicals and Plastics</b>					
4	2710 19	Fuel oil	5%	2.5%	-2.5%
5	2710 19	Straight run fuel oil	5%	2.5%	-2.5%
6	2710 19	Low sulphur waxy residue	5%	2.5%	-2.5%
7	2710 19	Vacuum residue, Slurry	5%	2.5%	-2.5%
8	2710 19	Vacuum gasoil	5%	2.5%	-2.5%
9	2837 11 00	Sodium cyanide	7.5%	10%	2.5%
<b>Paper</b>					
10	4707	Recovered (waste and scrap) paper or paperboard for use in manufacturing of paper, paperboard or newsprint	NIL	2.5%	2.5%
<b>Gems and Jewellery Sector</b>					
11	7102 21 7102 31 00	Simply Sawn Natural Diamonds imported under Kimberley Process Certification Scheme (KPCS)	Applicable Rate	NIL	NA
12	71	Cut and Polished Diamonds	7.5%	5%	-2.5%
<b>Metals</b>					
14	7204	Iron and steel scrap, including stainless steel scrap [Exemption hitherto available till 31.3.2022 is being extended up to 31.03.2023]	NIL [up to 31.3.2022]	NIL [up to 31.3.2023]	

SN	Heading, sub-heading, tariff item	Commodity	From	To	Change
<b>Electrical and Electronics Sector</b>					
15	3920 99 99, 9002 11 00	Camera lens for use in manufacture of Camera Module for Cellular Mobile Phone	10%/ 15%	2.5%	-7.5%/ -12.5%
16	Specific CTH	Specified parts for use in manufacture of transformers of chargers/adapters	10%/ 15%	5%	-5%/ -10%
17	74 or 76	Copper/Aluminum based Copper clad laminate for use in manufacture of PCB/MCPCB	5%/ 7.5%	NIL	-5%/ -7.5%
18	90	Following items used in manufacture of X-ray items: a) X-Ray grid b) Multi Leaf Collimator/ Iris c) Static User Interface	5%	10%	5%
19	90	X-Ray Machines	7.5%	10%	2.5%
<b>Medical devices</b>					
20	9018 32 10	Surgical needles imported for manufacture of Surgical sutures	Health Cess @ 5%	Health Cess @ Nil	-5%
<b>Toys</b>					
21	9503	Parts of electronic toys for manufacture of electronic toys	15%	25%	10%
<b>Capital Goods</b>					
22	7325 10 00	S. G. Ingot Castings used in manufacturing of Plastic Processing Machinery	10%	7.5%	-2.5%
23	8483 40 00, 8477 90 00	Ball Screw and Linear Motion Guide used in manufacturing of Plastic Processing Machinery	7.5%	5%	-2.5%
24	84	Bushing (made up of platinum and rhodium alloy, imported in exchange of worn-out bushing exported for refurbishment)	10%	7.5%	-2.5%
25	8419	Coffee roasting, brewing or vending machineries for use in the manufacturing or processing of coffee	10%	7.5%	-2.5%



**Duty concessions on specified items when imported by bonafide exporters:**

- A scheme for duty-free imports for the purpose of use in goods meant for export, based on end-use monitoring is being introduced for bonafide exporters subject to the requirement of exporting value added products manufactured using inputs imported under these exemptions, within a period of six months. Importer shall be required to follow the procedure under the Import of Goods at Concessional Rate (IGCR) Rules, 2017.
- The following changes are being made to operationalize the scheme as detailed under:
  - \* Conditions required for availing exemptions vide section 257 are being amended.
  - \* Section 257A is being inserted to provide for conditional exemptions for import of specified items like decorative papers, motifs, back of photo frames, etc. to be used in manufacture of handicraft products meant for exports.
  - \* Section 257B is being inserted to provide for conditional exemptions for import of specified items like fasteners, inlay cards, lining and inter-lining materials, wet blue chrome tanned leather, etc. to be used in manufacture of textile or leather garments meant for exports.
  - \* Section 257C is being inserted to provide for conditional exemptions for import of specified items like buckles, buttons, locks etc. to be used in manufacture of leather or synthetic footwear, or other leather products meant for exports.

