

Insights and Business Perspective



INDIA BUDGET 2022

- Highlights



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Includes

- **Reading the Indian Treaties through Multilateral Instruments (MLI) Lens**
- **OECD Two Pillar Approach: An Overview**
- **Tax Incentives for Businesses including PLI & Indirect Tax incentives**

February 2022

Table of Contents

Executive Summary	1
Chapter 1: Introduction	8
Chapter 2: Indian Economy – An Overview	12
Chapter 3: Tax Rates	15
Chapter 4: G-20 Countries – Comparative Corporate and Personal Tax Rates	25
Chapter 5: Reading the Indian Treaties through Multilateral Instruments (MLI) Lens	27
Chapter 6: The CFO's Tax Checklist – Income Tax	42
Chapter 7: OECD Two Pillar Approach: An Overview	48
Chapter 8: Tax Incentives for Businesses – PLI, Direct Taxes & Indirect Taxes	51
Chapter 9: Direct Taxes – Significant Changes	74
9.1 Business Entities	74
9.2 Personal	78
9.3 Non-resident	78
9.4 General	79
Chapter 10: Indirect Taxes – Significant Changes	89
10.1 Goods and Services Tax	89
10.2 Custom Duty	93
Chapter 11: Other Significant Proposals	99
Chapter 12: TDS and TCS Rates	102
Chapter 13: Direct Tax and GST Compliance Calendar	115
13.1 Direct Tax Compliance Calendar	115
13.2 GST Compliance Calendar	120
Abbreviations	124



1.0 DIRECT TAXES

1.1 Effective Tax Rates

- No change in tax rates in respect of income of all categories of assessee.
- No change in MAT and AMT rate for companies and other entities except in case of Co-operative Societies where the AMT rate is reduced from 18.5% to 15%.
- No change in Surcharge and HEC except the following:
 - Surcharge on any long term capital gains arising to Individual/HUF/AOP/BOI under section 112 of the IT Act, restricted to 15%.
 - Surcharge in case of AOP, consisting of only companies as its members, restricted to 15%.
 - Surcharge in case of Co-operative society (except resident co-operative society opting for section 115BAD), reduced from 12% to 7% where income exceeds Rs. 1 crore but does not exceed Rs. 10 crore.

1.2 Tax Incentives and Proposals for Business

- Section 115BAB of the IT Act is proposed to be amended to extend the date of commencement of manufacturing or production of an article or thing or generation of electricity from 31 March 2023 to 31 March 2024.
- It is proposed to further extend the period of incorporation of the eligible start-ups for claiming the tax holiday under section 80-IAC of the IT Act by 1 more year i.e., before 1 April 2023.
- It is proposed to amend section 115BBD of the IT Act to provide that the concessional regime for taxation of foreign dividends @15% shall not apply from AY 2023-24 onwards.
- It is proposed to include an explanation in the IT Act that for the purposes of section 40(a)(ii) of the IT Act, the term 'tax' includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax. Accordingly, HEC and surcharge shall be disallowed under said section.
- It is proposed to insert clarification in section 43B that conversion of interest payable, under section 43B, into debenture or any other instrument by which liability to pay is deferred to a future date, shall not be deemed to be actual payment for the purpose of claiming deduction under the said section.
- It is proposed to insert a new explanation 3 to section 37 of IT Act to further clarify that the expression 'expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law' under explanation 1, shall include and shall be deemed to have always included

the expenditure incurred by an assessee,—

- for any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
- to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person; or
- to compound an offence under any law for the time being in force, in India or outside India.

- To clarify that proceedings in case of predecessor entity which ceases to exist pursuant to business reorganization are valid, section 170 proposed to be amended to provide that such proceedings pending or completed on the predecessor shall be deemed to have been made on the successor entity.
- In order to enable the successor entity to give effect to business reorganization, it is proposed to insert section 170A allowing the successor entity to file a modified return within 6 months from the end of the month in which the order of competent authority is issued.
- It is proposed to insert section 156A to give effect to the orders of the competent authority to modify the income-tax demand as directed by such authority.
- It is proposed to insert new section 194R to the IT Act to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall before providing such benefit or perquisite, to such resident, deduct the tax @ 10% of the value or aggregate of value of such benefit or perquisite.

1.3 Personal Taxation

- Exemption of following amounts received for medical treatment and on account of death due to COVID-19.
 - Section 17(2) – Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions, shall not be forming part of 'perquisite'.
 - Section 56(2)(x) –(a) Any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, in respect of any illness related to COVID-19 subject to such conditions, shall not be the income of such person (b) any sum of

money received by a member of the family of a deceased person, from the employer of the deceased person (without limit), or from any other person or persons to the extent that such sum or aggregate of such sums does not exceed Rs. 10 lakh, where the cause of death of such person is illness relating to COVID-19 and the payment is, received within 12 months from the date of death of such person, shall not be the income of such person.

- It is proposed to allow the deduction under section 80DD of the IT Act during the lifetime, i.e., upon attaining age of 60 years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued. Further, it is proposed that the provisions of sub-section (3) shall not apply to the amount received by the dependent, before his death, by way of annuity or lump sum by application of the condition referred to in the proposed amendment.

1.4 Non-residents

- The income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified conditions.

1.5 Other Proposals

- It is proposed to introduce section 139(8A) of the IT Act wherein any person, whether or not he has furnished a return, may furnish an updated return of his income or the income of any other person in respect of which he is assessable under the IT Act, within 24 months from the end of the assessment year, subject to other prescribed conditions, in prescribed form and manner containing such particulars.
- It is proposed to introduce section 115BBH which provides that any income from transfer of any virtual digital asset shall be taxed @ 30% and no deduction would be allowed for any expenditure or set-off of losses. Further, loss from transfer of such assets shall not be allowed. It is also proposed to amend Explanation to section 56(2)(x) of the IT Act to inter-alia, provide that for the purpose of the said clause, the expression 'property' shall include virtual digital asset.
- In order to capture the transaction details, it is proposed to introduce section 194S under the IT Act which provides for TDS on payment made to a resident in relation to transfer of virtual digital assets @ 1% of such sum above a monetary threshold and certain other conditions.
- Certain provisions applicable to trusts and institutions covered under section 11 and section 12 (referred as second regime) to be made

applicable to trusts and institutions covered under section 10(23C) (referred as first regime). Further, various clarifications on taxation in respect of these charitable trusts and institutions proposed.

- It is proposed to amend the provisions of section 68 to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider.
- Section 148 proposed to be amended to clarify what constitutes information under Explanation 1 to section 148 and it proposes to include any audit objection, or any information received from a foreign jurisdiction under an agreement or directions contained in a court order, or information received under a scheme notified under section 135A, etc. Further, section 149 proposed to be amended to provide that a notice under section 148 shall be issued up to 10 years from end of the relevant assessment year where the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented –(a) in the form of an asset or (b) expenditure in respect of a transaction or in relation to an event or occasion or (c) an entry or entries in the books of accounts.
- The requirement of higher TDS / TCS shall be applicable in case of non-filing of tax return by the payee for preceding 1 year instead of 2 years as earlier provided. Further, deduction of tax under section 194 IA, 194 IB and 194M excluded from the operation of section 206AB of the Act.
- Provisions of section 94(8) of the IT Act relating to bonus stripping proposed to be amended to include securities as well. Further, definition of units proposed to be amended to include units of business trusts for dividend and bonus stripping.
- It is proposed to amend section 194-IA of the IT Act and to provide that in case of transfer of an immovable property (other than agricultural land), TDS to be deducted @ 1% of such sum paid or credited to the resident transferor or the stamp duty value of such property, whichever is higher.
- It is proposed to insert section 79A of IT Act to provide that, notwithstanding anything contained in the Act, no set-off of brought forward loss or unabsorbed depreciation shall be allowed against any undisclosed income unearthed during the course of search and survey proceedings.
- It is proposed that the existing provisions are replaced with section 144B to streamline the process of faceless assessment in order to address various legal and procedural problems being faced in implementation of the said section. Section 144B(9) treating the proceedings to be void on non compliance of procedure laid down under the said section, proposed

to be omitted from date of its inception.

- It is proposed that the revision of transfer pricing assessment order under section 263 shall be within the powers of the PCCIT or CCIT or PCIT or CIT who is assigned the jurisdiction of transfer pricing.
- Procedure prescribed under section 158AB for deferral of revenue appeal where identical question of law is pending before jurisdictional High Court or Supreme Court in case of any other assessment year of the assessee or in case of any other assessee.

2.0 INDIRECT TAXES

2.1 GST, Custom & Excise

2.1.1 CGST Act Amendments

- Time limit for claiming input tax credit (ITC) under section 16(4) extended to 30th November of the succeeding financial year as against the due date of September's Form GSTR – 3B
- Time limit for issuing credit note under section 34(2), rectification of errors in GSTR 1 and GSTR 3B and section 52 (6) extended to 30th November of succeeding financial year as against September earlier
- Insertion of new clause Section 16(2) (ba) restricting availment of ITC as communicated to the taxpayer under section 38.
- Cancellation of registration of composition dealer if the returns not furnished for a FY beyond 3 months from the due date
- Cancellation of registration in cases other than composition dealer in case if returns are not furnished for continuous tax period as may be prescribed.
- The due date for filing GSTR 5 by Non –resident taxable person has been stated as 13th day of the following month
- Section 38 of the CGST Act is substituted for prescribing the manner, conditions and restrictions for communication of details of inward supplies and input tax credit.
- Section 41 of the CGST Act is being substituted to do away with the concept of "claim" of ITC on "provisional" basis
- Removal of section 42, 43 and 43A of the CGST Act. In order to do away with two-way communication process in return filing system
- Section 47 of the CGST Act is being amended so as to provide levy of late fees for delayed filing of TCS returns
- Section 49 is being amended to provide restriction for the amount available in electronic credit Ledger (ECL) and the maximum proportion of output tax liability which may be discharged through the ECL.
- Section 49 also allows transfer of amount available in electronic cash ledger of registered person to the electronic cash ledger of distinct person.

- Section 54 of the CGST act is being amended to provide for the situation of refund of balance in electronic cash ledger.
- Insertion of sub clause (ba) in clause (2) in section 54 by providing clarity regarding the relevant date for filing refund claim in relation to supplies made to SEZ/ SEZ (developer).
- The relevant date for claiming refund of tax paid on inward supply under section 55 has been clarified as two years from the last day of the quarter in which the said supply is received.

2.1.2 Custom Act Amendments

- Inclusion of officer of Directorate of Revenue Intelligence, Audit and Preventive formation in the class of officers for the purpose of section 3 (i.e. definition of officer)
- Section 14 is being amended to include provisions for rules enabling the Board to specify the additional obligations of the importer in respect of a class of imported goods whose value is not being declared correctly, the criteria of selection of such goods, and the checks in respect of such goods.
- Applicant can withdraw his application in respect of advance ruling at any time before pronouncement of advance ruling. Also, Advance ruling shall remain valid for three years or till there is change in law or facts, whichever is earlier.
- Publishing of import and export data submitted by importer to Customs is declared an offence unless required under law.
- Procedural changes are made in Customs (Import of goods at concessional rate of duty) Rules, 2017.

2.1.3 Changes in Customs Duty Rate and Exemption

- BCD rate on imitation jewellery has been amended to 20% or Rs 400/kg whichever is higher.
- Decrease in BCD on cut and polished diamond and cut and polished natural stones from 7.5% to 5%
- Increase in BCD on electrical and electronic items
- Increase in BCD rate on Solar Cells (other than those exclusively used with ITA-1 items) and Solar Modules (other than those exclusively used with ITA-1 items)
- Decrease in BCD rate for textile products
- Decrease in BCD rate for ferrous waste and scrap
- Effective BCD rate on Project Imports would continue to be 'Nil / 2.5% / 5% (as applicable) till 30 September 2023 for the project imports registered till 30 September 2022. For other project imports, 7.5% BCD rate will be applicable from 01 October 2022.
- All project imports will attract 7.5% BCD rate after 30 September 2023
- Certain Cesses (AIDC, Health Cess and RIC) are being exempted for specified notifications

- Nil BCD on scrap of iron and steel is being extended up to 31 March 2023
- The Customs duty rate structure on capital goods and project imports has been comprehensively reviewed and exemption on capital goods/ project imports are being phased out in a gradual manner. However, certain exemptions on capital goods would continue
- A new entry at S. No. 166A would be inserted w.e.f. 1 April 2024 providing concessional rate of 5% for bulk drugs falling under Chapters 28, 29 or 30 used in the manufacture of Poliomyelitis Vaccine or Monocomponent insulins subject to importer following IGCR Rules 2017
- There have been proposals involving changes in effective basic custom duty rates in respect of phased manufacturing program (PMP) with respect to specific electronic goods.

2.1.4 Changes in Anti-Dumping Duty (ADD)

- ADD is permanently revoked on import of :
 - 1) Straight length bars, rods of alloy steel from China.
 - 2) High Speed Steel of Non-Cobalt Grade from Brazil, China and Germany
 - 3) Flat rolled product of steel, plated or coated with alloy of Aluminium or Zinc from China, Vietnam and Korea RP

2.1.5 Changes in Countervailing Duty (CVD)

- CVD is permanently revoked on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products from China.

2.1.6 Changes in Excise Duty

- Two new tariff items, namely, 2710 12 43 and 2710 12 44, falling under Chapter 27, have been inserted in the Fourth Schedule to the Central Excise Act, 1944 with rate of duty as 14% plus Rs 15 per litre.

2.1.7 Changes in National Calamity Contingent Duty (NCCD)

- The Seventh Schedule of the Finance Act, 2001, is being amended by substituting Central Excise tariff item 2709 20 00 with 2709 00 10 [Petroleum Crude] with rate of duty as Rs 50 per tonne.

Background

The Indian economy is now the 3rd largest economy of the world with GDP of US\$ 10.18 trillion in terms of PPP and economic growth in FY 2021–22 is estimated to be 9.2%.



The year 2021 was dominated by the different variants of COVID-19 pandemic including Delta variant, posing the most formidable economic challenge to India and to the world, since the Global Financial Crisis. In this backdrop, the Budget 2022 has been presented at a very crucial juncture as the Indian economy is expected to witness real GDP expansion of 9.2 % in FY 2021–22 after a contraction of 7.3 % in FY 2020–21 with a fiscal deficit of 6.9% of the GDP. At the same time, there is a strong revival and the economy is expected to grow by 8% to 8.5% in FY 2022–23, making it the fastest growing economy in the world. The focus of the Union Budget has been clearly investment led growth particularly in areas of infrastructure, logistics and manufacturing.

There is a massive outlay of Rs.7.50 lakh crores towards investment and infrastructure and an additional outlay of Rs.1 lakh crore towards support to states for investment in growth assets and infrastructure. There is an enormous focus on solar and renewable energy which would also reduce India's dependence on oil imports over the next few years and result in sustainable growth. There are concrete steps to improve the supply chain infrastructure in terms of railways, national highways, logistics parks, cargo terminals, unified logistics interface programme for real time information and so on. The ECLGS scheme has been extended to 31 March 2023 with an additional outlay of Rs.50,000 crores for providing credit support to MSMEs which will be very helpful particularly for Covid impacted sectors. The fiscal deficit of 6.9% for FY 2021–22 and 6.4% for FY 2022–23 is on the higher side but this is a conscious and correct decision with higher priority being accorded to growth and investment.

There is no change in the structure of corporate tax rates or personal tax rates. Given that the corporate tax rate under the new concessional regime is 25.17% and for new manufacturing companies it is 17.16%, the stability is very positive news. The extension of period for eligibility for new manufacturing companies, from 31 March 2023 to 31 March 2024 for commencement of manufacturing operations, is welcome. This apart from the other initiatives on improving the supply chain infrastructure and efficiency and

PLI schemes will make India a globally competitive manufacturing hub. Deduction under section 80-IAC of the IT Act shall be extended to eligible start-ups incorporated up to 31 March 2023, which was earlier 1 April 2022. This is a welcome move and continues the momentum of start-ups in India.

There was an expectation that the maximum rate of taxation on dividends which is 35.88% would have been reduced to 23.92% for resident shareholders but the same has not been met.

There was a widespread expectation that the personal tax basic exemption would be increased from Rs.2.50 lacs to Rs.3 lacs keeping in view inflation which has not been fulfilled. The taxation of crypto or digital assets at 30% plus surcharge and cess would provide clarity but would be a disappointment for crypto assets holder as it does not provide for lower rate of tax for long term capital gains. The HNIs would have expected that the highest tax rate of 42.7% would have been reduced and capped at 39% but there is no change in this respect. Surcharge on Long Term Capital Gains Tax on any assets is capped at 15%.

There is no proposal for introduction of inheritance tax or wealth tax which is a subject matter of discussion in many advanced economies and would be a big relief to High Net Worth Individuals (HNIs).

One significant measure to reduce tax litigation and to increase compliances is to provide a window of 3 years from the end of the financial year for filing of the Updated Tax Return on payment of additional tax (which is besides the regular income tax and interest). This is particularly helpful in the cases where taxpayer has not reported income which is reflected in Form 26AS/Annual Information Statement or any other taxable income such as dividends.

Income-tax exemption is provided on the amount received by a taxpayer for medical treatment from employer or from any person for treatment of COVID-19 and ex-gratia payment received by family members of a person from the employer of such person or from other person on death of the person on account of COVID-19; the amount received from the employer exemption will be without any limit and the exemption shall be limited to Rs. 10 lakhs in aggregate for the amount received from any other persons. The same has now been legislated under the IT Act and IT Rules in the Budget with retrospective effect from 1 April 2020 onwards.

There has been no change in provisions for determination of residential status related to Non-residents visiting or regularly investing into India.

Customs duty on import of cut and polished diamonds and cut & polished natural gemstones reduced to 5% from 7.5%. BCD rate on imitation jewellery has been amended to 20% or Rs. 400/kg whichever is higher.

It is proposed to carry out necessary amendments in the Insolvency and Bankruptcy Code to enhance efficacy of the resolution process and facilitate cross border insolvency resolution. It is proposed to establish a Centre for Processing Accelerated Corporate Exit (C-PACE) with process re-engineering which shall help facilitate and speed up the voluntary winding-up of companies in less than 6 months as against the 2 years required presently. It is proposed to replace the Special Economic Zones Act with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs' to optimally utilise available infrastructure and enhance competitiveness of exports.

Overall, the Union Budget is one of the best budgets despite uncertain and challenging times and has focused on the right priorities of growth, investment, infrastructure, supply chain, MSMEs and at the same time, maintained stable tax regime.

Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance Bill, 2022 presented on 1 February 2022. We have discussed the significant proposals of general interest in respect of direct taxes. In respect of indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill, 2022, which may be modified before it receives the approval and assent of the Parliament and

the President. The proposals regarding direct taxes would become effective from Assessment Year 2023–24 (Financial Year 1 April 2022 to 31 March 2023), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the "Income-tax Act, 1961", "Income-tax Rules, 1962" and "Finance Bill, 2022" respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

2.1 India at a glance

GDP: 2021



- US\$ 10.18 trillion in terms of PPP
- India is the 3rd largest economy globally (in PPP terms) and 6th largest (in nominal terms)

GDP Growth rate



- India real GDP growth rate of (as per IMF)
- 9.2% in 2021–22
- 8%–8.5% in 2022–23

Demography



- India is a densely populated country with a population of over 1.3 billion people, wherein 65% of its population having age < 35 years

Equity Market Capitalisation (BSE)



- US\$ 3.53 trillion as on 31 January 2022

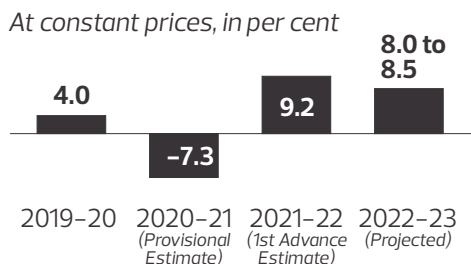
2.2 General Review

The last two years have been difficult for the Indian economy on account of the COVID–19 pandemic. Repeated waves of infection, supply–chain disruptions and, more recently, inflation have created particularly challenging times. In spite of this, advance estimates suggest that the Indian economy is expected to witness real GDP expansion of 9.2 % in 2021–22 after a contraction of 7.3 % in 2020–21. This implies that overall economic activity has recovered past the pre–pandemic levels.

Agriculture and allied sectors have been the least impacted by the pandemic and the sector is expected to grow by 3.9 % in 2021–22 after growing 3.6 % in the previous year. In contrast, the Services sector has been the hardest hit by the pandemic, especially segments that involve human contact. This sector is estimated to grow by 8.2 % this financial year following last year's 8.4 % contraction. The industrial sector went through a big swing by first contracting by 7 % in 2020–21 and then expanding by 11.8 % in this financial year.

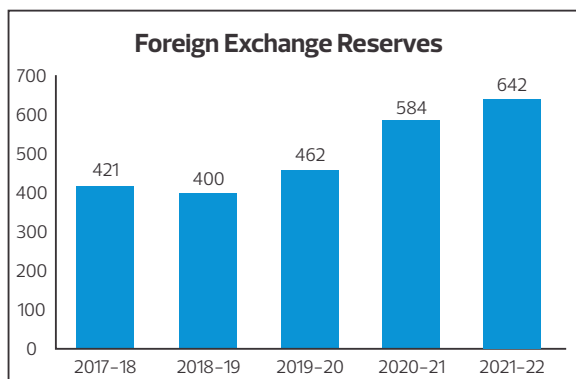
With the vaccination programme having covered the bulk of the population, economic momentum building back and the likely long–term benefits of supply–side reforms in the pipeline, the Indian economy is in a good position to witness

GDP growth of 8.0–8.5 % in 2022–23.



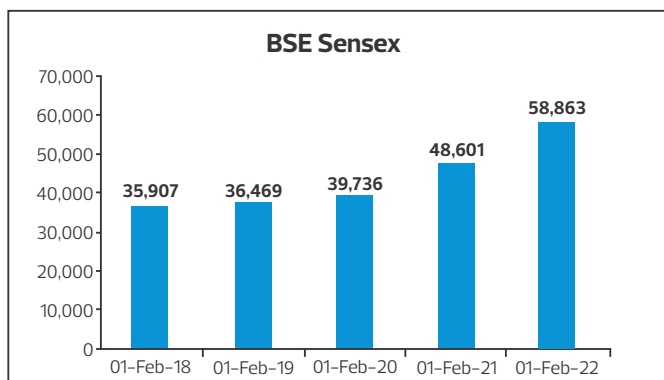
The projection is comparable with the World Bank's and Asian Development Bank's latest forecasts of real GDP growth of 8.7 % and 7.5 % respectively for 2022–23. As per the IMF's latest World Economic Outlook growth projections released on 25 January 2022, India's real GDP is projected to grow at 9 % in both 2021–22 and 2022–23 and at 7.1 % in 2023–24. This projects India as the fastest growing major economy in the world in all these three years.

Despite all the disruptions caused by the global pandemic, India's balance of payments remained in surplus throughout the last two years. India's Foreign Exchange Reserves crossed US\$ 600 billion in the first half of 2021–22 and as on 31st January 2022, it stood at US\$ 642 billion. This is equivalent to over 13 months of merchandise imports and is higher than the country's external debt.



India's capital markets, like many global markets, have done exceptionally well and have allowed record mobilization of risk capital for Indian companies. Sensex and Nifty 50, increased by 17.7 % and 18.1 %, respectively during April–December 2021. Sensex and Nifty scaled up to touch its peak at 61,766 and 18,477 respectively on 18th October 2021. Among major emerging market economies, Indian markets outperformed its peers in April–December 2021.

