



# INDIA UNION BUDGET 2023-24

## AN OVERVIEW

BDO IN INDIA PRESENTATION  
FEBRUARY 2023



Economic  
Indicators & Future  
Outlook



Budget Proposals:  
Direct Taxes



Budget Proposals:  
Indirect Taxes



Regulatory Updates



Abbreviations



About BDO

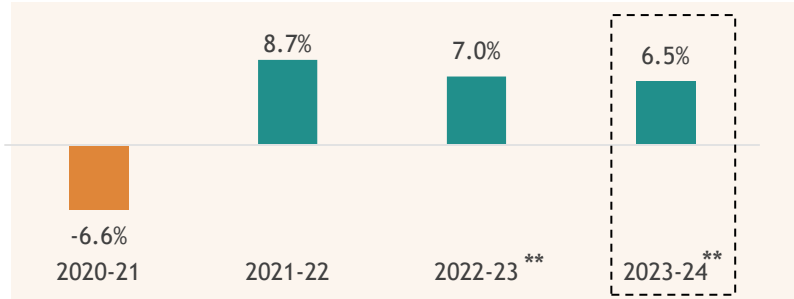
# SECTION 1

## ECONOMIC INDICATORS & FUTURE OUTLOOK $\triangle 19.36\%$



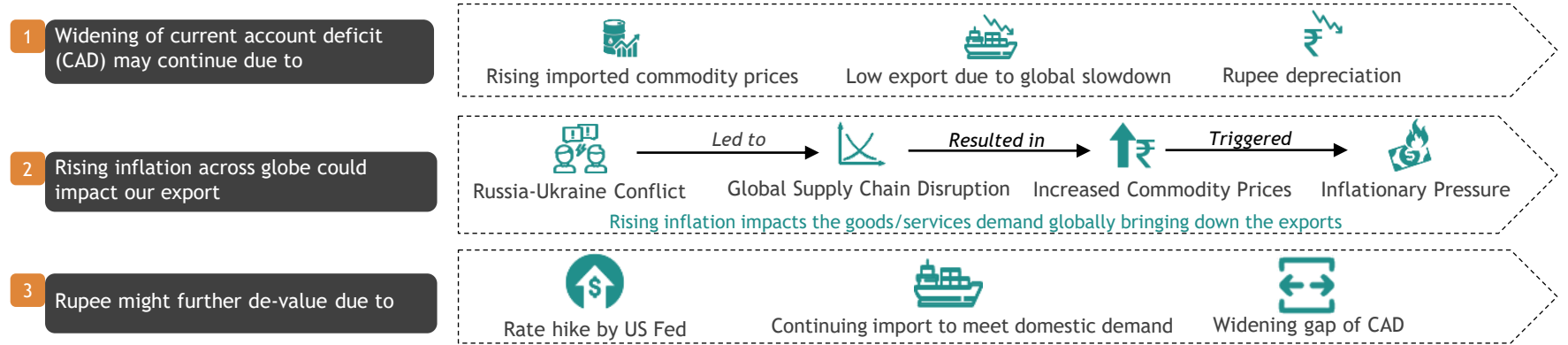
# INDIA IS SET TO BE ONE OF THE FASTEST GROWING ECONOMIES IN 2023 DESPITE THE FEAR OF GLOBAL RECESSION

India's GDP is projected to grow by 6.5% in 2023-24 bringing it closer to becoming a USD 5tn economy



**Factors Driving the Growth**

- Vigorous credit disbursal
- Strong balance sheet of lenders
- Government Initiatives such as PLI etc.
- Increased Private Consumption
- Expansion of public digital platforms



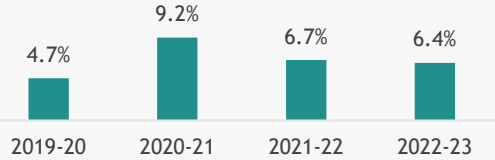
\*Projection for India is for its fiscal year (Apr-Mar), while for the other economies, it is from Jan-Dec  
 \*\* Year 2022-23 are Provisional Estimates; Year 2023-24 are Budget Estimates

# INDIAN ECONOMY A SNAPSHOT

SECTION 01

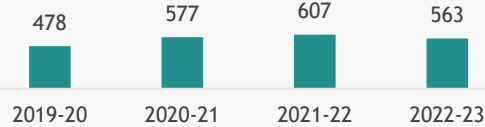
The government is on track to achieve the fiscal deficit target in FY 23

Fiscal Deficit as % of GDP



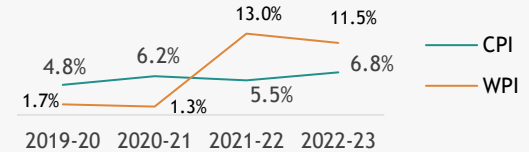
It has USD 563bn covering 9.3 months of imports

Foreign Exchange Reserves (in US \$ billion)



M-O-M Inflation fell below 6% as of Dec 2022 (tolerance limit of RBI) despite of high Inflation Average

Inflation (Average)

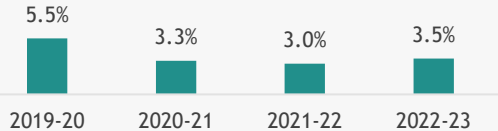


Sectoral Trends - The service sector grew at the highest growth rate of 9.1%



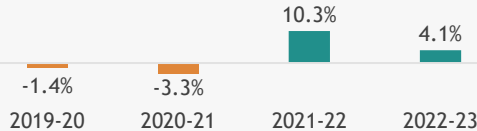
## Agriculture and Allied

Growth Rate of GVA at Basic Prices



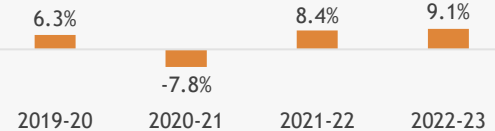
## Industrial

Growth Rate of GVA at Basic Prices



## Services

Growth Rate of GVA at Basic Prices



Note : Year 2022-23 figures are Provisional Estimates

\* - as of Dec 2022

# INDIA'S GROWTH STATEMENT WHICH WILL LEAD GROWTH AT 6.5% GDP IN 2023-24



## Agriculture and Allied

- ▶ **Government initiatives** such as PM Kisan will support the sector to **continue drive the growth**. It provides:
  - Income support
  - Strengthening of institutional finance and insurance through the PMFBY
  - Push for Kisan Credit Cards providing credit
- ▶ Initiatives like e-NAM and the Promotion of FPOs formation have been introduced to **strengthen the agricultural market**.



## Industrial

- ▶ The **PLI schemes** introduced by GOI are set to
  - Unlock manufacturing capacity
  - Boost exports
  - Reduce import dependence
  - Lead to job creation for both skilled and unskilled labor.
- ▶ Industrial output would continue to grow due to **resilient domestic demand**



## Services

- ▶ India's services sector growth which was highly volatile and fragile during the last 2 fiscal years **has shown resilience in FY23**.
- ▶ It was **driven by the**
  - Release of pent-up demand
  - Ease of mobility restriction
  - Near-universal vaccination coverage
  - Pre-emptive government interventions.



## Other Growth Initiatives

Both the financial and non-financial sectors **have improved** from having poor balance sheets to **having robust ones**

A **positive trend** of higher tax buoyancy is visible in the economy depicting an **efficient tax system**

India's **digitising** steps such as CoWin, e-Rupi, ONDC have open up lot of opportunities and a lot of untapped **opportunities will be explored**

Physical infrastructure will **become robust** through dedicated programs like Bharatmala, Railway upgradation, Sagarmala, New Airports

Government and private players working together to achieve **sustainable and renewable targets**

**Reforms in GSTN and IBC** led to enhanced transparency, better compliance, ensured financial discipline





SECTION 2

BUDGET PROPOSALS  
DIRECT TAXES

# CORPORATE TAX

## RATIONALISATION OF CERTAIN PROVISIONS

- ▶ Section 43B of the IT Act providing for allowance of certain deductions only on actual payment is proposed to include payments made to MSMEs if such payment has been made as per timelines under the MSMED Act i.e., 15/ 45 days.
- ▶ Section 35D of the IT Act providing for amortization of certain preliminary expenses is proposed to be amended to ease the process of claiming such amortization. It is proposed to amend section 35D to provide for self-certification by the taxpayer in the manner to be prescribed.
- ▶ Section 28(iv) of IT Act provides for taxability of value of any benefit/perquisite, whether convertible into money or not. Courts have upheld non-applicability of section 28(iv) if the benefit/perquisite are in cash. In order to align with the intention of legislature, it is proposed to clarify that section 28(iv) also applies to cases where benefit/perquisite provided is in cash or in kind or partly in cash and partly in kind.