- \* Section 288 having been subsumed under new section 257B, is now being omitted.

**Review of levy of Social Welfare Surcharge (SWS) on various items by amending Notification No. 11/2018-Customs dated February 2, 2018:**

- All goods falling under tariff items 0802 91 00, 0802 92 00 and 0802 99 00 have been exempted from SWS.
- All goods falling under sub-headings 1509 90 and 1510 90 have been exempted from SWS.
- All goods falling under tariff items 2515 12 90, 2516 11 00, 2516 12 00 have been exempted from SWS.
- All goods falling under the sub-headings 5208 39, 5209 31, 5209 32, 5209 39, 5209 49, 5210 39, 5211 31, 5211 32, 5211 39, and 5211 49 have been exempted from SWS.
- All goods falling under the sub-heading 5407 61 have been exempted from SWS.
- All goods falling under tariff items 5516 22 00 and 5516 23 00 have been exempted from SWS.
- All goods falling under tariff item 5802 30 00 have been exempted from SWS.
- The current SWS exemption has been withdrawn for all goods falling under tariff item 6001 92 00.
- The current SWS exemption has been withdrawn for all the goods falling under tariff item 6101 20 00; goods falling under sub-heading 6101 30; goods falling under tariff items 6102 10 00 & 6102 20 00; goods falling under sub-heading 6102 30; goods falling under sub-heading 6104 19 (except of wool or fine animal hair or cotton); and

goods falling under tariff items 6104 62 00, 6104 63 00.

- SWS exemption has been withdrawn for all the goods falling under sub-headings 6201 30, 6201 40, 6202 30, 6202 40; goods falling under tariff items 6204 11 00, 6204 13 00; goods falling under sub-heading 6204 19, 6204 31; goods falling under tariff items 6204 32 00 & 6204 33 00; and goods falling under sub-headings 6204 39 & 6204 69.
- In the heading 6203, the exemption from SWS has been narrowed down to all the goods falling under tariff items 6203 22 00, 6203 23 00; goods falling under sub-heading 6203 29; goods falling under tariff item 6203 41 00; and goods falling under sub-heading 6203 42.



- SWS exemption has been withdrawn for all the goods falling under serial number 3 [Men’s or boy’s overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or

crocheted, other than those of heading 6103, of wool or fine animal hair, falling under tariff item 6101 90 90] and serial number 4 [Upholstery fabrics falling under the following headings or sub-headings -

5209 39, 5209 49, 5210 39, 5211 31, 5211 32, 5211 39, 5211 49, 5407 61, 5516 22 00, 5516 23 00, 5802 30 00] of the notification No. 11/2018 – Customs dated February 2, 2018.

Other miscellaneous changes in various notifications providing concession on imports:		
S. No.	Notification No.	Notification Subject
1	Notification 148/94- Customs dated July 13, 1994	The notification prescribes exemption from customs duty on imports of specified free gifts, donations, relief and rehabilitation material imported by charitable organizations, Red Cross Society, CARE and Government of India. This notification has been amended to provide exemption from Health Cess, AIDC and RIC for goods imported under this notification.
2	Notification No.38/96 Customs dated July 23, 1996	The notification grants customs duty exemption on transshipment of goods either imported from foreign country for export to Bhutan/Nepal, all goods imported from Bhutan/Nepal for export to other countries and certain other specified goods. This notification has been amended to provide exemption from Health Cess, AIDC and RIC for goods imported under this notification.
3	Notification No. 104/10- Customs dated October 1, 2010	The notification prescribes exemption from customs duty on specified goods imported from Nepal. This notification has been amended to provide exemption from AIDC for goods imported under this notification.
4	Notification No. 60/2011-Customs dated July 14, 2011	The notification prescribes exemption from customs duty on imports of specified goods locally produced in border districts of Bangladesh. This notification has been amended to provide exemption from AIDC for goods imported under this notification.
5	Notification No. 40/2017- Customs dated June 30, 2017	The notification prescribes exemption from customs duty on imports of the specified goods from Bhutan, Bangladesh and China. This notification has been amended to provide exemption from Health Cess, AIDC and RIC for goods imported under this notification.
6	Notification No. 50/2017 - Customs dated June 30, 2017	Treatment of rare diseases: A new entry at serial number 167A is being introduced to exempt drugs or medicines, falling under Chapter 30 or Heading 9804 of the First Schedule to the Customs Tariff Act, 1975, which are used for the treatment of rare diseases, when imported by 8 Centre of Excellence (CoE) listed in the List 2 (inserted) or any other person/ institution on their recommendation. This is in tune with the National Policy for Rare Diseases, 2021.