The year 2021-22 so far has been an exceptional year for the primary markets with a boom in fundraising through IPOs by many new age companies/tech start-ups/unicorns. INR 89,066 crore was raised via 75 IPO issues in April-November 2021, much higher than in any year in the last decade.



The banking system is well capitalized and the overhang of Non-Performing Assets seems to have structurally declined even allowing for some lagged impact of the pandemic. The Gross Non-Performing Advances (GNPA) ratio (i.e. GNPA as a percentage of Gross Advances) and Net Non-Performing (NNPA) ratio of Scheduled Commercial Banks (SCBs) continued to decline since 2018-19. The GNPA ratio of Scheduled Commercial Banks decreased from 7.5% at end-September 2020 to 6.9% at end-September 2021.

India's total exports as well as imports are expected to grow by 16.5 % and 29.4 % respectively in 2021-22 surpassing pre-pandemic levels.

India recorded a Net FDI inflow of US\$ 24.7 billion and Gross FDI inflow of US\$ 54.1 billion during April-November, 2021.

In India, Consumer Price Index (CPI) inflation moderated to 5.2 % in 2021-22 (April-December) from 6.6 % in the corresponding period of 2020-21.

India's current account balance flipped into a deficit of US\$ 3.1 billion (0.2 % of GDP) in H1: FY 22 on the back of widening of trade deficit, reflecting amongst other reasons, a broad-based revival of aggregate demand.

Overall, macro-economic stability indicators suggest that the Indian economy is well-placed to take on the challenges of 2022-23.

3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates

Under old tax regime

The tax rates in the old and new tax regime in case of individuals, HUFs, AOPs and BOIs continue to remain the same. It may be pointed out that individuals/HUFs continue to have the option to avail the new tax regime which has more liberal tax slabs but lesser tax deductions. As such, the effective and present tax rates under the old tax regime for the FYs 2022-23 and 2021-22 are as follows:



FY 2022-23		FY 2021-22	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000 #	Nil	0 – 2,50,000 #	Nil
2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*	2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
50,00,001* – 1,00,00,000	Rs. 15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001* – 1,00,00,000	Rs. 15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001* – 5,00,00,000	Rs. 75,56,250 plus 39% [(tax rate 30% plus surcharge 25% ^{^^}	2,00,00,001* – 5,00,00,000	Rs. 75,56,250 plus 39% [(tax rate 30% plus surcharge 25% ^{^^}

FY 2022-23		FY 2021-22	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
	25% ^{^^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000		thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 [^] and above	Rs.2,11,04,850 plus 42.744% [(tax rate 30% plus surcharge 37% ^{^^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000	5,00,00,001 [^] and above	Rs.2,11,04,850 plus 42.744% [(tax rate 30% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

- # Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same, at Rs. 3,00,000 and Rs. 5,00,000 respectively.
- * The tax rate has been continued at 5.20% [tax rate 5 % plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual would continue to be entitled to a rebate under section 87A of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lesser, resulting in NIL tax liability upto total income of Rs. 5,00,000.
- ^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, 25% or 37% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.
- ^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 115AD(1)(b) and dividend income shall be 15%.
- ^^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112, 115AD(1)(b) and dividend income shall be 15%.

Under optional tax regime – Section 115BAC

No change is proposed in the income-tax slab and rates under the optional tax regime too. Individuals / HUFs can opt for section 115BAC of the IT Act, subject to fulfillment of certain specified conditions therein. The income-tax slabs and rates for the FYs 2022-23 and 2021-22 are as under:

FY 2022-23		FY 2021-22	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 – 2,50,000	Nil	0 – 2,50,000	Nil
2,50,001 – 5,00,000*	Nil – after rebate under section 87A*	2,50,001 – 5,00,000*	Nil – after rebate under section 87A*
5,00,001 – 7,50,000	Rs. 13,000 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	5,00,001 – 7,50,000	Rs. 13,000 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000
7,50,001 – 10,00,000	Rs. 39,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs.	7,50,001 – 10,00,000	Rs. 39,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 7,50,000
10,00,001 – 12,50,000	Rs. 78,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	10,00,001 – 12,50,000	Rs. 78,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000
12,50,001 – 15,00,000	Rs. 1,30,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 12,50,000	12,50,001 – 15,00,000	Rs. 1,30,000 plus 26.00% [tax rate 25% plus health and education cess 4% thereon] of income exceeding Rs. 12,50,000
15,00,001 – 50,00,000	Rs. 1,95,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000	15,00,001 – 50,00,000	Rs. 1,95,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000
50,00,001* – 1,00,00,000	Rs.14,15,700 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001* – 1,00,00,000	Rs.14,15,700 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001* – 2,00,00,000	Rs. 32,74,050 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001* – 2,00,00,000	Rs. 32,74,050 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000

FY 2022-23		FY 2021-22	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
2,00,00,001 [*] –5,00,00,000	Rs.74,58,750 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	2,00,00,001 [*] –5,00,00,000	Rs.74,58,750 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 [*] and above	Rs.2,09,97,990 plus 42.744% [(tax rate 30% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000	5,00,00,001 [*] and above	Rs.2,09,97,990 plus 42.744% [(tax rate 30% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs.5,00,00,000

* ^{*}, ^{^^}, ^{^^^} The tax rate, Marginal relief and Maximum rate of surcharge shall be applicable as mentioned hereinabove in old tax regime.

The optional regime shall be available to individuals/ HUFs subject to foregoing of certain exemptions / deductions and satisfaction of certain prescribed conditions.

3.1.2 Comparison of Income slabs and proposed tax incidence under the old tax regime and the optional tax regime

Annual Income (Rs.)	Tax Liability (Rs.) (excluding surcharge* and education cess)		
	As per existing tax regime** # (deduction/exemption available, but not considered)	As per optional tax regime (No deduction/exemption available)	Benefit as per the optional tax regime
2,50,000	-	-	-
5,00,000	-	-	-
7,50,000	62,500	37,500	25,000
8,00,000	72,500	45,000	27,500
10,00,000	1,12,500	75,000	37,500
12,50,000	1,87,500	1,25,000	62,500
15,00,000	2,62,500	1,87,500	75,000
50,00,000	13,12,500	12,37,500	75,000
75,00,000	20,62,500	19,87,500	75,000
1,00,00,000	28,12,500	27,37,500	75,000
1,50,00,000	43,12,500	42,37,500	75,000
2,00,00,000	58,12,500	57,37,500	75,000
3,50,00,000	1,03,12,500	1,02,37,500	75,000
5,00,00,000	1,48,12,500	1,47,37,500	75,000
5,50,00,000	1,63,12,500	1,62,37,500	75,000

- * The tax shall be increased by surcharge as applicable to the tax bracket and health and education cess. The surcharge on income chargeable to tax under sections 111A, 112A, 112, 115AD(1)(b) and dividend income shall be restricted to 15%.
- ** The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.
- # Basic exemption income slab in case of a resident individual of the age of 60 years or more (senior citizen) and resident individual of the age of 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

3.2 Companies

3.2.1 Domestic companies

I. Domestic companies opting for concessional corporate tax regime – Tax under section 115BAA

No change is proposed in the tax rates. Domestic companies continue to have an option[^] to pay tax at a concessional rate subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2022–23 and 2021–22 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2022–23	FY 2021–22	FY 2022–23	FY 2021–22
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]	Not Applicable under the concessional corporate tax regime	

[^]The option once exercised, cannot be withdrawn in subsequent AYs.

II. New domestic companies with manufacturing or electricity generation activity opting for concessional corporate tax regime – Tax under section 115BAB

No change is proposed in the tax rates. It is proposed to extend the date of commencement of manufacturing or production, from 31 March 2023 to 31 March 2024.

As such, the new domestic companies set up on or after 1 October 2019 and commencing manufacturing or electricity generation activity before 31 March 2024, shall have an option[^] to pay tax at a lower tax rate of 15% plus surcharge at 10% and health and education cess thereon at 4%, subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2022–23 and 2021–22 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2022–23	FY 2021–22	FY 2022–23	FY 2021–22
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not Applicable under the concessional corporate tax regime	

^The option once exercised, cannot be withdrawn in subsequent AYs.

III. Domestic companies not opting for concessional tax regime, having total turnover / gross receipt in FY 2020–21 up to Rs. 400 crore

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2022–23 for domestic companies having total turnover / gross receipt in FY 2020–21 up to Rs. 400 crore (for FY 2021–22, the total turnover / gross receipt in FY 2019–20 up to Rs. 400 crore) is as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2022–23	FY 2021–22	FY 2022–23	FY 2021–22
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)	26.00% (tax rate 25% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000/ Rs. 10,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

IV. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipt in FY 2020–21 exceeding Rs. 400 crore

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2022–23 for domestic companies having total turnover / gross receipt in FY 2020–21 exceeding Rs. 400 crore (for FY 2021–22, the total turnover / gross receipt in FY 2019–20 exceeding Rs. 400 crore) is as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2022–23	FY 2021–22	FY 2022–23	FY 2021–22
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2022–23	FY 2021–22	FY 2022–23	FY 2021–22
	education cess 4% thereon]	education cess 4% thereon]	education cess 4% thereon]	education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)	15.60% (tax rate 15% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000/ Rs. 10,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

3.2.2 Foreign companies

No change is proposed in the tax rate. The effective tax rates for foreign companies for FYs 2022–23 and 2021–22 are as follows:

Foreign Company	Effective Tax Rates	
	FY 2022–23	FY 2021–22
Having total income exceeding Rs. 10,00,00,000	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	41.60% (tax rate 40% plus health and education cess 4% thereon)	41.60% (tax rate 40% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 2% / 5% on the excess of income over Rs. 1,00,00,000/ Rs. 10,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.

3.3 Partnership Firms/LLPs

No changes are proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2022–23 and 2021–22 are as follows:

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2022–23	FY 2021–22
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]

Partnership Firms / LLPs	Effective Tax Rates	
	FY 2022-23	FY 2021-22
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	31.20% (tax rate 30% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.4 Other Entities

3.4.1 Co-operative societies

The income tax rates continue to remain the same. However, surcharge rates are reduced. As such, the effective tax rates for co-operative societies for FYs 2022-23 and 2021-22 are as follows:

Income slab (Rs.)	Tax Rates	
	FY 2022-23	FY 2021-22
0 – 10,000	10.40% (tax rate 10% plus health and education cess 4% thereon)	10.40% (tax rate 10% plus health and education cess 4% thereon)
10,001 – 20,000	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000 (tax rate 20% plus health and education cess 4% thereon]	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000 (tax rate 20% plus health and education cess 4% thereon]
20,001 – 1,00,00,000	Rs. 3,120 plus 31.20% of income exceeding Rs.20,000 (tax rate 30% plus health and education cess 4% thereon]	Rs. 3,120 plus 31.20% of income exceeding Rs.20,000 (tax rate 30% plus health and education cess 4% thereon]
1,00,00,000 – 10,00,00,000	Rs. 33,35,062 plus 33.384% of income exceeding Rs. 1,00,00,000 (tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	Rs. 34,90,906 plus 34.944% of income exceeding Rs. 1,00,00,000 [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Above 10,00,00,000	Rs. 3,49,40,506 plus 34.944% of income exceeding Rs. 10,00,00,000 [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	Rs. 3,49,40,506 plus 34.944% of income exceeding Rs. 10,00,00,000 [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]

Marginal relief is available to ensure that the additional income-tax payable, including surcharge of 7%/12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

The concessional tax under section 115BAD continue to remain the same at 22% (plus surcharge @ 10% plus health and education cess @ 4%) subject to fulfillment of certain conditions similar to domestic companies. The AMT provision shall not be applicable to such co-operative societies.

3.5 AMT on non-corporate assessees (excluding assessee opting for section 115BAC or section 115BAD – optional tax regime)

The Bill proposes change in AMT rates for co-operative societies keeping the AMT provisions constant for other non-corporate assessees. The effective AMT for FYs 2022-23 and 2021-22 are as under:

Non-corporate assessee	Effective AMT Rates	
	FY 2022-23	FY 2021-22
Individuals, HUF, AOP, BOI etc.		
Having total income exceeding Rs. 5,00,00,000*	26.3588% [(tax rate 18.50% plus surcharge 37% ^{^^} thereon) plus health and education cess 4% thereon]	26.3588% [(tax rate 18.50% plus surcharge 37% [^] thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 2,00,00,000*	24.05% [(tax rate 18.50% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon]	24.05% [(tax rate 18.50% plus surcharge 25% [^] thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 1,00,00,000*	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]	22.126% [(tax rate 18.50% plus surcharge 15% thereon) plus health and education cess 4% thereon]
Having total income exceeding Rs. 50,00,000*	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]	21.164% [(tax rate 18.50% plus surcharge 10% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 50,00,000	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]
Firms / Others		
Having total income exceeding Rs. 1,00,00,000*	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	19.24% (tax rate 18.50% plus health and education cess 4% thereon)	19.24% (tax rate 18.50% plus health and education cess 4% thereon)
Co-operative Societies		
Having total income exceeding Rs. 10,00,00,000*	17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4%]	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4%]
Having total income exceeding Rs. 1,00,00,000*	16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4%]	21.5488% [(tax rate 18.50% plus surcharge 12% thereon) plus health and education cess 4%]
Having total income upto Rs. 1,00,00,000	15.60% [(tax rate 15% plus health and education cess 4% thereon)]	19.24% [(tax rate 18.50% plus health and education cess 4% thereon)]

*Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7% / 10% / 12% / 15%/25%/37% (as applicable) on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000, Rs. 5,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000, Rs. 5,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

^Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 115AD(1)(b) and dividend income shall be 15%.

^^Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112, 115AD(1)(b) and dividend income shall be 15%.

3.6 Tax on distributed income of domestic company for buy-back of shares.

No change in rates being proposed. The effective tax rate for distributed income of domestic companies (listed and unlisted) for buy-back of shares for FYs 2022–23 and 2021–22, are as follows:

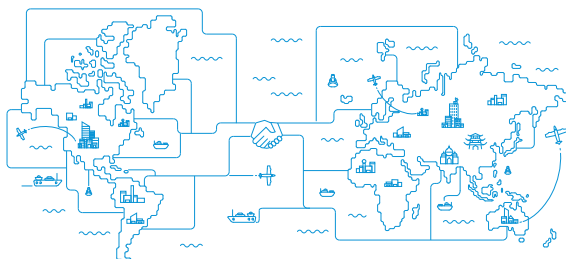
Particulars	Effective Tax Rates	
	FY 2022–23 (for listed and unlisted shares)	FY 2021–22 (for listed and unlisted shares)
Rate of tax on the amount of distributed income of domestic company	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]	23.296% [(tax rate 20% plus surcharge 12% thereon) plus health and education cess 4% thereon]

3.7 New Section 115BBH on taxation of income from transfer of virtual digital assets

The Bill proposes to introduce a new section 115BBH for taxation of income from transfer of virtual digital assets. It has been proposed that where the total income includes any income from transfer of any virtual digital assets, the income tax payable shall includes the amount of income–tax calculated on income of transfer of any virtual digital asset at the rate of 30% (plus applicable surcharge rate and health and education cess).

No deduction in respect of any expenditure (other than cost of acquisition) or allowance or set off of any loss shall be allowed. Further, no set off of any loss arising from transfer of virtual digital assets shall be allowed against any income computed under any other provision of the IT Act and such loss shall not be allowed to be carried forward to subsequent assessment years.

The G-20 economies comprising of 19 countries and the EU, account for almost 90% of the gross world product, 80% of world trade (including EU intra-trade), two-thirds of the world population and approximately half of the world land area. India will be holding the G20 Presidency from 1 December 2022. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is tabulated below:



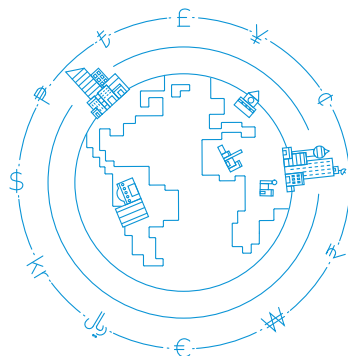
Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	25.83%	49%
7.	Germany	33%	47.48%
8.	India [Notes 3 & 4]	17.16% 25.17% 29.12% 34.94%	42.74%
9.	Indonesia	22%	35%
10.	Italy	27.9%	47.13%
11.	Japan [Note 5]	30.62%	55.95%
12.	Mexico	30%	35%
13.	Russia	20%	15%
14.	Saudi Arabia [Note 6]	0%	0%
15.	South Africa	28%	45%
16.	South Korea	27.50%	49.5%
17.	Turkey	23%	40%
18.	United Kingdom	19%	45%
19.	United States of America [Note 7]	21%	37%

Notes:

1. The above rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for Corporates taxes is flat rate for all the G-20 economies except Argentina and South Korea. The taxation regime for personal taxes is progressive for all the G-20 economies except Saudi Arabia.
3. As per the Taxation Laws (Amendment) Act No. 46 of 2019, the base corporate tax rate for certain domestic companies is reduced to 22% (effective tax rate is 25.17%). For manufacturing companies set up between 1 October 2019 to 31 March 2024, the tax rate shall be 15% (effective rate 17.16%).
4. Domestic companies not opting for concessional tax regime, the corporate tax rate would be 25% (effective tax rate is 29.12%) in case of companies having annual turnover not exceeding Rs. 400 crores during FY 2020-21. In case annual turnover exceeding Rs. 400 crores during FY 2020-21 then corporate tax of 30% (effective tax rate is 34.94%). Further, for a concessional tax regime to individuals and HUFs please refer 'Chapter 3: Tax Rates'. Finance Bill, 2022 has not proposed any changes in the tax rates for corporate as well as individuals and HUFs and would continue to remain the same as mentioned herein.
5. Corporate tax @ 30.62% is indicative effective rate of tax. In addition, size-based business tax is also levied on companies. Personal tax rate is inclusive of 2.1% surtax.
6. Corporate tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) @ 2.5%.
7. In USA, corporate tax comprises of federal tax i.e. @ 21% as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax i.e. @ 37% and further each state and local government can also levy tax on income.

5.1 DTAA rates and effective date of MLI – Reading the Indian Treaties

India being a major player has considerable cross border investments and it has a comprehensive DTAA network with 96 countries in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. The tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAA's / synthesized texts entered into by India with various countries along with the date of entry into effect in India of the MLI with each country, are as under:



Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021 ¹)	
		Tax rate	Tax rate	Tax rate	Tax rate			
	Rate as per the IT Act (Note 12)	20% [Note 2]	20%/5%/4% [Notes 7 and 8]	10% [Notes 4 and 8]	10% [Notes 4 and 8]		with respect to taxes withheld	with respect to other taxes
1	Albania	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
2	Armenia	10%	10% [Note 5]	10%	10%		Not yet ratified by Armenia	
3	Australia [Note 1]	15%	15%	10% / 15% [Note 6]	10% / 15% [Covered under Article for Royalty]		1 April 2020	1 April 2020
4	Austria [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
5	Bangladesh	10% / 15%	10% [Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company, b) 15% in all other cases.	Not a signatory to MLI	

¹ The date of entry into effect is derived from the OECD's MLI matching database (updated as on 14 December 2021) and synthesized text of MLI released by CBDT till January 2022 as available.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
6	Belarus	10% / 15%	10% [Note 5]	15%	15%	a) 10% tax on dividends if paid to a Company holding 25% shares, b) 15%, in all other cases.	Not a signatory to MLI	
7	Belgium	15%	15% / 10%	10%	10%	a) Interest taxable at 10% if recipient is bank; in any other case 15% b) MFN clause with respect to Royalty and FTS.	1 April 2020	1 April 2020
8	Botswana	7.50% / 10%	10% [Note 5]	10%	10%	a) 7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company. b) 10%, in all other cases.	Not a signatory to MLI	
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.	Not a signatory to MLI	
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.	Not yet ratified by Bulgaria	
11	Bhutan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company; b) 20%, in other cases.	1 April 2020	1 April 2021
13	China	10%	10% [Note 5]	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
14	Croatia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership); b) 15% in all other cases.	1 April 2022	1 April 2022
15	Cyprus	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
16	Czech Republic	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
17	Colombia	5%	10% [Note 5]	10%	10%		Not yet ratified by Colombia	
18	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	a) 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient company, in other cases 25%. b) Interest taxable at 10% if recipient is bank; in any other case 15%.	1 April 2020	1 April 2021
19	Estonia	10%	10% [Note 5]	10%	10%		MLI entered into force but Internal procedures not completed by Estonia; hence not effective.	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
20	Ethiopia	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
21	Finland [Note 1]	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
22	France	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
23	Fiji	5%	10% [Note 5]	10%	10%		Not yet ratified by Fiji	
24	Georgia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
25	Germany	10%	10% [Note 5]	10%	10%		Germany has not included India in its notification and hence not CTA	
26	Greece	Taxable as per domestic laws in source country			No separate provision		1 April 2022	1 April 2022
27	Hong Kong	5%	10% [Note 5]	10%	10%		Not yet ratified by Hong Kong. Hong Kong has not included India as CTA in provisional list of CTAs.	
28	Hungary	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2022	1 April 2022
29	Indonesia	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
30	Iceland	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
31	Iran	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
32	Ireland [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
33	Israel	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
34	Italy	15% / 25%	15% [Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient	Not yet ratified by Italy	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						company; in any other case 25%.		
35	Japan [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
36	Jordan	10%	10% [Note 5]	20%	20%		1 April 2021	1 April 2022
37	Kazakhstan	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2021	1 April 2021
38	Kenya	10%	10%	10%	10%		Not yet ratified by Kenya	
39	Korea	15%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
40	Kuwait	10%	10% [Note 5]	10%	10%		Not yet ratified by Kuwait	
41	Kyrgyz Republic	10%	10% [Note 5]	15%	15%		Not a signatory to MLI	
42	Latvia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
43	Libya	Taxable as per domestic laws in source country			No separate provision		Not a signatory to MLI	
44	Lithuania [Note 1]	5% / 15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2020
45	Luxembourg	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
46	Macedonia	10%	10% [Note 5]	10%	10%		Not yet ratified by Macedonia	
47	Malaysia	5%	10% [Note 5]	10%	10%		1 April 2022	1 April 2022
48	Malta	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
49	Mauritius	5% / 15%	7.5%	15%	10%	a) 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%.	Mauritius has not included India in its notification and hence not a CTA	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)
		Tax rate	Tax rate	Tax rate	Tax rate		
						<p>b) 7.5% tax on interest in respect of loans made after 31 March, 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5]</p> <p>c) The amended DTAA now provides for specific provision relating to FTS and the same will be taxable at the rate of 10% with effect from 1 April, 2017.</p>	
50	Mongolia	15%	15% [Note 5]	15%	15%		Not a signatory to MLI
51	Montenegro (Note 1)	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365 day period; in any other case 15%	Not a signatory to MLI
52	Morocco	10%	10% [Note 5]	10%	10%		Not yet ratified by Morocco
53	Mozambique	7.50%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI
54	Myanmar	5%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI
55	Namibia	10%	10% [Note 5]	10%	10%		Not yet ratified by Namibia
56	Nepal	5% / 10%	10% [Note 5]	15%	No separate	a) 5% tax on dividends if the	Not a signatory to MLI

