Tax World Reacts to Union Budget 2023

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**Mukesh Butani (Managing Partner, BMR Legal)**

Inclusive budget for a holistic national growth

"Covering almost all sectors of national development parameters with rich endowments, the Budget 2023 presented by the Finance Minister today is truly addressed towards ensuring that the nation grows on an all-round basis without any sector being left behind; i.e. walking the talk on Sabha Sath sabka vikas.

Having said that, the priority areas, such as infrastructure, health, environment, agriculture, backward groups and areas, have received adequate attention towards ensuring that the key economic drivers continue to usher all economic and national growth. The seven priorities, highlighted as Inclusive development, Reaching the last mile, Infra & investment, Unleashing the potential, Green growth, Youth power, and Financial sector are adequately positioned for growth, not to be confused with populist measures, which generally were the order of the day in last full budgets of earlier governments. The interests of women and senior citizens, by incentivising their savings, have been duly factored.

The admirable part is that all these aspects have been projected to be achieved while adherence to fiscal prudence standards. The tax proposals compliment the larger national priorities by aligning the customs duty framework in line with the Make-in-India, PLI schemes, etc. which reflects holistic thinking. This is besides the revisit to the compliances on the direct tax side and other significant proposals covered in the Budget which invigorate savings, investments and growth.

In all, a budget for inclusive growth."

**Views are personal*

**Girish Vanvari (Founder, Transaction Square)**

"The FM has presented a ‘no surprise’ budget that sets a positive tone and lays the framework for sustainable growth.

All apprehensions surrounding change in capital gain tax regime and inheritance tax were put to rest. ‘Continuity of policy making’ was the central theme which reinforces the predictability of the India tax regime.

On the macro front, sticking to the fiscal glide path with a fiscal deficit target of 5.9% in FY 23, the proposed increased capital outlay by 33% and increased allocation to infrastructure should provide an impetus to the growth aspirations laid out by the Government. The proposed tweaks in the personal tax regime should leave more disposable income in the hands of individuals and will popularise the new tax regime. The rationalisation of the individual surcharge rates for super rich individuals is a welcome step and enhancement of limits under the SCSS would cheer the senior citizens. Restricting the limits u/s 54 (capital gains benefits) to INR 10 cr FY 23-24 onwards, will mean that more taxpayers would closely monitor the timing of sale of their property to avail benefit of the existing regime.

On the corporate tax front, the rates remain unchanged and the expansion of scope of the beneficial tax rate of 15% to co-operatives and the enhancement of presumptive taxation limits along with a revamped credit guarantee scheme augurs well for MSMEs. Further, extending the time period to claim Start-Up's benefits and for carry forward of losses is a positive.

The Budget lays down a tangible vision themed around identified priority areas that seek to drive inclusive growth by promoting youth initiatives, focusing on infrastructure development, promoting green initiatives, promoting digitization and ease of doing business, to take India towards a USD 10 trillion economy. Now that the hype surrounding the budget is behind us, the focus will now be on relentless execution and business as usual to deliver the 'promised' growth."

Ketan Dalal (Managing Director, Katalyst Advisors Pvt. Ltd)

"The Union Budget 2023-2024 has been presented in the backdrop of a highly volatile geo-political and economic environment. While there are some laudable measures on the macro front including on capex, skilling and digital initiatives, the direct tax part has been a disappointment.

There has been an increase of the exemption limit to Rs. 3 lacs from Rs. 2.50 lacs and some rationalisation of tax rates upto Rs. 15 lacs, which results in a saving of Rs. 37,500. The maximum rate beyond income of Rs. 5 cr, p.a. has also been reduced to ~ 39% (still very high) from ~ 43%.

From a capital market standpoint, there have been no streamlining measures; in fact, capital gains on Market Linked debentures will now be taxed at short term capital gains (regular tax rates), instead of long term capital gains, even if beyond one year; (this is applicable retroactively in the sense, that it applies for incomes for Financial Year beginning 1st April 2023 even though the MLD may have been issued prior to that date). Surprisingly, no streamlining of provisions relating to capital gains, nor are there any tax amendments to address irksome provisions impacting MnA and restructuring.

There are also unfortunately, no less than 14 anti avoidance provisions, many of them which seem unjustified; for example, the TCS rate on overseas tour packages and foreign remittances has been increased from 5% to 20%. In relation to capital gain on purchase of residential accommodation, Sections 54 and 54F are sought to be amended to limit the deduction that can be claimed by capping the cost of the new purchase at 10 cr.

Quite disturbingly, in relation to outlier provisions (of which there are several in the Act, including regarding the so called "angel tax", which in reality is much broader) S 56 (2) (viib) is now made applicable to non resident investors also and that will have serious implications.

All in all, both from the point of view of what is amended and what is missing, the Direct Tax part of the budget leaves much to be desired."

Vipul Jhaveri (Managing Partner – Tax, Deloitte India)

“The Budget 2023 proposals encompass priority areas for the government reinforcing the belief in the sustained recovery of the economy, even as the rest of the world grapples with looming recession, rise in unemployment and heightened worries on inflation.

The focus areas of infrastructure and investment, green growth, youth power and the financial sector will provide an impetus for new employment opportunities and help reduce the perils of rising inflation. Other proposed measures such as simplifying the business identification processes, setting up of Centres of Excellence for Artificial Intelligence and relief for MSMEs will boost business.

The proposal to increase the income tax rebate limit to Rs 7 lakh for individual taxpayers who have opted for the new tax regime, is a welcome move and will increase the disposal income of this segment. Similarly, the proposal to reduce the highest rate of surcharge to 25% for individuals in the new tax regime, will result in the maximum marginal rate of 39%, from 42.74%, which was among the highest in the world.

The Budget has also promoted entrepreneurship by offering positive tax measures for start-ups. India has already the third largest ecosystem in the world for start-ups and the move to extend the date for incorporation for eligible start-ups by an additional year for income-tax benefits and to also lengthen the period for carry forward of losses to 10 years, will provide a further impetus to business sentiment among our talented youth.

Lastly, to encourage growth of the lab-grown diamonds industry, the Budget proposes certain financial measures and indirect tax concessions/ relief which will also boost interest for this growing sector and help in creating jobs”.

Sunil Kapadia (Senior Advisor, Dhruva Advisors LLP)

"The First Budget in Amrit Kaal seeks to build up on foundation laid in the last budget and blueprint for India@100. It throws huge hopes and positive vibes to make India a super economy with sustained economic growth. The top seven priorities and measures identified against each show the breadth and reach of policy measures to achieve the above:

1) **Inclusive Development:** Reforms impacting agriculture, horticulture, agriculture start-ups, digital infrastructure, women, youth, etc.

2) **Reaching the Last Mile:** Aspirational Block Programs (touching health, nutrition, education, agriculture, water, skill development, etc.)

3) **Infrastructure & Investment:** Steep Increase to 10 Lakh Crores for job creation, infrastructure development, 2.4 Lakh Crores to Railways, etc.

4) **Unleashing the Potential:** Enhancing ease of doing business, COE’s for AIs, Vivad se Vishwaas for reliefs for MSMEs, result based financing, etc.

5) **Green Growth:** Target for Green Hydrogen, (5 MMT), Energy transition Cap Funding, Energy Storage VGF, promoting Natural Farming, Coastal Shipping, etc.

6) **Youth Power:** National Education Policy, skill development, job creation at scale, support business opportunities, Skill India Digital Platform, New Age Courses, etc.

7) **Financial Sector:** Credit Guarantee for MSMEs, New Financial Sector Regulations, etc.

More reforms in Gift City, eg. allowing foreign banks to finance acquisitions, single window for clearances, etc. will accelerate business from IFSC.

New start-ups established up to 31st March 2024 will become eligible for tax exemption. Increase in period of carry forward of losses in case of start-ups to 10 years from the existing 7 years to align Section 79 with Section 80-IAC of the Income Tax Act,1961. Also, to ease litigation, the proposal of deploying 100 Jt. Commissioners at the Appellate level is welcome.

Slew of measures introduced to widen/deepen tax base and to plug avoidance of taxes, eg. Deeming Gifts given to Not Ordinary Residents as income, tax treatment of distribution of income by business trust to its unit holders, TDS on interest paid on listed deb to Residents, etc.

Overall, Budget FY 23-24 has several wide-ranging policy measures to achieve an "inclusive growth". As citizens, we can say our hopes are high and that focus on implementation is what we need in next few years."