Other changes (including certain clarifications/technical changes by amending Notification No. 50/2017-Customs dated June 30, 2017:		
S. No.	Notification No.	Notification Subject
1	6	The condition of Specific Pathogen Free (SPF) for Live L. Vannamei Shrimp has been removed from the notification No. 50/2017 - Customs, as the same is being regulated by the Department of Fisheries.
2	525, 526A and 531A	Certain clarificatory amendments have been made to entry no. 525, 526A and 531A of Notification No. 50/2017 dated June 30, 2017, in order to bring clarity about the scope of exemptions in relation to imports of completely knocked down/semi knocked down forms (CKD/SKD) of electric vehicles (EV) (including commercial, passenger and two-wheeled electric vehicles). These amendments clarify that for an EV kit to be eligible for the duty benefits available to a CKD form of an EV, each individual component in the kit need not be in a disassembled form. Further, it has been clarified that even if some components are missing in the EV kit, the benefit of concessional rate of duty available to CKD/SKD kits would still be available provided that the kit as presented has the essential character of an EV.
3	531A	This entry provides for concessional rate of Customs duty on imports of two-wheeled electrical vehicles. The words ‘electric compressor’ and ‘contactor’ have been deleted from this entry as these parts are not used in two-wheeler.

<b>Anti-Dumping Duty (ADD) / Countervailing Duty (CVD)/ Safeguard Measures</b>	Brazil, People’s Republic of China and Germany, imposed vide Notification No. 38/2019-Cus (ADD) dated September 25, 2019;	<ul style="list-style-type: none"><li>Countervailing duty is being permanently revoked on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People’s Republic of China, imposed vide Notification No. 1/2017-Cus (CVD) dated September 7, 2017.</li></ul>
<ul style="list-style-type: none"><li>Anti-Dumping duty is being permanently revoked, on imports of the following:<ul style="list-style-type: none"><li>* Straight Length Bars and Rods of alloy-steel, originating in or exported from People’s Republic of China, imposed vide Notification No. 54/2018-Cus (ADD) dated October 18, 2018;</li><li>* High Speed Steel of Non-Cobalt Grade, originating in or exported from</li></ul></li></ul>	<ul style="list-style-type: none"><li>* Flat rolled product of steel, plated or coated with alloy of Aluminum or Zinc, originating in or exported from People’s Republic of China, Vietnam and Korea RP, imposed vide Notification No. 16/2020-Cus (ADD) dated June 23, 2020.</li></ul>	



Changes in Export Duty Rates in Notification No. 27/2011 - Customs [With effect from February 2, 2022]:					
SN	Chapter	Commodity	From	To	Change
Leather					
1	41	Raw hides and skins of buffalo	40%	30%	-10%

Changes in Rules under the Customs Act, 1962:

- Trade Facilitation- Amendment to IGCR Rules, 2017: Customs (Import of goods at concessional rate of duty) Rules, 2017 are being amended to provide the following facilities:
  - To introduce end to end automation in the entire process. Requirement of submitting all the necessary details electronically, through a common portal, is being brought out in the Rules itself.
  - Standardizing and notifying various forms in which details are to be

- submitted electronically.
- Leveraging advantage of such submissions electronically, the need for any transaction based permissions and intimations are all being done away with.
  - Consequently, the procedure to claim the notification benefit is being simplified and automated.
  - For effective monitoring of use of goods for the intended purposes, a Monthly Statement is being proposed which is to be submitted by the

- importer on the Common Portal.
- An option for voluntary payment of the necessary duties and interest, through the Common Portal is being provided to the importer.