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
					provision	beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%. b) MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.		
57	Netherlands	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
58	New Zealand	15%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
59	Norway	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
60	Oman	10% / 12.5%	10% [Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.	Oman has not included India in its notification and hence not a CTA.	
61	Philippines	15% / 20%	15% / 10% [Note 5]	15%	No separate provision	a) 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%.	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						<p>b) Interest taxable @ 10% if recipient is Financial Institution (including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%.</p> <p>c) Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.</p>		
62	Poland [Note 1]	10%	10% [Note 5]	15%	15%		1 April 2020	1 April 2020
63	Portuguese Republic	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.	1 April 2021	1 April 2021
64	Qatar	5% / 10%.	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of	1 April 2020	1 April 2021

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						the shares are owned by company; in any other case 10%.		
65	Romania	10%	10% [Note 5]	10%	10%		Not yet ratified by Romania	
66	Russian Federation	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
67	Saudi Arabia	5%	10% [Note 5]	10%	No separate provision		1 April 2021	1 April 2021
68	Serbia [Note 1]	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365 day period; in any other case 15%	1 April 2020	1 April 2020
69	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	a) 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% b) Interest taxable at 10% if recipient is bank or similar financial institution including an insurance company; in any other case 15%.	1 April 2020	1 April 2020
70	Slovak Republic [Note 1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						recipient company throughout a 365 day period; in any other case 25%.		
71	Slovenia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.	1 April 2020	1 April 2020
72	South Africa	10%	10% [Note 5]	10%	10%		Not yet ratified by South Africa.	
73	Spain	15%	15% [Note 5]	10% / 20%	20%	a) 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. b) MFN clause with respect to Royalty and FTS.	MLI entered into force but internal procedures not completed; hence not yet effective.	
74	Sri Lanka	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
75	Sudan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
76	Sweden	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	MLI entered into force but internal procedures not completed by Sweden; hence not yet effective.	
77	Switzerland	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	Swiss Confederation has not included India in its notification and hence not a CTA.	
78	Syrian Arab	5% / 10%	10% [Note 5]	10%	No	5% tax on	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)
		Tax rate	Tax rate	Tax rate	Tax rate		
	republic				separate provision	dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.	
79	Taipei	12.5%	10% [Note 5]	10%	10%		Not a signatory to MLI; further India has not included Taipei in its list of CTAs.
80	Tajikistan	5% / 10%.	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.	Not a signatory to MLI
81	Tanzania	5%/10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the shares are beneficially owned by company; in any other case 10%.	Not a signatory to MLI
82	Thailand	10%	10% [Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.	Not a signatory to MLI
83	Trinidad and Tobago	10%	10% [Note 5]	10%	10%		Not a signatory to MLI
84	Turkey	15%	10% / 15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance	Not yet ratified by Turkey

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						company or similar financial institution; in any other case 15%.		
85	Turkmenistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
86	Uganda	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
87	Ukraine	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2021
88	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.	1 April 2020	1 April 2020
89	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision		1 April 2021	1 April 2022
90	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10%/15% [Note 6]	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case-10%.	1 April 2020	1 April 2020
91	United Mexican States	10%	10% [Note 5]	10%	10%		Not yet ratified by Mexico	
92	United States	15% / 25%	10% / 15%	10%/15%	10% / 15%	a) 15% tax on	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 14 December 2021)	
		Tax rate	Tax rate	Tax rate	Tax rate			
			[Note 5]	[Note 6]	[Note 5]	dividends if at least 10% of the voting stock is owned by company; in any other case 25%. b) Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.		
93	Uruguay	5%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
94	Uzbekistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
95	Vietnam	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
96	Zambia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.	Not a signatory to MLI	

Notes:

- As on date CBDT has released synthesized texts for MLI modified DTAA's with 27 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway and Slovak Republic.
- Prior to 1 April 2020, dividend income was subjected to DDT @ 20.5553% on any amount declared, distributed or paid by a domestic company by way of dividend and was tax exempt in the hands of the non-resident shareholders. Deduction under section 57 for interest expenditure shall be available and restricted to 20% of dividend income. However, no deduction available for other expenses.

3. Unless otherwise provided in the DTAA, both the countries have right to tax.
4. The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 10% (plus applicable Surcharge and Education Cess). As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of TRC and self-declaration in Form 10F by the payee is mandatory. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.
5. Interest earned by /paid* to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).

*As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.

6. Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%. However, for first 5 years of the agreement, the rate is 20% in case of payer other than Government or specified institution and 15% for the subsequent years.
7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and a Government security. However, in case of interest on rupee denominated bonds issued during the period from 17 September 2018 to 31 March 2019, the interest shall be exempt under new section 10(4C) of the IT Act. Therefore, it is not subject to any withholding tax on such interest income.

Lower withholding tax @ 4% is applicable in case of interest on borrowing in foreign currency from a source outside India by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

Lower withholding tax @ 5% is applicable to FIIs or Qualified Foreign Investor in case of investment in government securities or rupee denominated bond or municipal debt securities.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:

- (i) rate specified in the relevant provision of the IT Act,
- (ii) at the rates in force, or
- (iii) @ 20%

Payments namely dividend, interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

- 9. Where the provisions of GAAR (applicable from FY 2017-18) and MLI are attracted, tax treaty benefit may be denied to a non-resident.
- 10. Any income in the nature of Royalty or FTS arising to non-resident from services rendered to the National Technical Research Organization is exempt under section 10(6D) of the Act.

11. **Capital Gain taxation under the Tax Treaties**

- The treaties between India-Mauritius, India-Singapore and India-Cyprus were amended in 2016 to provide source-based taxation for capital gains on the transfer of shares on or after 1 April 2017 of Indian companies with respect to shares acquired prior to 1 April 2017. As such, capital gains arising from the alienation of shares acquired on or after 1 April 2017 in a company which is resident of a Contracting State may be taxed in that State (i.e. the source state).
- The India-Mauritius DTAA and India-Singapore DTAA also provided concessional tax rate of 50% of the domestic capital gains tax rate for the period of 2 years (Between 1 April 2017 and 31 March 2019) in the source state. This concessional tax rate is subject to fulfillment of the Limitation of Benefit (LOB) clause under the India-Mauritius DTAA and India-Singapore DTAA.

- 12. Rate as per the domestic tax regulations (to be further increased by applicable surcharge and health and education cess) or DTAA rate, whichever is more beneficial to the non-resident, shall apply.

Nature of Benefits to be availed/ Compliances to done				Check the Box?
For Corporates to whom Transfer pricing provisions are not applicable				
The time limit for filing Income tax return under section 139 has been revised as follows:				<input type="checkbox"/>
Assessment Year	Normal Return	Revised/ Belated Return	Updated Return	
AY 2021-22	15 March 2022	31 March 2022	–	
AY 2022-23	31 October 2022	31 December 2022	31 March 2025	
The benefit of deductions under Chapter VIA –Part C, carry forward and set off of losses, if any, is available only where the return for FY 2021-22 is filed on or before 31 October 2022. To ensure compliance, check beforehand the position of said deductions and losses for the relevant financial year.				<input type="checkbox"/>
The time limit for scrutiny assessment under section 143(3) has been revised as follows:				<input type="checkbox"/>
Assessment Year	Normal Return	Updated Return		
AY 2020-21	31 March 2022	–		
AY 2021-22	31 December 2022	–		
For Corporates to whom Transfer pricing provisions are applicable				
The time limit for filing Income tax return under section 139 has been revised as follows:				<input type="checkbox"/>
Assessment Year	Normal Return	Revised/ Belated Return	Updated Return	
AY 2021-22	15 March 2022	31 March 2022	–	
AY 2022-23	30 November 2022	31 December 2022	31 March 2025	
The benefits of deductions under Chapter VIA –Part C, carry forward and set off of losses, if any, is available only in case the return for FY 2021-22 is filed on or before 30 November 2022. To ensure compliance and check beforehand the position of losses during the year.				<input type="checkbox"/>
Form 3CEB to be filed online within the due date of 31 October 2022. For this purpose, it is necessary to identify:				

Nature of Benefits to be availed / Compliances to done			Check the Box ?
<ul style="list-style-type: none"> • AE (it may be pointed out that this is not limited to holding or subsidiary relationships alone but may be applicable on the basis of loan, guarantee, common control, etc.) • International transactions (this may include not only the exports or imports but also loans, guarantees, license or franchise, etc.) • Carry out robust transfer pricing study report to substantiate arm's length pricing along with appropriate benchmarking analysis. <p>Master File / Country-by-Country Report ('CbCR') compliance as per deadline tabulated below, if applicable. Please check.</p>			
Master File / CbCR	Applicability	Forms to be furnished	Due date for FY 2021-22
	Every person, being a constituent entity of an international group.	Part A of Form No. 3CEAA	Due date of filing return of Income (30 November)
Master File (applicable consolidated revenue of the international group exceeds INR 500 crores and value of international transaction exceeds INR 50 crores or value of international transaction involving intangible exceeds INR 10 crores)	Constituent entity of an international group resident in India.	Part B of Form No. 3CEAA	Due date of filing return of Income (30 November)
	Where there are more than one constituent entity resident in India of an international group, then the constituent entity which has been designated to furnish the master file.	Form No. 3CEAB	30 days before the due date for filing Form No. 3CEAA (31 October)
CbCR Country-by-Country Report (CbCR) filing is required only if consolidated group revenue exceeds INR 6,400 crore in immediately preceding accounting year of parent entity.	Every constituent entity resident in India, whose parent is not resident in India.	Form No. 3CEAC	2 months prior to due date for filing Form No. 3CEAD
	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India.	Form No. 3CEAD	12 months from the end of the reporting accounting year
	Intimation on behalf of the international group.	Form No. 3CEAE	Not specified
<p>Thin capitalization rules are applicable as per section 94B which provides a restriction (30% of EBITDA) on deductibility of interest paid to an AE. The balance interest is allowed to be carried forward</p>			<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
for set off for 8 years. Is the same considered while structuring funding from AE and the applicable disallowance has been computed?	
Entities opting for concessional tax regime under section 115BAB would be covered within the ambit of domestic transfer pricing (specified domestic transaction) for the transactions entered into by them under section 92BA. Whether the transfer pricing angle is considered while framing any tax policy or setting up a new manufacturing company under section 115BAB?	<input type="checkbox"/>
Common points for all the Corporates	
All Reports (such as Transfer pricing report in Form 3CEB, MAT Report in Form 29B, Tax audit report in Form 3CD, 10AA certificate in Form 56F, etc.) to be filed 1 month prior to due date for filing corporate tax return under section 139(1). Kindly ensure compliance.	<input type="checkbox"/>
For FY 2021–22, whether detailed comparative analysis of continuing under existing tax regime (where MAT is applicable at reduced rate of 15%) or opting for new regime under section 115BAA (where lower corporate tax rate of 25.17% and no MAT is applicable) has been evaluated and the beneficial option has been exercised? This is relevant for companies who have not opted for the new regime under section 115BAA in the FY 2020–21.	<input type="checkbox"/>
Whether foreign assets (which include bank signatory powers and beneficial interest) have been properly disclosed in schedule FA of ITR? This would cover subsidiaries, joint ventures and investments outside India, project offices and branch offices as well as other financial assets.	<input type="checkbox"/>
In case of foreign subsidiaries, joint ventures and associates, to ensure that the place of effective management (POEM) is not in India	<input type="checkbox"/>
The benefit of carry forward of certain unabsorbed losses and unutilized credits is available for certain number of years only. Check whether any of the following carried forward losses or credits are expiring as on 31 March 2022 or 2023: <ul style="list-style-type: none"> ■ MAT Credit ■ Business Losses ■ Losses under the head “ capital gains” ■ Losses under the head “ income from house property” 	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
In case of payments requiring tax deduction at source (such as interest, rent, professional fees, commission, brokerage) for payments to residents as well as withholding tax for payments to non-residents, whether tax has been deducted or withheld as applicable. Any non-deduction of tax would result in disallowance of 30% or 100% of the entire expenditure.	<input type="checkbox"/>
Conversion of Interest into Debenture or any other instrument by which liability to pay is deferred to a future date does not amount to payment under section 43B and hence not allowed.	<input type="checkbox"/>
Section 80JJAA provides for deduction of 30% of the additional employee cost incurred during the financial year. Whether this benefit has been availed where applicable? This is also applicable in case of companies who have opted for the new regime under section 115BAA and section 115BAB	<input type="checkbox"/>
Issue of shares by a company to a resident at a premium higher than the fair value is subject to tax implication under section 56(2)(viib). Whether applicability of section 56(2)(viib) is examined before any issue of shares?	<input type="checkbox"/>
Section 56(2)(x) of the IT Act provides for taxation on the difference, if the transaction value (for consideration or without consideration) of the property received is less than stamp duty value for transfer of property or within the tolerance range specified (10%). Whether implication of section 56(2)(x) is examined before transfer of specified property (which includes shares / securities, immovable property, jewellery, archaeological collections, drawings, paintings, sculptures, any work of art, bullion)? Similarly, the transferor may be subject to tax on notional gain in case transfer of immovable property or shares is at a price below the fair value, under section 50C/50CA of the Act.	<input type="checkbox"/>
Section 269SU provides that every person with business turnover of more than Rs. 50 crores, has to provide certain prescribed modes for the purpose of acceptance of payment. Whether such payment facilities are provided?	<input type="checkbox"/>
Digital Signature Certificate ('DSC') is a significant component for filing of returns. Validity of such DSC i.e. whether such DSC has not expired, needs to be ensured before return filing.	<input type="checkbox"/>
In case where deduction under section 80IA/IB is claimed, it is necessary to furnish the tax return before the due date, failing which the benefit of tax holiday is not available. Whether the return is	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
being filed in time?	
In case where tax is paid on book profit under section 115JB, whether Form 29B is uploaded online one month prior to the due date for filing the return of Income?	<input type="checkbox"/>
Ensure timely payment of advance tax on due dates viz. 15 June, 15 September, 15 December 2021 and 15 March 2022, to avoid high interest outgo which is also not deductible for tax purposes. It is proposed that that “Health & Education Cess on Income tax ” paid is not deductible for tax purpose.	<input type="checkbox"/>
Ensure all tax credits in the form of TDS, TCS, foreign withholding taxes, advance tax, self-assessment tax have been claimed and allowed by the tax authorities, ensure reconciliation of income and tax credits as per form 26AS and in case of carry over, keep track of the same.	<input type="checkbox"/>
Review GST returns and financial statements to ensure that there are no discrepancies or inconsistencies which are inexplicable	<input type="checkbox"/>
The Donations made, if any, has been claimed in the return of income. This is not applicable in case of companies who have opted for the new regime under section 115BAA and section 115BAB.	<input type="checkbox"/>
Whether TCS under section 206C(1H) has been collected on sale of goods (excluding exports) in excess of Rs. 50 lakhs in a year (provided the turnover is more than Rs. 10 crores in the immediately preceding FY)?	<input type="checkbox"/>
Whether TDS under section 194Q @0.1% has been deducted on purchase of goods in excess of Rs. 50 lakhs in a year (provided the turnover is more than Rs. 10 crores in the immediately preceding Financial Year)?	<input type="checkbox"/>
Whether provision of section 206AB has been duly complied at the time of withholding the taxes? – As per aforesaid provision which provides for higher rate of taxes (higher of the following rates – twice the rate specified in the relevant provision of the IT Act; or twice the rate or rates in force or the rate of 5%, as the case may be) of TDS for specified persons (who have not furnish income-tax returns within time limit under section 139(1) for the immediately preceding pervious years and the aggregate tax deducted at source in his case exceeds Rs 50,000) in which tax is required to be deducted as the case may be. Similar provision has been introduced under section 206CCA with	<input type="checkbox"/>

Nature of Benefits to be availed / Compliances to done	Check the Box ?
respect to Tax Collected at Source (TCS).	
In case the tax assessments result in disputes and/or tax demands, whether: ■ Evaluation and selection of appropriate remedy in the form of rectification, appeal, reference to Dispute Resolution Panel, revision under section 264 of the IT Act, writ petition has been exercised and timely application/ appeal has been filed. ■ In case of transfer pricing or cross border disputes, it may be possible to exercise “mutual agreement procedure” (MAP) remediation action. ■ Application for stay of demand and deposit of part or entire disputed amount as required has been made.	<div></div>

This is an indicative generic checklist which includes certain crucial compliances and checkpoints which can have a significant impact on your tax incidence or exposure. This checklist is not comprehensive and should not be treated as a substitute for a comprehensive and detailed analysis.

7.1 Background

- 7.1.1 On 14 October 2020, the OECD issued its detailed guidance and explanation in the document called Tax Challenges Arising from Digitalisation– Report on Pillar One Blueprint and Tax Challenges Arising from Digitalisation– Report on Pillar Two Blueprint. Further, on 8 October 2021, OECD issued a statement providing an outline for the new digital tax rules. Global political consensus was broadly achieved, as out of 141 IF countries engaged in negotiations, 137 agreed to the Two–Pillar proposal; however, Kenya, Nigeria, Pakistan, and Sri Lanka, at the end, decided not to opt for the measure.
- 7.1.2 There are two 'pillars' of the reform: Pillar One is focused on enlarging as well as replacing the traditional rule of 'nexus' as widely recognized and followed in international tax practice, thereby enabling a jurisdiction to levy income–tax on a foreign enterprise dealing with its economy, beyond physical presence Pillar Two includes a global minimum tax, with the aim of addressing the remainder of the BEPS challenges. The agreed components as mentioned in the OECD Statement are described in the following paragraphs.



7.2 Pillar One

- 7.2.1 The design of Pillar One is split into two sections – Amounts A and B. Amount A reallocates a fraction of in–scope residual profit of MNEs toward market jurisdictions, whereas, Amount B provides an arm's length principle for marketing and distribution function.
- 7.2.2 Pillar One contains 'Amount A' which would apply to companies (referred as 'in scope companies' or 'in scope MNEs') with more than Euro 20 billion in revenues and a profit margin above 10%. For such companies, a portion of their profits would be taxed in jurisdictions where they have sales– i.e., 25% of profits above a 10% margin. After a review period of 7 years, the threshold of Euro 20 billion may reduce to Euro 10 billion.
- 7.2.3 Companies in the extractives sector and regulated financial services companies would be excluded. In effect, under Pillar One, the scope is wide enough to encompass tech/ digital companies to conventional brick mortar businesses as well.
- 7.2.4 A new special-purpose nexus rule will be introduced to permit the allocation of share of residual profit i.e., Amount A, to market jurisdictions where an in–scope MNE derives at least Euro 1 million in revenue. In case of smaller jurisdictions with GDP lower than Euro 40 billion, the nexus threshold will be Euro 250,000.
- 7.2.5 Revenue will be sourced to the end market jurisdictions where goods or services are used or consumed. Depending upon the class of transaction, detailed source

rules will be developed.

- 7.2.6 The relevant measure of profit or loss of the in-scope MNE will be determined by reference to financial accounting income, with a small number of adjustments. It is also provided that losses will be carried forward.
- 7.2.7 Segmentation will occur in exceptional circumstances where, based on the segments disclosed in the financial accounts, a segment meets the scope rules.
- 7.2.8 Where the residual profits of an in-scope MNE are already taxed in a market jurisdiction, a marketing and distribution profit safe harbour will cap the residual profits allocated to the market jurisdiction through Amount A. Double taxation of profit allocated to market jurisdictions will be relieved using either the exemption or credit method.
- 7.2.9 The Statement provides for mandatory and binding dispute prevention and resolution mechanism for 'in scope' companies under Amount A. Disputes from other issues related to Amount A like transfer pricing, business profit arising due to creation of Permanent Establishment in source jurisdiction are also contemplated to be resolved. It also provides elective binding dispute resolution mechanism for jurisdictions with low level MAP cases deferred from MAP peer review.
- 7.2.10 Pillar One also includes 'Amount B' which would provide a simplified mechanism for application of arm's length principle for in-country baseline marketing and distribution function. In-scope MNEs will be allowed to manage the process through a single entity for Amount B.
- 7.2.11 Existing Digital Service Taxes ('DSTs')/ other similar measures would be removed in due course and no such new measures to be introduced further.

7.3 **Pillar Two**

- 7.3.1 Pillar Two ensures a global minimum tax rate of 15% on corporate income. It includes two interlocking domestic rules [together known as Global anti-Base Erosion Rules ('GloBE') rules] and then a third rule i.e., Subject To Tax Rules ('STTR') for tax treaties. The overall design of rules is as under:

Interlocking Domestic Rules / GloBE Rules		STTR
Income Inclusion Rule ('IIR') A top-up tax in the hands of ultimate parent/ immediate parent entity in respect of low taxed income constituent entity	Source jurisdiction is allowed to impose limited source taxation (withholding tax) @ 9% in relation to certain related party payments*	
Undertaxed Payment Rule ('UTPR') If any constituent entity is not subject to IIR, then UTPR will deny deductions or make an equivalent adjustment on low taxed income		

* **Note:** Intragroup payments in the nature of interest, royalties, franchise fees, fees for use of intangibles in combination with services, insurance or reinsurance premiums, guarantee, brokerage or financing fees, rent or other payments for use of movable property and payments for supply of marketing, procurement, agency or other intermediary services may be covered, however, this list is not yet finalized.

- 7.3.2 The Minimum tax rate for IRR and UTPR is 15% and for STTR 9%.
- 7.3.3 The GloBE rules will apply to MNEs that meet the €750 million threshold as determined under BEPS Action Plan 13 (country by country reporting). Countries are free to apply the IIR to MNEs headquartered in their country even if they do not meet the threshold.

7.4 Other Global Development in Pillar Two Solution

- 7.4.1 Few of the largest economies has already made their intent to apply the global minimum taxation in line with OECD/ G20 IF recommendation in their domestic legislation and summary of such development is as under:

Date	Name of Country	Steps towards minimum taxation
11 January 2022	United Kingdom	UK launches consultation on domestic implementation of global minimum tax @ 15% for large multinational groups
13 January 2022	Switzerland	The Swiss Federal Council on 12 January decided that it will implement the 15% global minimum tax agreed by the OECD Inclusive Framework through a constitutional amendment with an aim to ensure the measure comes into force as on 1 January 2024
22 December 2021	Ireland	Launched public consultation on introduction of territorial taxation system and other measures in current taxation regime in pursuance to Pillar Two proposals.
31 January 2022	United Arab Emirates	The UAE Finance Ministry on 31 January 2022 announced the implementation of a Corporate Tax ('UAE CT') regime in pursuance of the Two Pillar solution . The UAE CT regime will become effective for financial years starting on or after 1 June 2023. The CT rates currently notified are 9% where the taxable corporate income is above AED 375,000 (approx. USD 100,000) and for large MNEs that meet the specific criteria with reference to Pillar Two, the CT rates will be notified.

Apart from above, in the past few months many countries have incorporated laws like changes in corporate income-tax rates, mandatory filing of Country by Country Reporting, ('CbCR') controlled foreign companies ('CFC') regimes which are inspired by Pillar Two initiative.

Part A Production Linked Incentive Schemes in India**8.1 Background**

Manufacturing has emerged as one of the high growth sectors in India. There have been various policy changes introduced by Government of India to incentivize manufacturing in India and to place India on the world map as a manufacturing hub and give global recognition to the Indian economy including the flagship 'Make in India' program.