**Rajendra Nayak (Partner, International Tax Services, EY India)**

"In the backdrop of the Indian economy staging a broad-based recovery across sectors, buoyancy in direct and indirect tax collections and inflation within RBI's target range, the Finance Minister presented the Union Budget for FY 2023-24. The Budget seeks to build on the foundation laid in the previous Budgets. The Budget speech outlined the seven priorities as the saptharishis providing the guiding light through the *Amrit Kaal*. Capital investment continues to be the driver for growth in this Budget with a steep increase of 33%, accounting for 3.3% of the GDP. This can be expected to have a large multiplier impact on growth and employment. After the subdued period of the pandemic, private investments can now be expected to give further impetus to growth and job creation.

The Budget continues with the Government's policy of providing a stable and predictable tax regime by not proposing many changes to the tax laws. With most of the significant tax reforms – reduction in corporate tax rates, rationalization of dividend taxation, phasing out tax incentives – already implemented over the last few years, significant legislative changes were not expected. With global tax reforms currently underway in several countries and India actively participating in the deliberations, there were expectations that the Budget speech would provide a direction of India's policy for implementing the global minimum tax rules. With no such indication forthcoming, corporate India could be faced with some uncertainty around how the global tax reforms could impact them as other jurisdictions roll out consultation documents and draft legislation. This is an area where the Government should initiate public consultation with stakeholders at the earliest and provide an implementation road map.

Despite the assurance of a stable tax regime, work still needs to be done on tax administration/ enforcement (e.g. improving dispute resolution/ settlement/ prevention mechanisms) which the Government should consider as an ongoing process independent of the Budget. With the *Saptharishis* providing the guiding light for the Budget, one would hope that the Government also takes the counsel of the wise *Vidura* from the *Mahabharata*. One of the tenets of *Vidura Neti*, a well-known part the Mahabharta states *"Like the black bee which sucks the sap of a flower while protecting it, a king gathers taxes painlessly from his subjects"*. While progress has been made in this direction, there is still a need to address some concerns on this front in the area of international tax and transfer pricing."

**K R Sekar (Partner, Deloitte)**

The comment has been co-authored by Mr. Rohit Saboo (Senior Manager, Deloitte)/ Ms. Priyanka Kalluraya (Manager, Deloitte)

The Hon'ble Finance Minister vide Budget 2023 has proposed various amendments and clarifications under the provisions of the Income-tax Act, 1961 ["the Act"]. While liberalised tax slabs rates and increase in rebates has been proposed for individuals, certain key considerations for corporates are highlighted below:

1. Section 9(1)(viii) of the Act: Payments made in the nature other income (covered under section 56(2)(x) of the Act) by a person resident in India to a person not ordinarily resident in India made on or after 1 April 2023 would be taxable.

2. Profit linked deduction for SEZ units: Certain provisions of section 10A of the Act has been extended to section 10AA of the Act, i.e., to be compliant with filing of return of income under section 139(1) of the Act and realisation of forex within six months from the end of the previous year or such other period as a competent authority may allow, in order to claim deduction under section 10AA of the Act. **However, it may not have a major impact as the same guidelines were followed earlier.**

3. Section 28(4)/ 194R of the Act: It has been clarified that the value of any benefit or perquisite could either be in cash or in kind or partly in cash or in kind. Further, this amended would overrule the Supreme Court decision in the case of Mahindra & Mahindra which has held that receipt in the form of cash/ money cannot be taxed as perquisite under section 28 of the Act. **This would vindicate the CBDT position w.r.t. 194R of the Act which was clarified by way of a** Circular.

4. Section 35D of the Act: To claim deduction w.r.t. preliminary expenses, statement containing particulars of expenditure incurred must be filed with the tax authorities. **This will lead to increase in compliance burden for the taxpayers. Such additional compliance is unwarranted as this deduction should be automatic.**

5. Section 43B of the Act: Deduction w.r.t. expenses incurred towards MSME vendors would be allowed only on actual payment basis. In case payment is made after 31 March of the previous year, the same would be allowed in subsequent year. **This will lead to disallowance in the hands of the taxpayers where there could be delay due to payment terms. However, it will benefit MSMEs by way of accelerated cash-flow from corporates.**

6. Amendments impacting Start-ups:

- *Impact to foreign investor/ non-residents:*

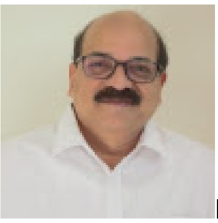
Shares issued at more than FMV to overseas investors is proposed to be taxable under section 56(2)(viib) of the Act. As per the proposed amendment, value at which the shares has been issued has to be justified with an appropriate valuation as per prescribed rules. Under the existing provisions of law, shares issued more than FMV was only taxable in the hands of resident investors and the same was not applicable if the investment were from non-residents. This has been plugged now. **Thus, resident/ non-resident/ foreign investors would be treated at par, i.e., they will have to justify the value and if not, the difference between FMV and amount received would be taxable under section 56(2)(viib) of the Act.**

- *Benefit of carry-forward of losses:*

The Start-ups have been clamoring for easy compliance and benefit of extended period of carry forward of losses. The Finance-Minister has proposed to extend the benefit of carry forward of losses from 7 years to 10 years. This would help start-ups to protect losses from lapsing at the end of 7th year, as they have additional three years. **It is pertinent to note that it takes time for Starts-ups to become profitable and hence this extension will help start-ups.**

7. Section 246 of the Act: To expedite disposal of appeals pending before Commissioner of Income tax (Appeals) ["CIT(A)"], new authority in the rank of Joint Commissioner (Appeals) ["JC(A)"] is proposed to be introduced. Order passed by Deputy Commissioner and below would be appealable before the JC(A).

Since the cases before CIT(A) itself would be transferred to JC(A), it would support tax-payers in achieving dispute resolution as against creation of additional level of litigation.

**K. Vaitheeswaran (Advocate & Tax Consultant)**

"The Hon'ble Finance Minister has embarked upon this year's budget exercise with clinical precision and vision. There is significant focus and allocation for infrastructure and the momentum has been maintained. The 'Seven Saptarishis' which she referred to are well though off and the budget transverses between agriculture, education, airports, ease of doing business, unified filing process, contract dispute settlement, green focused, tourism and financial sectors.

What is disappointing is the absence of any customs dispute settlement scheme or a GST late fee / interest waiver scheme which is very much needed at this point of time. The amendments to the CGST Act in expanding the scope of Section 17(5) is unwarranted since on one hand the law expects the corporate sector to step in and mandatorily spend on CSR and on the other hand, denial of ITC on such activities would only increase the cost.

On the Customs front, the changes are in line with the past policies and the emphasis is on 'atmanirbhar bharat'.
On the income tax front, it is unfortunate that the Government has chosen to amend Section 10(10D) of the Income Tax Act and impose tax on the amounts received under an insurance policy subject to certain limits. This will have a huge impact on the insurance sector and on public at large."

**Rakesh Nangia (Chairman, Nangia Andersen India)**

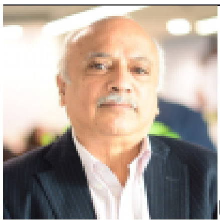
"Union Budget 2023-24, inter alia, lays emphasis on infrastructure and investment by increasing the capex outlay to ₹ 10 lacs crore (a rise by 33.4% over the last year), highest ever capital outlay of ₹ 2.4 lacs crore for Railways, continuation of 50-year interest free loan to State Governments to incentivise infrastructure investment. Expansion in infrastructure is key to sustain economic growth and attract foreign investment. With reciprocal private sector investments, India shall be well set on a path to a virtuous cycle of growth. The "Saptarishi" or the 7 priorities aim to accelerate India's pace of inclusive, resilient, and sustainable growth.

The Budget also simplifies tax benefits for the Industry by extending 15% corporate tax benefit to new cooperatives, commencing manufacturing till 31.03.2024. The extension of the date of incorporation by one year for income tax benefits to start-ups and extension of period of tax benefit to funds relocating to IFSC, GIFT City are a welcome step.

The Hon'ble FM during her Budget speech proposed to introduce two Schemes, namely, Vivad se Vishwas I – Relief for MSMEs and Vivad se Vishwas II – Settling Contractual Disputes, for efficient dispute resolution and ease of doing business in India.

The middle-class and salaried persons have reasons to cheer as well. The Hon'ble FM has made the new income tax regime attractive by increasing the exemption and rebate limits, reducing the number of slabs, and offering of standard deduction. This was anticipated since the new tax regime introduced in

2020 did not find many takers."

**Uday Ved (Lead Partner - Global Tax, KNAV)**

The recently announced India Union budget 2023-24 which is the first in Amrit kaal Budget has fuelled positivity to corporations, and individuals (including the common man) with a focus on imbibing world-class digital infrastructure, expanding tourism, enhancing capex spending, etc. The budget has given a futuristic feel and realistic vision by setting up opportunities and priorities in spite of the global recession on account of the global pandemic and prolonged war.