A similar amendment has been proposed in section 194R of the IT Act, which deals with withholding tax in relation to the benefits or perquisites arising from the business or profession.

- ▶ To align the categorisation of NBFCs as per the RBI regulations, suitable amendments have been proposed under sections 43B and 43D of the IT Act, whereby a notification shall be issued by the CBDT for specific classes to be included under these sections.
- ▶ The above proposed amendments are effective from fiscal year 2023-24 and onwards.





# CORPORATE TAX

## PRESUMPTIVE TAXATION SCHEME - EASE OF DOING BUSINESS

- ▶ The existing provisions of section 44AD of the IT Act, inter-alia, provide for a presumptive income scheme for small businesses. To ease compliance and promote non-cash transactions, it is proposed to increase the turnover/gross receipts threshold to INR 30mn from the existing INR 20mn subject to cash receipts not exceeding 5% of total turnover/gross receipts.
- ▶ Section 44ADA of the IT Act provides for a presumptive income scheme for small professionals. It is proposed to increase the threshold of gross receipts to INR 7.50mn from the existing INR 5mn, subject to cash receipts not exceeding 5% of gross receipts.
- ▶ It is also proposed that taxpayers, eligible under the above schemes of section 44AD and 44ADA are exempt from Tax Audit as mandated under section 44AB of the IT Act.
- ▶ The above proposed amendments are effective from fiscal year 2023-24 and onwards.



# CORPORATE TAX

## TIME LIMIT FOR BRINGING CONSIDERATION AGAINST EXPORT PROCEEDS INTO INDIA

### Amendment proposed to section 10AA of the IT Act to cover the following:

- ▶ A deduction is allowed only if export proceeds is brought into India within a period of 6 months from the end of the previous year or within such period as allowed by the competent authority or credited to a separate bank account maintained with a bank outside India as approved by the RBI.
- ▶ No section 10AA deduction if the return of income is filed beyond the due date for filing return of income.

## AMENDMENT TO DEFINITION OF STRATEGIC DISINVESTMENT FROM FISCAL YEAR 2022-23

### Amendment in Section 72A of the IT Act - Carry forward and Set off of accumulated loss and unabsorbed depreciation in amalgamation and demerger

- ▶ Amendment proposed to the definition of strategic disinvestment to include disinvestment in a “company”.
- ▶ Conditions in the definition amended to cover
  - Immediately before such disinvestment is more than 51 reduction in shareholding of Central Government, State Government or Public Sector Company to below 51% shall apply only if the shareholding %

- Transfer of control should be carried out by the Central Government or State Government or Public Sector Company or any two of them or all of them

### Amendment in Section 72AA of the IT Act - Carry forward and Set off of accumulated loss and unabsorbed depreciation in amalgamation and demerger in certain cases

- ▶ Amendment proposed to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking companies with any other banking institution or a company, subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment.

## TRANSFER PRICING

- ▶ Interest paid to a certain class of NBFCs is proposed to be excluded for the purpose of computing limitation of interest deduction as per section 94B(3).
- ▶ Time period allowed for submission of information or documents in respect of international transactions or specified domestic transactions is proposed to be reduced from 30 days to 10 days from the date of receipt of Notice as per section 92D(3).
- ▶ Transaction between a new manufacturing co-operative society (under section 115BAE) and the other person with close connection is proposed to be covered within the purview of specified domestic transactions as per section 92BA(vb).

# INDIVIDUAL TAX

## GIFT TO NOT- ORDINARILY RESIDENT

- ▶ Deemed income under Section 9(1)(viii) of the IT Act for any sum of money or value of property received without consideration (i.e., a gift) exceeding INR 50,000 will now also be applicable to Not Ordinarily Resident taxpayers from fiscal year 2023-24 and onwards.

## RATIONALISATION OF EXEMPT INCOME UNDER LIFE INSURANCE POLICIES

- ▶ Income from Unit Linked Insurance Policies issued on or after 1 February 2021 are exempt under Section 10(10D) of the IT Act, subject to prescribed conditions.
- ▶ The Finance Bill proposes to tax income from insurance policies (other than Unit Linked Insurance Policies and other than death of the insured) issued on or after 1 April 2023 having premium or aggregate of premiums above INR 0.5mn per year.
- ▶ Such income shall be taxed under “Income from other sources” w.e.f., fiscal year 2023-24 and onwards.

## LIMITATION OF ROLL OVER BENEFIT

- ▶ The following deductions are available for taxpayers in lieu of income from capital gains on transfer of long-term capital asset:
  - Section 54 of the IT Act (for sale of long-term capital asset being a residential house property).
  - Section 54F of the IT Act (for sale of long-term capital asset other than residential house property).
- ▶ Such deductions are available if the capital gain is reinvested in a residential house property or deposited in the Capital Gains Account Scheme as per prescribed conditions.
- ▶ As part of the anti-abuse measures, the Finance Bill proposes to impose a limit of up to INR 100mn w.e.f. fiscal year 2023-24.
- ▶ Consequentially the same cap applies to the amount to be deposited in the Capital Gains Account Scheme w.e.f. fiscal year 2023-24.
- ▶ The proposed deduction available under Sections 54 and 54F of the IT Act would be least of the below:
  - Cost of the new residential house property; or
  - Amount of capital gains; or
  - INR 100mn

## INDIVIDUAL TAX

### WITHHOLDING TAX ON PAYMENT OF PF ACCUMULATED BALANCE DUE TO AN EMPLOYEE

- ▶ The Finance Bill proposes to omit the second proviso to Section 192A of the IT Act so that withholding tax on payment of accumulated balance in PF corpus in cases where the taxpayer fails to furnish PAN is at par with Section 206AA of the IT Act i.e., taxed at 20% instead of maximum marginal rate.
- ▶ The above amendment is proposed w.e.f. 1 April 2023.

### RATIONALISATION OF VALUATION OF RESIDENTIAL ACCOMMODATION PROVIDED TO EMPLOYEES

- ▶ The Finance Bill proposes to rationalise valuation of residential accommodation provided to employees by prescribing a uniform methodology in the rules for computing the value of perquisite under Section 17(2) of the IT Act read with Rule 3 of the IT Rules.
- ▶ It proposes to take the power of prescription of the method for computation of value of perquisite in the following cases w.e.f. 1 April 2024:
  - Rent-free accommodation provided to the employee by his employer.
  - Accommodation provided to the employee by his employer at a concessional rate.



# WITHHOLDING TAX

## TAXABILITY ON NET WINNING FOR ONLINE GAMES

- ▶ Tax regime in the hands of a taxpayer (being user/player) with respect to winnings from games:
  - Amendment to existing section 115BB of the IT Act;
  - Introduction of new section 115BBJ in the IT Act to tax net winnings from online games (computation of net winnings to be prescribed)
- ▶ Amendment in Section 115BB of the IT Act:
  - Excludes taxability on income by way of winnings from online games from 1 April 2023 (to be governed by Section 115BBJ)
- ▶ Introduction of section 115BBJ in the IT Act:
  - Effective from 1 April 2023
  - Effective tax rate of 30% on net winnings from online games during the fiscal year (computation of net winnings to be prescribed)
  - No exemption of basic slab limit
- ▶ Impact:
  - Players will now need to provide PAN and other details across the gaming platforms to claim credit for withholding tax and undertake necessary reporting
- ▶ Exception provided in Clause (ix) of proviso to Section 193 of the IT Act omitted to bring interest payable on listed securities by a company to a resident under its purview of withholding tax.
- ▶ Threshold limit for non-applicability of TDS under Section 194N of the IT Act on cash withdrawal by co-operative society has been increased from INR 1 Crore to INR 3 Crores. However, the said threshold shall not be applicable on non-filers.
- ▶ Widening the ambit of Section 197 of the IT Act (relating to issuance of lower or nil withholding certificate) to include withholding tax under Section 194LBA of the IT Act by business trust.
- ▶ TCS rate on receipt for overseas tour package and remittance outside India (for purposes other than education and medical treatment) increased from 5% to 20% (without any threshold limit) from 1 July 2023.
- ▶ Proposed to amend section 271C and 276B of the IT Act to levy penalty and carry out prosecution proceedings in a case where withholding tax is not paid to the Central Government for payments covered under section 194R (Benefit or perquisite in respect of business or profession), section 194S (Transfer of virtual digital asset) and the proposed new section 194BA (Net winnings from online games).