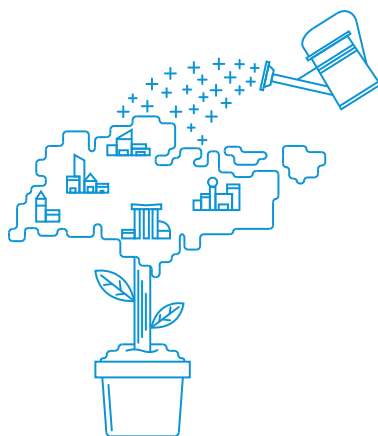
In early 2020, when Covid 19 stuck the world, it was a great realization for most countries, including India, that they were overly dependent on imports for hardware, electron components and medicines.

One of the key measures to achieve objective of incentivizing manufacturing in India and promote Make in India was introduction of Production Linked Incentives ('PLI') schemes. PLI schemes aim to position India as a global manufacturing hub by improving the local supply chain, developing downstream industries and incentivizing investments in high tech productions.

Further, various studies have estimated that every job created in manufacturing has a multiplier effect in creating 2–3 jobs in the services sector. In a country like India, where employment generation is one of the key policy issues, this makes this sector a critical one to achieve inclusive growth.

8.1.1 Budget Announcements:

- In the Budget Speech, the Hon'ble Finance Minister announced that the PLI in 14 sectors for achieving the vision of AtmaNirbhar Bharat has received excellent response, with potential to create 60 lakh new jobs, and an additional production of 30 lakh crore during next 5 years.
- A scheme for design-led manufacturing will be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme.
- Further, to facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of 19,500 crores for PLI for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.



8.2 Key objectives of PLI Schemes

8.2.1 Large-scale manufacturing capacities

The grant of incentives is directly linked to production capacity / incremental turnover, compelling investors to create large scale manufacturing facilities. This should lead to improvements in industrial infrastructure, benefiting the industry at large. Thus, its ripples are expected to be felt by manufacturers of all sizes, even if they are not direct recipients of the incentives.

8.2.2 Import substitution and increase in exports

Currently, there is heavy reliance on imports for raw material and finished goods. To illustrate, the electronics industry comprises of several assembly units over manufacturing units.

PLI schemes intend to plug this gap by enabling domestic manufacture of goods. This would trigger a two-fold impact – an immediate reduction in reliance on imports and in the long term, a higher quantum of exports from India.

8.2.3 Employment generation

It is evident that envisaged large-scale manufacturing facility would require abundant manpower. Hence, this initiative should also enable utilization of the country's ample human capital.

8.3 Key eligibility criteria of the PLI Scheme

Companies that are registered in India and are involved in the manufacturing of goods covered under the target segments of the scheme can apply under the PLI Scheme. Eligibility under the Scheme shall be subject to thresholds of Incremental Investment (covered under Target Segments) over the base year as defined. Further companies need to satisfy certain additional eligibility criteria which may vary from scheme to scheme in terms of Gross Management Revenue (GMR), Net Worth, Incremental Sales, Domestic Value Addition (DVA), etc.

An applicant must meet threshold criteria (i.e. incremental investment) that is a minimum of Rs. 10 crore (MSME) or Rs. 100 crore (Others) and a maximum of Rs. 1,000 crore to be eligible for disbursement of incentive for the year under consideration. To meet the threshold criteria of Incremental Investment for any year, the cumulative value of investment done till such year (including the year under consideration) over the Base Year (2019–20), shall be considered.

The applicant can operate existing or new manufacturing unit at one or more locations in the country.

Any additional expenditure incurred by companies on plant, machinery, equipment, research and development and transfer of technology for manufacture in the target segments, will be eligible for the incentive scheme.

8.4 Incentives offered under PLI Schemes

The PLI schemes provide eligible manufacturing companies incentives ranging from 4% to 6% on incremental sales over the base year of 2019–20 for a 4 to 6 year period. It is like a subsidy being provided by direct payment for domestically manufactured goods by eligible manufacturing companies.

8.5 Sector Wise Progress of PLI Schemes

Sectors	Concerned Department	Total Financial Outlay (Rs. crores)	Last Date of Application	Closed	Open / Ongoing	Announced
Mobile Manufacturing and specified electronic products	Ministry of Electronics and Information Technology	38,601*	31 March 2021	✓		
Electronic/Technology Products (IT Hardware Products)		7,350	30 April 2021	✓		
Critical Key Starting Material	Department of Pharmaceuticals	6,940	31 August 2021	✓		
Medical Devices		3,420	31 August 2021	✓		
Pharmaceutical Drugs		15,000	31 August 2021	✓		
Food Products	Ministry of Food processing Industries	10,900	17 June 2021	✓		
Telecom & Networking Products	Department of Telecommunication	12,195	3 July 2021	✓		
High Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4,500	15 September 2021	✓		
White Goods	Department of Promotion of Industry and Internal trade	6,238	15 September 2021	✓		
Advance Chemistry Cell (ACC) Battery	NITI Aayog and Department of Heavy Industries	18,100	14 January 2022	✓		
Specialty Steel	Ministry of Steel	6,322	29 March 2022		✓	

Sectors	Concerned Department	Total Financial Outlay (Rs. crores)	Last Date of Application	Closed	Open / Ongoing	Announced
Automobiles & Auto components	Department of Heavy Industries	57,042	9 January 2022	✓		
Textile Products	Ministry of Textiles	10,683	14 February 2022		✓	
Drone and Drone Components	Ministry of Civil Aviation	120	To be announced			✓

*As per budget announcements, an additional allocation of 19,500 crore for PLI for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules will be made. Hence, it is expected that there will be second round of applications under this scheme.

8.6 Ongoing Schemes

8.6.1 Specialty Steel

The objective of the PLI scheme for specialty steel is to promote manufacturing of such steel grades within the country and help the Indian Steel industry mature in terms of technology as well as move up with value chain. By becoming independent in producing specialty steel, India will move up the steel value chain and come at par with advanced steel-making countries like Korea and Japan. The government aims to save approx. Rs. 33,000 crores in foreign exchange (forex) that goes out of India annually for import of specialty steel. The benefits in form of incentives in PLI Scheme are ranging from 4% to 15% of the incremental sales, which will benefit integrated steel plants as well as small players in the sector. The government has begun accepting applications from investors for this scheme from 29 December 2021. The last date for making application is 29 March 2022. This scheme will be implemented for a 5 year period from FY 2022–23, with the incentive to be released from FY 2022–23. The detailed guidelines of the scheme were made available on Ministry of Steel portal on 20 October 2022.

8.6.2 Textiles

PLI for Textiles along with RoSCTL, RoDTEP and other measures of Government in this sector e.g. providing raw material at competitive prices, skill development etc. will herald a new age in textile manufacturing. PLI scheme for textiles will promote production of high value MMF fabric, garments and technical textiles in country. The incentive structure ranging from 7% to 9%, has been so formulated

that industry will be encouraged to invest in fresh capacities in these segments. This will give a major push to growing high value MMF segment, which will complement the efforts of cotton and other natural fibre-based textiles industry in generating new opportunities for employment and trade, resultantly helping India regain its historical dominant status in global textiles trade. The application window will remain open from 1 January 2022 to 31 January 2022.

8.6.3 Drone and drone Components

The PLI scheme for drones will not only boost domestic manufacturing of drone and drone components but also bring in new use cases and applications across various sectors. Drones offer tremendous benefits to almost all sectors of the economy. These include – agriculture, mining, infrastructure, surveillance, emergency response, transportation, geo-spatial mapping, defence, and law enforcement to name a few. Drones can be significant creators of employment and economic growth due to their reach, versatility, and ease of use, especially in India's remote and inaccessible areas. The PLI scheme comes as a follow-through of the liberalised Drone Rules, 2021 released by the Central Government on 25 August 2021. The PLI Scheme and new drone rules are intended to catalyse super-normal growth in the upcoming drone sector. Manufacturers of drones as well as drone components are eligible to apply for the scheme. Developers of software for drones are also eligible under the scheme. The incentive for a manufacturer of drones and drone components shall be as high as 20% of the value addition. The incentive scheme is valid for 3 years, till FY 2023–24. The Scheme has been notified on 30 September 2021. The detailed guidelines of the Scheme are awaited.

8.6.4 High Efficiency Solar PV Modules

Solar capacity addition presently depends largely upon imported solar PV cells and modules as the domestic manufacturing industry has limited operational capacities of solar PV cells and modules. The National Programme on High Efficiency Solar PV Modules will reduce import dependence in a strategic sector like electricity. PLI will be disbursed for 5 years post commissioning of solar PV manufacturing plants, on sales of high efficiency solar PV modules. Manufacturers will be rewarded for higher efficiencies of solar PV modules and also for sourcing their material from the domestic market. Thus, the PLI amount will increase with increased module efficiency and increased local value addition. The Notification and guidelines pertaining to PLI scheme of solar PV modules were notified on 28 April 2021 and the last date of application was 15 September 2021. However, an additional allocation of Rs.19500 crore has been proposed in

the Budget 2022.

8.7 Conclusion

India's PLI scheme so far been able to attract many top companies, including Apple and Samsung mobile phones in the electronics manufacturing segment. Apart from that, it is also expected that, over the next 5 years, a manufacturing capacity of over US\$ 150 billion and exports of US\$ 100 billion will be tied up through the PLI scheme. Given PLI's momentum in the mobile phone and electronics sectors and subsequently in other 'sunrise' sectors, the government stands on safe ground to achieve its vision of making India an export-based manufacturing hub and a preferred alternative in the China Plus One strategy.

Part B Tax Incentives for Businesses (Direct Taxes) (As updated up to the Finance Bill, 2022)

The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions. The tax incentives / deductions which are available to newly set up units are highlighted in Blue. The changes proposed by the Finance Bill, 2022 are highlighted in **BOLD** font.

8.1 New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 – Eligibility criteria and specified conditions

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 ^a – Eligibility criteria and specified conditions
115BAB	<ul style="list-style-type: none">• The Taxation Laws (Amendment) Act, 2019 introduced special provision in order to attract fresh investment in manufacturing, which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax @ 17.16% inclusive of surcharge and cess and MAT shall not be applicable to such companies. This benefit is available to companies which do not avail any exemption / incentive and commences their production on or before 31 March 2024.• The generation of electricity will fall within the purview of manufacturing under section 115BAB. The business of manufacture or production would not cover development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as would be notified by the Central Government from time to time.• The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentive / deductions under the following sections of the IT Act:<ul style="list-style-type: none">➤ Section 10AA – deduction for exports by SEZ units➤ Section 32(1)(ia) – additional depreciation allowance

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 [^] – Eligibility criteria and specified conditions
	<ul style="list-style-type: none"> ➤ Section 32AD – deduction for investment in new plant and machinery in notified backward states ➤ Section 33AB – Tea/Coffee/ Rubber development allowance ➤ Section 33ABA – Site restoration fund ➤ Section 35AD – deduction in respect of specified business ➤ Section 35(1)(ii), (iia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure ➤ Section 35CCC – expenditure on agricultural extension project ➤ Section 35CCD – expenditure on skill development project ➤ Deduction under Chapter VIA other than section 80JJAA (deduction in respect of employment of new employees) and section 80M (deduction in respect of certain inter-corporate dividends) <ul style="list-style-type: none"> ● It may be noted that the losses pertaining to normal depreciation would be allowed to be carried forward and set off for future years. ● In case of a corporate who has opted for concessional tax regime under section 115BAB and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the IT Act. ● It may also be noted that option once exercised cannot be withdrawn subsequently.

8.2 Deduction in respect of Expenditure on Specified Business – Eligibility criteria and specified conditions

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions [^]		
35AD	<ul style="list-style-type: none">Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions.Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under:		
	Sr. No	Specified Business	Specified year of Commencement
	1	Setting up and operating a cold chain facility	From 1 April 2009 onwards
	2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards
	3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards
	4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards *
	5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions^		
	Sr. No	Specified Business	Specified year of Commencement
	6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central or State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2010 onwards
	7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2011 onwards
	8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant	From 1 April 2011 onwards
	9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962	From 1 April 2012 onwards
	10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards
	11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards
	12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards
	13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards
	14	Developing or operating and maintaining or developing, operating & maintaining any infrastructure facilities.	From 1 April 2017 onwards
	<p>*Where the assessee builds a hotel of 2 star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified businesses of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.</p> <ul style="list-style-type: none"> ■ Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed. ■ Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'. ■ While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act. ■ In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or 		

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions^
	<p>under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business.</p> <ul style="list-style-type: none"> Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD. The deduction under section 35AD(1) of the IT Act is optional. A domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, can claim normal depreciation under section 32 of the IT Act on such expenditure.

8.3 Deduction of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. – Eligibility criteria and specified conditions

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80– IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<p><u>Start-up Undertaking –Section 80–IAC</u></p> <ul style="list-style-type: none"> Undertaking being an eligible start-up which is engaged in business of innovation, development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation. The total turnover of the company should not exceed Rs. 1 billion in the previous year in which deduction is claimed. It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government. 	Company or LLP incorporated on or after 1 April 2016 to 31 March 2023	100%	Any 3 consecutive years out of first 10 years
2.	<p><u>Undertaking engaged in processing /preservation / transportation of specified food items –Section 80–IB (11A)</u></p> <ul style="list-style-type: none"> An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains or an undertaking engaged in the business of processing, preservation and packaging of fruits and vegetables, subject to such business beginning its operations on or after 1 April 2001. An undertaking engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009. 	<p>Company</p> <p>Others</p>	<p>100% 30%</p> <p>100% 25%</p>	<p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80– IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
3.	<p><u>Affordable Housing Project –Section 80–IBA</u></p> <ul style="list-style-type: none"> Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2022. The project should be completed within a period of 5 years from the date of approval. The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area of residential and commercial unit. Carpet area shall not exceed 30 square meters for Chennai, Delhi, Kolkata or Mumbai and 60 square meters for any other place Separate books of account in respect of the housing project Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual. Deduction shall not be available to a person executing the housing project as works contract. <p>If the housing project is approved on or after 1 September 2019, following modified conditions shall be applicable:</p> <ul style="list-style-type: none"> Carpet area shall not exceed 60 square meters for metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan region) and 90 square meters for any other place. The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000. 	All	100%	Not Applicable
4.	<p><u>Affordable Rental Housing Project –Section 80–IBA(1A)</u></p> <ul style="list-style-type: none"> Any undertaking engaged in the business of developing and building rental housing project notified by Central Government on or before 31 March 2022 Deduction shall not be available to a person executing the rental housing project as works contract 	All	100%	Not Applicable

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80– IAC / 80–IB(11A) / 80–IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
5.	<u>Offshore banking unit in SEZ and International Financial Services Centre – Section 80LA</u> <u>Income from:</u> <ul style="list-style-type: none"> ■ Offshore banking unit in SEZ or ■ The business referred to in section 6(1) of the Banking Regulation Act, 1949. <ul style="list-style-type: none"> ■ Any unit of International Financial Services Center from its approved business. ■ Income arising from transfer of an asset, being an aircraft, which was leased by an IFSC unit to a person before such transfer shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before 31 March 2024. ■ It is proposed to amend section 80LA(2)(d) of IT Act to provide that in addition to the income arising from the transfer of an asset being an aircraft, the income arising from the transfer of an asset, being a ship, which was leased by a unit of the IFSC to any person shall also be eligible for deduction, subject to the condition that the unit has commenced operation on or before 31 March 2024. 	<p>Scheduled Bank or any bank incorporated by or under the law of a country outside India.</p> <p>A unit of an International Financial Services Center</p>	<p>100%</p> <p>50%</p> <p>100%</p>	<p>First 5 years (beginning with the year in which prescribed permissions are obtained)</p> <p>Next 5 years</p> <p>Any 10 consecutive years out of first 15 years (beginning with the year in which prescribed permissions are obtained)</p>
6.	<u>Eligible unit set up in SEZ on or after 1 April 2005 –Section 10AA</u> <ul style="list-style-type: none"> ■ Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit. ■ Deduction shall be available to units which has received approval on or before 31 March 2020 and have commenced manufacture or production of article or thing / providing of services on or before 31 March 2021. 	All	<p>100%</p> <p>50%</p> <p>50%</p>	<p>First 5 years</p> <p>Next 5 years</p> <p>Next 5 years+</p> <p>+The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.</p>

8.4 Deduction in respect of Additional Wages – Eligibility criteria and specified conditions

Section	Deductions in respect of employment of new employees [^] – Additional Wages			
	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
80JJAA	<ul style="list-style-type: none"> ■ Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month). ■ However, no deduction shall be allowed in respect of employees for whom the entire contribution under notified Employees' Pension Scheme is paid by the Government. ■ The minimum number of days of employment of such new employees in a financial year is 240 days. ■ However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry. ■ Further where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly. 	All assessee covered under tax audit provisions	30% of additional employee cost of new employees	3 AYs including the AY relevant to the FY in which such employment is provided

8.5 Deduction / Allowances of New Capital Expenditure / Scientific Research – Eligibility criteria and specified conditions..

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(ia) / 35) [^]	
Section	Section Eligibility Criteria, Quantum and Period of Deduction
32(1)(ia)	<p>Additional Depreciation</p> <ul style="list-style-type: none"> ■ General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery). ■ An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power can claim the additional depreciation of 20% on the cost of new plant and machinery (other than ships and aircraft) which are acquired and installed after 31 March 2005. ■ The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and balance 50% shall be allowed in the immediate next year.

Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid/ expenditure incurred
35(1)(i)	Deduction on various expenditure incurred on scientific research Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	100%
35(1)(ia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	100%
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research.	100%
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	100%
35(2AB)	Any expenditure incurred (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule). Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	100%

8.6 Deduction on Specified Projects – Eligibility criteria and specified conditions

Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)*	
Sr. No.	Eligibility Criteria, Quantum and Period of Deduction
1.	<u>Deduction for payment towards rural development programmes:[Section 35CCA]</u> <ul style="list-style-type: none"> ■ 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ul style="list-style-type: none"> i. An association or institution for carrying out any programme of rural development ii. An association or institution for training of persons for implementation of rural development programme iii. National Fund For Rural Development iv. National Urban Poverty Eradication Fund

Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)*	
Sr. No.	Eligibility Criteria, Quantum and Period of Deduction
2.	<u>Deduction of expenditure incurred on agriculture extension project: [Section 35CCC]</u> ■ This section provides for deduction of 100% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules.
3.	<u>Deduction of expenditure incurred on skill development project: [Section 35CCD]</u> ■ Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for 100% in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules.

8.7 Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB(9) / 80- IC / 80- IE)*

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB (9) / 80- IC / 80- IE)				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1.	<u>Specified Infrastructure Projects –Section 80-IA(4)(i)</u> ■ Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste management system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010. ■ No deduction shall be available if the specified activity commences on or after 1 April 2017.	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system)
2.	<u>Development of Industrial Park– Section 80-IA(4)(iii)</u> ■ Any undertaking which begins to develop or develops and operates or maintains and	All	100%	Any 10 consecutive years out of first 15 years

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80- IAB / 80- IB (9) / 80- IC / 80- IE)				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011.			
3.	<u>Power Undertakings – Section 80-IA(4)(iv)</u> <ul style="list-style-type: none"> ■ Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017. ■ Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017. ■ Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017. 	All	100%	Any 10 consecutive years out of first 15 years
4.	<u>Developer of SEZ – Section 80-IAB</u> <ul style="list-style-type: none"> ■ Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005 can claim deduction under section 80-IAB. ■ No deduction shall be available if the specified activity commences on or after 1 April 2017. 	All	100%	Any 10 consecutive years out of first 15 years
5.	<u>Production of mineral oil and natural gas- Section 80-IB(9)</u> <ul style="list-style-type: none"> ■ Any undertaking which is engaged in production of mineral oil and natural gas and begins such production on or after 31 March 1997 but not later than 1 April 2017 subject to specified conditions. 	All	100%	First 7 years
6.	<u>Undertakings in North Eastern States* –Section 80-IE</u> <ul style="list-style-type: none"> ■ New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017. ■ The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with 	All	100%	First 10 years

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80–IA / 80– IAB / 80– IB (9) / 80– IC / 80– IE)				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of information technology hardware and bio-technology.</p> <p>*States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur, Sikkim and Arunachal Pradesh.</p>			

8.8 Other Deductions and Incentives to Businesses

Other Deductions and Incentives to businesses[^]			
Sr.No.	Details of Exemption/ Deduction	Period	Quantum of deduction
1.	<p>Tea / Coffee / Rubber / development allowance –Section 33AB</p> <ul style="list-style-type: none"> ■ Deduction is available to assessee engaged in the business of growing and manufacturing tea, coffee or rubber in India. ■ For claiming the deduction, the amount has to be deposited in a special account with NABARD or any Deposit Account opened by the assessee and approved by the Tea Board or Coffee Board or Rubber Board within 6 months from the end of the financial year or before the due date of furnishing the return of income, whichever is earlier. ■ The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 40% of profits or amount deposited, whichever is less
2.	<p>Site Restoration Fund – Petroleum or Natural Gas –Section 33ABA</p> <ul style="list-style-type: none"> ■ Deduction is available to assessee engaged in the business of prospecting for, or extraction or production of petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee. ■ For claiming the deduction, the amount has to be deposited in a special account with SBI opened by the assessee and approved by the Ministry of Petroleum and Natural Gas or a "Site Restoration Account" opened in accordance with a scheme of Ministry of Petroleum and Natural Gas before the end of the financial year. ■ The amount has to be utilized by the assessee for specified purposes. 	Available for every AY	Up to 20% of profits or amount deposited, whichever is less

8.9 Other Deductions / Exemptions in certain cases

Other Deductions / Exemptions in certain cases [^]	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
80M	<ul style="list-style-type: none"> Dividends received by a domestic company from any other domestic company or a foreign company or a business trust is allowed as deduction to the extent of such dividend distributed by the domestic company on or before the due date (1 month prior to the date of filing of return of income).
115BBD	<ul style="list-style-type: none"> Any dividend declared, distributed or paid by the specified foreign company to Indian company (where the Indian company is holding 26% or more of the equity share capital) shall be taxable at a concessional tax rate of 15% (plus applicable surcharge and cess). It is proposed that provision of this section shall not apply from AY 2023–24
54EC	<ul style="list-style-type: none"> Capital gain on transfer of a long term capital asset, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition. This exemption shall be least of the following: <ul style="list-style-type: none"> Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year; Amount of capital gains. Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. Further, the long-term specified asset, for making any investment under this section in bonds issued on or after the 1 April 2018, shall mean any bond redeemable after 5 years.
54G	<ul style="list-style-type: none"> Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following: <ul style="list-style-type: none"> Amount of capital gains; Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GA	<ul style="list-style-type: none"> Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following: <ul style="list-style-type: none"> Amount of capital gains; Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions.
54GB	<ul style="list-style-type: none"> Long term capital gains arising on account of transfer of a residential property before 31 March 2022 shall not be charged to tax if such capital gains are invested in subscription of shares of a company which qualifies to be an eligible start-up. Individual or HUF should hold more than 25% shares of the company and such company should utilize the amount invested to purchase new asset (including computers or computer software for technology driven eligible start-up) before due date of filing of return by the investor. The specified new asset must be held for a period of 5 years from the date of its acquisition.

Other Deductions / Exemptions in certain cases [^]	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
9(1)(I) – Explanation (1)(e)	■ In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government.
10(34A)	■ Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA by the company shall not be included in the total income of assessee. The exemption under this section is extended to shareholders of the listed company on a recognized stock exchange on account of buy back of shares on which additional income tax has been paid by the company.
10(48A)	■ Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
10(48B)	<p>■ Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government.</p> <p>■ Further, provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.</p>
115BBF	■ Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	■ Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the IT Act.