The direct tax proposals aim to rationalize tax provisions, promote investments, and maintain continuity in reducing compliance burden which aims to boost the trust and confidence of taxpayers.

New Tax regime - This will bring benefits for all and result in simplifications. The proposed amendments with no tax for income upto INR 7 lacs, keeping the highest tax bracket at 30% above INR 15 lacs. Other measures including providing the standard deduction on Salary income under the new tax regime.

A proposed reduction of 25% tax for individuals having income upto INR 9 lacs and 20% for income upto INR 15 lacs as compared to existing tax liability will boost cash mobility in the hands of middle-class taxpayers. For the high taxpayers, the surcharge has been reduced from 37% to 25% resulting in the maximum tax rate from 43% to 39%.
There was no change in corporate tax rates or foreign companies' tax rates.

In order to add anti-avoidance measures, it is proposed to widen the scope of Section 9 of the IT Act covering deemed gifts from residents to 'not ordinarily resident'. Also, it has been proposed to bring all taxpayers within the ambit of Section 56(2)(vii)(b) of the Act.

Removing irrational use of tax provisions by HNIs, investment in residential housing for claiming capital gains exemption is proposed to be restricted to INR 10 crore.

It proposes to increase TCS from 5% to 20% for certain classes of overseas remittances. The bill proposes a new capital gains provision for market-linked debentures, taxing income from insurance policies where the premium is more than INR 5 lacs and TDS to be deducted on interest payments on listed debentures.

It is proposed to tax income from insurance policies received on the death of the insured person having a premium above INR 5 lacs in a financial year. Such income shall be taxable as 'income from other sources and deduction shall be allowed for the amount of premium paid, if not claimed earlier. The proposed provision shall apply for policies issued prospectively i.e. on or after 1st April, 2023.

Overall, the above propositions will lead to ease of tax compliance and also the tax savings for all.

Start-ups: Being the third largest nation for start-ups, there is an extension for one more year of the incorporation eligibility for the tax holiday period of incorporation upto March 31, 2024. Further, the carry forward of losses on change in shareholding will be increased from 7 years to 10 years.

The NBFCs will be spared in line with Banking and Insurance companies, which were earlier falling into the gamut of interest deductibility of Section 94B of the IT Act.

International Taxation and Transfer Pricing: The NBFCs will be spared like Banking and Insurance companies, which were earlier falling into the gamut of interest deductibility of Section 94B of the IT Act.

The tightening of the time limit for furnishing Transfer pricing documentation which is now reduced to 10 days from 30 days will help to quickly wrap up scrutiny cases where taxpayers were enjoying 30 days limit.

Other Proposals: Key initiatives proposed will be widely appreciated such as the simplification of KYC process. The Unified filing system based on PAN will be set up to avoid separate submissions to several government agencies.

The turnover limit for presumptive taxation for MSMEs and professionals is enhanced at INR 3 crores and INR 75 lacs turnover respectively subject to cash receipts not exceeding 5% and deduction for expenditure for the payments to MSME will be allowed only on a payment basis.

Various measures to enhance business activities in GIFT-IFSC are proposed like delegating powers under SEZ Act, single window registration under various regulators, permitting acquisition financing by IFSC Banking Units of foreign banks, avoiding double taxation of offshore derivatives and amending IFSCA Act for arbitration.

Relief is proposed to be granted to Sugar co-operatives from past tax demand on account of excessive business expenditure over and above the Statutory Minimum Price prior to AY 2016-17. Further, it is proposed to insert a new Section 80CCH of the Act to allow the deduction of the entire amount deposited to an individual enrolled in the Agnipath Scheme.

Cash withdrawal at the time of payment (if exceeds INR 1 crore) is liable for withholding of tax at 2% by a banking company or a co-operative society, however, in case of a non-filer tax withdrawing cash (non-filing of ITR in the prior 3 years), then, the TDS to be deducted at 2% on the amount exceeding INR 20 lacs and 5% on the amount exceeding INR 1 crore in aggregate during the financial year.

The Finance Minister at various times in her speech mentioned youth, job opportunities, green growth, and entrepreneurship which are much needed for a growing economy and aiming for a simplification of processes and spark the technology-driven economy."

Anish Thacker (Partner, Tax & Regulatory Services, SRBC & Associates LLP)

“The Direct Tax Proposals in the Finance Bill take forward the vision of the Government to make the tax regime stable and predictable, yet at the same time promote a simple, exemption free tax regime. The increase in limits for presumptive tax regime in case of MSMEs and Professionals are welcome as are the proposals to incentivise manufacturing in the cooperative sector. The amendments to the rates of tax, rebate and surcharge for taxpayers in the ‘new’ tax regime and the taxation of proceeds of high value insurance policies plus the increase of Tax Collected at Source (TCS) on overseas tour packages and remittances other than for medical and educational purposes as well as the proposal to tax income from Market Linked Debentures at a higher rate, plus the proposal to tax share premium in excess of fair market value, received from non-residents and the capping of the limit of the cost of the residential house to be purchased for capital gains exemption at Rs. 10 crore, are steps to tax the affluent sections of the society. There are a number of rationalisation measures like those relating to the carry forward of losses allowability for strategic disinvestment and start ups, the taxability of gifts received from not ordinary residents, the rationalisation of TDS provisions and the procedural sections have been carefully thought through. There are certain provisions where powers to the tax authorities have been enhanced. As has been seen in the past few years, the Charitable Trust related proposals are are many in number and will need to be studied carefully. Overall, the Direct Tax Proposals appear to be on expected lines. Given the fiscal space, a bit more could have probably been done for relief to the middle class, but on the other hand, the fact that no significant additional tax or compliance burden has been imposed, could possibly be looked at as being good news.”

**Daksha Baxi (Founder, SRI Solutions)**

- Clearly, this budget is focused on inclusive growth, which is evident from significantly increased allocation to the Government's capital expense on infrastructure development and affordable housing. The multiplier effect of this is expected to percolate down to both the rural and urban areas alike.
- The thrust on tourism, technological advancement in agriculture and special funds being set up for these areas are expected to make this outreach of growth possible.
- The special policies for youths including their upskilling, taking into consideration the industry needs for being employable should improve employment creation. This, along with the execution of the new education policy and establishment of National digital library for adolescents at panchayat level in collaboration with NGOs should bring about much needed change in employability of youths.
- The announcement to set up 157 nursing colleges shows the government's commitment to improve the reach of basic healthcare services far and wide.
- Commitment to refund 95% of forfeited amounts for contracts which did not meet the bid timelines during covid restrictions to MSMEs should provide significant relief in cash flows of such MSMEs. It is also proposed to revamp the credit guarantee schemes for the MSMEs
- Some of the other measures for green growth are laudable and if implemented, they should help India maintain a lead in contribution to protection of Mother Earth.
- The Budget has steered clear of populist measures and has brought about clever changes in the provisions of the IT Act without tinkering with the tax rates but ensuring that the tax collection increases and the exemption benefits are not given to those who are indeed in high income slabs. A couple of glaring examples of this are :

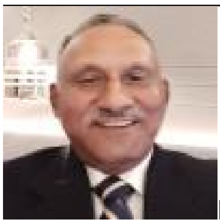
1. A huge jump in the rate of TCS from 5% to 20% for remittances outside India of amounts above INR 7 lakh
2. Rollover capital gains tax benefit for investing in a residential property when long term capital gains are earned from sale of residential house or from sale of long term capital asset has now been capped at INR 10 crore. This means that HNI /UHNI who made high capital gains on the sale of their long term capital assets can no longer avoid having to pay capital gains tax if the gain is more than INR 10 crore. This may have impact on luxury housing industry.

In line with the government's promise to move away from exemptions regime, it is proposed that the optional tax regime of tax rebate under Section 87A provided to a resident individual who satisfied the conditions of not claiming a significant number of deductions and exemptions as listed under Section 115BAC would become a default tax regime. Its scope is expanded to include HUFs, AOPs, BOIs and artificial juridical persons. At least in this year, the individual can opt out of this new tax regime. Albeit the income threshold for the rebate is increased for the lower of income tax on INR 7 lakh from 5 lakh or the tax amount of INR 25,000 from INR 12,500.

To incentivise tax payers to opt for this scheme, the rate of surcharge on tax is capped at 25%. Else, when the income is more than 5 crore, the surcharge remains at 37% as in the prior years.

