



Summary of Key Budget Proposals – Direct & Indirect Taxes

Direct Taxes

A. Proposals impacting Foreign Portfolio Investors (FPI)

1. **Income distribution by REITs and InvITs** – Repayment of debt received by the specified Funds is proposed to be taxable as income from other sources.
2. **Market Linked Debentures (MLD)** – Gains from transfer of MLD proposed to be treated as STCG irrespective of the period of holding
3. **Income from other sources under section 56(2)(viib)** – Investment by non-residents in a private Indian company above the fair market value to be regarded as income in the hands of the Indian company.
4. **TDS on income distribution by mutual funds under section 196A which specified the TDS rate of 20%** – The Budget proposes amendment to permit the tax treaty rate to be applied for TDS on income distribution by the mutual funds.
5. **International Financial Services Centers (GIFT City)**
 - Foreign Funds proposing to relocate to IFSC are **exempted from capital gains tax on transfer of Indian security**, if such transfer is made by March 31, 2023. Investors of the Foreign Fund are also provided exemption from capital gains
 - Income (e.g. dividend, Interest etc.) distributed by Offshore Banking Units (OBUs) in IFSC to the non-residents in respect of Offshore Derivative Instruments (ODIs) is exempt in the hands of such non-residents, provided such distributed income is chargeable to tax in the hands of OBUs.
 - **Single window** for registration and approval from SEZ, IFSC, SEBI, RBI, etc. has been announced. Additionally, powers under SEZ Act are proposed to be delegated to IFSC Authorities, to avoid dual registration.

B. Corporate Taxation

- **New co-operative society** formed on or after 01.04.2023, which **commences manufacturing or production by 31.03.2024** and does not avail of any specified incentive or deduction, is proposed to be allowed an option to pay tax at a concessional rate of 15 per cent similar to what is available to new manufacturing companies.
- Interest income on listed debentures received by resident to be subject to TDS.

C. Taxation of start-ups

- The period of incorporation of start-ups eligible for tax exemption to be extended by one year to 1st April 2024.
- Benefit proposed to be extended from 7 to 10 years in respect of carry forward of losses by startups on change in shareholding.

D. TDS/TCS provisions

- TDS to be deducted on winnings from gambling, betting, horse races, etc. on aggregate of amounts exceeding INR 10,000 during the year.
- Clarified that benefits or perquisite provided in cash or in kind to be taxable and TDS provisions to be considered.
- The scope for applying lower WHT certificate expanded to include interest income paid by business trust to non-resident unit holders.
- TCS increased from 5% to 20% for select overseas remittance.

E. Transfer Pricing

- The time limit for furnishing TP Report has been **reduced to 10 days**, though an additional 30 days can be sought.
- The **scope of Specified Domestic Transactions has been enhanced** to include the new manufacturing cooperative societies under the concessional tax regime.
- Surcharge on income-tax on secondary adjustment remains same at 12%.
- Time limit for completion of TP audits gets amended consequent to the change in timelines for completion of audits by the Assessing Officer.

F. Taxation of Online Gaming

Tax imposed at the rate of **30% on net winnings from online games**. TDS to be deducted at the rate of 30% from net winnings of online games.

G. Measures to improve ease of doing business

- Permanent Account Number (PAN) to be used as a **common identifier for all digital systems**
- **Introduction of Joint Commissioner (Appeals)**, to handle certain appellate matters in order to reduce the burden of pending appeals before the CIT(A).

H. Other Measures

- **Presumptive Taxation** - Gross receipts thresholds for presumptive taxation in case of business and professionals increased to INR 3 crores and INR 75 lacs, respectively.
- **Sunset clause proposed for decriminalization** of prosecution proceedings against liquidator.
- Penalty and Prosecution imposed on taxpayer who does not pay or fails to ensure payment of taxes where consideration or net winnings in case of **VDA or online gaming is paid in kind**.
- Tax imposed on **income from insurance policies** (other than ULIP) having premium or aggregate of premium above INR 5 lacs in a year.
- **Rationalizing the conditions for claiming tax holiday benefit availed by units operating from an SEZ (units which commenced operations prior to March 31, 2020)**
 - It is proposed that taxpayers will be required to file their tax return within the due date of filing the original return in order to be eligible to claim the tax holiday benefit.
 - It is also proposed that the tax holiday benefit may be availed by units only if the export proceeds in convertible foreign currency are (a) actually realized/ brought into India; or (b) deemed to be brought into India; **within a period of 6 months** from the end of the relevant previous year, or any further period as may be approved by the RBI/ competent authority.