- [^]1. The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.
- [^]2. Section 80AC of the IT Act provide that the benefit of deduction under the entire class of deductions under the heading 'C.—Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.
- [^]3. The domestic companies opting for lower corporate tax regime under section 115BAA / 115BAB of the IT Act would not be able to claim specified incentives/ deductions/ exemptions other than section 80JJAA (deduction in respect of employment of new employees), section 80M (deduction in respect of certain inter-corporate dividends) and section 80LA(1A) (deduction in respect of certain income of Offshore Banking Units and IFSC Units, only in case of 115BAA).

Part C Indirect Tax : Export Incentives for Exporters

The Foreign Trade Policy 2015–2020 offers various export schemes which provides incentives to the exporters to compensate the costs incurred while exporting the goods and services. The incentives provided, ensure higher reach of the local product and the expansion of the Indian Export Businesses ensuring global competitiveness. These

incentives are subject to fulfilment of export obligations and other conditions as may be specified in the policy. The Foreign Trade Policy 2015 – 2020 in view of the Covid 19 pandemic has been extended up to 31 March 2022. There is a possibility that the revised Foreign Trade Policy may be in force with effect from 1 April 2022 and we advise our readers to track the announcements before relying on the literature in this Chapter. We have below, briefly enumerated the incentive schemes available to exporters.

8.1 **Special Economic Zones**

- In the Budget Speech, the Hon'ble Finance Minister announced that the Special Economic Zones Act will be replaced with a new legislation that will enable the States to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.
- Alongside the new legislation, reforms in Customs Administration of Special Economic Zones would be undertaken. The administration would be fully information technology driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerably. This reform shall be implemented by 30 September 2022.

8.2 **Remission of Duties and Taxes on Exported products (RoDTEP) Scheme**

Key Pointers	Particulars
Objective	<ul style="list-style-type: none">• With effect from 1 January 2021, a new WTO – compliant incentive scheme known as Remission of Duties and Taxes on Exported Products (RoDTEP) was introduced and has replaced MEIS Scheme and RoSCTL (Rebate of State and Central Taxes and Levies) schemes. RoDTEP scheme aims to reimburse to the exporters, all embedded taxes and duties incurred by them in relation to exported goods and that are not compensated for under any other existing scheme. These include electricity duty, mandi tax, coal cess and other local levies on fuel, toll tax and stamp duty on import export documentation, to name the major ones. Since, the said duties are not getting exempted or refunded under any other scheme, RoDTEP would aid in the direction of fulfilling 'zero-rating' concept for exported goods and create a level playing field for the exporters in the world market
Highlights	<ul style="list-style-type: none">• The scheme would be available in the form of duty credit scrips (similar to the MEIS scheme) and would be allowed as a percentage of the FOB value of Exports.• The scheme would be implemented with end to end digitalization. The entire process of generation, tracking, utilization and transfer of scrips would operate online and through the exporter's electronic credit ledger maintained at the ICEGATE portal.• RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight on Board (FOB) value with value cap per unit of exported product. For certain products, a fixed quantum of rebate amount per unit is notified.• Rebate shall be allowed subject to the receipt of sales proceeds within the time frame allowed under the Foreign Exchange Management Act, 1999. Failing to receive money within the time frame, it shall be deemed that rebate have never

Key Pointers	Particulars
	<p>been allowed and the rebate shall be recovered along with penalty. Even suspension/withholding of RoDTEP can be invoked in case of frauds and misuse.</p> <ul style="list-style-type: none"> These scrips can be used for the payment of import duties as would be notified by CBIC. The exporters are required to keep records substantiating claims made under scheme, for the purpose of audit and verification by authorities. The benefit under RoDTEP Scheme shall be in addition to the refunds being claimed under the GST Act.
Broad Process	<ul style="list-style-type: none"> To avail the scheme, exporters shall make a claim for RoDTEP in the shipping bill by making a declaration. It is mandatory for the exporters to indicate in their Shipping Bill whether or not they intend to claim RoDTEP on the export items. Once Export General Manifest is filed, claim will be processed by Customs. Once processed, a scroll with all individual Shipping Bills for admissible amount would be generated and made available in the users account at ICEGATE. User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a DSC. Exporter can log in into his account and generate scrip after selecting the relevant shipping bills.

8.3 Service Exports from India (SEIS) Scheme

Key Pointers	Particulars
Objective	<ul style="list-style-type: none"> The basic objective of Service Exports from India Scheme (SEIS) is to encourage and promote export of notified Services from India. Under the SEIS, incentives in the form of scrips, calculated based on the applicant's net foreign exchange earnings in relation to exports of notified services, are provided to the applicant, which can be used for the payment of notified duties. Alternatively, the applicant may sell the scrips in the open market. The recipient can in turn use these scrips against payment of their duties and taxes.
Eligibility condition	<p>Service providers are required to satisfy the below conditions for obtaining the benefits under SEIS:</p> <ul style="list-style-type: none"> The service provider must be located in India and hold an active Import Export Code (IEC) Number. The service provider must be engaged in providing notified service as specified in appendix 3D for the purpose of SEIS. The service provider (other than individual service providers and sole proprietors) must earn a minimum US\$ 15,000 net free foreign exchange in the year of rendering service. For Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings would be US\$ 10,000 in year of rendering service. Foreign exchange remittances earned for rendering notified services would only be counted for entitlement under this scheme. Other foreign exchange remittances such as equity or debt participation, donations, loans etc. and any other inflow of foreign exchange, unrelated to rendering of the notified services, would not be considered for entitlement under the SEIS Scheme.

Key Pointers	Particulars
Calculation of reward/ incentive	<ul style="list-style-type: none"> The reward under the scheme shall be calculated at a notified percentage on net foreign exchange earnings. Net foreign exchange earning means gross earning of foreign exchange minus total expenses/ payment/ remittances of foreign exchange by the IEC holder relating to service in the financial year.
Usage of SEIS Scrips	<ul style="list-style-type: none"> These credit Scrips can be utilized for payment of Basic Custom Duty (BCD), Countervailing Duty (CVD), Special Additional Duty (SAD), excise duties, etc. Such scrips may not be utilized for payment of GST, including IGST paid on imports. These credit Scrips are considered as goods and can be traded in the open market to any person. GST law has provided exemption on the sale of such Scrips.

8.4 Advance Authorization

Key Pointers	Particulars
Objective	<ul style="list-style-type: none"> Advance Authorisation is a scheme that entitles the applicant to undertake duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition to the inputs, packaging materials, fuel, oil, and catalyst which is consumed/ utilized in the process of production of export product, may also be allowed. The quantity of inputs allowed for a given product is based on specific norms defined for that export product, which considers the wastage generated in the manufacturing process. DGFT provides a sector-wise list of Standard Input-Output Norms (SION) under which the exporters may choose to apply. Alternatively, exporters may apply for their own ad-hoc norms in cases where the SION does not suit the exporter.
Eligibility Applicant/ Export/ Supply Criteria	<ul style="list-style-type: none"> Advance Authorisation and / or material imported under Advance Authorisation shall be subject to 'Actual User' condition. This means that the actual user alone will be allowed to import the goods. The authorization shall not be transferable even after completion of export obligation. Since, Advance Authorisation Scheme comes with an 'Actual User' condition, it can be issued to either manufacturer exporter or merchant exporter tied with a supporting manufacturer. Advance Authorisation shall be issued for: <ul style="list-style-type: none"> ➤ Physical Exports including export to SEZ units ➤ Intermediate supply ➤ Supply of specific categories of goods as specified in Foreign Trade Policy. ➤ Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.
Eligibility Condition	<ul style="list-style-type: none"> Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorisation for Annual requirement. Entitlement in terms of CIF value of imports shall be up to 300% of the FOB value of physical export and / or FOR value of deemed export in preceding financial year or Rs 1 crore, whichever is higher.

Key Pointers	Particulars
Other Highlights	<ul style="list-style-type: none"> The Inputs imported shall be subject to pre import condition and they shall be physically incorporated in the export product (making normal allowance for wastage). In case of local procurement under invalidation/ARO, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product. Minimum Value addition required to be achieved under Advance Authorisation is 15%. However, few export products listed in the scheme can have a minimum value addition of less than 15%. Advance Authorization is valid for 12 months from the date of issue of such Authorization. Export proceeds shall be realized in freely convertible currency except otherwise specified. Provisions regarding realization and non-realization of export proceeds are provided in the Foreign Trade Policy. Export to SEZ Units shall be considered for discharge of export obligation subject to the condition that payment is realized from Foreign Currency Account of the SEZ unit.

8.5 Export Promotion Capital Goods (EPCG) Scheme

Key Pointers	Particulars
Objective	<ul style="list-style-type: none"> The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and to enhance India's manufacturing competitiveness. EPCG Scheme allows import of capital goods for pre-production, production, and post-production at zero customs duty. Capital goods imported under EPCG Authorisation for physical exports are also exempted from the levy of IGST and Compensation Cess as applicable on imports up to 31 March 2022.
Capital Goods Covered under the Scheme	<p>Capital Goods for the purpose of the EPCG Scheme shall include</p> <ul style="list-style-type: none"> Capital Goods as defined under the scheme. Computer Systems and software which are part of Capital Goods being imported. Spares, moulds, dies, jigs, fixtures, tools & refractories and Catalysts for initial charge plus one subsequent charge.
Coverage	<ul style="list-style-type: none"> EPCG scheme covers manufacturer exporters, merchant exporters tied to supporting manufacturer(s) and service providers. Name of supporting manufacturer shall be endorsed on the EPCG Authorisation before installation of the capital goods in the factory / premises of the supporting manufacturer. The scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to conditions as specified.
Actual User Condition	<ul style="list-style-type: none"> Imported capital goods shall be subject to Actual User condition till export obligation is completed and Export Obligation Discharge Certificate (EODC) is granted.
Export Obligation (EO)	<ul style="list-style-type: none"> Export Obligation shall be fulfilled by the EPCG authorisation holder through export of goods which are manufactured by him, or his supporting manufacturer / services rendered by him, for which the EPCG authorisation has been granted.. Import under EPCG Scheme shall be subject to an export obligation equivalent to 6 times of duties, taxes and cess saved on capital goods, to be fulfilled in 6 years

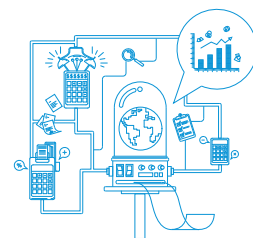
Key Pointers	Particulars
	<p>reckoned from date of issue of Authorisation.</p> <ul style="list-style-type: none"> Other EO as specified in the scheme shall be fulfilled.
Calculation of Export Obligation	<ul style="list-style-type: none"> In case of direct imports, export obligation shall be reckoned with reference to actual duty saved amount. In case of domestic sourcing, export obligation shall be reckoned with reference to notional Customs duties saved on FOR value.
Post Export EPCG Duty Credit Scrips	<ul style="list-style-type: none"> Post Export, EPCG Duty Credit Scrips shall be available to exporters who intend to import capital goods on full payment of applicable duties, taxes and cess in cash and choose to opt for this scheme. Basic Customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrips.
Recent Budget Announcements	<ul style="list-style-type: none"> Relying on the Budget speech of the Hon'ble Finance Minister, it is proposed to phase out concessional rates in capital goods and apply a moderate tariff of 7.5%. Certain exemptions for advanced machineries that are not manufactured within the country shall continue. Thus, as the focus shifts towards incentivizing domestic capital goods sector, there is a possibility that the EPCG Scheme especially with regards to capital goods that are ordinarily available indigenously would be phased out.

9.1 Business Entities

9.1.1 Extension of the last date for commencement of manufacturing or production for New domestic companies opting for concessional corporate tax regime under section 115BAB

Section 115BAB of the IT Act provides for an option of concessional rate of taxation @ 15% for new domestic manufacturing companies provided that they do not avail of any specified incentives or deductions and fulfil certain other conditions including commencement of manufacturing or production activities on or before 31 March 2023.

It is proposed to amend section 115BAB so as to extend the date of commencement of manufacturing or production of an article or thing, from 31 March 2023 to 31 March 2024.



9.1.2 Extension of date of incorporation for eligible Start up for deduction under section 80-IAC

The existing provisions of section 80-IAC of the IT Act provides for a deduction of an amount equal to 100% of the profits and gains derived from an eligible business by an eligible start-up for 3 consecutive assessment years out of 10 years at the option of the assessee, subject to the condition that the eligible start-up is incorporated on or after 1 April 2016 but before 1 April 2022. It is proposed to further extend the period of incorporation of the eligible start-ups for claiming the tax holiday by 1 more year i.e., before 1 April 2023.

9.1.3 Withdrawal of concessional rate of taxation on dividend income from foreign company

Section 115BBD of the IT Act provides for a concessional tax rate of 15% on the dividend income received by an Indian company from a foreign company in which the said Indian company holds 26% or more in nominal value of equity shares (specified foreign company).

It is proposed to amend section 115BBD of the IT Act to provide that the provisions of this section shall not apply from AY 2023-24 onwards.

In case the dividends are further distributed to the shareholders, the benefit of deduction of such dividends continues to be available under section 80M of the IT Act.

9.1.4 Clarification for treatment of HEC and surcharge

Section 40(a)(ii) of the IT Act provides that any sum paid on account of any rate or tax levied on the profits or gains of any business or profession or assessed at a proportion of, or otherwise on the basis of, any such profits or gains, shall not be deducted in computing the income chargeable under the head 'Profits and gains of business or profession'.

It is proposed to include an explanation in the IT Act that for the purposes of this sub-clause, the term 'tax' includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax. Accordingly, HEC and surcharge shall be disallowed under section 40(a)(ii) of the IT Act.

This amendment will take effect retrospectively from 1 April 2005 and apply from AY 2005–06 onwards.

9.1.5 Clarification regarding deduction of interest on actual payment basis only

Section 43B of the IT Act provides for certain deductions to be allowed only on actual payment.

It is proposed to amend Explanation 3C, Explanation 3CA and Explanation 3D of section 43B to provide that conversion of interest payable on loan or borrowing from specified financial institution/NBFC/scheduled bank or a co-operative bank under clause (d), clause (da), and clause (e) of section 43B, into debenture or any other instrument by which liability to pay is deferred to a future date, shall not be deemed to have been actually paid for the purpose of claiming deduction under section 43B of the IT Act.

9.1.6 Clarification in respect of disallowance under section 14A in absence of any exempt income during an assessment year

Section 14A of IT Act provides that no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to exempt income.

Courts have taken a view that if there is no exempt income during a year, no disallowance under section 14A of IT Act can be made for that year.

It is proposed to insert an explanation to section 14A of IT Act to clarify that notwithstanding anything to the contrary contained in IT Act, the provisions of this section shall apply and shall be deemed to have always applied in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income.

This amendment will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.1.7 Clarification on allowability of expenditure under section 37

It is proposed to insert a new explanation 3 to section 37 of IT Act to further clarify that the expression 'expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law' under explanation 1, shall include and shall be deemed to have always included the expenditure incurred by an assessee –

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

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

- (iii) to compound an offence under any law for the time being in force, in India or outside India.

This amendment will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.1.8 Amendment related to successor entity subsequent to business reorganization

In order to clarify that proceedings in case of predecessor entity which ceases to exist pursuant to business reorganization are valid, it is proposed to insert a sub-section (2A) to section 170 of IT Act, to provide that the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, shall be deemed to have been made on the successor.

This amendment will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.1.9 Filing of modified returns in case of business reorganization

In case of business reorganization, the period of time involved in coming to a conclusion with respect to such reorganization is found to be a long-drawn process and is not time-bound. Post such reorganization, the affairs of the successor entity go through a complete change with effect from the date from which such reorganization takes place. However, due to the indefinite timelines involved in issuing such orders, there is a gap between the effectivity of such order and the date on which such order is issued by the competent authority. This also affects the final accounts of such entities as they are unable to modify their already filed returns in accordance with the reorganization.

In order to remove this anomaly, it is proposed to provide that notwithstanding anything contained in section 139 of IT Act, in case of business reorganization, where prior to the date of order of a High Court or tribunal or an Adjudicating Authority as defined in section 5(1) of IBC, as the case may be, any return of income has been furnished by the successor under the provisions of section 139 of IT Act for any AY relevant to the PY to which such order applies, such successor shall furnish, within a period of 6 months from the end of the month in which the said order was issued, a modified return in such form and manner, as may be prescribed, in accordance with and limited to the said order.

This amendment will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.1.10 Modification of past demands in case of business reorganisations

It is proposed to insert a new section 156A to the IT Act relating to modification and revision of demand notice in certain cases to provide that where any tax, interest, penalty, fine or any other sum in respect of which a notice of demand

has been issued under section 156, is reduced as a result of an order of an Adjudicating Authority as defined in section 5(1) of IBC, the AO shall modify the demand payable in conformity with such order and shall thereafter serve on the assessee a notice of demand specifying the sum payable, if any, and such notice of demand shall be deemed to be a notice under section 156 and the provisions of IT Act shall apply accordingly.

This amendment will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.1.11 TDS on benefit or perquisite of a business or profession

It is proposed to insert new section 194R to the IT Act to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall before providing such benefit or perquisite, to such resident, deduct tax @ 10% of the value or aggregate of value of such benefit or perquisite. The expression 'person responsible for providing' to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

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

No tax is to be deducted if the value or aggregate value of the benefit or perquisite paid or likely to be paid to a resident does not exceed Rs.20,000 during the FY.

The provisions of the said section shall not apply to an individual or HUF, whose total sales, gross receipts or turnover does not exceed Rs. 1,00,00,000 in case of business or Rs. 50,00,000 in case of profession during the financial year immediately preceding the financial year in which such benefit or perquisite, as the case may be, is provided.

This amendment will take effect from 1 July 2022.

9.1.12 Amendment in the provisions of section 179 of the IT Act

Section 179 of the IT Act contains provisions which enables Income tax authorities to recover tax due from a private company from its directors, under certain circumstances where such tax cannot be recovered from the company itself. In order make the title of the section 179 of the IT Act uniform with its provisions, it is proposed to amend the title of the section to 'Liability of directors of private company' from 'Liability of directors of private company in liquidation'. Further, the expression 'tax due' in the section is amended to include 'fees'.

This amendment will be effective from 1 April 2022.

9.2 Personal

9.2.1 Exemption of amount received for medical treatment and on account of death due to COVID-19

It is proposed to amend the proviso to section 56(2)(x) and insert 2 new clauses in the proviso so as to provide that –

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

Any sum of money received by a member of the family of a deceased person:

- From the employer of the deceased person (without limit), or
- From any other person or persons to the extent that such sum or aggregate of such sums does not exceed Rs.10,00,000

where the cause of death of such person is illness relating to COVID-19 and the payment is received within 12 months from the date of death of such person, and subject to such other conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person.

It is further proposed to amend section 17(2) to state that any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions, as may be notified by the Central Government, shall not be forming part of "perquisite".

These amendments will take effect retrospectively from 1 April 2020 and apply in relation to the AY 2020-21 and subsequent assessment years.

9.2.2 Condition of releasing of annuity to a disabled person

It is proposed to allow the deduction under section 80DD during the lifetime of parent / guardian i.e. upon attaining age of 60 years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued. Further, it is proposed that the provisions of sub-section (3) shall not apply to the amount received by the dependent, before his death, by way of annuity or lump sum by application of the condition referred to in the proposed amendment.

9.3 Non-Residents

9.3.1 Tax Incentives to International Financial Services Centre (IFSC)

The income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified

conditions.

9.4 General

9.4.1 Filing of updated return under section 139(8A)

It is proposed to introduce section 139(8A) of the IT Act wherein any person, whether or not he has furnished a return, may furnish an updated return of his income or the income of any other person in respect of which he is assessable under the IT Act, within 24 months from the end of the assessment year, in prescribed form and manner containing such particulars.

The proposed section 139(8A) of IT Act shall not apply, if the updated return, is a return of a loss or has the effect of decreasing the total tax liability determined on the basis of earlier return furnished, or results in refund or increases the refund due on the basis of earlier return furnished by such person for the relevant assessment year.

- A person shall not be eligible to furnish an updated return if-
 - search has been initiated or books of account, other documents or any assets a
 - re requisitioned, or a survey has been conducted, other than section 133A(2A), or
 - a notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned in the case of any other person belongs to such person, or
 - a notice has been issued to the effect that any books of account or documents, seized or requisitioned in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person.

This provision is for the assessment year relevant to the previous year in which such search is initiated or survey is conducted or requisition is made and 2 assessment years preceding such assessment year.

- No updated return shall be furnished by any person for the relevant assessment year, where,
 - an updated return has been furnished by him for the relevant assessment year, or
 - any proceeding for assessment or reassessment or recomputation or revision of income under the IT Act is pending or has been completed for the relevant assessment year, or
 - the AO has information in respect of such person for the relevant assessment year in his possession under PMLA or BMIT or PBPT or SFEMA and the same has been communicated to him, prior to the date of his filing of return under section 139(8A) of the IT Act, or

- information for the relevant assessment has been received under an agreement referred to in section 90 or 90A of the IT Act in respect of such person and the same has been communicated to him, prior to the date of his filing of return under section 139(8A) of the IT Act or
- any prosecution proceedings under Chapter XXII have been initiated for the relevant assessment year in respect of such person, prior to the date of his filing of return under section 139(8A) of the IT Act or
- Person as may be notified by the CBDT

Consequently, it is proposed to amend section 139(9) of the IT Act to provide that a return filed under the proposed section 139 (8A) of IT act shall be defective unless such return is accompanied by the proof of payment of tax as required under the proposed section 140B of the IT Act. These amendments will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.4.2 Tax required to be paid under section 140B of IT Act for opting to file updated return

- The additional tax, payable at the time of furnishing the return under section 139(8A) of the IT Act, shall be equal to 25% of aggregate of tax and interest payable, if such return is furnished after expiry of the time limit as available under section 139(4) or section 139(5) and before completion of period of 12 months from the end of the relevant assessment year. However, if updated return is furnished after the expiry of 12 months from end of the relevant assessment year but before completion of the period of 24 months from end of the relevant assessment year, the additional tax payable shall be 50% of aggregate of tax and interest payable. It is also clarified that for the purposes of computation of 'additional income-tax', tax shall include surcharge and HEC, by whatever name called, on such tax.
- It is further provided that notwithstanding anything contained in the explanation 1 to section 234B of the IT Act, in the cases where an earlier return has been furnished, interest payable under section 234B of the IT Act shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax.
- Where no earlier return has been furnished, the interest payable under section 234A and 234C shall be computed considering the income furnished in the updated return.

- For computation of additional tax above, the interest payable shall be interest chargeable under any provision of the IT Act, on the income as per return furnished under section 139(8A) of the IT Act, as reduced by the interest paid in the earlier returns, if any. However, the interest paid in the earlier return shall be considered to be nil if no earlier return has been furnished.

These amendments will take effect from 1 April 2022 and apply from AY 2022–23 onwards.

9.4.3 Introduction of taxation on Virtual Digital Assets

It is proposed to introduce section 115BBH which provides that any income from transfer of any virtual digital asset shall be taxed @ 30% (plus applicable surcharge and cess).

No deduction in respect of any expenditure or allowance or set-off of any losses shall be allowed while computing such income, except the cost of acquisition. Further, loss from the transfer of virtual digital assets cannot be set-off against any other income and such loss shall not be allowed to be carried forward to subsequent assessment years.