The concessional tax rate of 15% which was available to newly set up manufacturing companies is now available to co-operative societies also, if they are set up on or after 1 April 2023 and start manufacturing on or before 31 March 2024. This may be too short a time line to avail this benefit!

In all there are 122 changes to the Income Tax Act, 1961 in the Finance Bill and undoubtedly, some of the provisions would require analysis to ascertain the impact on the overall tax regime and administration in the country. On the whole, the fact that there is no major increase in the tax rates is a huge relief. The much sought for changes in the capital gains tax provisions will have to wait for a later date.

**K R Girish (K. R. Girish & Associates)**

"The Finance-Minister ("FM") today presented her fifth and last budget before upcoming general elections. Contrary to popular belief that the budget will be a populist one she presented a balanced budget keeping fiscal prudence in mind.

The following key announcements were made by the FM during her speech:

1. Union Budget outlined 7 priorities for India as follows – a) Inclusive development, b) Infrastructure and Investment, c) Unleashing the Potential, d) Green Growth, e) Financial Sector, f) Youth Power and g) Reaching the last mile.
2. Effective Capital expenditure of the Center for FY 2023-24 is estimated to be INR 13.70 lakh crores which will be 4.5 per cent of GDP.
3. Fiscal deficit for FY 2023-24 is estimated to be 5.90 percent of the GDP and the revised estimate of the fiscal deficit for FY 2022-23 is 6.4 per cent of GDP.
4. Union Budget has proposed various amendments direct tax in order to reduce the compliance burden, promote entrepreneurial spirit and provide tax reliefs. Key direct tax proposals are as follows:

a. Simplifying Personal Income Tax –

i. Income limit for rebate of income-tax in the new tax regime has increased from INR 5 Lakhs to INR 7 Lakh.
ii. Change in tax structure in new regime by reducing the number of slabs to five and increasing the tax exemption limit to INR 3 Lakh.
iii. Extending benefits of standard deduction to new tax regime for salaried class and pensioners
iv. Increase tax exemption limit to INR 25 Lakhs on leave encashment on retirement for non-government salaried employees
v. Surcharge rate on income above INR 5 crores to be reduced from 37 percent to 25 percent under new regime.

b. Simplifying tax benefits for Industry –

i. Enhancement of threshold limit for professionals and MSMEs to avail benefits of presumptive taxation under sections 44AD and 44ADA.
ii. Deduction on payments made to MSMEs to be allowed only on actual payment basis to be covered under section 43B.
iii. Extension of time limit for incorporation of eligible start-ups by one year to 31 March 2024 under section 80IAC.
iv. Benefits off carry forward and set-off of losses on change of shareholding of eligible start-ups as referred to in section 80IAC from 7 years to 10 years.

c. Ease of compliance –

i. Ease in claiming deduction on amortization of preliminary expenditure under section 35D.
ii. Extending the scope for deduction of tax at source to lower or nil rate to include lower deduction under section 194LBA.

d. Widening and Deepening of Tax Base/Anti-Avoidance Measures –

i. Extending deeming provision under section 9 to sum of money exceeding fifty thousand rupees, received by a not ordinarily resident, without consideration from a person resident in India.
ii. Removal of exemption of news agency under clause (22B) of section 10.
iii. Removal of exemption from TDS on payment of interest on listed debentures to a resident.
iv. TDS and taxability on net winnings from online games by amending sections 194B and 194BB and insertion of new section 194BA.
v. Limiting the roll over benefit claimed under section 54 and section 54F to IRN 10 crores.
vi. Introduction of section 50AA to tax the capital gains arising from the transfer or redemption or

maturity of Market Linked Debentures as short-term capital gains at the applicable rates.

vii. Preventing permanent deferral of taxes through undervaluation of inventory.

viii. Defining the cost of acquisition and cost of improvement as 'NIL' in case of certain assets (like intangible assets or any sort of right for which no consideration has been paid for acquisition) for computing capital gains.

ix. Bringing the non-resident investors within the ambit of section 56(2)(viib) to eliminate the possibility of tax avoidance.

e. Improving Compliance and Tax Administration –

i. Introduction of new authority of appeals at Joint Commissioner/ Additional Commissioner level to handle certain class of cases involving small amount of disputed demand. Such authority has all powers, responsibilities and accountability similar to that of Commissioner (Appeals) with respect to the procedure for disposal of appeals.

ii. Reducing the time provided for furnishing TP report from 30 days to 10 days.

iii. Decriminalization of section 276A of the Act by providing a sunset clause on the section with effect from 31.03.2023. Hence, it is proposed that no fresh prosecution shall be launched under this section on or after 1st April, 2023. The earlier prosecutions will however continue.

iv. Substitution of provisions of section 170A related to business reorganization.

Sanjay Sanghvi (Partner, Khaitan & Co)

"Good overall budget with clear thrust on infrastructure development, digital India and inclusive growth.

Decent relief in tax rates for individual taxpayers under new tax regime and reducing highest surcharge to HNI from 37% to 25% resulting in reduction of effective rate to 39% from 43% is another big relief and much needed.

Reducing litigations in income tax by introduction of the authority of Joint Commissioner (Appeals).

Amendment proposed in section 253 of the Income-tax Act to enable filing of cross-objections (Appeal) by Assessing Officer before Tribunal. For example, if a taxpayer prefers an appeal against the final order of the AO passed in pursuant to the objections of the DRP, now the AO can also file appeal [cross objections] before the Tribunal against any relief provided by the DRP. On first blush this proposed amendment seems unwarranted as it will defeat the whole purpose of setting up of DRP panel which consists of 3 Commissioners of Income-tax whose ultimate goal was reducing tax disputes. Hence, this amendment may defeat the purpose of setting up DRP Panel and in turn may increase litigation if an AO is allowed to file cross objections to Tribunal against adjudication by DRP. Also, it may undermine collective wisdom of DRP panel as 3 CITs are supposed to adjudicate on AO's draft assessment order and then issue their directions to AO.

Further, the budget provides a boost to manufacturing sector as new Cooperatives into manufacturing to enjoy lower tax rate of 15%.

Also, startups to be allowed carry forward of losses on change in shareholding for 10 years as against 7 years under present law.

Overall, seems a good growth-oriented budget also balancing the need concerning upcoming general elections in the country in 2024. As was expected, Govt seems committed to make Gift City-IFSC more attractive and increasing its scope and utility."

**Sudhir Nayak (Partner, Dhruva Advisors LLP)**

"Ahead of the Lok Sabha elections of 2024, the Modi Government presented its 10th budget and the first in the Amrit Kal. The economic survey presented yesterday shows that the growth of India would be at 7% which is the highest among the major economies. At the beginning of the speech, the Hon'ble Finance Minister spelled out the priorities i.e., Inclusive development, Reaching the last mile, Infrastructure, investment, Unleashing the potential, Green growth, Youth opportunities, and the Financial sector.

Overall, the budget is focusing on the creation of sound Infrastructure for the development of various aspects of the Indian economy and uplifting people from various strata of society – through free food schemes, increase credit to the Agriculture sector, etc.

The increased allocation of funds for Capital Investment will spur overall development. The focus on Innovation in Pharma, Creating labs for 5G services, skill development for the youth keeping the industry needs in mind, creating the center of Excellence for AI, etc. will create the backbone for the growth of the industry and a welcome move.

On the ease of doing business front, some measures undertaken are - reduction in compliances, decriminalization of some provisions, and use of PAN as a common business identifier for all digital systems. Further, the limit of presumptive taxation has been increased for small businesses and Professionals provided cash receipts are not more than 5%.

To reduce the pendency of the appeal small appeals will be handled by Joint commissioners which will surely help. The thin capitalization regulations will no longer apply to the notified NBFCs.

On personal taxation, there are proposals for relief but the same appears to be for shifting taxpayers to the new regime.   The highest tax rate is reduced from 42% to 39% under the new regime. The limit for claiming exemption under section 54/54F (for new house purchase) is capped at INR 10 crores.

Overall, the thrust of the government appears to be on the creation of infrastructure and the creation of a Centre of excellence to help industry."

**Vishweshwar Mudigonda (Partner, Deloitte Haskins & Sells LLP)**

"In this last full year Budget of the current government, the Hon'ble Finance Minister, while adopting the seven priorities that complement each other, continues her focus on sustainable growth trajectory. Picking from where she left in the earlier years, the increased outlay in the infrastructure sector is poised to boost the overall growth of economy. With green growth as a priority, India's commitment to carbon neutrality is reaffirmed.

On the direct tax front, the personal taxes have gained more attention of the finance minister, directional pushing the new tax regime as a default tax regime. With reduction in slabs and other changes, individuals in lower tax brackets are expected to gain from this Budget. Cooperatives also appear to be benefiting with the proposals.