Indirect Taxes

Indirect Tax proposals announced in Budget 2023 aim to **promote exports, boost domestic manufacturing, enhance domestic value addition, encourage green energy and mobility**. Below are the key proposals:

A. Goods and Service Tax

Composition scheme changes – Introduction of penal consequences for e-commerce operators in light of the announcement by GST Council to allow unregistered persons and composition dealers to make intra-state supplies through the e-commerce operators

Input Tax Credit related changes – ITC on CSR expenditure to be disallowed.

Operational changes – Proposed restriction for filing of returns under the GST legislation after the expiry of three years from the due date of filing of such returns GSTR-1, GSTR-3B, GSTR-9, GSTR-8

Definition of OIDAR (Online Information and Database Access or Retrieval Services) amended to remove the condition of rendering of the said supply as it is essentially automated and involves minimal human intervention.

Definition of non-taxable online recipient simplified to say that “non-taxable online recipient” means any unregistered person receiving online information and database access or retrieval services located in taxable territory.

B. Customs

Tariff changes – *USISPF is grateful to the Government of India for considering some of the Customs duty recommendations submitted by USISPF to the Ministry of Finance in the Budget proposals, including continuity of end-use exemption for specific raw materials of Optical Fiber / Cable, sustaining Customs duty rate on high-end X-Ray machines, among others.*

For a comprehensive list of tariff changes, please refer *Annexure I*.

Annexure I – Customs Duty changes in Union Budget 2023

1. Chemicals and petrochemicals:

- a) The BCD on denatured ethyl alcohol is being reduced from 5% to Nil for use in the manufacture of industrial chemicals through IGCR route.
- b) The BCD on acid grade fluorspar (containing by weight more than 97% of calcium fluoride) is being reduced from 5% to 2.5% .
- c) The BCD on crude glycerin is being reduced from 7.5% to 2.5% for use in manufacture of epichlorohydrin through IGCR route.
- d) The BCD on Naphtha is being increased from 1% to 2.5%.
- e) The BCD on styrene is being increased from 2 % to 2.5%.
- f) The BCD on Vinyl Chloride monomer is being increased from 2% to 2.5%.

2. Precious Metals

- a) The import duty on Dore and bar of gold and platinum were enhanced in June and October 2022 respectively. While maintaining the existing incidence of import duty on these items, the BCD rate and AIDC rates are being recalibrated. The import duty on silver bar and silver Dore is however being enhanced. The changes are as follows:

Commodity	BCD		AIDC		SWS		Total duty
	From	To	From	To	From	To	
Gold Bars	12.50%	10 %	2.50%	5.00%	Nil	Nil	15%
Gold Dore	11.85%	10 %	2.50%	4.35%	Nil	Nil	14.35%
Platinum	12.50%	10%	1.50%	5.40%	1.40	Nil	15.40%
Silver Bar	7.50%	10%	2.50%	5.00%	0.75	Nil	15%
Silver Dore	6.10%	10%	2.50%	4.35%	0.61	Nil	14.35%

- b) The import duty on articles made of precious metals falling under CTH 7113 & 7114 is being increased from 22% to 25%. It is however

being exempted from SWS.

- c) The import duty on imitation jewellery classified under Heading 7117 is being increased from 22% or Rs. 400/kg, whichever is higher' to '25% or Rs. 600/kg, whichever is higher'. It is however being exempted from SWS.

3. Export Promotion:

- a) The BCD on 'seeds' for use in manufacture of rough lab grown diamond is being reduced to Nil subject to IGCR condition for a period of two years.
- b) The BCD on certain ingredients/inputs for use in the manufacture of aquatic feed is being reduced subject to IGCR condition as follows:

Description of goods	From	To
Fish meal	15%	5%
Krill meal	15%	5%
Fish lipid oil	30%	15%
Algal Prime (flour)	30%	15%
Mineral and Vitamin Premixes	15%	5%

4. Electronics goods

- a) The BCD on camera lens for camera module and input/sub parts for lens of camera module of mobile phone is being reduced from 2.5% to Nil subject to IGCR condition.
- b) Exemption from BCD is being provided to specified chemicals/items for manufacture of Pre-calcined Ferrite Powder as is available for Ferrites (S. No 17 of Notification no 25/1999 -Customs).
- c) Exemption from BCD is being provided to Palladium Tetra Amine Sulphate for manufacture of parts of connectors as is available for manufacture of connectors. (S.No 225 of Notification no 25/1999 -Customs).
- d) The BCD on parts for manufacture of open cells of TV panels is being reduced from 5% to 2.5% subject to IGCR condition.