Gift of virtual digital assets

It is also proposed to amend Explanation to section 56(2)(x) of the IT Act to inter-alia, provide that for the purpose of the said clause, the expression "property" shall include virtual digital asset.

Accordingly, gift of virtual digital assets is also proposed to be taxed in the hands of the recipient subject to the exceptions mentioned in section 56(2)(x).

Definition

The definition of "Virtual digital assets" is proposed to be inserted in the IT Act under section 2(47A) to mean–

- any information or code or number or token generated through cryptographic means by whatever name called, providing a digital representation of value exchanged with or without consideration which can be transferred, stored or traded electronically.
- a non-fungible token or any other token of similar nature, by whatever name called.
- any other digital asset, as the Central Government may specify, by notification in the Official Gazette.

Withholding tax on payment for transfer of virtual digital asset

In order to capture the transaction details, it is proposed to introduce section 194S under the IT Act which provides for TDS on payment made to a resident in relation to transfer of virtual digital assets @ 1% of such sum above a monetary threshold and subject to certain other conditions.

In case of specified persons, the provisions of section 203A (obtaining TAN) and 206AB (higher rate of TDS) will not be applicable. Further, no tax is to be deducted in case the payer is the specified person and the value or the aggregate of such value of consideration to a resident is less than Rs. 50,000 during the financial year. In any other case, the said limit is proposed to be Rs. 10,000 during the financial year.

'specified person' means a person:—

- (i) being an individual or HUF whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed Rs. 1,00,00,000 in case of business or Rs. 50,00,000 in case of profession, during the FY immediately preceding the FY in which such virtual digital asset is transferred;
- (ii) being an individual or HUF having income under any head other than the head 'Profits and gains of business or profession'.

It is also proposed to provide that if tax has been deducted under section 194S, then no tax is to be collected or deducted in respect of the said transaction under any other provision of Chapter XVII of the IT Act.

The above TDS provisions under section 194S will take effect from 1 July 2022.

9.4.4 Rationalisation of the provisions in case of Charitable Trusts and Institutions

The Finance Bill 2022 proposed various amendments / inserted new provisions in respect of taxation of Charitable Trust and Institutions. Some of the key proposals, which are subject to various conditions, are summarized hereunder:

- Trust or institution under first regime – Any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in section 10(23C) of the IT Act.
- Trust or institution under second regime – The trusts registered under section 12AA/12AB of the IT Act.
- Trusts or institutions under both regimes are required to maintain the books of account, where the total income before any exemption exceeds the maximum amount which is not taxable under the IT Act.
- It is being clarified that any sum payable by any trust under the first or second regime shall be considered as application of income in the previous year in which such sum is actually paid by it irrespective of the year in which the liability was incurred as per the method of accounting regularly employed by it.
- Where trusts or institution pass on any unreasonable benefit to the trustee or any other specified person, penalty to be levied on such trusts or institution under both the regimes. Penalty shall be equal to amount of income so applied if the violation is noticed for the first time during any previous year and twice the amount of such income where the violation is

notice again in any subsequent year. The proposed section seeks to operate without prejudice to any other provision of chapter XXI of the IT Act.

- Accumulated income which is not utilised for the purpose for which it is so accumulated or set apart, shall be deemed to be the income of the trust or institution for the previous year being the last previous year of the period, for which the income is accumulated or set apart. Provisions related to accumulation of income as applicable to second regime trust or institutions also made applicable to first regime trust or institutions.
- If any unreasonable benefit is passed on to the trustee or any specified person referred under section 13(3) of the IT Act by trust or institution under first regime, then such income shall be taxable in the hands of such trust or institution in the year in which it was so applied.
- Trusts or institutions covered in first regime are required to furnish the return of income for the previous year within the time specified under section 139(4C) of the IT Act to claim exemption.
- It is proposed that where the provisions of section 13(8) of the IT Act are applicable to any trust or institution or such trust or institution violates the conditions prescribed under section 12A(1)(b) or section 12A(1)(ba) of the IT Act, its income chargeable to tax shall be computed after allowing deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of the trust or institution, subject to fulfillment of certain conditions. Further, the provisions of sections 40(a)(ia), 40A(3) and 40A(3A) of the IT Act shall apply while considering allowance of said expenditure. Similar provisions are introduced for allowance of expenditure to trust or institutions under first regime.
- It is proposed to insert new section 115BBI in the IT Act to provide that where the total income of an assessee being a trust under the first or second regime, includes any income by way of any specified income, as defined under the IT Act, the income-tax shall be payable @ 30% (plus applicable surcharge and cess). Specified income has been defined.
- It is proposed to provide that the voluntary contributions received for renovation and repair of religious places notified under section 80G(2)(b), at the option of the trust can be treated as part of the corpus fund, subject to conditions specified therein.

9.4.5 Amendment in cash credits under section 68

Loan or borrowing or any other amount credited in the books of the assessee, was noticed to be pernicious practice of converting unaccounted money. As such, it is proposed that explanation provided by the assessee in this regard shall

be deemed to be not satisfactory for section 68 of the IT Act and charged to income-tax as income of the assessee unless nature and source of such sum is also explained by the person in whose name such sum is credited in the books of the assessee and the same is found satisfactory by the assessing officer. This shall not be applicable where such sum is credited in the name of venture capital fund or a venture capital company as referred to in section 10(23FB) of the IT Act.

9.4.6 Rationalization of assessment and reassessment provisions

In order to simplify procedures, the approval requirement to issue re-assessment notice under section 148 of the IT Act is proposed to be omitted if the Assessing Officer has passed an order under section 148A(d) of the IT Act with prior approval and that of specified authority under section 148A(b) of the IT Act.

The word 'flagged' is deleted in section 148 of the IT Act to rectify drafting error. Further, in alignment to legislature intent, it is proposed to omit survey conducted under section 133A(5) of the IT Act in clause (ii) of explanation 2 to section 148 of the IT Act as deemed information for Assessing Officer which suggests income chargeable to tax has escaped assessment.

It is proposed to clarify that 'information' under explanation 1 to section 148 of the IT Act shall include any audit objection, or any information received from a foreign jurisdiction under an agreement or directions contained in a court order, or information received under a scheme notified under section 135A of the IT Act, etc.

These amendments will be effective from 1 April 2022.

Reference to 3 assessment years preceding the assessment year relevant to the year of search is proposed to be substituted to the year of search in explanation 2 to section 148 of the IT Act.

The time limit prescribed under section 153B of the IT Act is proposed to be not applicable to any search initiated under section 132 or requisition made under section 132A of the IT Act. It is also proposed to amend first proviso to section 149(1) of the IT Act to allow issue of notice under section 148 of the IT Act for AY 2021-22 and earlier, if notice under section 148 or section 153A or section 153C of the IT Act could have been issued for respective assessment year before the commencement of the Finance Act, 2021.

It is proposed to amend the period of limitation under section 153 and section 153B of the IT Act to exclude the period (not exceeding 180 days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A of the IT Act and ending on the date on which the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized under section 132 or requisitioned under section 132A of the IT Act, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, –

- (a) in whose case such search is initiated under section 132 or such requisition is made under section 132A; or
- (b) to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to; or (not for section 153B of the IT Act)
- (c) to whom any books of account or documents seized or requisitioned pertains or pertains to, or any information contained therein, relates to. (not for section 153B of the IT Act)

These amendments will be effective from 1 April 2021.

It is proposed to amend section 149(1)(b) of the IT Act which provides time limit to issue re-assessment notice under section 148 of the IT Act as under –

'if 3 years, but not more than 10 years, have elapsed from the end of the relevant assessment year unless the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented in the form of—

- (i) an asset; or
- (ii) expenditure in respect of a transaction or in relation to an event or occasion; or
- (iii) an entry or entries in the books of account,

which has escaped assessment amounts to or is likely to amount to Rs. 50,00,000 or more for a particular assessment year.'

Further, it is proposed to insert section 149(1A) in the IT Act that where aforesaid income chargeable to tax in the form of asset or expenditure in respect of a transaction or in relation to an event or occasion has escaped assessment and said investment or expenditure is in more than one previous years relevant to the assessment years within the period referred to in section 149(1)(b) of the IT Act, re-assessment notice shall be issued for every such assessment year for assessment, reassessment or recomputation, as the case may be.

It is proposed to insert in section 132(8) of the IT Act that the books of account or other documents seized under section 132(1) or section 132(1A) of the IT Act shall not be retained by the authorised officer for a period exceeding 30 days from the date of the order of assessment or re-assessment or recomputation under section 143(3) or section 144 or section 147 of the IT Act, as the case may be, unless the reasons for retaining the same are recorded by him in writing and the requisite approval for such retention is obtained.

It is proposed to insert a new section 148B in the IT Act to provide that no order of assessment or reassessment or recomputation under the IT Act shall be passed by an assessing officer below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition to reduce avoidable inaccuracies.

It is proposed that section 148A of the IT Act for conducting inquiry or providing an opportunity before issue of notice under section 148 of the IT Act shall not apply in cases where the Assessing Officer has received information pertaining to income chargeable to tax which has escaped assessment for any assessment year under scheme for faceless collection of information as per section 135A of the IT Act.

This amendment will be effective from 1 April 2022.

9.4.7 Widening and deepening of tax base – TDS / TCS on non-filer at higher rates

The requirement of higher TDS / TCS shall be applicable in case of non-filing of tax return by the payee for preceding 1 year instead of 2 years as earlier provided. Further, deduction of tax under section 194 IA, 194 IB and 194M excluded from the operation of section 206AB of the Act.

9.4.8 Bonus stripping and Dividend stripping provisions to be made applicable to securities and units

Section 94 of the IT Act contains anti avoidance provisions to deal with transactions in securities and units of mutual fund which, inter-alia, include dividend stripping and bonus stripping.

It is proposed to amend the Explanation to the said section to modify the definition of unit, so as to include units of business trusts such as InvIT, REIT and AIF, within the definition of units.

It is also proposed to amend section 94(8) pertaining to the prevention of tax evasion through bonus stripping, so as to make the said provision applicable to securities as well.

9.4.9 Rationalization of provisions of TDS on sale of immovable property

It is proposed to amend section 194-IA of the IT Act and to provide that in case of transfer of an immovable property (other than agricultural land), TDS to be deducted @ 1% of such sum paid or credited to the resident transferor or the stamp duty value of such property, whichever is higher.

In case, the consideration paid for the transfer of immovable property and the stamp duty value of such property are both less than Rs. 50,00,000, then no tax is to be deducted under section 194-IA.

9.4.10 No set-off of losses or unabsorbed depreciation against undisclosed income

Section 79A is proposed to be inserted in the IT Act to restrict set-off of losses, brought forward or otherwise, and unabsorbed depreciation against the undisclosed income.

This amendment will be effective from 1 April 2022.

9.4.11 Amendment to Section 35(1A) of the IT Act

It is proposed to amend section 35(1A) of the IT Act to provide that the deduction

claimed by the donor with respect to the donation given to any research association, university, college or other institution referred to in clause section 35(ii) of the IT Act or section 35(iii) of the IT Act or section 35(iia) of the IT Act shall be disallowed unless such research association, university, college or other institution or company files the statement of donations.

This amendment will take effect from 1 April 2022 and will accordingly apply to the AY 2022–23 and subsequent assessment years.

9.4.12 Amendment in Faceless Assessment

In order to mitigate the legal and procedural problems faced in the operation of the faceless assessment procedure and to streamline the same, new procedure is proposed under section 144B of the IT Act. The same shall apply to faceless assessment, re-assessment or recomputation under section 143(3), section 144 or section 147 of the IT Act.

Further, it is proposed to omit section 144B(9) of the IT Act which states that the assessment proceedings shall be void if the procedure mentioned in the section was not followed to avoid unnecessary litigation on account of technical issues.

This amendment will be effective from 1 April 2021.

9.4.13 Amendment in section 263 and section 153

Section 263 of the IT Act provides that an order can be passed within 2 years from the end of the financial year in which the order sought to be revised was passed.

As per provisions of section 92CA, if the AO considers it necessary, he may refer the computation of ALP to the TPO. However, the authority who has the power under section 263 to revise the order of the TPO was not clear.

Therefore, it is proposed to amend provisions of section 263 of the IT Act to provide that the Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner who is assigned the transfer pricing jurisdiction may pass an order directing revision of the TPO's order.

Consequential amendment is made to section 153 of the IT Act to provide 2 months' time to the AO to give effect to the TPO's order .

Further, consequential amendments are also proposed in section 153 of the IT Act.

The amendment will be effective from 1 April 2022.

9.4.14 Litigation Management

Procedure prescribed under section 158AB for deferral of revenue appeal where identical question of law is pending before jurisdictional High Court or Supreme Court in case of any other assessment year of the assessee or in case of any other assessee.

These amendments will take effect from 1 April 2022.

9.4.15 Issue of directions for Faceless Scheme extended

The CG has notified schemes viz. Faceless determination of arm's length price under section 92CA of the IT Act, Faceless DRP under section 144C of the IT Act, Faceless appeal to Appellate Tribunal under section 253 of the IT Act and Faceless procedure of Appellate Tribunal under section 255 of the IT Act, as a part of making the tax administration transparent and efficient. The timeline to issue directions in connection with said schemes is proposed to be extended till 31 March 2024.

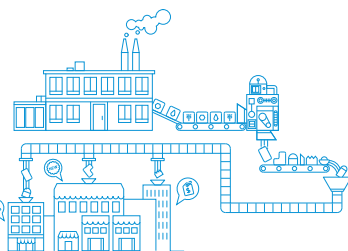
9.4.16 Refund application for tax deducted but not deductible under section 195

Section 239A is proposed to be inserted in the IT Act in order to enable a person to make refund application before the Assessing Officer within 30 days of tax payment for refund of tax deducted under section 195 of the IT Act on any income, other than interest, under an agreement or other arrangement, which was not deductible in lieu of filing appeal before Commissioner (Appeals) under section 248 of the IT Act. The assessing officer shall pass order within 6 months from the end of the month in which said application is received.

This amendment will be effective from 1 April 2022.

10.1 Goods and Services Tax

In the Budget Speech, the Hon'ble Finance Minister stressed on the right balance between facilitation and enforcement, which has led to significantly better compliances. The GST compliances, especially input tax credit reconciliation, are fully driven by information technology and the amendments made recently by the Government in rule 36(4) of the CGST Rules (making reconciliation with GSTR – 2B mandatory for input tax credit availment) as well as the amendments sought to be made by the Finance Bill, 2022, clearly indicate a move towards automating compliances. The below mentioned amendments shall be effective from the date to be notified by the Government:



➤ **Insertion of new sub clause in section 16 of the CGST Act and extension of time limit for claiming Input Tax Credit (ITC)**

Section 16(2) (ba) of the CGST Act is being inserted to provide that ITC with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under section 38. This is in furtherance to rule 36(4) which was recently substituted by Notification No. 40/2021 – Central Tax dated 29 December 2021. According to the said rule, 'No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under sub-section (1) of section 37, unless –

(a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1 or using the invoice furnishing facility; and

(b) the details of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.'

Further, section 16(4) of the CGST Act is being amended to provide for an extended time for availment of ITC to a financial year upto 30th day of November of the following financial year or furnishing of relevant annual return, whichever is earlier. Prior to amendment, for any financial year, no input tax credit could be availed beyond the due date of filing the Form GSTR – 3B pertaining to the September month immediately succeeding the end of the financial year.

➤ **Cancellation of registration in certain cases**

Section 29(2) (b) and (c) of the CGST Act are being amended to provide that the registration of a person is liable for cancellation, where:

a) a person paying tax under section 10 (i.e. taxpayer opting for composition scheme) has not furnished the return for a financial year beyond 3 months from the due date.

b) person other than those paying tax under section 10, has not furnished returns for such continuous tax period as may be prescribed.

➤ **Extension of time limit for issuance of credit note**

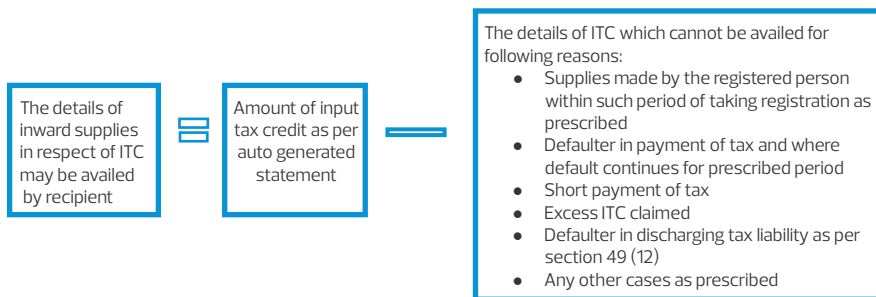
Section 34(2) of the CGST Act is being amended to provide for an extended time for issuance of credit notes in respect of any supply made in a financial year. The same has been extended upto 30th day of November of the following financial year or furnishing of relevant annual return, whichever is earlier. Prior to amendment, no credit note with impact of GST could be issued for any financial year beyond due date of the return for the month of September following the end of the financial year.

➤ **Extension of time limit for rectification of error**

Extension of time limit for rectification of errors in respect of details in GSTR 1, GSTR-3B and TCS return up to 30th day of November of the following financial year or furnishing of relevant annual return, whichever is earlier. Prior to amendment, the time limit was due date of the return for the month of September of the following financial year or furnishing of relevant annual return, whichever is earlier.

➤ **Communication of details of inward supplies and ITC**

Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement. The break-up of auto generated statement is as under:



To illustrate with an example, suppose the Input Tax Credit (i.e. CGST + SGST + IGST) appearing in Form GSTR – 2B is Rs. 1,00,000. But out of the above, the vendors who have supplied to the taxpayer have defaulted in paying Rs. 10,000 GST to the government. In such a case, the maximum input tax credit that the recipient can claim shall be Rs. 1,00,000 – Rs. 10,000 = Rs. 90,000 only. In simple terms, it is now mandatory that the supplier should have paid the tax to the government for the recipient to be eligible for claiming input tax credit. This aspect is also elucidated in a later amendment to section 41 of the CGST Act.

➤ **Amendment in section 39 (furnishing of GST return)**

The non-resident taxable person shall furnish the return for a month by the 13th day of the following month instead of the 20th day of the following month.

➤ **Availment of ITC only when tax has been paid to Government**

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

In case ITC is being availed by registered person in relation to a supply where the tax payable has not been paid by the supplier, the said ITC would need to be reversed along with interest. In case the supplier makes the payment of tax, the registered person may re-avail the ITC reversed earlier.

➤ **Transfer of cash lying in electronic cash ledger**

Section 49 allows transfer of amount available in electronic cash ledger (IGST and CGST) of a registered person to the electronic cash ledger under the CGST Act or the IGST Act of a distinct person. By distinct person we refer to persons having

the same PAN but different GST numbers.

Provided that no such transfer shall be allowed if the said registered person has any unpaid liability in his electronic liability register.

The Government may on the recommendations of the Council, subject to such conditions and restrictions, specify such maximum proportion of output tax liability under the CGST Act or IGST Act which may be discharged through the electronic credit ledger by a registered person or a class of registered persons, as may be prescribed.

➤ **Amendment with respect to GST refund**

- Refund claim of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed.
- The time limit for claiming refund of tax paid on inward supplies of goods or services or both under section 55 shall be reckoned as 2 years from the last day of the quarter in which the said supply was received. In other words, the last date of the quarter in which the said supply was received shall be reckoned as 'relevant date' for the said refund application.
- The Government has extended the scope of withholding of or recovery from refunds in respect of all types of refund.
- Insertion of a new sub-clause (ba) in clause (2) of Explanation thereto stating that the relevant date in case of zero-rated supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit where a refund of tax paid is available in respect of such supplies themselves, or as the case may be, the inputs or input services used in such supplies, shall be the due date for furnishing of return under section 39 in respect of such supplies.

- A registered person shall not be allowed to furnish the details of outward supplies under section 37(1) for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished.
- Sections 42, 43 and 43A of the CGST Act are being omitted to do away with two-way communication process in return filing.

- Section 47 of the CGST Act is being amended to provide for levy of late fee for delayed filing of return under section 52.
- Notification No. 13/2017 – Central Tax, dated 28 June 2017, is being amended retrospectively, with effect from the 1 July 2017, to notify rate of interest under subsection (3) of section 50 of the CGST Act as 18%. Similar amendments in corresponding provisions of UTGST Act and IGST Act were also made.

10.2 Custom Duty

Certain significant changes have been made in the Customs Act, Customs Tariff Act and the Rules made thereunder. The changes in rate of duty, exemptions and amendments in certain exemptions are provided below:

10.2.1 Changes in Customs Duty Rates

AMENDMENTS				
A.	Tariff rate changes for Basic Customs Duty (BCD)[to be effective from 2 February 2022, unless otherwise specified]		Rate of Duty	
S. No	Heading, sub- heading tariff item	Description of Goods	From	To
		Edible Oils		
1	1516 30 00	Microbial fats and oils and their fractions	30%	100%
		MSME sector		
2	6601	Umbrellas	10%	20%
		Metals		
3	7204	Iron and steel scrap, including stainless steel scrap	Nil (upto 31 March 2022)	Nil (upto 31 March 2023)
		Gems and Jewellery Sector		
4	7117	Imitation Jewellery	20%	20% or Rs.400/ kg., whichever is higher
5	71	Cut and polished diamonds	7.5%	5%
6	71 (except 7104 99 00)	Cut and polished natural gemstones	7.5%	5%

AMENDMENTS				
A.	Tariff rate changes for Basic Customs Duty (BCD)[to be effective from 2 February 2022, unless otherwise specified]		Rate of Duty	
S. No	Heading, sub- heading tariff item	Description of Goods	From	To
		Electrical and electronic items		
7	8518 21, 8518 22, 8518 29	Single or multiple loudspeakers, whether or not mounted in their enclosures Note: Effective BCD rate on these goods, other than hearable devices would continue to be 15%. BCD rates on hearable devices will be governed by the Phased Manufacturing Program	15%	20%
8	8518 30	Headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers Note: Effective BCD rate on these goods, other than hearable devices would continue to be '15%'. BCD rates on hearable devices will be governed by the Phased Manufacturing Program	15%	20%
9	9028 30 10	Smart Meters Note: Effective BCD rate on these goods would continue to be 15% till 31 March 2022	15%	25%
10	9028 90 10	Printed Circuit Board Assembly of Smart Meters Note: Effective BCD rate on these goods would continue to be 7.5% till 31 March 2022	10%	20%

AMENDMENTS				
A.	Tariff rate changes for Basic Customs Duty (BCD)[to be effective from 2 February 2022, unless otherwise specified]		Rate of Duty	
S. No	Heading, sub- heading tariff item	Description of Goods	From	To
		Solar Energy Sector		
11	8541 42 00	Solar Cells (other than those exclusively used with ITA-1 items) Note: Effective BCD rate on these goods would continue to be Nil till 31 March 2022	20%	25%
12	8541 43 00	Solar Modules (other than those exclusively used with ITA-1 items) Note: Effective BCD rate on these goods would continue to be Nil till 31 March 2022	20%	40%
13	7204	Ferrous waste and scrap [This item will attract nil rate till 31 March 2023, vide S. No.368 of notification no. 50/2017- Customs]	15%	2.5%
14	9801	Project Imports [Effective BCD rate on these items would continue to be 'Nil / 2.5% / 5% (as applicable)' vide S. Nos.597 to 606 of notification no. 50/2017- Customs till 30 September 2023 for the project imports registered till 30 September 2022. For other project imports 7.5% BCD rate will be applicable from 1 October 2022. All project imports will attract 7.5% BCD rate after 30 September 2023]	10%	7.5%

10.2.2 Other amendments to rate and exemption notifications

➤ **Partial changes in the exemption entries**

- Exemption in the form of concessional rate of basic custom duty at the rate of 5% for List A Items – Aluminous cement, Silicon metal, Micro/fumed silica, Brown fused alumina, Sintered/tabular alumina, Fused zirconia, Sodium hexameta phosphate, Silicon carbide, Boron carbide, Reactive alumina, Fused silica will be continued with the end date of 31 March 2023 and List B Items – Phenolic resin will be discontinued immediately. [Notification No.50/2017– Customs dated 30 June 2017].
- Exemption in the form of Nil Rated Duty for the items under S. No. 513 of Notification No.50/2017– Customs dated 30 June 2017 specifically Lithium-ion battery other than battery for mobile handset tariff item 8507 60 00, Broadband modem tariff item 8517 62 30, Router tariff item 8517 69 30, Set –top box for gaining access to internet tariff item 8517 69 will be discontinued immediately.

