



1<sup>st</sup> February, 2023

Honourable Finance Minister Smt. Nirmala Sitharaman unveiled the Union Budget 2023 which highlights 7 priorities viz., Inclusive Development, Reaching the Last Mile, Infrastructure and Investment, Unleashing the Potential, Green Growth, Youth Power and Financial Sector. The Budget also specifies % wise distribution of inflow and outflow of money to the Government towards various avenues. The Budget also aims to simplify KYC norms and has prescribed PAN to be a single identifier for businesses.

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

#### A] Income Tax

1. New tax slabs are proposed for individual & HUF tax payers under the New Tax Regime which is tabulated below:

Total Income (Rs.)	Tax Rates
Up to Rs. 300,000	NIL
Rs. 300,001 to Rs. 600,000	5%
Rs. 600,001 to Rs. 900,000	10%
Rs. 900,001 to Rs. 12,00,000	15%
Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

2. No changes are proposed in income tax slab rates for individuals opting for Old Tax Regime.
3. It is proposed to reduce the highest Surcharge rate from 37% to 25% for the individuals opting New Tax Regime.

4. It is proposed to extend the benefit of standard deduction of Rs. 50,000 and Profession Tax of Rs. 2,500 to salaried individuals opting for the New Tax Regime.
5. It is proposed to allow full rebate of tax to individuals having income up to Rs. 7 lacs under the New Tax Regime.
6. No changes are proposed in income tax rates applicable for companies, partnership firms, or LLPs.
7. It is proposed to reduce withholding tax (TDS) rate to 20% as against 30% on payment of accumulated balance of Employees Provident Fund (EPF) in case of non-furnishing of PAN.
8. It is proposed to increase the turnover limit for persons under presumptive taxation from Rs. 2 crores to Rs. 3 crores. This is subject to cash transactions (receipts and payments respectively) being up to 5% of total receipts and payments respectively.
9. It is proposed to increase the turnover limit for professionals under presumptive taxation from Rs. 50 lacs to Rs. 75 lacs. This is subject to cash transactions (receipts and payments respectively) being up to 5% of total receipts and payments respectively.
10. It is proposed to extend the benefit of lower income tax rate to new co-operative societies engaged in the business of manufacture of any article or thing. The manufacturing activity should start on or before 31<sup>st</sup> March, 2024.
11. In order to promote timely payments to MSMEs, it is proposed that payments which are delayed by timeline as prescribed under MSME Act shall be disallowed. Further, it shall be allowed as a deduction only on actual payments made to such enterprise in that particular Financial Year.
12. It is proposed to extend the period of carry forward of business losses to 10 years as against existing period of 7 years for start-ups. Further, in order to continue promotion of start-ups, it has been proposed to extend the time limit for incorporation from 31<sup>st</sup> March 2023 to 31<sup>st</sup> March 2024.
13. It is proposed to restrict the capital gains deduction on re-investment in residential house to Rs. 10 crores.
14. It is proposed to enhance the limit for claiming tax exemption on leave encashment on retirement of non-government salaried employees from Rs. 3 lacs to Rs. 25 lacs.
15. In order to facilitate & incentivize business along with growing entrepreneurship, it has been proposed to extend the time limit for transfer of assets of the original fund, or of its wholly owned special purpose vehicle, to a resultant fund in case of a relocation registration under International Financial Service Centre (IFSC) from 31<sup>st</sup> March 2023 to 31<sup>st</sup> March 2025.

## B] Goods and Service Tax (GST)

1. The effective date of amendment for supplies of goods from a place outside the taxable territory to another place outside the taxable territory, high sea sales and supply of warehoused goods before their home clearance is proposed to be changed from 01.02.2019 to 01.07.2017 to keep such supplies outside purview of GST. However, no refund of tax paid shall be available in cases where any tax has already been paid in respect of such transactions/ activities during the period 01.07.2017 to 31.01.2019.
2. It is proposed that the input tax credit (ITC) shall not be available in respect of goods or services or both, which are used or intended to be used for activities relating to obligations under Corporate Social Responsibility (CSR).
3. The “place of supply” for goods transportation services shall be the location of the service recipient in case of registered persons and location at which goods are being handed over for unregistered persons, irrespective of destination of the goods.
4. The return filing provision under GST is proposed to be amended to restrict filing of returns/ statements to a maximum period of 3 years from the due date of filing of the relevant return /statement.
5. Amendments are proposed to enable unregistered suppliers and composition taxpayers to make intra-state supply of goods through E-Commerce Operators, subject to certain conditions.
6. The definition of “online information and database access or retrieval services (OIDAR)” has been amended to exclude rendering of the said supply being essentially automated and involving minimal human intervention. This relaxation in the definition will lead to some service providers to fall outside the gambit of GST.
7. The compounding of any offences under the GST law, has been proposed to reduce the range of 25% to 100% against the existing range of 50% to 150% of tax amount.
8. It is proposed to decriminalize offences like obstructing or preventing any officer in discharge or his/her duties, deliberate tampering of material evidence and failure to supply information.
9. It is proposed to amend to decriminalize certain offences like failure to provide information, obstructing officer in discharging duties, tampering of evidence. Further, the monetary threshold for launching prosecution for the offences under the said Act is being increased from Rs. 1 crores to Rs. 2 crores, except for the offences related to issuance of invoices without supply of goods or services or both.

We hope you find the above 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.