Proposal such as introduction of Joint Commissioner of Income-tax (appeals), could help in clearing the backlog of cases stuck at the first appellate stage. Proposal relating to reduction of timeline to submit transfer pricing documentation to the assessing authority will make taxpayers rush the filings. Proposals relating to carry forward and set off of losses by start-ups are also beneficial to that category of taxpayers. By expanding the categories of taxpayers covered under the exemption given under interest limitation rules, bring parity amongst the classes taxpayers with similar businesses.

Notably, on the corporate taxation, while the Hon'ble Finance Minister covered few areas in her speech, there are numerous amendments proposed in the Finance Bill. As the cliché 'devil lies in the details' goes, there are about 142 amendments in total, on the direct taxes front. With those kinds of changes, both in terms of quantity and quality from year on year, one would ponder, whether it makes sense to bring in a new Direct Tax Code that simplifies compliance and reduces litigation."

Kunj Vaidya and Jitendra Jain (Chartered Accountants)

"The budget 2023-24 is significant as it is the first budget in Amrit Kaal… India's 25-year journey towards 100 years of independence.

The world economy continues to face disruptions, be it the worldwide surge in inflation and supply chain disruptions because of the Russia-Ukraine war, or weakening of global growth, including tapering growth in major economies such as China. Despite these headwinds, India continues to remain the fastest growing major economies in the world. The Indian economy has demonstrated resilience, led by relentless focus on capital expenditure and uptick in private investment and consumption.

Given that India continues to retain a bright spot in the global economy, the expectations of stakeholders from the finance minister were high… and the finance minister has delivered on all counts.

The budget has continued its focus on capex-led growth. The 33% jump in capex spend (from 7.5 lac crores in the last budget to 10 lac crores in this budget) will have a multiplier effect on job creation on the one hand and will also stimulate consumption on the other hand. To put this number in perspective, India's capex to GDP ratio has doubled from 1.6% in FY 2014 to 3.3% of GDP in this budget.

This budget has also focused on continuing the momentum on building digital public infrastructure. Focus on 'make AI in India', 'make AI for India', national data governance policy, setting up of entity digi lockers are encouraging announcements.

On the direct tax front, the finance minister has continued with the theme of providing a stable, predictable, and trustworthy tax regime, reducing compliance burden, and widening the tax base.

The focus on promoting entrepreneurial spirit couldn't have come at a better time. The extension of concessional tax regime for manufacturing for cooperatives and enhanced time limit for set-off of losses by start-ups are big positives in this regard. Micro, Small and Medium Enterprises (MSMEs) are the growth engine of the Indian economy, contributing ~30% to India's GDP. Therefore, deduction of payment made to MSMEs on actual basis would lead to timely release of payment to the MSME ecosystem.

Exempting specified NBFCs from applicability of interest limitation rules is in line with the policy objective of such rules.

Announcement of new authority (Joint/Additional Commissioners) for disposal of pending appeals before the Commissioner of Income Tax (Appeals) would ease the burden on the appellate system. One would have liked to see a statutory time limit for disposal of such appeals, but that's for another day.

The budget has also announced a few measures to widen the tax base. One of such significant measures is that issue of shares by a closely held company to a non-resident for consideration exceeding the fair market value of the shares shall now be chargeable as income from other sources.

On the transfer pricing front, the time limit provided for submitting transfer pricing documentation has been reduced from 30 to 10 days. This places a significant premium on the taxpayer's ability to keep such documentation 'audit ready' while filing the transfer pricing certificate itself.

On the global tax front, the OECD Inclusive Framework has set an ambitious timeline of 2024 for implementing Pillar Two proposals. Several countries have initiated the process of consultation and implementation of Pillar Two proposals. While the taxpayers would have welcomed a high-level announcement in this budget, it seems the government has adopted a wait and watch approach before laying out a roadmap for the implementation of Pillar Two proposal.

In conclusion, the budget presents a comprehensive approach to drive economic growth and build a strong foundation for India@100. The focus on capital expenditures and digital infrastructure, as well as the emphasis on a stable tax regime and support for entrepreneurship, demonstrates a commitment to fostering a thriving business environment. While there may be challenges on the horizon, such as the worldwide economic disruptions, the budget provides a clear direction for India to continue its growth trajectory."

**Shweta Kathuria (Director, US-India Tax Forum)**

"India's Union Budget 2023-24 provides a roadmap for stability, growth and sustainable development through 7 identified priorities, paving the way for India's Amrit Kaal years. The Budget has taken into consideration the needs of all sectors of the economy, reflecting Indian Government's commitment towards a prosperous and inclusive India. Increased government spending in critical areas such as Green energy, infrastructure, agriculture, education and new-age technology adoption are indeed welcome announcements.

The direct tax amendments in Budget 2023 are aimed at bringing in a predictable and stable tax regime that will promote ease of doing business and draw more players into industry, especially proposals such as concessional tax rate of 15% for new cooperatives commencing manufacturing activity by March 2024, rationalisation of TDS provisions and extended tax benefits for start-ups. Several changes in customs tariffs have been announced, which should improve supply chain efficiencies, enhance domestic manufacturing and boost Indian exports."

**Vishal Gada (Founder & CEO, Aurtus Consulting LLP)**

"No big news is good news! The budget does a good balancing act, bringing something on the table for everyone. The FM's focus on staying course to a 4.5% of fiscal deficit by 2025 -2026 is commendable. Rightfully, impetus has been given to the agriculture sector. Infra Capex has been increased and is now pegged at Rs. 10 lacs crores !! The announcement of Vivad se Vishwas 2.0 to settle contractual disputes of Government and Government undertakings could be something to watch for. The Green Credit programme is the right step in the direction and one would need to wait and watch as to whether carbon credits make a re-entry ! India has unmatched potential for being a great tourist destination and the budget attempts to do something for it. Surprisingly, there was no mention of any big divestments. Gift IFSC continues to be get more relevance and incentives. There is an attempt to address fiscal deficit of States and it needs to be seen whether there is a walk of the talk. Personal tax slab rates have been widened leading to satisfactory tax benefits to the lower, middle and salaried class. Reduction of surcharge ensures that the highest tax rate has now been reduced from 42.74% to 39% and now within the psychological barrier of 40% ! Sunset period for start up tax benefits has been extended, but I guess many demands of the start-up community have been missed under the proposed tax proposals. There is a promise by the FM that grievance redressal mechanism for direct tax payers shall be enhanced. This is the need of the day. Capping Section 54 and 54F benefits to Rs. 10 crores shows the socialist side of the government. This change was unexpected and may have implications on several transactions near to closure where the selling promoters may like to conclude their deals prior to 1st April, 2023. The increase in TCS from 5% to 20% on LRS remittances defies logic. An interesting tax provision is regarding allowance of payments made to MSMEs on payment basis, if the payment is delayed beyond the statutory timeline under the MSME Act (which is 45 days!). Reduction in Basic Customs Duty for various goods, aimed at streamlining the customs duty structure is a welcome move. Also, the GST proposals follow the recommendations of the recent 48th GST Council meeting. Last but not the least, there was no mention by the FM on inheritance tax, so the billionaires can have a sigh of relief.. till the next budget, of course!"

**Aravind Srivatsan, Tax Leader, Nangia Andersen LLP**

"Budget 2023 proposes fiscal prudence by cutting subsidies on food and fertilisers as well as rural employment guarantee scheme in line with the theme that we need to move past the pandemic and prioritise for increased capital expenditure spending. The tax proposals on indirect tax focus on incentivizing make in India for priority export sectors by lowering customs duty. As expected, the proposal on personal income tax proposes taxes to kick in only after income of seven lakhs under the new regime with an additional claim permitted for Standard deduction of INR 50,000 to allow more tax payers to join the new regime.

The budget proposals have stayed clear of revising taxes on capital gains which was widely expected but have proposed changes on certain specified investments such as market linked debentures and investments in debt in a REIT/Inv-IT. With a aim to reduce fiscal deficit to 5.9 percent amidst a slowing GDP growth of 6.5 percent, prudence has reigned supreme and limited announcements of new PLI schemes and capped budget allocations under FAME/PLI to about INR 5800 crores.   The Budget proposals have not particularly laid down how big-ticket litigation and pending appeals would be reduced and have taken measures to clog presumably low value appeals through a scheme of First stage appeal disposal by Jt CIT."

**Pankaj Vasani (Group CFO, Cube Highways InvIT)**

“This budget is a means of mobilising the vitalities of the new India. It is conducive to growth, development and progress - highly facilitative to capital investment to boost supply and attract private investment.