➤ Proposal involving changes in BCD rates in respect of Phased Manufacturing Program with respect to Specific Electronic Goods [from FY 2022–23 to FY 2025–26] has been recommended.

➤ Certain goods have been exempted from Social Welfare Surcharge w.e.f. 2 February 2022.

➤ **Rescission of obsolete notifications**

Certain miscellaneous exemption notifications which are obsolete or whose validity had expired, or which had become redundant are being rescinded w.e.f. 2 February 2022.

10.2.3 Major amendments in the Customs Act, 1962

The changes in the customs regulations shall be effective from enactment of the Finance Bill, unless otherwise specified.

➤ Section 3 of the Customs Act is being amended to specifically include the

officers of Directorate of Revenue Intelligence, Audit and Preventive formation in the class of officers.

- The definition of proper officer provided under section 2(34) has been modified to specifically state that assignment of functions to an officer of Customs under Section 5 (1A) and 1(B) in Customs Act, 1965.
- Section 5(5) inserted to ensure that for proper management of work, two or more officers of customs can concurrently exercise power and functions wherever necessary.
- Section 135AA of the Customs Act is being inserted to protect the import and export data submitted to the Customs by importers / exporters in their declarations by making the publishing of such information as offence unless provided by Customs Act.
- Section 28H of the Customs Act is being amended to make provisions prescribing fees by Board relating to application for advance ruling and also to give flexibility to the applicant to withdraw his application at any time before a ruling is pronounced.
- Section 28J(2) is being substituted whereby the validity of advance ruling is made valid for a period of 3 years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier.
- Section 14 of Customs Act is being amended to include provisions for rules enabling the Board to specify the additional obligations of the importer in respect of a class of imported goods whose value is not being declared correctly to address the issue of undervaluation of imports.
- Newly inserted section 110AA affirms the principle that wherever an original function duly exercised by an officer of competent jurisdiction, thereafter, is the subject matter of subsequent inquiry, audit or other specified purpose by any other officer of customs. Then in such a case the original officer shall have the sole authority to exercise further jurisdiction for further action like re-assessment, adjudications etc.

10.2.4 Other Miscellaneous Amendments:

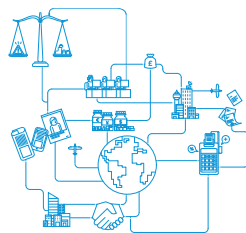
- A scheme for duty-free imports for the purpose of use in goods meant for export, based on end-use monitoring is being introduced for bonafide exporters subject to the requirement of exporting value added products manufactured using inputs imported under these exemptions, within a period of 6 months. Importer shall be required to follow procedure under the Import of Goods at Concessional Rate (IGCR) Rules, 2017 w.e.f. 2 February 2022.

- Anti-Dumping duty is being permanently revoked on imports of the following effective from 2 February 2022:
 - Straight Length Bars and Rods of alloy-steel, originating in or exported from People's Republic of China, imposed vide notification No. 54/2018–Cus (ADD) dated 18 October 2018
 - High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People's Republic of China and Germany, imposed vide notification No. 38/2019–Cus (ADD) dated 25 September 2019
 - Flat rolled product of steel, plated or coated with alloy of Aluminum or Zinc, originating in or exported from People's Republic of China, Vietnam and Korea RP, imposed vide notification No. 16/2020–Cus (ADD) dated 23 June 2020.

- Countervailing duty is being permanently revoked, effective from 2 February 2022, on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China, imposed vide notification No. 1/2017–Cus (CVD) dated 7 September 2017.

11.1 PM GatiShakti National Master Plan – Re-engineering Supply Chain

The scope of PM GatiShakti National Master Plan will encompass the different modes of transport, seamless multimodal connectivity and logistics efficiency. It will also include the infrastructure developed by the state



governments as per the GatiShakti Master Plan. The focus will be on planning, financing including through innovative ways, use of technology, and speedier implementation. The touchstone of the Master Plan will be world-class modern infrastructure and logistics synergy among different modes of movement – both of people and goods – and location of projects. This will help raise productivity and accelerate economic growth and development.

11.2 MSME – Emergency Credit Line Guarantee Scheme (ECLGS) has provided much-needed additional credit to more than 130 lakh MSMEs. The hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business. Considering these aspects, the ECLGS will be extended up to March 2023 and its guarantee cover will be expanded by Rs.50,000 crores to total cover of Rs.5,00,000 crores, with the additional amount being earmarked exclusively for the hospitality and related enterprises. Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme will be revamped with required infusion of funds. This will facilitate additional credit of Rs. 2,00,000 crores for Micro and Small Enterprises and expand employment opportunities.

11.3 Amendments to Insolvency and Bankruptcy Code – Carry out necessary amendments in the Insolvency and Bankruptcy Code to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.

11.4 Productivity Enhancement and Investment – A single window portal, PARIVESH, for all green clearances was launched in 2018. It has been instrumental in reducing the time required for approvals significantly. The scope of this portal will now be expanded to provide information to the applicants. Based on location of units, information about specific approvals will be provided. It will enable application for all 4 approvals through a single form and tracking of the process through Centralized Processing Centre–Green (CPC–Green).

A high-level committee of reputed urban planners, urban economists and institutions will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance.

11.5 Clean & Sustainable Mobility – Promote a shift to use of public transport in urban areas. This will be complemented by clean tech and governance solutions, special mobility zones with zero fossil-fuel policy and EV vehicles.

Considering the constraint of space in urban areas for setting up charging stations at scale, a battery swapping policy will be brought out and inter-operability standards will be formulated. The private sector will be encouraged to develop sustainable and innovative business models for 'Battery or Energy as a Service'. This will improve efficiency in the EV eco-system.

11.6 Land Records Management – The adoption or linkage with National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software' will be promoted as an option for uniform process for registration and 'anywhere registration' of deeds & documents.

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

11.8 Telecom Sector – Telecommunication in general and 5G technology in particular, can enable growth and offer job opportunities. Required spectrum auctions will be conducted in 2022 to facilitate rollout of 5G mobile services within 2022-23 by private telecom providers. A scheme for design-led manufacturing will be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme.

11.9 Solar Power – To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of Rs. 19,500 crore for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.

11.10 Circular Economy – The Circular Economy transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs. The action plans for 10 sectors such as electronic waste, end-of-life vehicles, used oil waste and toxic & hazardous industrial waste, are ready. The focus now will be on addressing important cross cutting issues of infrastructure, reverse logistics, technology upgradation and integration with informal sector.

11.11 Public Capital Investment – The outlay for capital expenditure in the Union

Budget is being stepped up sharply by 35.4% from Rs. 5,54,000 crores in the current year to Rs. 7,50,000 crores in 2022–23. This outlay in 2022–23 will be 2.9% of GDP.

11.12 Venture Capital and Private Equity Investment – Venture Capital and Private Equity firms invested more than Rs. 5,50,000 crores last year, facilitating one of the largest start-up and growth ecosystems. Scaling up this investment requires a holistic examination of regulatory and other frictions. An expert committee will be set up to examine and suggest appropriate measures.

11.13 Financial Assistance to States for Capital Investment – The Central Government is committed to bolstering the states in enhancing their capital investment towards creating productive assets and generating remunerative employment. Towards the 'Scheme for Financial Assistance to States for Capital Investment', an allocation of Rs. 1,00,000 crores (as against Rs. 15,000 crores for FY 2021–22) to assist the states in catalysing overall investments in the economy. These 50 year interest free loans are over and above the normal borrowings allowed to the states.

In 2022–23, in accordance with the recommendations of the 15th Finance Commission, the states will be allowed a fiscal deficit of 4% of GSDP of which 0.5% will be tied to power sector reforms.

11.14 Tax incentives to IFSC – The income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC, shall be exempt from tax, subject to specified conditions.

11.15 Proposal to replace SEZ regulations – The Special Economic Zones Act will be replaced with a new legislation that will enable the states to become partners in 'Development of Enterprise and Service Hubs' to optimally utilise available infrastructure and enhance competitiveness of exports.

11.16 Digital Rupee – Introduction of Central Bank Digital Currency (CBDC) will give a big boost to digital economy. Digital currency will also lead to a more efficient and cheaper currency management system. It is, therefore, proposed to introduce Digital Rupee, using blockchain and other technologies, to be issued by the Reserve Bank of India starting 2022–23.

In this chapter, we have compiled the relevant provisions of TDS and TCS relating to residents and non-residents.



12.1 TDS Rates

We have incorporated herein the nature of payments, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
1	Salary	192	As per slab rates prescribed for senior citizens (includes very senior citizen) and other individuals			
2	Accumulated balance due to an employee participating in RPF [Note 2 and 6]	192A	Less than Rs. 50,000 in aggregate	10%	Less than Rs. 50,000 in aggregate	10%
3	Interest on securities including listed debentures [Note 3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10%	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10%
4	Dividend by the Company, including dividends on preference shares [Note 24]	194	Rs.5,000 p.a	10%	Rs.5,000 p.a	10%
5	Interest other than interest on securities [Note 4, 6, 7, 8 and 25]	194A	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%
6	Winning from lottery or crossword puzzle or card game or other game	194B	Rs. 10,000	30%	Rs. 10,000	30%
7	Winnings from horse race	194BB	Rs. 10,000	30%	Rs. 10,000	30%
8	Payments to contractors [Note 7 and 9]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
9	Insurance commission [Note 6]	194D	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
10	Payment in respect of life insurance policy [Note 5, 6 and 20]	194DA	Less than Rs. 1,00,000 p.a.	5%	Less than Rs. 1,00,000 p.a.	5%
11	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
12	Payment in respect of deposits under National Savings Scheme, 1987 [Note 6]	194EE	Less than Rs. 2,500 p.a.	10%	Less than Rs. 2,500 p.a.	10%
13	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000	5%	Rs. 15,000	5%
14 a	Commission or brokerage [Note 7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	5%
14 b	Rent of Land / Building (including factory building) / Furniture or fitting [Note 6 and 7]	194I	Rs. 2,40,000 p.a.	10%	Rs. 2,40,000 p.a.	10%
15	Rent of Plant, Machinery or Equipment [Note 6 and 7]	194-I	Rs. 2,40,000 p.a.	2%	Rs. 2,40,000 p.a.	2%
16	Payment/credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note 21]	194-IA	Less than Rs. 50,00,000	1%	Less than Rs. 50,00,000	1%
17	Rent [Note 10]	194-IB	Rs. 50,000 p.m. or part of the month	5%	Rs. 50,000 p.m. or part of the month	5%
18	Monetary Consideration payable under joint development agreement	194-IC	No threshold	10%	No threshold	10%
19	Fees for professional and technical services / royalty / remuneration to Director other than salary [Note 7, 11 and 12]	194J	Rs. 30,000 p.a.	10% 2% (Fees for and technical services; other than professional services) [Note 24]	Rs. 30,000 p.a.	10% 2% (Fees for and technical services; other than professional services)
20	Payment of compensation on acquisition of certain immovable property (other than agricultural land) [Note 13]	194LA	Rs. 2,50,000 p.a.	10%	Rs. 2,50,000 p.a.	10%
21 a	Income by way of Interest from Infrastructure Debt Fund	194LB	No threshold	5%	No threshold	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
21 b	Income from units of a business trust by way of interest from a special purpose vehicle	194LBA	No threshold	10% and for non-residents 5% for interest and 10% for dividend [Note 16 and 17]	No threshold	10% and for non-residents 5% for interest and 10% for dividend [Note 16 and 17]
22	Income from units of real estate investment trust by way of leasing or leasing out any real estate asset	194LBA	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16 and 17]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16 and 17]
23	Income in respect of units of investment fund	194LBB	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]
24	Income in respect of investment in securitization trust	194LBC	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16]	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
						in the relevant DTAAs, whichever is beneficial [Note 16]
25	Income by way of Interest payable to non-residents from Indian company or a business trust [Note 14]	194LC	No threshold	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange)	No threshold	5%/4% (interest payable of monies borrowed in foreign currency, issue of any long term bond or RDB listed only on a recognized stock exchange located in any IFSC)
26	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note 15]	194LD	No threshold	5%	No threshold	5%
27	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAAs, whichever is beneficial [Note 16 and 19]			
28	Payment of certain sums by certain individuals or HUF [Note 22]	194M	Rs.50,00,000 p.a.	5%	Rs.50,00,000 p.a.	5%
29	Payment of certain amounts in cash [Note 23]	194N	Rs.1,00,00,000 p.a.	2%	Rs.1,00,00,000 p.a.	2%
30	Payment in respect of mutual fund specified under section 10 (23D) or units from the administrator of the specified undertaking or units from the specified company	194K	Rs. 5,000 p.a.	10%.	Rs. 5,000 p.a.	10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate at which Tax is to be Deducted [Note 1 & 18]	Proposed Threshold for Deduction w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Deducted [Note 1 & 18]
31	Payment facilitated by e-commerce operator [Note 28]	194-O	Rs. 500,000 p.a. [for Individuals/ HUF]	1%.	Rs. 500,000 p.a. [for Individuals/ HUF]	1%
32	Income by way of Pension and bank interest by senior citizen resident in India of 75 year or above	194-P	As per slab rate		As per slab rate	
33	Purchase of goods [Note 26]	194-Q	Above Rs. 50,00,000	0.1%	Above Rs. 50,00,000	0.1%
34	Income of FIIs from securities under section 115AD(1)(a) except section 194LD	196D	No threshold	20% or rate specified in DTAA, whichever is lower	No threshold	20% or rate specified in DTAA, whichever is lower
35	Transfer of Virtual Digital Assets [Note 27]	194S	-	-	Rs.10,000/ Rs.50,000 (in case of specified person)	1%
36	Benefit or Perquisite to any person arising from Business or Profession [Note 7 and 28] (w.e.f. 1 July 2022)	194R	-	-	Rs. 20,000	10%

12.2 TCS Rates

We have incorporated herein the nature of receipts, threshold limits for tax collection and the applicable rates of TCS for different classes of persons.

Sr. No.	Nature of Transaction	Section	Existing Threshold for Collection	Rate at which Tax is to be Collected [Note 28]	Proposed Threshold for Collection w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Collected [Note 29]
1	Sale of Tendu Leaves	206C (1)	No threshold	5%	No threshold	5%
2	Sale of Timber obtained under forest lease / by any other modes	206C (1)	No threshold	2.5%	No threshold	2.5%

Sr. No.	Nature of Transaction	Section	Existing Threshold for Collection	Rate at which Tax is to be Collected [Note 28]	Proposed Threshold for Collection w.e.f. 1 April 2022	Proposed Rate at which Tax is to be Collected [Note 29]
3	Sale of any other forest produce not being timber / Tendu leaves	206C (1)	No threshold	2.5%	No threshold	2.5%
4	Sale of Scrap / Mineral being coal or lignite or iron ore	206C (1)	No threshold	1%	No threshold	1%
5	Grant of license, lease, etc. of Parking lot, Toll Plaza, or mining and quarrying	206C (1C)	No threshold	2%	No threshold	2%
6	Sale of motor vehicle	206C (1F)	Above Rs. 10,00,000 p.a.	1%	Above Rs. 10,00,000 p.a.	1%
7a	Amount received for remittance outside India under LRS Scheme	206C (1G)	Above Rs. 7,00,000 p.a	5%	Above Rs. 7,00,000 p.a	5%
7b	Remittance outside India under LRS Scheme for education loan mentioned under section 80E	206C (1G)	Above Rs. 7,00,000 p.a	0.5%	Above Rs. 7,00,000 p.a	0.5%
8	Sale of overseas tour package	206C (1G)	No threshold	5%	No threshold	5%
9	Sale of goods [Note 30]	206C (1H)	Above Rs. 50,00,000 p.a.	0.1%	Above Rs. 50,00,000 p.a.	0.1%

Notes:

1. Section 206AA of the IT Act, in a case where payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - (i) rate specified in the relevant provision of the IT Act, or
 - (ii) at the rates in force, or
 - (iii) at the rate of 20% (5% for tax deduction under section 194–O and 194–Q of the IT Act)

Certain payments to non-residents such as interest, royalty, fees for technical services and payment on transfer of capital asset will not require PAN if alternative documents such as tax residency certificate, tax identification number of country of residence, etc. are furnished.

Section 206AB of the IT Act provides for higher rate of TDS for specified persons [who are non-filers of income-tax returns for the previous year immediately preceding the financial year (previously it was non-filers of income-tax returns for last 2 years) in which tax is to be deducted and the aggregate of TDS in his case is Rs. 50,000 or more in the said previous year] for the specified sections in which tax is required to be deducted, as the case may be. Tax shall be higher of the followings rates:

- (i) twice the rate specified in the relevant provision of the IT Act; or
- (ii) twice the rate or rates in force, or
- (iii) the rate of 5%, as the case may be

Further, it is proposed, the Section 206AB shall also not be applicable to Individual and HUF covered under section 194-IA, 194-IB and 194M of the IT Act.

In case provision of both sections 206AA and 206AB of the IT Act are applicable, then the tax shall be deducted at higher of the two rates provided in these sections.

2. In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax is to be deducted at the maximum marginal rate.
3. Interest on securities issued by Company and listed on any recognized stock exchange would not be subject to deduction of tax if such securities are held in dematerialized form. The section also provides for certain cases where tax is not to be deducted at source.
4. Under section 194A, the threshold limit is Rs.40,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by Central Government and Rs.5,000 in any other case. However, if the payee is a senior citizen, then the threshold limit is Rs. 50,000.
5. Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D). Section 10(10D) is not applicable to any unit linked insurance policy, issued on or after 01 February 2021, if the amount of

premium payable for any of the previous year during the term of such policy exceeds Rs. 2,50,000

6. Tax is not to be deducted, if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.
7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, whose total sales, gross receipts or turnover from business exceeds Rs.1,00,00,000 or from profession Rs.50,00,000 during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I, 194J and 194R of the IT Act as the case may be.
8. Co-operative society shall be liable to deduct tax at source under section 194A of the IT Act, if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest is credited or paid and the amount of interest during the financial year is more than Rs. 50,000 in case of payee being a senior citizen and Rs. 40,000 in any other case.
9. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN.

The definition of 'Work' also include contract manufacturing, raw material provided by assessee or its associate.

10. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of tenancy arrangement whichever being earlier, under section 194-IB and he is not required to obtain TAN. In case where the tax is required to be deducted as per provisions of section 206AA of the IT Act, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of tenancy as the case may be.
11. Tax is required to be deducted on remuneration paid to a director which is not in

the nature of salary. No threshold limit of Rs 30,000 p.a. is applicable for the same.

12. Tax is to be deducted at the rate of 2% in case of payment made to a person engaged only in the business of operation of call center. Further, tax is to be deducted at the rate of 2% if royalty is in the nature of consideration for sale, distribution, or exhibition of cinematographic films.
13. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under section 194LA of the IT Act.
14. In respect of amount borrowed in foreign currency from a source outside India:
 - under a loan agreement executed after 1 July 2012 but before 1 July 2023; or
 - by way of issue of any long term bond (including long term infrastructure bond) issued on or after 1 October 2014 but before 1 July 2023; or
 - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 October 2014; or.
 - RDB issued outside India before 1 July 2023.
 - TDS shall be 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC.
15. Interest payable on or after 1 June 2013 but before 1 July 2023 in respect of investment made by FII or QFI in RDB of an Indian Company or Government Security. The aforesaid investment also include interest payable on municipal debt security on or after 1 April 2020 but before 1 July 2023.
16. For the purpose of claiming DTAA benefit, the non-resident payee should furnish

a valid TRC from foreign tax authority and a self-declaration in Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.

Further, if the payee obtains a lower /nil deduction certificate from the income tax authority, tax shall be required to be deducted based on such certificate. Application for lower /nil deduction certificate shall have to be made in electronic form on TRACES website.

The relief under the DTAA is subject to MLI provisions as applicable.

17. In case of Non-residents referred in section 194LBA, tax shall deducted at the rate of 5% on interest and 10% on dividend income and on other income, TDS shall be as per rates in force or rate specified in the relevant DTAA's, whichever is beneficial.
18. A payer shall not be required to deduct TDS on "GST" component wherever in terms of the agreement between the payer and payee, the GST component comprised in the amount payable to a resident payee is indicated separately.
19. Income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, NTRO will be exempt from income tax. Accordingly, NTRO will not be required to deduct tax at source on such payments.
20. The levy of TDS on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under section 10(10D) of the Act.
21. It is proposed the threshold limit of Rs.50,00,000 shall be higher of consideration or the stamp duty value of such property and tax is required to be deducted on higher of the two. In the explanation to section 194-IA of the IT Act the term "consideration for immovable property" shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property.

22. Payment made by an individual and HUF to a resident on account of contractual work or professional fees, who are not required to deduct tax at source under section 194C, 194H and 194J of the Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.
23. A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for deducting tax at source at the time of payment of such sum to any person from an account maintained by the recipient from 1 September 2019 to 30 June 2020. With effect from 1 July 2020, in case of a recipient who has not filed the returns of income for all of the three assessment years relevant to the three previous years, for which the time limit of file return of income under sub-section (1) of section 139 has expired, immediately preceding the previous year in which the payment of the sum is made to him, tax is to be deducted at the rate of 2% for payment exceeding Rs. 20,00,000 but not exceeding Rs. 10,00,00,000 and at the rate of 5% for payment exceeding Rs. 10,00,00,000.

Further, no tax shall be deducted on cash payment made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators.

24. Section 194 shall also not be applicable on dividend credited or paid to business trust by a special purpose vehicle.
25. Section 194A shall also not be applicable on infrastructure debt fund.
26. The buyer of goods would be liable to deduct TDS at the rate of 0.1% at the time of credit or payment whichever is earlier, from the resident seller, the value or aggregate of such value in a previous year in excess of Rs. 50,00,000. Only those buyer whose total sales, gross receipts or turnover from the business carried on by it exceeds Rs. 10,00,00,000 during the FY immediately preceding the FY, shall be liable to deduct tax at source. The section shall not apply, if TDS or TCS under other section of the IT Act except for transaction of section 206(1H) of the IT Act.
27. It is proposed to insert new section 194S wherein, tax is required to be deducted at the rate of 1% on transfer of virtual digital asset to a resident for amount

exceeding Rs.10,000. In case, payer is a 'specified person', the threshold limit is Rs. 50,000 and is not required to obtain TAN. In case provision of both sections 194S and 194-O of the IT Act are applicable then the tax shall be deductible under section 194S.