EXCISE

Amendments in the Fourth Schedule

Two new tariff items, that is, 2710 12 43 and 2710 12 44, falling under Chapter 27, have been inserted in the Fourth Schedule to the Central Excise Act, 1944, relating to E12 and E15 fuel blends, conforming to the new BIS specification [IS 17586] that has been issued for Ethanol Blended Petrol with percentage of ethanol up to twelve (E12) and fifteen (E15) percent respectively. This will align the Fourth Schedule to the Central Excise Act, 1944, with the similar proposed amendment in the sub-heading 2710 12 in the First Schedule to the Customs Tariff Act, 1975.

Change in effective rate of additional basic excise duty on unblended Petrol and Diesel

In order to promote blending of Motor Spirit (commonly known as Petrol) with ethanol/methanol and blending of High-Speed Diesel with bio-diesel, an additional Basic Excise Duty of INR 2 per litre on Petrol and Diesel, intended to be sold to retail consumers without blending, would be levied with effect from the October 1, 2022.

Amendments in Seventh Schedule of the Finance Act, 2001 (NCCD Schedule)

The Seventh Schedule of the Finance Act, 2001, is being

amended by substituting Central Excise tariff item 2709 20 00 with 2709 00 10 [Petroleum Crude].

Other Changes [including certain clarifications/technical changes]

Notification No. 49/2008-Central Excise (N.T.) dated 24.12.2008, provides for Retail Sale Price (RSP) based valuation for specified goods and prescribes an abatement as a percentage of retail sale price for such goods. This notification was issued under section 4A of the Central Excise Act, 1944. Since then, statutory/legal position has changed. Accordingly, this notification has been superseded by Notification No. 01/2022- Central Excise (N.T.) dated February 1, 2022, in order to align the Notification No. 49/2008-Central Excise (N.T.) with the current legal position, post rollout of GST regime.



SECTOR WISE IMPACT

HEALTH SECTOR

- National Digital Health Ecosystem to be rolled out which will consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities.
- National Tele Mental Health Programme to be launched for mental health counselling and care services with 23 centres of excellence. NIMHANS to be the nodal centre and IITB to provide technological support.
- Integrated architecture: Mission Shakti, Mission Vatsalya, Saksham Anganwadi, and Poshan 2.0 to be launched. Two lac Anganwadis to be upgraded to Saksham Anganwadis.
- Allocation of INR 60,000 crore (INR 600 billion) to Har Ghar Nal Se Jal with an aim to cover 3.8 crore households in 2022-23.

INFRASTRUCTURE SECTOR

- PM GatiShakti National Master Plan to encompass seven engines for economic

transformation, seamless multimodal connectivity and logistics efficiency namely: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.

- PM GatiShakti Master Plan for Expressways to be formulated in 2022-23 and The National Highways network will be expanded by 25,000 km in 2022-23. 100 PM GatiShakti Cargo Terminals for multimodal logistics facilities to be developed.
- ULIP to facilitate data exchange among all mode operators and Open Source Mobility Stack to enable seamless travel of passengers.
- 4 Multimodal Logistics parks through PPP to be awarded in 2022-23.
- Integration of Postal and Railways Network to facilitate seamless solutions for parcel movement.
- ‘One Station One Product’ concept to be popularized to help businesses and supply chains.