## WITHHOLDING TAX

- ▶ The above amendments shall be effective from 1 April 2023 for Section 194R/ Section 194S and 1 July 2023 for Section 194BA.
- ▶ The tax on income earned by non-resident from units of specified mutual funds or specified company, shall be deducted at lower of 20% or the rate provided in the relevant double tax avoidance agreement, subject to payee furnishing tax residency certificate.
- ▶ Higher rate of TDS and TCS under Section 206AB and Section 206CCA of the IT Act are to be not applicable to persons who are not required to furnish return of income for the relevant year and the persons notified by the Central Government.
- ▶ The amendment has been made to Section 194R of the IT Act to clarify that TDS would also apply to a benefit or perquisite in cash or in kind or partly in cash and partly in kind



# ADMINISTRATIVE AMENDMENTS AND RATIONALISATION MEASURES

## ALIGNMENT OF TIMELINE PROVISIONS UNDER SECTION 153 OF THE IT ACT

- ▶ Time limit for completion of assessment relating to the fiscal year commencing on or after the 1 April 2021 is proposed to be increased from 9 months to 12 months from the end of the fiscal year in which the income was first assessable. Similarly, time available for completion of assessment proceedings in case of an updated return is also proposed to be increased from 9 months to 12 months from the end of the fiscal year in which such return is furnished.
- ▶ Time limits provided for completion of assessment etc., shall be applicable to revision order also.
- ▶ It is also proposed that where an assessment or re-assessment is pending on the date of initiation of search etc., the time limit for completion of pending assessment or re-assessment shall be extended by 12 months.
- ▶ These amendments shall be made effective from fiscal year 2023-24.

## MODIFICATION OF DIRECTIONS RELATED TO FACELESS SCHEMES AND E-PROCEEDINGS

- ▶ It is proposed to enable the Central Government to make modifications in the time limits already notified under various schemes where measures have been taken to make the process faceless and electronic.

## RE-ASSESSMENT PROCEEDINGS

- ▶ Tax return in response to the notice initiating reassessment proceedings shall be filed within 3 months from the end of the month in which such notice is issued or further extended time as permitted by the tax officer. If the return is filed post the time allowed, it would be deemed that no return has been filed at all - effective from 1 April 2023

## PREVENTING PERMANENT DEFERRAL OF TAXES THROUGH UNDERVALUATION OF INVENTORY

- ▶ To ensure that the inventory is valued in accordance with various provisions of law, it is proposed to amend section 142 of the IT Act relating to Inquiry before assessment to provide for the following:
  - Valuation of inventory by a cost accountant nominated by the prescribed authorities.
  - Expenses of and incidental to such inventory valuation (including remuneration of the cost accountant) shall be paid by the Central Government.
  - Taxpayer will be given an opportunity of being heard (except in case of best judgement assessment) in respect of any material gathered based on such inventory valuation.

# ADMINISTRATIVE AMENDMENTS AND RATIONALISATION MEASURES

- Period for inventory valuation through the cost accountant to be excluded for the purposes of computation of time limitation for assessment and re-assessment.
- ▶ These amendments shall be made effective from fiscal year 2023-24.

## INTRODUCTION OF THE AUTHORITY OF JOINT COMMISSIONER (APPEALS)

- ▶ To expedite the disposal of appeals pending with first appellate authority, it is proposed to introduce a new authority in the rank of Joint Commissioner/ Additional Commissioner [Joint Commissioner (Appeals)] to handle certain class of cases involving small amount of disputed demand. It is also proposed to provide for filing of appeal by the taxpayer against certain specified orders passed by an authority below the rank of Joint Commissioner (Appeals).
- ▶ This amendment shall be made effective from fiscal year 2023-24.

## RATIONALISATION OF APPEALS TO THE TAX TRIBUNAL

Following amendments have been proposed:

- ▶ Appeal can be filed before the Tax Tribunal against penalty orders passed by first appellate authority.

- ▶ Appeal against order passed by Principal Chief Commissioner or Chief Commissioner can be filed before Tax Tribunal.
- ▶ Filing of memorandum of cross-objections is enabled in all classes of cases against which appeal can be made to the Tax Tribunal.
- ▶ This amendment shall be made effective from fiscal year 2023-24.

## DECRIMINALISATION OF SECTION 276A OF THE IT ACT

- ▶ It is proposed that liquidators would not be liable to be prosecuted on or after 1 April 2023. The earlier prosecutions initiated under section 276A will however continue.

## AMENDMENT TO SECTION 271FAA OF THE ACT

- ▶ The provisions of Section 271FAA of the Act provides for levy of penalty of INR 50,000 for furnishing inaccurate statement of financial transactions or reportable account.
- ▶ Finance bill 2023 proposes to amend the said provision by levying additional penalty on reporting financial institution for furnishing incorrect statement under section 285BA of the IT Act. The additional penalty of INR 5,000 shall be levied for every inaccurate reportable account based on false self certification provided by the account holders.

# ADMINISTRATIVE AMENDMENTS AND RATIONALISATION MEASURES

## CLARIFICATION REGARDING ADVANCE TAX WHILE FILING UPDATED RETURN

- ▶ For the purpose of payment of tax as per updated return, interest shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax only once, the credit for which has been claimed in the earlier return, if any.
- ▶ This amendment shall be made effective from fiscal year 2022-23.

## SET-OFF AND WITHHOLDING OF REFUNDS IN CERTAIN CASES

- ▶ Provisions of section 241A of the IT Act relating to withholding of refund is proposed to be merged with section 245 of the IT Act relating to set-off of refund against existing demand, to provide that where refund is due to a taxpayer, such refund shall be set-off against existing demand, and if proceedings for assessment or reassessment are pending in such case, the balance refund due will be withheld by the tax authorities till the date of assessment or reassessment.
- ▶ It is also proposed that interest under section 244A of the IT Act shall not be payable for the period from the date of withholding of refund till the date of completion of assessment.
- ▶ Section 241A of the IT Act is proposed made inapplicable from fiscal year 2023-24.



## OTHER AMENDMENTS

### BRINGING THE NON-RESIDENT INVESTORS WITHIN THE AMBIT OF SECTION 56(2)(VIIB) TO ELIMINATE THE POSSIBILITY OF TAX AVOIDANCE

- ▶ Any amount received from a resident by a company in which public are not substantially interested towards issue of shares, the amount in excess of fair value of shares shall be taxable in the hands of the investee company. It is proposed (with effect from FY 2023-24) that this provision shall apply to the amount invested by non-residents as well.

### MECHANISM TO RESOLVE WITHHOLDING TAX CREDIT MISMATCH

- ▶ Amendment proposed to Section 155(20) of the IT Act to enable the tax authorities to pass orders revising assessment orders/ intimation providing credit for withholding tax where income is offered in the relevant fiscal year, but the subject withholding tax credit is deducted and remitted in the subsequent fiscal year by the vendor.
- ▶ To avail the above credit, the taxpayer needs to file an application in the prescribed form to the tax authorities within two years from the end of the fiscal year in which tax is deducted at source.

### MODIFIED RETURN IN CASE OF BUSINESS REORGANISATION

- ▶ Section 170A of the IT Act provides for furnishing of modified return by the successor entity where the original return was furnished by it. It is now proposed that the return furnished by an entity to which reorganisation order applies can be modified by the successor entity.
- ▶ Further, it is also proposed to provide the procedure to be followed by the Tax Officer after the modified return is furnished by the successor entity.

### COST OF ACQUISITION OF INTANGIBLE ASSETS

- ▶ The existing provisions of section 55 of the IT Act, define the terms 'cost of any improvement' and 'cost of acquisition'.
- ▶ In case of intangible assets or any sort of right for which no consideration is paid for acquisition, the cost of acquisition is not clearly defined as 'nil' under section 55. This has led to disputes and the courts have ruled against the tax department that in the absence of specific provisions to determine the COA the capital gains cannot be taxed as the computation mechanism fails.
- ▶ Therefore, it is proposed to amend section 55 to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right shall be 'Nil'.
- ▶ This amendment shall be made effective from fiscal year 2023-24.



## OTHER AMENDMENTS

### ALIGNMENT OF SECTION 45(5A) WITH SECTION 194-IC

- ▶ Section 45(5A) of the IT Act seeks to tax capital gains on transfer of property by individual or HUF under a Joint Development Agreement (JDA).
- ▶ Currently, section 45(5A) of the IT Act provides that full value of consideration shall be taken as stamp duty value of a taxpayer's share as increased by consideration received in cash.
- ▶ Section 194-IC of the IT Act provides for withholding tax on consideration being any sum other than in kind.
- ▶ To ensure that taxpayers do not interpret the section 45(5A) of the IT Act to exclude any consideration other than cash, the section is now proposed to be aligned with section 194-IC of the IT Act to include 'any consideration received in cash or by cheque or draft or by any other mode'.
- ▶ This amendment shall be made effective from fiscal year 2023-24.