5. Electrical appliances

- a) The BCD on electric kitchen chimney is being increased from 7.5% to 15% .
- b) The BCD on heat coils for use in manufacture of electric kitchen chimney is being reduced from 20% to 15% subject to IGCR condition.

6. Automobiles

- a) Exemption from BCD is being provided to vehicles, specified automobile parts/components, sub-systems and tyres, when imported by notified testing agencies for the purpose of testing and/ or certification , subject to specified conditions.
- b) The BCD on vehicle (including electric vehicles) in Semi-Knocked Down (SKD) form is being increased from 30% to 35%. However it is being exempted from SWS
- c) The BCD on vehicles in Completely-Built Unit (CBU) form is being increased from 60% to 70%. However it is being exempted from SWS.

7. Capital Goods

- a) Customs duty exemption is being provided to import of specified capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles as is available for manufacture of lithium-ion cells for batteries used in mobile handsets.(S.No 69 of Notification no 25/2002 -Customs)

8. Others

- a) The BCD on bicycles is being increased from 30% to 35%. However it is being exempted from SWS.
- b) The BCD on toys and its parts is being increased from 60% to 70%. However it is being exempted from SWS . There are no changes to the effective rate on parts covered under S.No 591 of Notification No. 50/2017-Customs.
- c) The BCD on aircraft (other than those at Nil or 2.5%) and aircraft tyres (other than those at Nil) is being reduced from 3% to 2.5% but they will attract AIDC of 0.5%.
- d) The BCD on coal, peat and lignite is being increased to 2.5% but these are being exempted from AIDC.
- e) The BCD on compounded rubber is being increased from 10% to '25% or Rs. 30/kg whichever is lower'.
- f) The BCD on pecan nuts is being reduced from 100% to 30%. The SWS exemption is being withdrawn.
- g) The BCD on Warm blood horse imported by sports person of outstanding eminence for training purpose for equestrian sports is being reduced from 30% to Nil subject to conditions.

9. Social welfare surcharge (SWS)

The following goods are being exempted from levy of Social Welfare Surcharge in order to maintain the total effective duty owing to rationalization of basic customs duty rate structure:

1.	Silver (HSN 7106), Gold (HSN 7108) & Imitation Jewellery (HSN 7117)
2.	Platinum (HSN 7110) other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table annexed to the notification No. 50/2017-Customs, dated the 30th June, 2017, published in the Gazette of India vide number G.S.R. 785(E), dated the 30th June, 2017.
3.	All goods falling under HSN 7113, other than the goods covered under S. Nos. 356, 357 and 364C of the Table in the notification No. 50/2017-Customs, dated the 30th June, 2017, published in the Gazette of India vide number G.S.R. 785(E), dated the 30th June, 2017.
4.	All goods falling under HSN 7114, other than the goods covered under S. Nos. 356 and 357 of the Table in the notification No. 50/2017-Customs, dated the 30th June, 2017, published in the Gazette of India vide number G.S.R. 785(E), dated the 30 th June, 2017.
5.	Bicycles (HSN 8712 00 10)
6.	Motor vehicle including electrically operated vehicles falling under HSN 8703 covered under S. No. 526 (1)(b), 526 (2)(b), 526A(1)(b) and 526A(2)(b) of the Table in Notification No. 50/2017-Customs dated the 30th June, 2017, published in the Gazette of India vide no G.S.R. 785(E) dated the 30th June, 2017.
7.	Aeroplane and other aircrafts falling under tariff items 8802 2000, 8802 3000 and 8802 4000 covered under S. No. 543 A of the Table in Notification No. 50/2017-Customs dated the 30th June, 2017, published in the Gazette of India vide no G.S.R. 785(E) dated the 30th June, 2017.
8.	Toys and parts of toys (HSN 9503) other than goods covered under S. No. 591 of the Table annexed to Notification No. 50/2017-Customs dated the 30th June, 2017

The following notifications are being rescinded on account of being redundant owing to basic customs duty rate structure rationalization:

1	No. 13/2021-Customs, dated the 1 st February, 2021, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 71(E), dated the 1 st February, 2021
2	No. 34/2022-Customs, dated the 30 th June, 2022, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 487(E), dated the 30 th June, 2022

Note: Description of entries is indicative, notification may be referred for complete description.