- 2000 km of network to be brought under Kavach and 400 new generation Vande Bharat Trains to be developed.
- Multimodal connectivity between mass urban transport and railway stations to be facilitated.
- National Ropeways Development Plan as sustainable alternative to conventional roads to be taken up on PPP mode. Contracts for 8 ropeway projects for a length of 60 km will be awarded in 2022-23.
- Sovereign Green Bonds to be issued for mobilizing resources for green infrastructure. The proceeds to be deployed in public sector projects which help in reducing the carbon intensity of the economy.

FINANCIAL SECTOR

- In 2022, 100% of 1.5 lac post offices will come on the core banking system to enable financial inclusion.
- 75 DBUs in 75 districts of the country to be set up by

Scheduled Commercial Banks.

- Amendments in Insolvency and Bankruptcy Code to be carried out to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.
- C-PACE with process re-engineering to 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.
- Surety bonds as a substitute for bank guarantee to be made acceptable in government procurements.
- Digital Rupee using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022-23.
- 50-year interest free loans, over and above the normal borrowings allowed to the states for 2022-23 at an allocation is INR 1 lac crore (INR 1 trillion) to assist the states in catalyzing overall investments in the economy.

INDUSTRIAL AND CORPORATE SECTOR

- Udyam, e-Shram, NCS and ASEEM portals to be interlinked to perform as portals with live, organic databases, providing G2C, B2C and B2B services to further formalize the economy and enhance entrepreneurial opportunities for all.
- ECLGS to be extended up to March 2023 and its guarantee cover will be expanded by INR 50,000 crore (INR 500 billion), with the additional amount being earmarked exclusively for the hospitality and related enterprises. CGTMSE scheme will be revamped with required infusion of funds.
- RAMP programme with outlay of INR 6,000

crore (INR 60 billion) over 5 years to be rolled out for MSME sector to become more resilient, competitive and efficient.

- Digital Ecosystem for Skilling and Livelihood - the DESH-Stack e-portal to be launched which will also provide API-based trusted skill credentials, payment and discovery layers to find relevant jobs and entrepreneurial opportunities.

AGRICULTURE SECTOR

- CChemical free Natural Farming to be promoted throughout the country, with a focus on farmers’ lands in 5 km wide corridors along river Ganga, at the first stage.
- Support to be provided for post-harvest value addition, enhancing domestic consumption, and for branding millet products nationally and internationally.
- To reduce dependence on import of oilseeds, a rationalized and comprehensive scheme to increase domestic production of oilseeds to be implemented.
- For delivery of digital and hi-tech services to farmers with involvement of public sector research and extension institutions along with private agri-tech players and stakeholders of agri-value chain, a scheme in PPP mode to be launched.
- Use of ‘Kisan Drones’ to be promoted for crop assessment, digitization of land records, spraying of insecticides, and nutrients.
- States to be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero-budget and organic farming, modern-day agriculture, value addition and management.
- A fund with blended capital, raised under the co-



investment model, to be facilitated through NABARD.

#### EDUCATION SECTOR

- 'One class-One TV channel' programme of PM eVIDYA to be expanded from 12 to 200 TV channels to enable all states to provide supplementary education in regional languages for classes 1-12.
- 750 virtual labs in science and mathematics and 75 skilling e-labs for simulated learning environment to be set-up in 2022-23.
- High-quality e-content in all spoken languages to be developed for delivery via internet, mobile phones, TV and radio through Digital Teacher.
- A Digital University to be established to provide access to students across the country for world-class quality universal education with personalized learning experience at their doorsteps.

#### OTHER SECTORS

- High-level committee of reputed urban planners, urban economists and institutions to be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance.
- For encouraging important sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma



and Agri-Tech, the government to promote thematic funds for blended finance with the government share being limited to 20% and the funds being managed by private fund managers.