### SPECIAL PROVISIONS FOR TAXATION OF MARKET LINKED DEBENTURES

- ▶ Income from transfer of Market Linked Debentures is currently taxed @ 10% as long-term capital gains without indexation.

- ▶ New section 50AA of the IT Act is proposed to be introduced to tax capital gains arising from transfer or redemption or maturity of Market Linked Debentures. It is proposed to treat full value of consideration to be reduced by:
  - Cost of acquisition of the debenture; and
  - Expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity.
 as short-term capital gains taxed at normal applicable tax rates.
- ▶ It is also proposed to define "Market Linked Debenture" as debt security where returns are linked to market and includes SEBI regulated/classified Market Linked Debentures.
- ▶ This amendment shall be made effective from fiscal year 2023-24.

### PREVENTING MISUSE OF PRESUMPTIVE SCHEMES UNDER SECTION 44BB AND SECTION 44BBB

- ▶ Section 44BB and 44BBB of the IT Act provide for presumptive taxation schemes in the case of non-resident taxpayers carrying out eligible businesses such as mineral oils exploration, civil construction, turnkey power projects etc. Such taxpayers opt in and opt out of presumptive schemes to avail benefit of both presumptive scheme income and non-presumptive income. To avoid such misuse, it is proposed that non-resident taxpayers shall not be eligible to claim brought forward business loss and unabsorbed depreciation in case they adopt a presumptive taxation scheme under sections 44BB and 44BBB of the IT Act.

## OTHER AMENDMENTS

### CONVERSION OF GOLD TO ELECTRONIC GOLD RECEIPTS AND VICE VERSA

- ▶ To promote Electronic gold, it is proposed that conversion of physical gold to Electronic Gold Receipts (EGR) and vice versa are not be regarded as 'Transfer' for the purpose of capital gains.
- ▶ In case of conversion, the cost of acquisition to be:
  - From Physical Gold to EGR - cost of physical gold in the hands of EGR holder
  - From EGR to physical gold - cost of EGR
- ▶ In case of conversion, the period of holding to include the period of holding prior to conversion of the physical gold or EGR, as the case may be.
- ▶ This amendment shall be made effective from fiscal year 2023-24

### EXEMPTION TO DEVELOPMENT AUTHORITIES ETC.

- ▶ Given the impact of the judgment of the Supreme Court of India (Note 1), it is proposed to exempt income arising to a body or authority or Board or Trust or Commission not being a company, established by or under a Central or State Act for a defined purpose (with effect from FY 2023-24). Such body needs to be notified by the Central Government in the official gazette.

*Note 1 - Assistant Commissioner of Income-tax (Exemptions) vs. Ahmedabad Urban Development Authority in Civil Appeal No. 21762 of 2017*



## CHARITABLE TRUST/ EDUCATIONAL INSTITUTIONS

- ▶ Proposed amendments with respect to utilization of corpus and loan and borrowing of charitable trust / education institution - Effective from FY 2022-23
  - Application out of corpus or loans or borrowings before 01.04.2021 should not be allowed as application for charitable or religious purposes when such amount is deposited back or invested in to corpus or when the loan or borrowing is repaid.
  - If the trust or institution invests or deposits back the amount in to corpus or repays the loan within 5 years of application from the corpus or loan, only then such investment/depositing back in to corpus or repayment of loan will be allowed as application for charitable or religious purposes.
  - The application of corpus funds or loans or borrowing should comply with the other conditions of the IT Act such that the investment/ depositing back into corpus and repayment of loan can be regarded as application of income.
- ▶ It is proposed that eligible donations made by a trust or institution to another trust shall be treated as application only to the extent of 85% of such donation - Effective from FY 2023-24
- ▶ It is proposed, in certain cases, to permit (a) provisional registration/ approvals before commencement of activities and (b) direct registration/ approvals - Effective from 01 October 2023
- ▶ In case the application made for approval/ registration is not complete or contains false information, then, such cases shall be regarded as 'specific violation' and the Principal Commissioner/ Commissioner can take necessary action including cancellation of the approval/ registration - Effective from 01 April 2023.
- ▶ Non filing for registration/ approval with the prescribed timelines shall be deemed that the trust/ institution have been converted into form not eligible for registration/ approval and the provisions of Chapter XII-EB of the IT Act shall be applicable which includes payment of exit tax on the accreted income at maximum marginal rate - Effective from FY 2022-23
- ▶ Proposal to rationalize certain timelines for filing certain forms - Effective from FY 2022-23
- ▶ Proposal to clarify that the exemption under section 10(23C) (exemption for income of educational institution) and section 11 and 12 (exemption of educational institution/religious trust) of the IT Act shall not be available if the return is not filed with the time allowed under section 139(1) of the IT Act i.e.. the regular return of income and section 139(4) of the IT Act i.e., belated return of income - Effective from FY 2022-23
- ▶ Impact of the amendments
  - These amendments will require tax payers to monitor the usage of funds and also ensure compliance of the various timelines

## SECTOR SPECIFIC FINANCIAL SERVICES

### REGULATORY

- ▶ Delegating powers under the SEZ Act to IFSCA to avoid dual regulation.
- ▶ Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.
- ▶ Permitting acquisition financing by IFSC Banking Units of Foreign Banks.
- ▶ Establishing a subsidiary of EXIM Bank for facilitating trade re-financing.
- ▶ Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under the SEZ Act.
- ▶ Recognising Offshore Derivative Instruments as valid contracts.
- ▶ Setting up of Data Embassies in GIFT IFSC for countries looking for digital continuity solutions.

### WIDENING THE SCOPE OF INCOME TO INCLUDE CERTAIN DISTRIBUTIONS BY BUSINESS TRUSTS TO UNITHOLDERS

- ▶ There was no clarity on taxability of distribution made by business trust (REIT/InvIT) to unitholders other than interest, dividend and rental income.
- ▶ Payment made towards repayment of debt with/without redemption of units does not suffer taxation either in the hands of business trust or unitholders.
- ▶ The Finance Bill proposes to tax repayment of debt in the hands of unitholders by way of the following amendments:
  - Section 56 of the IT Act proposed to be amended to tax any sum received from the business trust other than interest, dividend and rental income under the head “income from other sources”.
  - Insertion of proviso to section 115UA of the IT Act to provide that payment received towards repayment of debt in case of redemption is to be reduced from cost of acquisition of the units to the extent such cost does not exceed the sum received.
  - Definition of income under section 2(24) of the IT Act is proposed to be amended to add clause (xviiic) to cover distribution other than interest, dividend and rental income.
  - This amendment shall be made effective from fiscal year 2023-24

## SECTOR SPECIFIC FINANCIAL SERVICES

### TAX

- ▶ Extension of tax exemption on relocation of offshore funds to IFSC from current limitation of 31 March 2023 to 31 March 2025.
- ▶ Clarification on exemption from taxation of income from Offshore Derivative Instruments by IFSC Banking Units in IFSC to be extended on distribution as well.
- ▶ To align IFSCA (Fund Management) Regulations, 2022 definition of “Specified Fund”, “Resultant Fund” and “Investment Fund” have been proposed to be included in the IT Act.

### NBFC CATEGORISATION

- ▶ Section 43B of the IT Act states that any sum payable by the taxpayer as interest on any loan or borrowing from :
  - A Deposit taking Non-Banking Financial Company (‘NBFC-D’); and
  - A Systemically Important Non-Deposit taking Non-Banking Financial Company (‘NBFC-ND-SI).

shall be allowed as deduction on payment basis. However, it can be allowed on accrual basis if the payment is made on or before the due date of furnishing the return of income of the relevant fiscal year.



- ▶ Similar classification has been referred under section 43D of the IT Act. However, the aforesaid classification of NBFCs is no longer followed by the RBI for the purposes of asset classification.
- ▶ To align with the policy of the RBI, it is proposed to amend section 43B and section 43D of the IT Act, to substitute the words, “a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company”, for the words “such class of non-banking financial companies as may be notified by the Central Government in the Official Gazette in this behalf.
- ▶ This amendment shall be made effective from fiscal year 2023-24.



## SECTOR SPECIFIC START-UPS

### EXTENSION OF PERIOD OF LOSSES WHICH CAN BE CARRIED FORWARD AND SET OFF

- ▶ Effective fiscal year 2022-23, eligible start-ups are allowed to carry forward and set off losses incurred from the date of incorporation for a period of 10 years instead of 7 years even where condition of continuity of atleast 51% shareholding (i.e., voting power) is not fulfilled.