'Specified Person' means a person being an individual or HUF whose total sales, gross receipts or turnover does not exceed Rs.1,00,00,000 in case of business and Rs.50,00,000 in case of profession during the financial year immediately preceding the financial year or a person being an individual or HUF not having any income under the head 'Profits and gains of business and profession'

28. It is proposed to insert new section 194R, wherein the person responsible for providing to a resident, any benefit or perquisite whether convertible into money or not, arising from carrying out of a business or profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of 10% of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression 'person responsible for providing' has been proposed to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.
29. Section 206CC of the IT Act, in a case where payer is not able to furnish PAN to the payee, tax shall be collected at higher of the following rates:
 - (i) twice the rate specified in the relevant provision of the IT Act; or
 - (ii) the rate of 5%, as the case may be.

Section 206CCA of the IT Act provides for higher rate of TCS for specified persons [who are non-filers of income-tax returns for the previous year immediately preceding the financial year (previously it was non-filers of income-tax returns for last 2 years) in which tax is to be deducted and the aggregate of TCS in his case is Rs. 50,000 or more in the said previous year] for the specified sections in which tax is required to be deducted, as the case may be. Tax shall be higher of the followings rates:

- (i) twice the rate specified in the relevant provision of the IT Act; or
- (ii) the rate of 5%, as the case may be

In case provision of both sections 206CC and 206CCA of the IT Act are applicable, then tax shall be collected at higher of the two rates provided in these sections.

30. The Seller of goods would be liable to collect TCS at the rate of 0.1% at the time of receipt from the buyer, the value or aggregate of such value in a previous year in excess of Rs. 50,00,000. Only those seller whose total sales, gross receipts or turnover from the business carried on by it exceeds Rs. 10,00,00,000 during the FY immediately preceding the FY , shall be liable to collect tax at source. If the buyer is liable to deduct TDS under any other provision on the goods purchased by him from the seller and has deducted such amount, Section 206(1H) is not applicable.

We have provided an overview of the various direct tax and GST compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF



13.1 Direct Tax Compliance Calendar

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
I. Due date for filing of ROI			
Person covered under tax audit (other than whom transfer pricing is applicable) (Note 1)	31 October		
Person covered under transfer pricing (Note 2)	30 November		
Other persons (Note 3)	31 October	31 July	31 July
Updated Return (Note 4)	Within 24 months from the end of relevant AY		
II. Due date for Tax Audit Report and Transfer Pricing Report			
Person covered under tax audit (other than whom transfer pricing is applicable):	30 September		
Person covered under transfer pricing	31 October		
Other persons	Not Applicable		
III. Advance Tax Payments for Income Tax (Note 5 & 6)			
1st Installment – on or before 15 June	15%		
2nd Installment – on or before 15 September	45%		
3rd Installment – on or before 15 December	75%		
4th Installment – on or before 15 March	100%		
IV. Tax Deducted at Source (Note7)			
Tax must be deducted at the time of payment, in case of salary	Applicable		Applicable, only if person is covered under tax audit in the preceding previous year
In case of payments other than salary, at the time of making payment or credit, whichever is earlier			
Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30th April			
Tax deducted under section 194(IA) on purchase of immoveable property (other than agricultural land) must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
Tax deducted on personal services under section 194M must be deposited in bank within period of 30 days from the end of month of deduction	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
Tax shall be deducted on rent under section 194(IB) at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited in bank within period of 30 days from the end of month of deduction.	Not Applicable		Applicable, only if person is not covered under tax audit in the preceding previous year
V. Tax Collected at Source			
Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt, whichever is earlier	Applicable		Applicable, only if person is covered under tax audit in the preceding previous year
Tax collected must be deposited within one week from the last day of the month in which the collection is made			
VI. Due dates for filing of TDS Returns /TCS Returns			
For the Quarter ended June For the Quarter ended September For the Quarter ended December For the Quarter ended March	31 July / 15 July 31 October / 15 October 31 January / 15 January 31 May / 15 May		
VII. Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property)/Form 16C(for Section 194-IB)/Form 16D (for Section 194M) and Form 27D (for TCS)			
Issue of Form 16 and Form 12BA annually Issue of Form 16A / 27D for quarter ended June Issue of Form 16A / 27D for quarter ended September Issue of Form 16A / 27D for quarter ended December Issue of Form 16A / 27D for quarter ended March Issue of Form 16B/Form16C/Form 16D	15 June 15 August / 30 July 15 November / 30 October 15 February / 30 January 15 June / 30 May 15 days from the date of furnishing Form 26QB, 26QC and 26QD respectively		
VIII. Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of Transactions in which PAN to be quoted.)			
For declarations received in Form 60 for first half year ended 30 September	31October		
For declarations received in Form 60 for second half year ended 31 March	30 April		
IX. Due dates for submission of payment under section 285 (Note 8)			
Non-resident having liaison office in India to file statement in Form 49C	Within 60 days from the end of the financial year		
X. Due dates for submission of payment under section 285B (Note 9)			
Producers of cinematograph films or persons engaged in specified activities to file Form 52A for all payments over Rs. 50,000 to each persons engaged by him	Within 30 days from the end of the FY or from the date of completion of the film or specified activities, whichever is earlier		

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
XI. Due date for filing Annual Information Return under section 285BA			
Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31May		
XII. Due dates for filing Appeals before the Income–Tax authorities			
Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
Appeal to the Commissioner of Income–tax (Appeals) (Note 10)	Within 30 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
Appeal to the Income–tax Appellate Tribunal (Note 11)	Within 60 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
XIII. Due date for filing online response to CPC communication			
Communication of proposed adjustment under section 143(1)(a) of the IT Act	Within a period of 30 days from the date of issue of the communication In case, no response is received by CPC within 30 days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 143(1)(a) of IT Act.		
Notice under section 139(9) of the IT Act	Within 15 days of receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return		
XIV. Due dates for deduction and deposit of Equalization Levy			
A. Applicable for Amount paid or payable towards certain specified services to a non–resident subject to Equalization Levy (Note 12)			
Time of deduction	When amount is paid or payable		
Rate of Tax	6% on Gross amount paid		
Date of Deposit	7th of next month		
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
B. Applicable for Amount received or receivable by e–commerce operator who provides or facilitates e–commerce supply of services and it is not covered under specified services (Sr. No. XIII A)			
Time of deduction	When amount is paid or payable		
Rate of Tax	2% on Gross amount paid		
Date of Deposit	7th of next quarter except 31 March for March quarter		
Date of Annual Statement of Specified Services in Form no.1	30 June of next year		

Nature of Compliances	Person		
	Company	Partnership Firm / LLP	Individual and HUF
XV. Digital Payment Facility			
Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes. These are not applicable to a specified person having only B2B (Business to Business) businesses if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash.			

Notes:

1. The due date for filing the ROI of spouse of a partner of a firm whose accounts are required to be audited and if the provisions of section 5A of the IT Act applies to them shall be 31 October.
2. The due date of filing the ROI of the partners of the firm who is required to report transfer pricing report shall be 30 November.
3. A senior citizen resident in India having age 75 years or more during the previous year has pension income and no other income except interest income from the scheduled bank in which the pension income is received shall be exempt from filing ROI. A declaration shall have to be furnished to the scheduled bank by such senior citizen.
4. It is proposed to insert new sub-section (8A) in section 139 of the IT Act to allow any person whether or not he has filed a return under section 139(1), 139(4) or 139(5) of the IT Act, to furnish an updated return of income for the previous year relevant to the AY within 24 months of the end of the relevant AY except in case of return of income with loss, effect of decreasing the tax liability, or results in refund or increases the refund.
5. Advance tax payment for income-tax is applicable to every person (except a senior citizen resident in India not having income from business or profession) where the amount of income-tax payable is Rs.10,000 or more. Advance tax on dividend income (other than deemed dividend) is to be paid on declaration /receipt of dividend and interest on shortfall in the advance tax instalment shall not be applicable on it
6. An eligible assessee in respect of eligible business referred to in section 44AD of the IT Act or eligible profession referred to in section 44ADA of the IT Act opting for computation of profits or gains of business or profession on presumptive basis, shall

be required to pay advance tax of the whole amount in one installment on or before the 15 March of the financial year.

7. A NIL Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act for any quarter.
8. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the Assessing Officer.
9. It is proposed to widen the scope of reporting under section 285B of the Act to include persons engaged in 'Specified Activities' namely event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as may be notified by the CG.
10. Electronic filing of appeal is mandatory before the Commissioner of Income Tax (Appeals).
11. The appeal/ Memorandum of cross objection before ITAT is required to be electronically filed on the new ITAT e-filing portal itat.gov.in/efiling/register. The appeal/Memorandum of cross objection is to be e-filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required. The e-filing portal can be used with a valid PAN or TAN, valid mobile number and e-mail address. After e-filed the documents have to be submitted physically following the filing requirements.
12. Other than e-commerce services, equalization Levy is to be levied on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:
 - Online* advertisement,
 - Provision for digital advertising space , or
 - Any other facility or service for the purpose of online advertisement, or
 - Any other service notified by the Central Government in this behalf.

*The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.

13.2 Goods and Services Tax (GST) Compliance Calendar

	Nature of Compliances	Due dates	Periodicity of filing
Forms	Description		
GSTR-1	Details of outward supplies	Monthly-11th day of the succeeding month Quarterly- 13th day of the month succeeding the quarter	
	Taxpayer whose aggregate turnover does not exceeds Rs.5,00,00,000 in preceding financial year or current financial year	13th day of the month succeeding the quarter	Quarterly
	Taxpayer whose aggregate turnover exceeds Rs. 5,00,00,000 in preceding financial year or current financial year	11th day of the succeeding month.	Monthly
GSTR-3B	Monthly Return	(Refer Note 1)	Monthly / Quarterly
GSTR-4	Return by Composition scheme dealers (Refer Note 2)	30th April of succeeding financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	13th day of the succeeding month	Monthly
GSTR-5A	Return by OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Return by Input Service Distributor	13th day of the succeeding month	Monthly
GSTR-7	Return by Person deducting Tax at Source (TDS)	10th day of the succeeding month	Monthly
GSTR-8	Return by E-commerce Operator	10th day of the succeeding month	Monthly
ITC 04	Details of Inputs/Capital Goods sent and received from Job Work	25th day of the succeeding Quarter / Six Month / Year	Quarterly / Six Monthly / Yearly (Refer Note 3)
Due date for filing Annual Return (Refer Note 4)			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme dealers	Suspended	Suspended
GSTR-9B	Annual Return by E-commerce operator collecting Tax under section 52	31st December of succeeding financial year	Annually
GSTR-9C	Self-Certified Reconciliation statement	31st December of succeeding financial year	Annually

	Nature of Compliances	Due dates	Periodicity of filing
Quarterly Return and Monthly Payment Scheme (QRMP)			
Invoice Furnishing Facility (IFF)	Turnover up to Rs. 5,00,00,000	1st to 13th day of succeeding month for first 2 months of a Quarter	
GSTR-1	Turnover up to Rs. 5,00,00,000	13th day of the month succeeding the quarter	Quarterly
GSTR-3B	Turnover up to Rs. 5,00,00,000	(Refer Note 5)	Quarterly
Due date of payment of GST			
GST amount due as per return shall be paid on or before last date of filing such return			
Interest on delayed payment of GST			
Failure to pay GST		18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability		24% p.a.	

Note 1:

- Government has decided to introduce the filings in GSTR 3B in phased manner as below:

Turnover of Tax payers	States	Due Date
Above Rs. 5,00,00,000	All States	20th day of succeeding month.
Below Rs. 5,00,00,000	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman and Diu, Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of the month succeeding the quarter
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of the month succeeding the quarter

Note 2:

- The composition taxpayers to file a self-assessed tax return in one-page statement cum challan – **Form GST –CMP 08 (Introduced from April 2019)** of the Central Goods and Service Tax Rules, 2017. This quarterly return has to be filed after every quarter by the 18th day of the succeeding month.

Note 3:

- As per Notification No 35/2021– Central tax dated Sub Rule 3 of Rule 45 is amended to give effect by relaxing the requirement to file ITC–04.
- For Principal with aggregate turnover above Rs. 5,00,00,000, in preceding FY , will have to file 6 monthly ITC–04 October to March. And for Principal with aggregate turnover upto Rs. 5,00,00,000 in preceding FY, will have to file ITC–04 annually for a financial year.
- In case of quarter April 2021 to June 2021 and July 2021 –September 2021 will have to file quarterly ITC 04.

Note 4:

- As per Notification No 29/2021–Central tax dated 30 July 2021, CBIC has notified the provisions of Section 110 & 111 of the Finance Act, 2021 w.e.f. 1 August 2021. While Section 110 omits section 35(5) of CGST Act, 2017 means GST Audit (GSTR–9C) by CA/CMA is no longer required and Section 111 substitutes section 44 (Annual return) of CGST Act, 2017.
- As per Notification No 40/2021–Central Tax dated 29 December 2021, the due date for furnishing annual return in GSTR 9 and self-certified reconciliation statement in GSTR 9C for the FY 20–21 is extended to 28 February 2022. However, taxpayers having Pan India aggregate turnover below Rs. 2, 00,00,000 have an option not to file GSTR 9. Also, taxpayers having Pan India aggregate turnover below Rs. 5, 00,00,000 have an option not to file GSTR 9C.

Note 5:

- Under QRMP scheme, even though GSTR 3B needs to be filed on quarterly basis,

the payment needs to be made on monthly basis by 25th day of the consequent month respectively for the first two months of the quarter via PMT-06 based on the methodology opted.

Return	States	Due Date
GSTR-3B	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman and Diu, Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of month succeeding the Quarter
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of month succeeding the Quarter

ABBREVIATIONS

A		FIPB	Foreign Investment Promotion Board
AAC	Annual Activity Certificate	FIRMS	Foreign Investment Reporting and Management System
AAR	Advance Authority Rulings	FLA	Annual Return on Foreign Liabilities and Assets
ADD	Anti-Dumping Duty	FLAIR	Foreign Liabilities and Assets Information Reporting
AE	Associated Enterprise	FMV	Fair Market Value
AIDC	Agriculture Infrastructure and Development Cess	FOB	Freight on Board
AIF	Alternative Investment Fund	FOR	Freight on Road
ALP	Arm's Length Price	FPI	Foreign Portfolio Investor
AMT	Alternate Minimum Tax	FTA	Free Trade Agreement
AO	Assessing officer	FTS	Fees for Technical Services
AOP	Association of Persons	FTZ	Foreign Trade Zone
APA	Advance Pricing Agreement	FY	Financial Year
ARC	Asset Reconstruction Company		
AY	Assessment Year		
		G	
B		GAAR	General Anti-Avoidance Rule
BCD	Basic Customs Duty	GDP	Gross Domestic Product
BED	Basic Excise Duty	GIFT	Gujarat International Finance Tec-City
BEPS	Base Erosion and Profit Shifting	GloBE	Global Anti-Base Erosion Rules
BO	Branch Office	GMR	Gross Management Revenue
BOI	Body of Individuals	GST	Goods and Services Tax
BSE	Bombay Stock Exchange	GSTN	Goods and Services Tax Network
C		H	
C-PACE	Centre for Processing Accelerated Corporate Exit	HEC	Health & Education Cess
CbCR	Country-by-Country Report	HUF	Hindu Undivided Family
CBDT	Central Board of Direct Taxes	HFC	Housing Finance Companies
CBIC	Central Board of Indirect Taxes and Customs		
CG	Central Government	I	
CGST	Central Goods and Services Tax	IBC	Insolvency and Bankruptcy Code, 2016
CIT	Commissioner of Income Tax	IDF-NBFC	Infrastructure Debt Fund – Non-Bank Finance Companies
CPC	Central Processing Center	IDS	Income Disclosure Scheme, 2016
CPI	Consumer Price Index	IEC	Import Export Code
CSP	Common Service Provider	IF	Inclusive Framework
CTA	Customs Tariff Act / Covered Tax Agreement	IFF	Invoice Furnishing Facility
CVD	Countervailing Duty	IFHP	Income from House Property
		IFSC	International Financial Services Centre
D		IGST	Integrated Goods and Services Tax
DDT	Dividend Distribution Tax	Ind-AS	Indian Accounting Standards
DICGC	Deposit Insurance and Credit Guarantee Corporation	InvIT	Infrastructure Investment Trust
DRC	Dispute Resolution Committee	IP	Indian Part
DTAA	Double Taxation Avoidance Agreement	IPO	Initial Public Offer
DVA	Domestic Value Addition	ISIN	International Securities Identification Number
		ISPRL	Indian Strategic Petroleum Reserve Limited
E		IT	Information Technology
ECB	External Commercial Borrowings	ITA	Information Technology Agreement
EL	Equalisation Levy	IT Act	Income-tax Act, 1961
EODC	Export Obligation Discharge Certificate	ITAT	Income Tax Appellate Tribunal
EOU	Export Oriented Unit	ITeS	Information Technology enabled Services
EPCG	Export Promotion Capital Goods	IT Rules	Income-tax Rules, 1962
EPZ	Export Processing Zone	ITC	Input Tax Credit
ESOP	Employee Stock Ownership Plan	ITSC	Income-tax Settlement Commission
F		J	
FDI	Foreign Direct Investment	JDA	Joint Development Agreement
FEMA	Foreign Exchange Management Act, 1999	JV	Joint Venture
FIIs	Foreign Institutional Investors		
		K	
		KYC	Know Your Customer

ABBREVIATIONS

L		QRMF	Quarterly Return and Monthly Payment Scheme
LIC	Life Insurance Corporation of India	R	
LLP	Limited Liability Partnership	R&D	Research & Development
LO	Liaison Office	RBI	Reserve Bank of India
LOB	Limitation of Benefit	RDB	Rupee Denominated Bond
LRS	Liberalized Remittance Scheme	ReIT	Real Estate Investment Trust
LTC	Leave Travel Concession	RI	Resident Individual
LTCA	Long Term Capital Asset	RIC	Road and Infrastructure Cess
LTCG	Long Term Capital Gain	RoDTEP	Remission of Duties and Taxes on Exported Products
M		RoSCTL	Rebate of State and Central Taxes and Levies
MAT	Minimum Alternate Tax	ROI	Return of Income
MCA	Ministry of Corporate Affairs	RPF	Recognized Provident Fund
MFs	Mutual Funds		
MFN	Most Favored Nation	S	
MLC	Multilateral Convention	SAD	Special Additional Duty
MLI	Multilateral Instrument	SAED	Special Additional Excise Duty
MMR	Maximum Marginal Rate	SBI	State Bank of India
MNEs	Multinational Enterprises	SDT	Specified Domestic Transaction
MSME	Micro, Small and Medium Enterprises	SEBI	Securities Exchange Board of India
N		SEIS	Service Exports from India Scheme
NABARD	National Bank for Agriculture & Rural Development	SEP	Significant Economic Presence
NBFC	Non-Banking Financial Company	SEZ	Special Economic Zone
NCLT	National Company Law Tribunal	SFT	Statement of Financial Transactions
NHAI	National Highway Authority of India	SGST	State Goods and Services Tax
NIIF	National Infrastructure Investment Fund	SHR	Safe Harbour Rules
NPAs	Non Performing Assets	SION	Standard Input-Output Norms
NPS	National Pension Scheme	SLM	Straight Line Method
NR	Non-Resident	SME	Small and Medium Enterprises
NRI	Non-Resident Indian	SOFTEx	Software Export Declaration
NSC	National Saving Certificate	SPV	Special Purpose Vehicle
NTRIO	National Technical Research Organization	STPI	Software Technology Parks of India
O		STT	Security Transaction Tax
OIDAR	Online Information Database Access and Retrieval Services	STTR	Subject To Tax Rules
ODI	Overseas Direct Investment	SUUTI	Special Undertaking of the Unit Trust of India
OECD	Organisation for Economic Co-operation and Development	T	
P		TAN	Tax Deduction and Collection Account Number
PAN	Permanent Account Number	TCS	Tax Collected at Source
PSB	Public Sector Banks	TDS	Tax Deducted at Source
PSU	Public Sector Undertakings	TLAA	Taxation Law (Amendment) Act, 2019
PBPT	Prohibition of Benami Property Transaction Act, 1988	TP	Transfer Pricing
PCIT	Principal Commissioner of Income Tax	TRC	Tax Residency Certificate
PE	Permanent Establishment	U	
PF	Provident Fund	UEN	Unique Entity Number
PLI	Production Linked Incentive	US\$/USD	United States Dollar
PMLA	Prevention of Money Laundering Act, 2002	ULIP	Unit linked insurance policy
PO	Project Office	UPE	Ultimate Parent Entities
PPP	Public Private Partnership/ Purchasing Power Parity	UTGST	Union Territory Goods and Services Tax
PPT	Principal Purposes Test	V	
Q		VAT	Value Added Tax
QFI	Qualified Foreign Investors	VsV	Vivad se Vishwas Act, 2020
		W	
		WOS	Wholly Owned Subsidiary
		WPI	Wholesale Price Index

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**Mumbai**

8th Floor, Bakhtawar
229, Nariman Point
Mumbai – 400 021

3rd Floor, A Wing,
Technopolis Knowledge Park
Mahakali Caves Road, Andheri (E)
Mumbai – 400 093

201, Shree Padmini
Rajashree Sahu Marg
Teli Galli Junction
Andheri (E), Mumbai 400 039

New Delhi – NCR

2nd Floor, Tower – B
B-37, Sector – 1, Noida
New Delhi – NCR – 201 301

Chennai

Apex Towers, 2nd Floor, No.54
II Main Road, R. A. Puram
Chennai – 600 028

1A, Chamiers Apartments
62/121, Chamiers Road
R. A. Puram, Chennai – 600 028

Kolkata

A-6, 12th Floor
Chatterjee International Centre
33A, Jawaharlal Nehru Road
Kolkata – 700 071

Bengaluru

3rd Floor, B Wing
Jubilee Building, 45, Museum
Road, Bengaluru – 560 025

Surat

DTA-2, G-02 to G-05 Plot
Gujarat Hira Bourse
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Surat – 394 510

T-720, Belgium Tower
Opp. Linear Bus Stop
Ring Road, Surat – 395 002

B/604-605, Tirupati Plaza
Athwa Gate, Nanpura
Surat – 395 001

Hyderabad

301, Block-1, Whitehouse,
Greenlands Road,
Kundanbagh, Begumpet,
Hyderabad, 500016.

Ahmedabad

B/708, Mondeal Heights
Near Novotel Hotel
Opp. Karnavati Club, S.G.Highway
Ahmedabad – 380 015

Pune

102, 1st Floor
Shree Residency
Baner Balewadi Road
Balewadi, Pune – 411 045

Gandhidham

206, Sunshine Arcade II
Plot No. 37, Sector 8
Near D-Mart
Gandhidham – 370 201

Jaipur

346, 3rd Floor
Ganpati Plaza, M.I. Road
Jaipur – 302 001

For further information please contact:

RSM Astute Consulting Pvt. Ltd.

8th Floor, Bakhtawar, 229, Nariman Point, Mumbai – 400 021.

T: (91-22) 6108 5555 / 6121 4444

F: (91-22) 2287 5771

E: emails@rsmindia.in

W: www.rsmindia.in

Offices: Mumbai, New Delhi–NCR, Chennai, Kolkata, Bengaluru, Surat, Hyderabad, Ahmedabad, Pune, Gandhidham and Jaipur.



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