- AVGC promotion task force with all stakeholders to be set-up to recommend ways to realize potential of the AVGC sector.
- Required spectrum auctions to be conducted in 2022 to facilitate rollout of 5G mobile services within 2022-23 by private telecom providers.
- Defense R&D to be opened up for industry, startups and academia with 25% of Defense R&D budget earmarked.
- To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of INR 19,500 crore (INR 195 billion) for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, to be made.
- A battery swapping policy to be brought out and inter-operability standards to be formulated. The private sector to be encouraged to develop sustainable and innovative business models for
- 'Battery or Energy as a Service'.
- The issuance of e-Passports using embedded chip and futuristic technology to be rolled out in 2022-23.



GLOSSARY

AAI	Airport Authority of India
AAR	Authority for Advance Ruling
AE	Advance Estimates
AIDC	Agriculture Infrastructure and Development Cess
AI AHL	Air India Assets Holding Limited
AIF	Alternative Investment Funds
AIIMS	All India Institute of Medical Sciences
ALP	Arm's Length Price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advance Pricing Agreement
API	Application Programming Interface
AVGC	Animation, Visual effects, Gaming, and Comic
AY	Assessment Year
BaaS	Battery as a Service
BE	Budget Estimate
BEPS	Base Erosion and Profit Shifting
BM Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOD	Board of Directors
BOI	Body of Individuals
BPL	Below Poverty Line
BSE	Bombay Stock Exchange
CbC	County-By-Country
CBDC	Central Bank backed Digital Currency
CBDT	Central Board of Direct Taxes
CBU	Completely Built Unit
CDT	Commodities Transaction Tax
CFPI	Consumer Food Price Index
CFS	Consolidated Financial Statements
CGST	Central Goods and Service Tax
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises
CIF	Cost Insurance Freight
CIT	Commissioner of Income Tax
CKD	Completely Knock Down
COA	Cost of Acquisition
COI	Cost of Improvement
C-PACE	Centre for Processing Accelerated Corporate Exit
CPSE	Central Public Sector Enterprises
CSI	Continental Shelf of India
CTT	Commodity Transaction Tax
CVD	Counter Vailing Duty
DBU	Digital Banking Unit
DDT	Dividend Distribution Tax
DEPB	Duty Entitlement Pass Book
DFI	Development Financial Institution
DIN	Document Identification Number
DRI	Differential Rate of Interest
DRP	Dispute Resolution Panel
DTA	Domestic Tariff Area
DTAA	Double Tax Avoidance Agreement
DTC	Direct Tax Code
ECB	External Commercial Borrowings
ECGC	Export Credit and Guarantee Corporation
ECLGS	Emergency Credit Line Guarantee Scheme
ECS	Electronic Clearing System
EDF	Electronic Development Fund
EEFC	Exchange Earners' Foreign Currency
EEZ	Exclusive Economic Zones
EODB	Ease of Doing Business
EOL	Ease of Living
EOU	Export Oriented Unit
EPFS	Employee's Provident Fund Scheme
ESOP	Employee Stock Option Plan
FA	Finance Act
FCCB	Foreign Currency Convertible Bonds
FCEB	Foreign Currency Exchangeable Bonds
FCI	Food Corporation of India

FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FIF	Financial Inclusion Fund
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FTP	Foreign Trade Policy
GAAR	General Anti Avoidance Rules
GCF	Gross Capital Formation
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GERD	Gross Domestic Expenditure on R&D
GST	Goods & Services Tax
GSTN	Goods & Services Tax Network
GTA	Goods Transport Agency
GVA	Gross Value Added
HEFA	Higher Education Financing Agency
HSD	High Speed Diesel
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
ICD	Inland Container Depot
ICT	Information & Communication Technology
IDR	Indian Depository Receipts
IFSC	International Financial Services Centre
IGST	Integrated Goods and Service Tax
IIFCL	India Infrastructure Finance Company Limited
IIM	Indian Institute of Management
IIT	Indian Institute of Technology
IIT-B	Institute of Information Technology- Bangalore
IMR	Infant Mortality Rate
Ind-AS	Indian Accounting Standards
INR	Indian National Rupee
Invit	Infrastructure Investment Fund
IPTV	Internet Protocol Television
IRDA	Insurance Regulatory and Development Authority
IRGD	Interest rate growth rate differential
IRS	Indian Revenue Service
IT	Information Technology
ITA	Income-tax Authority
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITSC	Income Tax Settlement Commission
JV/ WOS	Joint Venture/Wholly Owned Subsidiary
LCD	Liquid Crystal Display
LLP	Limited Liability Partnership
LPG	Liquified Petroleum Gas
LTCG	Long-term Capital Gain
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate affairs
MTFP	Medium-Term Fiscal Policy
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MLI	Multilateral Instrument
MRP	Maximum Retail Price
MSE	Micro and Small Enterprises
MSME	Micro Small and Medium Enterprises
MSP	Maximum Selling Price
MUDRA	Micro Units Development Refinance Agency
NCD	Non-convertible Debentures
NHAI	National Highways Authority of India
NHB	National Housing Bank
NPS	National Pension Scheme
NR	Non-Resident
NRI	Non-Resident Indian
NSE	National Stock Exchange
NSIL	New Space India Limited
NTLM	National Language Translation Mission
ONGC	Oil and Natural Gas Corporation
OPC	One person Company

OTS	One Time Settlement
PAN	Permanent Account Number
PCBA	Printed Circuit Board Assembly
PDMA	Public Debt Management Agency
PE	Permanent Establishment
PLI	Production Linked Incentive
PM-JAY	Pradhan Mantri Jan Arogya Yojana
POEM	Place of Effective Management
PPA	Power Purchase Agreement
PPP	Public Private Partnership
Pr.CIT	Principal Commissioner of Income-tax
PSU	Public Sector Undertaking
PY	Previous Year
QFI	Qualified Foreign Investors
QIB	Qualified Institutional Buyer
QIP	Qualified institutional Placement
RAMP	Raising and Accelerating MSME Performance
R&D	Research & Development
RBI	Reserve Bank of India
RE	Revised Estimates
REIT	Real Estate Investment Fund
RIC	Road and Infrastructure Cess
RPF	Recognised Provident Fund
RRB	Regional Rural Bank
RSE	Recognised Stock Exchange
RSP	Retail Sale Price
RTE	Right to Education
SAD	Specific Advaloram Duty
SAF	Superannuation Funds
SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SC/ST	Scheduled Cast/Scheduled Tribe
SCRA	Securities Contract (Regulation) Act, 1956
SEBI	Securities & Exchange Board of India
SEBI (FPI-R), 2019	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI Act	Securities and Exchange Board of India (SEBI) Act, 1992
SEP	Significant Economic Presence
SEZ	Special Economic Zones
SFC	State Finance Corporations
SGST	State Goods and Service Tax
SHG	Self Help Groups
SHR	Safe Harbour Rules
SIDBI	Small Industries and Development Bank of India
SITP	Software Information Technology Park
SPV	Special Purpose Vehicle
SSI	Small Scale Industry
STT	Securities Transaction Tax
SUUTI	Special Undertaking of the Unit Trust of India
SWS	Social Welfare Surcharge
TAN	Tax Collection/ Deduction Account number
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TI	Total Income
TP	Tansfer Pricing
TPO	Transfer Pricing Officer
UID	Unique Identification
UIDAI	Unique Identification Authority of India
ULIP	Unified Logistics Interface Program
USD	US Dollar
UTGST	Union Territory Goods and Service Tax
UTI	Unit Trust of India
VCC	Venture Capital Company
VCF	Venture Capital Funds
VCU	Venture Capital Undertaking
VRS	Voluntary Retirement Scheme
WPI	Wholesale Price Index
WTO	World Trade Organization

This document summarises the important provisions of the Budget 2022 proposals as placed before the Parliament.

Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.

Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2023-24. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931.

The proposals are subject to amendment as the Finance Bill passes through the Parliament.

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