### EXTENSION OF TIME LIMIT FOR INCORPORATION OF ELIGIBLE START-UPS

- ▶ Effective fiscal year 2022-23, outer date for incorporation of start-ups (eligible for tax holiday) is extended to 1 April 2024 from the existing time limit of 1 April 2023.



## TAX RATES

### INDIVIDUAL/HUF/AOP/BOI/AJP - CONCESSIONAL TAX RATE

- ▶ The Finance Bill proposes to amend the tax rate for individual, HUF as per the provisions of section 115BAC i.e concessional tax regime subject to fulfilment of certain condition and same is proposed to be extended to others such as AOP, BOI and AJP. The new proposed tax rates are applicable unless taxpayer opt for old taxation regime wherein the rates remain same as fiscal year 2022-23. In case of an individual, HUF and others, the option can be exercised on or before filing of tax return and once exercised, shall apply to subsequent years. The option exercised by such individual / HUF/others can be withdrawn only once in a fiscal year other than the year in which it was exercised. Once the said option is withdrawn, the taxpayer cannot re exercise the option unless the taxpayer ceases to have any business income.

| INCOME SLAB (INR)     | TAX RATE FOR INDIVIDUAL/HUF/AOP/BOI/AJP* |
|-----------------------|--|
| Up to 3,00,000        | NIL                                      |
| 3,00,001 - 6,00,000   | 5%                                       |
| 6,00,001 - 9,00,000   | 10%                                      |
| 9,00,001 - 12,00,000  | 15%                                      |
| 12,00,001 - 15,00,000 | 20%                                      |
| 15,00,001 & above     | 30%                                      |

\*excluding surcharge and Health and Education cess

- ▶ Enhanced Rebate of INR 25,000 under section 87A of IT is proposed in case of resident individuals with annual taxable income up to INR 0.70 mn.
- ▶ Marginal relief will be same as allowed for fiscal year 2022-23 in cases where taxable income is more than INR 5 mn, INR 10 mn, and INR 20 mn
- ▶ The below is applicable rate of surcharge

| Income Slabs (INR)    | Surcharge Rates on Income other than Dividend and Capital gains covered under section 111A and section 112A | Surcharge Rates on Dividend and Capital gains covered under section 111A and section 112A |
|-----------------------|---|---|
| Up to 5,000,000       | NIL   | NIL   |
| 5,000,001-10,000,000  | 10%   | 10%   |
| 10,000,001-20,000,000 | 15%   | 15%   |
| 20,000,001 & above    | 25%   | 15%   |

- ▶ Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.
- ▶ The above rates are applicable from fiscal year 2023-24

## TAX RATES

### INDIVIDUAL/HUF/AOP/BOI/ARTIFICIAL JUDICIAL PERSON - NORMAL TAX RATES

| Income slab (INR)   | Tax Rate for Individuals* |                           |                        | Tax Rate for HUF/AOP/BOI/AJP* |
|---------------------|---------------------------|---------------------------|------------------------|-------------------------------|
|                     | Age below 60 years        | Age 60 and below 80 years | Age 80 years and above |                               |
| Up to 250,000       | NIL                       | NIL                       | NIL                    | NIL                           |
| 250,001 - 300,000   | 5%                        | NIL                       | NIL                    | 5%                            |
| 300,001 - 500,000   | 5%                        | 5%                        | NIL                    | 5%                            |
| 500,001 - 1,000,000 | 20%                       | 20%                       | 20%                    | 20%                           |
| 1,000,001 & above   | 30%                       | 30%                       | 30%                    | 30%                           |

\*excluding surcharge and education cess

- ▶ Rebate of INR 12,500 under section 87A of IT Act is same as allowed for fiscal year 2022-23 in case of resident individuals with an annual taxable income up to INR 0.50mn
- ▶ The rates of tax for fiscal year 2023-24 are same as those for fiscal year 2022-23 for those taxpayer who opt to continue with the old tax regime

## TAX RATES

### INDIVIDUAL/HUF/AOP/BOI/AJP - SURCHARGE ON NORMAL TAX RATE

| Income Slabs (INR)      | Surcharge Rates on Income other than Dividend or Capital gains covered under section 111A and section 112A | Surcharge Rates on Dividend or Capital gains covered under section 111A and section 112A |
|-------------------------|--|--|
| Up to 5,000,000         | NIL  | NIL  |
| 5,000,001-10,000,000    | 10%  | 10%  |
| 10,000,001-20,000,000   | 15%  | 15%  |
| 20,000,001 & 50,000,000 | 25%  | 15%  |
| 50,000,001 & above      | 37%  | 15%  |

- ▶ In case the total income exceeds INR 20mn on account of income from dividend or capital gains covered under section 111A and section 112A of the IT Act, then surcharge @ 15% would be applicable on the total income irrespective of quantum of income other than capital gains.
- ▶ Marginal relief will be the same as allowed for fiscal year 2023-24 in cases where taxable income is more than INR 5mn, INR 10mn, INR 20mn and INR 50mn.
- ▶ Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.

## TAX RATES COMPANY

| #  | Particulars  | Basic Tax Rate                                  |  |                                |   | Surcharge                   |   |                              |  |
|----|--|---|--|--------------------------------|---|-----------------------------|---|------------------------------|--|
|    |  | Turnover for fiscal year 2021-22 <= INR 4,000mn | Turnover for fiscal year 2021-22 > INR 4,000mn | All companies (Section 115BAA) | New manufacturing companies and companies engaged in the business of generation of electricity (Section 115BAB) | Total income up to INR 10mn | Total income above INR 10mn up to INR 100mn | Total income above INR 100mn | Companies opting under Section 115BAA and Section 115BAB |
| 1. | Domestic Company<br>• Normal Tax Rate<br>• Minimum Alternate Tax | 25%<br>15%                                      | 30%<br>15%                                     | 22%<br>0%                      | 15%<br>0%   | NIL<br>NIL                  | 7%<br>7%                                    | 12%<br>12%                   | 10%  |
| 2. | Foreign Company<br>• Normal Tax Rate                             | 40%   | 40%  | NIL                            | NIL   | NIL                         | 2%  | 5%                           | NIL  |

- ▶ The rates of income tax will continue to be the same as those specified in fiscal year 2022-23.
- ▶ Marginal relief will continue to be allowed in cases where taxable income is more than INR 10mn or INR 100mn.
- ▶ Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.
- ▶ The concessional tax rate under section 115BAA and Section 115BAB of the IT Act is applicable subject to the fulfilment of prescribed conditions.

## TAX RATES

### PARTNERSHIP FIRM (INCLUDING LLP)

| Limit                            | Tax Rate (%) |
|----------------------------------|--------------|
| On the whole of the total income | 30%          |

- ▶ The rates of Income tax will continue to be the same as those specified for fiscal year 2022-23.
- ▶ Surcharge shall be levied @ 12% where the taxable income exceeds INR 10mn.
- ▶ Marginal relief will be same as allowed for fiscal year 2022-23 in cases where taxable income is more than INR 10mn.
- ▶ Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.



## TAX RATES

### CO-OPERATIVE SOCIETY

| Limit  | Tax Rate (%)      | Surcharge                                   |                              |
|--|-------------------|---|------------------------------|
|  |                   | Total income above INR 10mn up to INR 100mn | Total income above INR 100mn |
| <b>Normal tax rates</b> <ul style="list-style-type: none"> <li>Up to INR 10,000</li> <li>INR 10,000 to 20,000</li> <li>INR 20,001 above</li> </ul> | 10%<br>20%<br>30% | 7%  | 12%                          |
| Concessional tax regime on fulfillment of certain conditions (section 115BAD)  | 22%               | 10%   |                              |
| Income derived from or is incidental to, manufacturing or production of an article or thing (Section 115BAE)                                       | 15%               | 10%   |                              |

- ▶ As per the proposed new section 115BAE of the IT Act, a new manufacturing co-operative society set up on or after 1 April 2023, which commences manufacturing or production on or before 31 March 2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for fiscal year 2023-24 onwards.
- ▶ Health and Education Cess shall continue to be levied @ 4% on the tax computed inclusive of surcharge (wherever applicable) in all cases.



SECTION 3

BUDGET PROPOSALS  
INDIRECT TAXES

# CUSTOMS

## VALIDITY PERIOD OF CUSTOMS EXEMPTIONS IN CERTAIN CASES

- ▶ 2 years default validity not applicable for exemption to bilateral/multilateral trade agreements, international agreements/treaties/conventions, schemes under FTP, constitutional authorities, central government schemes with validity of 2 or more years, re-imports/temporary imports, Gifts or Personal baggage and customs duty imposed under any law, including GST and CTA (except Section 12 of Customs Act, 1962).

