



**INDIAN UNION  
INTERIM BUDGET 2022  
Kamdar Desai Patel  
Mumbai, India**

Honourable Finance Minister Nirmala Sitharaman unveiled the Union Budget 2022 which seeks to complement macro-economic level growth with a focus on micro-economic level all-inclusive welfare. The Government has prioritized on PM Gati Shakti, inclusive development, productivity enhancement and investment and financing of investment. The vision is to establish a trustworthy tax regime and to further simplify tax system and reduce litigations.

Below are some of the key highlights of the budget proposals announced today:

#### A) Income Tax

1. No change in tax rates or tax slabs for Individuals, HUFs, companies, partnership firms or LLPs.
2. Introduction of filing "Updated Return" which will enable the taxpayer to declare any income which is missed out while filing original return. Such updated return can be filed within 2 years from the end of the relevant Assessment Year (AY).
3. Amendments for Co-operative Societies:
  - ✓ Rate of Alternate Minimum Tax (AMT) has been reduced from 18.5% to 15%.
  - ✓ Reduction of surcharge from 12% to 7% for those societies having income between INR 1 crore and INR 10 crores.
4. Scheme for taxation of virtual digital assets:
  - ✓ Any income from transfer of any virtual digital asset to be taxed @ 30%.
  - ✓ No deduction in respect of any expenditure or allowance to be allowed while computing such income except its actual cost of acquisition.
  - ✓ Loss from transfer of virtual digital asset cannot be set off against any other income.
  - ✓ Gift of virtual digital asset also to be taxed in the hands of the recipient.
  - ✓ To capture the transaction details, TDS to be deducted on payment made in relation to transfer of virtual digital asset @ 1% of such consideration above a certain threshold limit.
5. Capping on Surcharge:
  - ✓ Rate of surcharge to be capped @ 15% for certain specified AOPs.
  - ✓ Surcharge on long term capital gains arising on the transfer of any capital asset to be capped at 15%.
6. In order to continue promoting further development of start-ups, incorporation of start-ups eligible for tax benefit has been extended to 31<sup>st</sup> March, 2023 which was earlier restricted till 31<sup>st</sup> March, 2022.
7. Tax incentives to IFSC:  
Subject to specified conditions, the following to be exempt from tax:
  - ✓ Income of a non-resident from offshore derivative instruments.
  - ✓ Income from over-the-counter derivatives issued by an offshore banking unit.
  - ✓ Income from royalty and interest on account of lease of ship.
  - ✓ Income received from portfolio management services in IFSC.



8. It is proposed that new manufacturing entity incorporated eligible for beneficial lower rate of income tax can now commence manufacturing or production activities latest by 31st March, 2024 which was earlier to be commenced by 31<sup>st</sup> March, 2023.
9. In cases where a question of law is identical to the one pending in High Court or Supreme Court, the filing of appeal by the department shall be deferred till such question of law is decided by the relevant court.

#### **B] Goods and Service Tax**

1. Time Limit is proposed to be extended for availment of Input Tax Credit on any invoice or credit note pertaining to a financial year upto 30<sup>th</sup> of November instead of 30<sup>th</sup> September of next financial year. Further it is also proposed to provide an extended time for issuance of credit notes in respect of any supply made in a financial year upto 30<sup>th</sup> of November of the following financial year.
2. It is proposed to provide that the registration of a person is liable for cancellation, where
  - ✓ a person paying tax has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return;
  - ✓ a person, other than those paying tax, has not furnished returns for such continuous tax period as may be prescribed.
3. It has been proposed to withdraw two-way communication in filing of GST Returns which means return under GSTR2 and GSTR3 which were earlier proposed to be introduced has now been done away.
4. It has been proposed to do away with the concept of provisional claim of Input Tax Credit and allow Input Tax Credit claim based on self-assessment basis.
5. It is proposed to provide for certain restrictions for utilizing the amount available in the electronic credit ledger.
6. Late fee has been proposed for late filing of TCS (tax collected at source) return under GST regulations.
7. It has been proposed to provide for levy of interest on input tax credit wrongly availed and also utilized. This is to be effective retrospectively from 1<sup>st</sup> July, 2017.

#### **C] Companies Act**

Process for voluntary winding up of the company to be accelerated by reducing the time limit from the current 2 year to less than 6 months.

We hope you find these highlights useful.

Thank you,  
Team KDP

Please reach out at [info@kdpaccountants.com](mailto:info@kdpaccountants.com) for any specific queries.

**Disclaimer:**

The above highlights are proposals and are subject to approval by the parliament. The above note is based on the budget speech and is subject to further study and clarifications. This note does not form any kind of opinion from our end and before taking any action based on above it is recommended to take consultation from our experts in the subject.