It brings optimism and reflects the government’s robust approach and continued focus on infrastructure, sustainable development, and inclusive growth through a tech-enabled economy. It is encouraging that our government has taken positive steps toward creating a circular economy and is taking concrete steps towards ease of doing business in India. I hope this will stimulate continued growth, prime the wheels for the entire economy, and have a multiplier effect.

The proposals on the personal tax front will be lauded by the salaried class - and would leave more disposable income in the hands of taxpayers – and higher disposable income would boost the consumption again, demand and investment story."

**Bijal Ajinkya (Partner, Khaitan & Co)**

"The Budget 2023 has been a pragmatic budget where entrepreneurial spirit has been encouraged and recognised, which is evident from the successful start up industry which took off the last few years. Recognising the need for a camaraderie between the tax collector and the tax payor in order to have a healthy tax regime, streamlining the grievance addressal mechanism is a step in the right direction. The growth drivers to the economy as recognised by the Government in both MSMEs and professionals, progressive tax rates have been accorded. Interestingly the economic survey has highlighted the large number of flipping of structures being undertaken by start ups in India, in order to get better valuations, higher protection of IPRs overseas, as well as a favorable tax regime; it is hoped that with the changes to the FEMA in August, last year, India will see a reverse flipping of structures, enabling IPRs to be retained in India, as well as ensuring no brain drain of innovators outside of the country. With this background, below are some of the interesting changes suggested in Budget 2023.

Start-ups

Extension of benefit of carry forward of losses to recognised start-ups has been extended from 7 years to 10 years. This, alongwith the proposal to extend start-up exemption to companies incorporated until 31 March 2024 (earlier 31 March 2023), should encourage the start-up space and help start-ups which incurred substantial losses during the pandemic period.

GIFT city/IFSC related incentives

Extending the tax exemption to foreign funds relocating to IFSC until 31 March 2025 (earlier 31 March 2023), is a welcome move, given the context in which Gift has become a gateway to invest into Indian giving foreign jurisdictions a strong competition.

TCS on LRS remittances

Increase in TCS rate for LRS remittances, from 5% to 20% seems rather harsh, considering that such remittances are out of tax paid reported income/wealth.

Market Linked Debentures (MLDs)

Bringing short-term capital gains taxation regime for MLDs would have a significant impact on the overall attractiveness of the instrument for HNIs.

Thin-capitalisation relief in case of borrowings from NBFC

It is proposed that thin-capitalisation provisions should not apply in relation to borrowings from NBFCs (this was hitherto restricted only in relation to banking or insurance business). This was a long standing demand of the NBFC sector and will help develop a higher level of microfinance set ups through investments.

Angel tax extended to investment from non-residents

Angel tax refers to the tax on 'excess premium' received by a closely held company on issue of shares (essentially premium which is not backed by a fair valuation report). While this tax only applied when shares were issued to resident investors, this provision is proposed to be extended to investments by non-residents as well. All foreign investments in Indian companies at a premium would need to be backed by a robust valuation mechanism to mitigate any Angel tax for the share issuing company.

Reduction in maximum effective tax rate for HNIs

While reduction in the maximum effective tax rate for HNIs from 42.74% to 39% is certainly welcome, however, given that this comes with a rider to opting under the new tax regime (now which has also been made default), a detailed analysis would be needed to ascertain any tangible benefit from the relief. Further, the respected FM in her Budget speech has mentioned that this is one of the highest tax rates in the world and hence it would be important to further streamline the same to avoid a reverse brain drain."

**Maulik Doshi (Deputy Managing Director - Transfer Pricing & International Tax, Nexdigm (SKP))**

"Union Budget 2023 appears to be a growth focussed and highly balanced budget on all counts. The spending on capital expenditure, railways, etc., would lead to employment generation and also provide much needed push to infrastructure requirements of the country.

Overall, from a tax perspective, this budget focussed more on individual taxpayers and amendments impacting corporates were bare minimum. On the individual taxation side, in order to promote the new tax regime, various benefits like increase in slab rates from 2.5 lakhs to 3 lakhs, Rebate hiked from 5 lakh to 7 lakh, highest surcharge rate capped at 25% as against 37% earlier would help push people to move to the new tax regime. To boost the start-up eco-system in India relaxation in set-up date of eligible start-up by 1 year and relaxation in set-off of losses condition is a welcome move.

Also, certain amendments made in respect of capping deduction on investment in House Property, restriction on exemption of income on surrender of insurance policy would mainly impact HNI's and UNI's. Further, increase in TCS rates for LRS remittances and Overseas Tour Packages from 5% to 20% would also lead to cash flow blockage to some extent for HNI's and UNI's.

Introduction of withholding tax provisions for online gaming companies was on expected lines and addressing anomaly in taxation of market link debenture was also overdue.

One of the interesting amendments is on allowing deduction in respect of payments made to MSME on payment basis. This could be counter productive as large companies may want to restrict number of their MSME vendors.

Time limit for assessment has been increased from 9 months to 12 months from the end of the Assessment Year (i.e. for AY 2022-23 deadline for completion of assessment been extended from December 2023 to March 2024).

On an overall basis, this Budget appears to be prudent with not much tinkering on corporate tax side. However, certain important aspects such as extending the time period for starting manufacturing activities for new manufacturing companies, proposals on minimum corporate tax rate in line with OECDs Pillar 2 project, reducing the compliance burden on account of TDS and TCS were missing."

Gouri Puri (Partner, Shardul Amarchand Mangaldas & Co)

"The Hon'ble Finance Minister aptly summarized "stability and continuity" as being the ethos of the direct tax proposals of Union Budget 2023. Contrary to budget expectations there has been no big bang changes to capital gains tax rates, buy back tax rates or extension in concessional tax rates for interest payouts under 194LC and 194LD. Major gives in the Union Budget are for the middle class in the personal income tax space and there is continued impetus to start-ups and IFSCs .On corporate tax side, significant changes include extension angel tax provisions to shares issuances to non-residents. This will impact the current practice of differential pricing between resident and non-resident investors, where the latter usually comes in at a higher premium. New tax provisions for online gaming industry and taxation of amounts distributed by REIT and InVIT as repayment of debt in the hands of the unitholders are also key changes with wide ramifications. Notably, this year too, the government continues to ramp up the tax provisions relating to charitable institutions and tax administration."

Karishma Phatarphekar (Partner, Deloitte India)

Futuristic and balanced Budget 2023

"As India guides through the Amrit Kaal, Union Budget 2023-24 lays down a futuristic outlook of the Indian economy. The Budget strikes a perfect balance between prioritising the spendings, fiscal prudence and vowing to reach the fiscal deficit below 4.5% by FY 2025-26. By unleashing the capex bazooka, this budget is a statement made to other economies of the world to look at India as the "Bright Star" for the emerging infrastructure projects and start-ups ecosystem.

The government has shown continued commitment to aid ease of doing business by reducing more than 39,000 compliances along with decriminalizing over 3400 provisions. The measures announced in the budget, such as simplification of KYC process by making PAN as a common identifier, unification of filing process, widening the DigiLocker services to entities amongst other will surely provide a much-needed boost to the business community and attract investment to the country.

While these are welcome 'futuristic' initiatives there has been no relief in burdensome transfer pricing compliances. Moreover, the reduction in the timelines for complying with the notices for filing documentation has been reduced from thirty days to merely ten days with an extension of additional thirty days, which may eventually upsurge the penalty implications. In line with the previous amendment to increase the scope of domestic transfer pricing, the Government has further widened the scope to cover manufacturing co-operative societies availing lower tax rates. Conversely, the much-awaited clarity on implementation of BEPS Pillar 1 and 2 has also not been addressed. Also, the Budget has been silent on capital gains relief, however, has promoted the 'New Tax Regime' for individual taxpayers. On the Corporate Taxation, it seems like a rather conservative Budget, with no significant amendments.

Introduction of a post of Joint Commissioner (Appeals) for deciding appeals arising from orders passed by officers below the rank of Deputy Commissioner would significantly reduce the burden on the existing Commissioner (Appeals). This would lead to parallel disposal of small appeals and reduce pending litigation.

Overall the fifth budget, is an inclusive budget providing wings to India's growth story and a step towards making India one of the top economies of the world and ultimately achieving the dream set to make India a 5 trillion dollar economy. The budget 2023 has focused on all sections of the society and lays a strong foundation for New and Future India."

**Pallavi Singhal (Partner, PwC India)**

The ESG Budget

"The last full-fledged budget of the NDA 2.0 finally hit the screens with no real competition. The government seems to have adopted the ESG route with some big-ticket announcements on the Environment, Social and Governance Aspect. It is also a brief, non-populist but growth focused Budget driving the pandemic recovery trajectory.