## CUSTOMS SETTLEMENT OF CASES

- ▶ Time limit of 9 months from the date of application (with option to extend by 3 months) specified for disposal of application filed before the Settlement Commission.
- ▶ If not, the adjudicating authority to dispose-off the matter in accordance with the law.



## COUNTERVAILING DUTY AND ANTI-DUMPING DUTY

- ▶ The Central Government to be vested with discretionary powers to accept (or not), the finding of the review conducted by the ‘Designated Authority’ in terms of Customs Tariff (Identification, Assessment And Collection Of Countervailing Duty / Anti Dumping Duty) Rules, 1995, beyond the initial 5-year period.
- ▶ This is a retrospective amendment w.e.f. 1 January 1995 which clarifies that the Government shall only ascertain the amount of subsidy as determined by the ‘Designated Authority’ after necessary inquiry and not bound to provide any reasoning for acceptance or rejection of the recommendations of the ‘Designated Authority’.
- ▶ Suitable changes have been made in the appeal provisions, to provide that the order of levy for countervailing and anti-dumping duty cannot be challenged before the CESTAT, and only the final findings of the ‘Designated Authority’ can be challenged.

## CUSTOMS DUTY RATES

- ▶ Customs rate structure being recalibrated on imports (other than textile and agriculture) so as to reduce rate slabs from the current 21 numbers to 13. Please refer the [Customs duty rate chart](#) for the Customs rate changes.

# CENTRAL GOODS AND SERVICES TAX

## COMPLIANCE

- ▶ A registered person supplying goods through ECO is eligible to pay tax under the composition scheme.
- ▶ Persons not liable to registration have been amended w.e.f. 1 July 2017 to provide that the Government, subject to conditions and restrictions specify the category of persons who are exempted from the rigors of registration.
- ▶ Returns in Form GSTR-1, GSTR-3B, GSTR-8, GSTR-9 and GSTR-9C cannot be filed after the expiry of 3 years from the due date.

## INPUT TAX CREDIT

- ▶ Second proviso to Section 16 (2) has been rephrased to make it amply clear that nonpayment of consideration for supply along with GST within 180 days, results in liability to pay tax along with applicable interest (phraseology “adding to his output tax liability” substituted).
- ▶ Recipient entitled to avail ITC upon making payment “to the supplier”.
- ▶ Supply of warehoused goods before clearance for home consumption to be treated as exempt supply requiring reversal of ITC.
- ▶ ITC not available on goods or services or both used or intended to be used for meeting CSR obligations under Companies Act, 2013.



## CENTRAL GOODS AND SERVICES TAX

### REFUND

- ▶ Restriction on “input tax credit provisionally accepted” has been deleted from the purview of 90% refund on provisional basis, on zero rated supplies.
- ▶ Government to prescribe the mechanism for computation, manner and restrictions for payment of interest on delayed refunds beyond 60 days.

### PENAL PROVISIONS

- ▶ ECO liable to penalty of INR 10,000 or equivalent to the tax involved (whichever is higher) in cases where supplies effected from an unregistered person (other than who are specifically allowed), person not permitted to make interstate supply, or furnishing incorrect details in Form GSTR-8.
- ▶ Obstructing or preventing any officer in the discharge of his duties, tampering with or destroying any material evidence or documents, or failure to supply any information or supplies false information are being decriminalised.
- ▶ Increase in monetary limit for launching prosecution from INR 10mn to INR 20mn, except for offences relating to issue of tax invoices without supply leading to wrongful availment or utilisation of ITC or refund of tax.

### COMPOUNDING OF OFFENCE

- ▶ Compounding of offence not available for persons who issue invoice without supply
- ▶ Following offences would now be eligible for compounding, provided it is a first-time offence:
  - Dealing with goods in any manner which a person knows or has reasons to believe are liable to confiscation, or
  - Receives or concerns himself with supply of service in contravention of the GST law
- ▶ Amount for compounding of offences rationalised in the following manner:

| Particulars | Existing                           | Proposed             |
|-------------|------------------------------------|----------------------|
| Minimum     | INR 10,000 or 50% of tax involved  | 25% of tax involved  |
| Maximum     | INR 30,000 or 150% of tax involved | 100% of tax involved |

# CENTRAL GOODS AND SERVICES TAX

## CONSENT BASED SHARING OF INFORMATION

- ▶ New provision inserted for sharing of information furnished by the registered person (viz. particulars in the registration application, returns or e-invoice or e-Waybill or any other as may be prescribed) in the GST common portal, with other systems basis consent.

## OTHERS

- ▶ Following entries in Schedule III (non supplies) deemed to have been inserted with effect from 1 July 2017:
  - Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India,
  - Supply of warehoused goods to any person before clearance for home consumption,
  - Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.
- ▶ Any tax paid on account of the amendment in Schedule III during the period 1 July 2017 to 31 January 2019 would not be available for refund.





## INTEGRATED GOODS AND SERVICES TAX

- ▶ Definition of ‘non-taxable online recipient’ amended to remove the condition of receipt of OIDAR services for purposes other than commerce, industry or any other business or profession. It provides for taxability of OIDAR services provided by any person located in a non-taxable territory to an unregistered person receiving the said services and located in a taxable territory. Further, it clarifies that the person who is required to deduct tax at source and mandatorily obtaining registration under section 24(vi) of CGST Act 2017 shall be treated as an unregistered person for the purpose of this clause.
- ▶ Definition of OIDAR services amended to remove the condition of rendering of the said supply being “essentially automated and involving minimal human intervention”.
- ▶ Place of supply for transportation of goods delinked from the place of destination of goods, where the supplier and recipient of service are located in India.



## CENTRAL EXCISE

### RATE CHANGES AND EXEMPTION (w.e.f. 2 February 2023)


- ▶ National Calamity Contingent Duty (NCCD) on Cigarettes increased between 15% to 16%
- ▶ Exemption on blended Compressed Natural Gas (CNG), equivalent to GST paid on Bio-Gas/CNG contained in the blended CNG, subject to conditions

## CENTRAL SALES TAX (CST)

### APPEALS AND ADVANCE RULING

- ▶ CESTAT to function as Appellate Authority to decided disputes on CST exemption on inter-company stock transfers and determination of competent State to levy CST
- ▶ Provision relating to Advance Ruling Authority (ARA) under CST law deleted
- ▶ All pending CST appeals, including appeals against ARA, to be transferred to CESTAT



A person's hands are shown typing on a laptop keyboard. The background is a blurred office setting. Overlaid on the image are several semi-transparent icons: a warning triangle, a document with a checkmark, a scale of justice, a folder, a person icon, a document with a seal, and a checkmark in a circle. The text 'SECTION 4' is displayed in a bold, sans-serif font, with the number '4' in a larger, orange-outlined font. A horizontal orange line is positioned below the text.

## SECTION 4

## REGULATORY UPDATES

## MINISTRY OF CORPORATE AFFAIRS

- ▶ MCA vide its notification dated 11 January 2022, notified 1 July 2022 as the commencement date with respect to provisions of Section 403 of CoA allowing:
  - Submission of document/fact/information other than those related to annual return and financial statements beyond its mandatory timeline, upon payment of prescribed additional fees.
  - Submission of such document/fact/information upon payment of prescribed higher additional fees in case of default on two or more occasions.
- ▶ MCA vide its notification dated 10 June 2022 allowed the restoration of name of those individual which are removed from the databank of independent directors (upon non passing of online proficiency test during the given timeline), upon payment of nominal fees.
- ▶ MCA vide its circular dated 5 August 2022 notified the Companies (Accounts) Fourth Amendment Rules, 2022 amending the provision related to 'manner of books of account to be kept in electronic mode' details of which is provided in the given [The Companies \(Accounts\) Fourth Amendment Rules, 2022](#).
- ▶ MCA vide its notification dated 15 September 2022 has revised the following threshold for Small Companies:
  - Paid-up Capital - INR 40mn (as against existing INR 20mn) and
  - Turnover - INR 400mn (as against existing INR 200mn).
- ▶ MCA vide its notification dated 20 September 2022 has notified the Companies (CSR Policy) Amendment Rules, 2022 which provides for the following:
  - Company having any amount in its 'Unspent CSR Account' to constitute a CSR Committee and comply with the prescribed CSR provisions.
  - Board must ensure that the CSR activities are undertaken by the Company itself or through specified entities.
  - Company having average CSR obligation of INR 100mn and above in the 3 immediately preceding fiscal years, must undertake impact assessment of their specified CSR Projects with limitations on its expenses.

## SECURITIES AND EXCHANGE BOARD OF INDIA

- ▶ SEBI vide its circular dated 3 January 2022 has mandated listed entities undertaking a Scheme of Arrangement to submit an NOC:
  - From the lending scheduled commercial banks/financial institutions/debenture trustees.
  - Before the receipt of No-objection letter from stock exchange in terms of Regulation 37 of the LODR Regulations, 2015 and
  - Such NOC must constitute at least 75% of value of secured creditors.
- ▶ On 14 January 2022, SEBI revamped the ICDR Regulations with certain key amendments pertaining to revised eligibility requirements and conditions being specified for IPO, FPO, right issues etc.
- ▶ On 24 January 2022, SEBI notified SEBI (AIFs) Amendment Regulations, 2022 to include new provisions relating to,
  - 'Special Situation Funds' providing a regulatory framework for funds investing in Special Situation Assets, schemes, their sponsors and managers of the Special Situation Fund.
- ▶ SEBI vide its circular dated 31 January 2022 streamlined the procedure to be followed for change in control of AMC pursuant to Scheme of Arrangement. The circular is applicable to all the schemes filed with the NCLT, on or after 1 March 2022.
- ▶ SEBI, vide 2 separate circulars dated 9 February 2022 provided the manner and conditions of:
  - Listing of units issued by a Private Unlisted InvIT by making a Private Placement of units through fresh issue and/or offer for sale.
  - Converting Private Listed InvIT into a Public InvIT by way of public issue of units through a fresh issue and/or an offer for sale.
- ▶ SEBI vide its circular dated 30 March 2022 clarified the following in terms of RP, RPTs and its materiality threshold:
  - RPT that has been approved by the audit committee and shareholders prior to 1 April 2022, no fresh approval from shareholders is required.
  - RPTs approved by the audit committee prior to 1 April 2022 that become material as per the revised materiality threshold, shall be placed before the shareholders in their first general meeting held after 1 April 2022.
  - RPTs for which the audit committee has granted omnibus approval shall continue to be placed before the shareholders if it is material.
  - Omnibus approval of RPTs obtained from shareholders in an AGM shall be valid maximum up to 15 months and those obtained in an EOGM shall be valid up to 12 months.

## SECURITIES AND EXCHANGE BOARD OF INDIA

- ▶ SEBI vide its circular dated 28 April 2022 streamlined the procedure for public issue of units of InvITs and REITs. The circular provides for:
  - Reduction in the time taken for allotment and listing after closure of issue, to 6 working days (as against 12 working days).
  - Indicative timeline starting with the issue closing date and ending with trading commencement on the 7<sup>th</sup> day after the issue close.
- ▶ SEBI Circular dated 24 June 2022 introduced a Unified Payments Interface mechanism applicable to a public issue of units of InvITs and REITs:
  - Opened on or after 1 August 2022.
  - For value up to INR 5 Lacs only.
- ▶ SEBI vide its circular dated 17 August 2022 introduced the guidelines for investment by AIFs and VCFs in securities of companies incorporated outside India:
  - Investment allowed only in a country whose securities market regulator has Memorandum of Understanding with SEBI.
  - No investment allowed in an investee company incorporated in a country identified in the public statement of Financial Action Task Force.
  - Proceeds of liquidation of investment available for reinvestment.
- ▶ As per the extant AIF regulations, the sharing of loss by sponsor/manager of an AIF, with respect to their investment in AIF, shall at least be proportionate to their holding vis-à-vis holding of other unit holders in AIF. However, certain AIFs have adopted a Priority Distribution Model and SEBI, vide its circular dated 23 November 2022 has prohibited such AIFs from accepting any fresh commitment or make investment in a new investee company.
- ▶ SEBI vide its circular dated 9 December 2022 clarified the conditions to be followed by AIFs while raising funds from Indian/foreign/non-resident Indian investor by way of issue of units:
  - Foreign investor is a resident of the country whose securities market regulator is a signatory to (i) International Organisation of Securities Commission's Multilateral MoU or (ii) bilateral MoU with SEBI.
  - Investor being Government or related to Government or the resident of a country approved by the Government of India.
  - Investor contributing 25% and above in the total corpus is not the restricted person as specified.



## RESERVE BANK OF INDIA

- ▶ RBI vide its circular dated 23 February 2022 and with reference to a revised Scale Based Regulation for NBFCs, mandated the Middle layer and Upper Layer NBFCs with 10 plus 'fixed point service delivery units' as on 1 October 2022, to implement Core Financial Services Solution on or before 30<sup>th</sup> September 2025, of which the Upper Layer NBFC to implement at least 70% of it on or before 30<sup>th</sup> September 2024.
- ▶ RBI vide its circular dated 19 April 2022 introduced a separate guideline on the following types of regulatory restrictions placed on different layers of NBFCs:
  - Loans and advances to directors and senior officers of NBFC-base layer, NBFC-Middle layer and NBFC-Upper Layer.
  - Loans and advances by NBFC-Middle layer and NBFC-Upper Layer to the real estate sector.
- ▶ RBI vide its circular dated 21 April 2022 extended the LEI guidelines to large NBFC borrowers mandating non-individual borrowers enjoying aggregate exposure of INR 50mn and above from banks and financial institutions to obtain LEI codes as per the given timeline.
- ▶ RBI, vide its circular dated 11 July 2022 has allowed a trade settlement between India and other countries in INR and introduced a detailed rupee payment mechanism. The circular also provided for process and other nuances in relation to this.
- ▶ RBI vide its circular dated 8 August 2022 allowed Small Finance Banks to become AD Category-I in foreign exchange business for its client's requirements, subject to conditions like:
  - Completion of at least 2 years of operations as AD Category-II.
  - Minimum net worth of INR 5000mn.
  - Profit making and no default in maintenance of Cash Reserve Ratio/Statutory Liquidity Ratio during preceding 2 years.



## RESERVE BANK OF INDIA

- ▶ RBI vide its notifications/circulars dated 22 August 2022 has operationalised the new OI regime simplifying the existing framework to cover wider economic activity and reduce the specific approvals to the extent possible, details of which is provided in given link [New Overseas Investment Regime](#).
- ▶ Vide circular dated 30 September 2022, RBI has introduced uniformity in imposition of Late Submission Fees for reporting delays across functions for various transactions related to FI, ECBs and OI.
- ▶ RBI vide its notification dated 11 October 2022 clarified that NBFCs that are part of a common group or are floated by a common set of promoters shall be aggregated for determination of the 'Middle Layer' status of NBFC and not be viewed on a standalone basis.
- ▶ RBI, on 11 October 2022, issued a circular amending the extant regulatory framework for ARCs and introducing corporate governance norms and other aspects as mentioned here under:
  - Settlement of dues payable by the borrower under one-time settlement.
  - Increase in minimum net owned fund requirement.
  - Investment in security receipts and deployment of surplus funds.
  - Allowing ARCs to function as resolution applicant under the IBC.



## INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

- ▶ IBBI vide its notification dated 9 February 2022 notified the IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2022 stating:
  - Committee meetings to be convened only if necessary or upon the request received from committee member representing at least 33% of voting rights.
  - Electronic records and physical records must be preserved at least for the period of 8 years and 3 years respectively from the date of completion of CIRP or conclusion of any proceeding related to that.
- ▶ IBBI vide its notification dated 5 April 2022 introduced IBBI (Voluntary Liquidation Process) (Amendment) Regulations, 2022,
  - Curtailing/delaying timelines for some stipulated activities undertaken during voluntary liquidation process.
  - Ensuring faster exit for firms.
  - Completing the entire process maximum within the period of 270 days (as against 365 days).
- ▶ IBBI vide its notification dated 13 September 2022 prohibits the IP from receiving and/or sharing any fees or charges from any professional and/or other support service provider appointed during the process of Insolvency.
- ▶ IBBI vide its notification dated 13 September 2022 introduced IBBI (Insolvency Resolution Process for Corporate Persons) Third Amendment Regulations, 2022 stating the manner and methodology of fees to be paid to Insolvency Resolution Professionals or the Resolution Professionals.
- ▶ IBBI vide its notification dated 28 September 2022 introduced IBBI (Insolvency Professionals) (Fourth Amendment) Regulations, 2022 highlighting the following:
  - An individual or an IP entity, as recognised by the IBBI, can now be a professional member.
  - IP entity may obtain certificate of registration upon payment of specified fees and its partner/director must be following fit and proper criteria.