While empowering of the marginalized communities, attacking unemployment, and uplifting the MSMEs addresses the ‘S’ in the ESG, the ‘E’ has been met with green credit programs, the ambitious net zero ‘Panchamrit’ goal, echoing the green hydrogen mission, launch of PM PRANAM for restoration of Mother Earth. Last but not the least, the budget has continued its agenda on ‘Governance’ with the announcement of a Unified filing process as a one stop window for filing information with the government authorities, use of PAN as common identifier, focus on developing applications using 5G, promoting innovations in the field of AI and machine learning etc.

The finance minister has ensured stability by not making any changes to headline corporate tax rates or the capital gains tax regime. They seek to bet on start-ups by extending dates for commencement and loss carry forward. Beneficial rate of 15% enjoyed by new manufacturing companies has been extended to cooperative societies. The fine print focuses on rationalizing provisions to bringing more into the tax net and simplification of the regime.
Customs rates have been tweaked to incentivize domestic manufacturing and resolve inverted duty issues.

On the personal tax front, the FM has increased the threshold for tax free income, revisited the slab rates, rationalized surcharge for high-income earners and overall made the exemption-less tax regime to be much more lucrative for the middle-income class.

With this, the government has chalked off India’s journey through ‘Amrit Kaal’ with fiscal prudence and ease."

Kush Khandelwal, Associate, Price Waterhouse & Co LLP has also contributed to this comment.

**Amit Singhania (Partner, Shardul Amarchand Mangaldas & Co)**

“Hon’ble Finance Minister has unveiled a holistic, inclusive, and progressive budget which is based on seven priorities of the Government. Required impetus have been provided to credit growth, R&D in pharma sector, reducing contractual litigation with government and continued emphasis on capital expenditure which is expected to boost growth in GDP.

A conscious effort has been made to make the alternate personal tax regime more attractive. The slab has been increased to make the income upto Rs. 700,000 tax exempt. Further, the highest surcharge of 37% has been reduced to 25% for alternate tax regime. This will provide necessary motivation to the taxpayers to shift towards the new alternate tax regime.

The valuation norms (or so called angel tax) has been introduced for foreign companies as well. This may create difficulty in complying with the exchange control regulations. The exchange control regulations require shares to be issued at a price above fair value. However, the new proposed provision may tax such excessive share premium (over and above of fair value) in the hands of the Indian company. This is something which creates conflict between the two legislations.

The mainstay of the budgetary proposals has been to rationalise the existing provisions to address the unintended anomaly. It appears that economic survey has come out with encouraging numbers of growth rate and may be that’s the reason that the Hon’ble Finance Minister does not want to tinker too much. Change is not good all the time. So better continue the momentum.”

**Ashish Mehta (Partner, Khaitan & Co)**

"Overall, the Budget seems to be a mixed bag.

On the personal taxes front, while the expectations were that this will be a Robin Hood style budget, penalizing the rich and pleasing the poor, it doesn’t really seem like one. No super-rich tax, no inheritance duty, revival of Wealth tax, etc. The rebate meaning zero taxes for incomes upto INR 7 lacs is a huge relief for the masses (especially the salaried taxpayers). While there is plugging of various tax planning avenues like capping the 54 and 54F exemptions, high premium insurance policies being brought under the tax net, TDS exemptions withdrawn on interest on listed debentures as well as gifts to RNORs specifically being stated to be taxable. Substantial relief has been offered in the tax slabs especially so in the surcharge rates in the new scheme (which has been also made the default scheme), which will definitely make taxpayers (HNIs as well as other taxpayers) seriously consider the new scheme.

On the corporate front, there have been extensions of sunset clauses for start-ups, extension of period for carry forward of losses for start-ups which is more of less on expected lines. Including non-resident share applications within the ambit of Section 56(2)(viib), which would mean that premiums on issuances by companies to non-residents will also undergo scrutiny for a sufficiency perspective justification is a huge change and will be closely followed by the global investment community.

On the litigation front, introduction of Joint Commissioner of Income Tax for disposing off smaller cases will de-burden the already over-burdened appellate authorities. One huge change in litigation is that under the DRP route, the tax department will now be able to file their objections and agitate cases before Tribunals. Considering various instances of hasty assessment proceedings as well as denials of hearings and natural justice violations, time limit to complete assessments have been extended to facilitate smooth operations."

**Abhishek A Rastogi (Rastogi Chambers)**

“In simple words, the enhancement of this limit to seven lakh rupees means that the person whose income is less than Rs.7 lakhs need not invest anything to claim exemptions and the entire income would be tax-free irrespective of the quantum of investment made by such an individual. This will result in giving more consumption power to the middle-class income group as they could spend the entire amount of income without bothering too much about investment schemes to take the benefit of exemptions” explained Abhishek A Rastogi, Founder of Rastogi Chambers.

Under another interesting announcement has been with respect to the enhancement of the limit from 50 lakhs to 75 lakhs under section 44ADA for adhoc exemption to professionals. This proposal was echoed in the past and is a very welcome move as this would benefit larger number of taxpayers who fall within the tax bracket of 50 lakhs to 75 lakhs, added Mr Rastogi. The clarification which is essential for this exemption to seamlessly work is that the benefit of deduction must be given irrespective of the quantum of cash withdrawals or the bank expenditure.

“In a bold and pragmatic move, surcharge on income tax has been reduced, and this will give some respite to even the higher income group category and motivate them to earn more and generate more employment for the country”

**Tushar Jarwal (Partner, DMD Advocates)**

"The Key announcements made by the Hon’ble FM in the Well of the house were statements made for ‘playing to the gallery’.

The tinkering in the new tax regime whereby threshold benefits are increased to 7 lacs and slabs are reduced will not have any significant impact as there are not many takers of this new regime.

The reduction of surcharge for higher bracket (income exceeding 5 Cr) will have a minuscule impact as the Assessees in this bracket are in few thousands.

The actual tax regime availed by majority remain unchanged. Therefore, in effect there are no substantial changes in the individual tax regime. Expectations were high considering it is last full fledge budget of the Government and there would be some announcements which would be remembered by Voters. However, there are no noteworthy changes.

On the capital gain exemption for residential houses, the ceiling for taking the benefit has been restricted to 10 crores.

New Appellate authority (Joint Commissioner (Appeals) has been constituted for adjudicating small pitched assessment and easing the burden of Commissioner (Appeals)

On GST front, the monetary threshold for lunching prosecution has been increased from 1 crore to 2 crore. This has been the demand of stakeholder and also a step in furthering the objective of decriminalising the offences under tax laws.

On customs side, there is rationalisation in the rate of Basic customs duty in order to simplify the tax structure.

All over the budget is carefully and clinically drafted so as to not make any drastic changes considering the impending elections."

**Sachin Vasudeva (Senior Partner, SCV & Co. LLP)**

BUDGET 2023- Does it usher in Amrit Kaal?

"The Hon’ble Finance Minister presented the Union Budget 2023 in the Parliament a short while ago.

Quoting the FM 'These proposals aim to maintain continuity and stability of taxation, further simplify and rationalise various provisions to reduce the compliance burden, promote the entrepreneurial spirit and provide tax relief to citizens.' While the thrust of the proposals is to simplify, provide clarity and rationalize, there are a few changes which unsettle the law and increase compliance burden.

The Government is encouraging taxpayers to move to the new tax regime by making it more attractive. The changes to the slab rates and increase in the limit of rebate are steps in that direction. Increase in the threshold limit for presumptive taxation and extending the benefits to start-ups are laudable. The eligible startups can now carry forward and set off losses for 10 years as against the existing 7 years.

The proposed change to cap the deduction under section 54 and 54F to Rs 10 crores and proposed change to not include the interest paid on borrowed capital as part of the cost of the asset in certain cases is a step in the right direction. Likewise, the change to facilitate the granting of TDS credit for income disclosed in the past years is a very welcome move.

On the flip side, changes to section 56(2)(viib) whereby share premium received in excess of the valuation as per the prescribed Rule would be taxed even if the amount is received from non-residents would be a dampener. The proposed amendment to section 28(iv) of the Act to provide for any benefit extended in cash to be henceforth taxable, thereby overriding various Court judgements is unsettling the settled law. The increase in the rate of TCS in case of overseas tour packages from 5% to 20% is too steep and the proposed change to give power to the authorities to get the valuation of inventory done by a cost accountant is unnecessary and would certainly lead to needless litigation.