## ABBREVIATIONS

# ABBREVIATIONS

| Abbreviation |  |
|--------------|--|
| AD           | Authorised Dealer                                  |
| AGM          | Annual General Meeting                             |
| AIF          | Alternative Investment Fund                        |
| AOP          | Association of Persons                             |
| AMC          | Asset Management Company                           |
| AJP          | Artificial Judicial Persons                        |
| ARC          | Asset Reconstruction Company                       |
| BOI          | Body of Individuals                                |
| CESTAT       | Customs, Excise and Service Tax Appellate Tribunal |
| CGST         | Central Goods and Services Tax                     |
| CTA          | Customs Tariff Act, 1975                           |
| CST          | Central Sales Tax                                  |
| CSR          | Corporate Social Responsibility                    |
| CIRP         | Corporate Insolvency Resolution Process            |
| CoA          | The Companies Act, 2013                            |
| CSR          | Corporate Social Responsibility                    |
| ECB          | External Commercial Borrowings                     |
| ECO          | E-Commerce Operator                                |

| Abbreviation     |   |
|------------------|---|
| EOGM             | Extra Ordinary General Meeting  |
| FI               | Foreign Investment  |
| FTP              | Foreign Trade Policy  |
| FPO              | Further Public Offering   |
| GST              | Goods and Services Tax  |
| HUF              | Hindu Undivided Family  |
| IGST             | Integrated Goods and Services Tax                                     |
| IFSC             | International Finance Services Centre                                 |
| IBBI             | Insolvency and Bankruptcy Board of India                              |
| IBC              | Insolvency and Bankruptcy, Code 2016                                  |
| ICDR Regulations | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 |
| INR              | Indian National Rupee   |
| InvIT            | Infrastructure Investment Trusts                                      |
| IP               | Insolvency Professionals  |
| IPO              | Initial Public Offering   |
| LEI              | Legal Entity Identifier   |

| Abbreviation     |  |
|------------------|--|
| LODR Regulations | SEBI (Listing Obligations and Disclosure Requirements), 2015 |
| MCA              | Ministry of Corporate Affairs                                |
| MoU              | Memorandum of Understanding                                  |
| mn               | Million  |
| NBFC             | Non-Banking Finance Company                                  |
| NCLT             | National Company Law Tribunal                                |
| NOC              | No Objection Certificate                                     |
| OI               | Overseas Investment  |
| OIDAR            | Online Information and Database Access or Retrieval services |
| RBI              | Reserve Bank of India  |
| REITs            | Real Estate Investment Trusts                                |
| RP               | Related Party  |
| RPT              | Related Party Transactions                                   |
| SEBI             | Securities & Exchange Board of India                         |
| SEZ              | Special Economic Zone  |
| SGST             | State Goods and Services Tax                                 |
| VCF              | Venture Capital Fund   |





## ABOUT BDO



# ABOUT BDO

GLOBAL REVENUE

**US\$ 12.8 billion**



**+12.1%\***

REVENUE INCREASE

\* (at constant exchange rates)

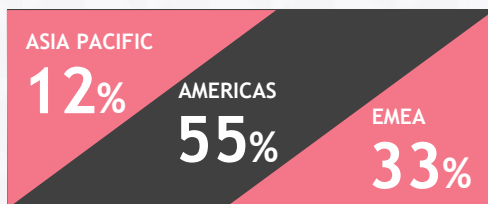
**1,803** OFFICES **164** COUNTRIES & TERRITORIES



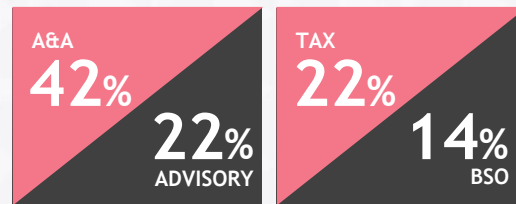
**111,307**

PEOPLE **+14.4%**

PERCENTAGE  
REVENUE BY  
REGION



FEE SPLIT  
BY SERVICE  
LINE



\*Note: Financial results are as of 30 September 2022

# BDO IN INDIA

**11** KEY CITIES

**270+** PARTNERS DIRECTORS

**4,600+** STAFF



- Ahmedabad
- Bengaluru
- Chandigarh
- Chennai
- Delhi
- Goa
- Hyderabad
- Kochi
- Kolkata
- Mumbai
- Pune

**ADVISORY SERVICES**  
**RISK AND COMPLIANCE**  
**CORPORATE FINANCE AND INVESTMENT BANKING**  
**BUSINESS RESTRUCTURING**  
**FORENSICS**  
**SUSTAINABILITY & ESG VALUATIONS**  
**M&A**  
**ADVISORY ASSURANCE**  
**DUE DILIGENCE**  
**BUSINESS SERVICES & OUTSOURCING**  
**GOVERNMENT TAX & REGULATORY**  
**INDIRECT TAX**  
**DIGITAL**

DELIVERING EXCEPTIONAL CLIENT EXPERIENCE

BDO in India offers a wide range of services across Assurance, Tax, Advisory, Business Services & Outsourcing, Digital Services and Technology Products and Solutions to both domestic and international organisations across a range of industries.

With a constant focus on technology and innovation, our teams work with businesses to help them safeguard stakeholder value and meet expectations around growth.



**MILIND KOTHARI**  
Managing Partner



**YOGESH SHARMA**  
Deputy Managing Partner

# AWARDS AND ACCOLADES

#4 for PE and #7 for M&A deals on the League Table

Venture Intelligence report

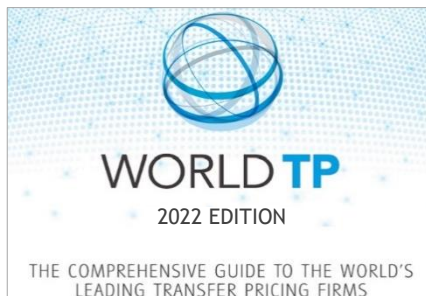
2022



Leading Transfer Pricing firm

World Transfer Pricing-  
Comprehensive Guide to World's Leading  
Transfer Pricing Firms

2014 - 2022



Leading Tax firm

International Tax Review -  
Comprehensive Guide to World's Leading  
Tax Firms

2012 - 2022



Tax Innovator of the year

ITR Asia-Pacific Tax Awards

2021



# WHY BDO

## LEADING ADVISER TO THE MID-MARKET WITH CLIENT SERVICE AT THE HEART



### A GLOBAL ORGANISATION YOU KNOW CAN DELIVER

- BDO has 50 years of experience delivering accounting, advisory, tax, business services and consulting services
- We know your businesses and are poised to address your immediate and long-term service needs



### A DEDICATED AND ACCESSIBLE TEAM

- High level of involvement from partners/ directors
- Access to specialised services teams
- Dedicated project management support to ensure deadlines are met and any potential issues are highlighted early on



### INNOVATIVE SERVICES

- Flexible approach and methodology to manage the engagement efficiently
- Ideas for business improvements throughout the engagement



### PROVEN SECTOR EXPERIENCE

- Our team brings in broad-based experience, knowledge and business savvy approach to our clients
- Our professionals are well versed with the challenges faced in your industry including new legislations and regulations



### VALUE FOR FEES TO SUIT YOUR NEEDS

- Openness and transparency in pricing our work; no surprises
- Client service plan designed to identify and track issues and opportunities

# OUR SERVICES



## ASSURANCE

- ▶ Accounting Advisory Services
- ▶ Financial Statement Audit and Attestation Services



## TAX

### TAX & REGULATORY SERVICES

- ▶ Corporate Tax Services
- ▶ Financial Services Tax
- ▶ Global Employer Services
- ▶ International Tax Services
- ▶ Private Client Services
- ▶ Tax Outsourcing
- ▶ Transfer Pricing

### INDIRECT TAX

- ▶ Customs & International Trade
- ▶ Goods & Services Tax (GST)
- ▶ Indirect Tax Assessment & Litigation Assistance
- ▶ Tax Technology



## ADVISORY

### BUSINESS ADVISORY SERVICES

- ▶ Forensics
- ▶ Government Advisory
- ▶ IT Risk Advisory & Assurance
- ▶ Management Consulting
- ▶ Risk Advisory Services
- ▶ Sustainability & ESG

### DEAL ADVISORY SERVICES

- ▶ Business Restructuring Services
- ▶ Corporate Finance and Investment Banking
- ▶ Deal Value Creation
- ▶ Financial Due Diligence
- ▶ M&A Tax and Regulatory
- ▶ Strategy & Commercial Due Diligence
- ▶ Valuations



## BUSINESS SERVICES & OUTSOURCING

- ▶ Finance and Accounting Outsourcing
- ▶ Global Outsourcing
- ▶ Human Resource Outsourcing
- ▶ Payroll Management and Compliance Services
- ▶ Secretarial Services and Compliance Management
- ▶ Shared Services Centre




## BDO DIGITAL

- ▶ Digital Services
- ▶ Technology Products and Solutions

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