Being the last budget before the election in 2024, a lot more was expected from the Hon'ble FM and therefore the question whether this Budget ushers in Amrit Kaal is left for each of the reader to decode."

Anuprita Mehta (Head-Taxation, ArcelorMittal Nippon Steel India Limited)

"The Finance Minister has laid down an excellent road map to Amrit Kaal with opportunities for citizens with focus on the youth, growth and job creation with strong and stable macro-economic environment.

The Saptarishi priorities covering 'Sabka Saath Sabka Vikas', increased capital investment outlay by 33.4% to Rs.10 lakh crore, highest ever capital outlay of Rs. 2.4 lakh crores for railways, transport infrastructure projects for end-to-end connectivity for ports, coal, steel and fertilizer sectors, green growth and creation of urban infrastructure in Tier 2 and 3 cities will boost infrastructure and productive capacity with a multiplier effect on growth and employment. This will result in reduction of import dependency by encouraging domestic production thereby propelling the vision of 'Atmanirbhar Bharat'.

Enhanced limits for MSMEs and professionals to avail benefits of presumptive taxation, tax deduction for payments made to MSMEs only on payment basis, extending 15% beneficial corporate tax rate to new co-operative societies commencing manufacturing before March 31, 2024, extending the date of incorporation by one year for income tax benefits to start ups and extending the benefit of carry forward of losses on change in shareholding of start-ups from 7 to 10 years of incorporation will certainly promote entrepreneurial spirit.

Increase in slab rates for personal taxation leading to disposable income of individuals will boost consumption.

While the reforms are on the right trajectory of fiscal consolidation to reach the targeted fiscal deficit level below 4.5% by 2025-26, the Finance Minister could have considered extending the sunset clause by another 2 years for-

(i) a beneficial withholding tax rate of 5% on ECBs to facilitate foreign borrowings for the required

capital investment
(ii) a beneficial corporate tax rate of 15% for newly set up manufacturing companies to commence production

We will soon see India being a USD 5 trillion economy as envisioned by Hon’ble Prime Minister Modi ji."

Lokesh Shah (Partner, Saraf and Partners)

"The last full budget of Modi 2.0 and the first of ‘Amrit Kaal’, has been kept aligned with the Government’s blueprint for India@100, envisaging the goal of a technology-driven and knowledge-based economy.

Apart from moves ranging from increasing the capital investment outlay to INR 10 lakh crore (3.3% of GDP) to setting up centers of excellence for developing Artificial Intelligence, the vision of Government has also been reflected in its focus on simplifying compliances and governance across multiple spectrums, including taxation.

Certain key measures that help Government’s objective to ease doing business in India and reduce compliance burden includes – making PAN as a common identifier for all digital system of specified Government agencies, the plan to further improve time taken by the tax department to process returns and the number of returns processed, rolling out a next-generation common tax return Form, plan to strengthen the grievance redressal mechanism, reducing the pendency of appeals by deploying around 100 Joint Commissioners for disposal of small appeals, and undertaking a selective approach while taking up cases for scrutiny, amongst others.

With this budget as well, the Government continues to acknowledge the contributions of MSMEs and start-ups in pulling the country’s economy forward. The turnover limit for MSMEs availing the presumptive taxation benefit has been enhanced from INR 2 crores to INR 3 crores. Also, in order to ensure timely payments are made to MSMEs, the Government has proposed to allow deduction for expenditure incurred on payments to MSMEs only on a “payment” basis. Start-ups on the other hand, have been allowed to carry forward loss for change in shareholding for up to 10 years, an extension from the earlier limit of up to 7 years. Date of incorporation of start-ups to claim tax benefits has also been extended from March 31, 2023 to March 31, 2024.

The Government continues to further incentivize relocation of funds to GIFT IFSC in the form of tax exemptions as the date of relocation has been extended to March 31, 2025 from the earlier March 31, 2023.

Among various factors pushing migration of HNIs from India has been the maximum applicable tax rate. According to a recent survey, as many as 8,000 HNIs were predicted to leave India in 2022. The highest tax rate in India, including surcharge and cess, applicable for an individual with income above INR 5 crore is 42.7%. Combined with dividend distribution tax and indirect taxes applicable in the country, an individual ends up paying a significant part of his income in taxes. Government, through Finance Bill, 2023, has attempted to allay this concern to an extent by reducing the maximum surcharge (on the total tax) applicable for Individuals with total income above INR 5 crores from existing 37% to 25%. However, this benefit has been allowed only for individuals opting for the new tax regime. Consequently, the maximum tax rate for individuals opting for the new tax regime would now come down from earlier 42.7% to 39%."

Hitesh Sharma (Director) and Manavi Gupta (Associate D
Vialto Partners

The Honorable Finance Minister in her Budget 2023 has tabled proposals for providing tax relief primarily to the middle-class taxpayers.

The New Tax Regime (NTR) is proposed to be fully revamped with below proposed changes:

- Full rebate on taxes payable for a total income of up to INR 7 lakh, which is an increase from the previous limit of INR 5 lakh. This leads to a tax saving of INR.33,800 for those who had opted for NTR in the previous years.
- Reduction in the highest surcharge rate from 37% to 25% resulting into reduction of maximum marginal tax rate from 42.74% to 39% for those with an income exceeding Rs. 5 crores.
- Number of slabs to go down from 7 to 6 with the basic exemption limit increased from INR 2.5 lakh to INR 3 lakh.
- Standard deduction of INR 50,000 from salary income is proposed to be allowed under NTR.

With the above proposals for the NTR, it is expected that a salaried individual with gross income of INR 15 lakh and having deductions of INR 2 lakh available under old regime will enjoy a tax saving of INR 65,000 if new regime is opted instead of the old regime. Although the Government has proposed to make the new regime as default one with an option to choose the old regime, the above proposals may be an indication that Government may move towards discontinuing the old regime in due course.

Vinit Teredesai (Chief Financial Officer, LTIMindtree)

“The Union Budget 2023, focusing on capex, consumption and environment, without losing attention to fiscal prudence, will provide the much-needed fillip to an all-encompassing growth story. The thrust on digitization, simplification and governance using technology will open new opportunities for IT players like LTIMindtree. Further, benefits on personal taxation will pave the way for migrating to new tax regime, leaving something extra in the hands of taxpayers.”

Piyush Somani (Founder, CMD & CEO/ ESDS)

"The Union Budget 2023-24 has put a lot of emphasis on Agritech, fintech, Co-operatives and future technologies like AI, ML, IoT and etc., signaling a positive push towards technologically advanced Digital India & a greener India. The government's emphasis on digital infrastructure through 100 labs to facilitate apps employing 5G services will aid technology adoption that will help the country advance towards more digital applications like smart classrooms, precision farming, intelligent transport systems, and healthcare in order to realize new range of options, business models, and job potential. The emphasis on the co-operative sector, Millets, agriculture sector by facilitating Agri-based rural startups certainly will improve the livelihoods of farmers, increase food security and boost exports through open-source digital public infrastructure. The national data governance policy to be released to encourage innovation and research by startups and academic institutions and will make it possible to obtain anonymous data. Overall, this budget focuses more on Capex spending from the government, while most of the technology related announcements had no budget allocated at the moment. We need to wait for next couple of months to see some budget getting allocated to the technology related initiatives."

Hitesh Sharma (Director) and Manavi Gupta (Associate Director), Vialto Partners

The Budget proposals on new tax regime and surcharge rates have been a reason for happiness for the middle class and high-income group. Further, the limit of exemption of leave encashment is proposed to be extended from INR 3 lakhs to INR 25 lakhs upon retirement of non-government salaried employees as mentioned in the Budget speech.

The Honorable Finance Minister in her speech stated her intention of having targeted tax concessions. Accordingly, it has been proposed that the maximum deduction from long term capital gains u/s 54 (upon sale of residential house property and investment in residential house property) and 54F (upon sale of any long-term capital asset and invested in residential house property) will be restricted to INR 10 crore. This calls for relooking at the investment pattern by the individuals in property and other assets. Presently, any sum received under a life insurance policy is exempt subject to specified criteria. It is now proposed to tax the income received from insurance policies under head ‘income from other sources’ where premium or aggregate of premiums is above INR 5 lacs in a year.

Conversion of physical gold into e-gold receipt and vice versa is proposed to be kept out of the ambit of capital gains. This is a welcome move and aims to encourage investment in e-gold. The Government has also paid attention towards tax withholding provisions and proposed reduction of TDS rate on withdrawal of accumulated balance of provident fund for individuals without PAN (who are generally from lower income group) to 20%. The scope of deemed income to be widened to cover gifts from a Resident to Resident but not ordinarily resident (RNOR).