10. Agriculture Infrastructure and Development Cess (AIDC)

(a) AIDC rate changes (with changes to the effective rate of customs duty)

S.No	Commodity	From	To
1.	Silver bar	2.5%	5%
2.	Silver Dore	2.5%	4.35%

Note: Description of entries is indicative, notification may be referred for complete description.

(b) Changes to AIDC (without any change to the effective rate of customs duty)

S. No	Commodity	From	To
1.	Coal, peat, lignite	1.5%	Nil
2.	New pneumatic tyres, of rubber, of a kind used on aircraft as mentioned in Entry 280 A of Notification No. 50/2017-Cus	Nil	0.5%
3.	Gold bar	2.5%	5%
4.	Gold Dore	2.5%	4.35%
5.	Platinum other than rhodium and goods covered under S. Nos. 415(a) and 415A of the Table in notification No. 50/2017-Customs, dated the 30th June, 2017.	1.5%	5.4%



6.	Aero planes and other aircraft covered under S.No.543A of Notification No. 50/2017-Cus	Nil	0.5%
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a) Note: Description of entries is indicative, notification may be referred for complete description

Review of Exemptions

Out of 196 exemptions, 146 exemptions are being extended for a period of one year i.e. up to 31.3.2024 for the purpose of undertaking review. Of the remaining, a few are being extended for five years, two years and one year while some exemption entries are being discontinued with effect from 31.3.2023.

The details of exemption entries/ notifications extended by five years, two years and one year are as follows:

S. No	S.No.in Notification No 50/2017-Cus/ Notification No	Commodity	From	To
Extended by five years upto 31.3.2028				
1.	S. No 609 of 50/2017- Customs	Used bonafide personal and household effects of a deceased person		
2.	33/2017- Customs	Exemption to import/reimport of challenge cups and trophies won by a unit of Defence Force or its members.		
3.	41/2017- Customs	Exemption to import of cups, trophies to be awarded to winning teams in international tournament / world cup to be held in India.		
4.	146/94- Customs	Exemption to import of specified sports goods imported by National Sports Federation or by a Sports person of outstanding eminence for training.		
5.	90/2009- Customs	Exemption to imports from Antarctica of goods used for or related to Indian Antarctic Expedition or Indian Polar Science Programme.		

Extended by two years upto 31.3.2025				
1.	168	Specific inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables	Nil	Nil
2.	341	Preform of silica for use in the manufacture of telecommunication grade optical fibres or optical fibre cables	5%	5%
3.	341A	Inputs for manufacture of Preform of silica	Nil	Nil
4.	405, 406	Raw materials and parts for manufacture of Wind operated electricity generators, including permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity operators	5%	5%
5.	559	Raw material and parts (including Dredger) for use in the manufacture of ships/vessels	Nil	Nil
6.	166	Specified Drugs, medicines, diagnostics kits	5%	5%
7.	167	Lifesaving drugs etc	Nil	Nil
Extended by one year upto 31.3.2024				
1.	368	Ferrous waste and scrap	Nil	Nil

2.	374,375	Raw materials for use in manufacture of CRGO steel	Nil	Nil
3.	527A	Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobilephone	5%	5%
4.	527B	Lithium-ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle	5%	5%
5.	237	Specified inputs for use in the manufacture of EVA sheet or back sheets which are used in the manufacture of solar cell or modules	Nil	Nil
6.	340	Solar tempered glass for use in the manufacture of solar cell or solar module	Nil	Nil

Note: Description of entries is indicative, notification may be referred for complete description.

Conditional /unconditional exemption entries in notification no 50/2017-customs being discontinued with effect from 31.3.2023.

S. No.	Entry. No. Notfn No. 50/2017	Description of goods
1.	132	Goods for manufacture of specified refractory products
2.	289	Wood in chips or particles for manufacture paper and paperboard; newsprint.
3.	397	Specified goods for use in high voltage power transmission project
4.	399	Specified goods and their parts for use in manmade or synthetic fibre or yarn industry

S. No.	Entry. No. Notfn No. 50/2017	Description of goods
5.	400	Specified goods and its parts for use in textiles industry
6.	403	Parts and raw materials for manufacture of goods of off- shore oil exploration or exploitation
7.	407	Goods required for substitution of ozone depleting substances (ODS) and setting up of new capacity with non-ODS technology
8.	408	Machinery, instruments, apparatus and appliances or raw material for renovation or modernization of a fertilizer plant fertilizer plants and spare parts, consumable stores, essentials for maintenance of that plant
9.	430	Goods for use in pharmaceutical and biotechnology sector for R &D
10.	432	Specified goods for use in the textile industry
11.	434	Specified machinery and capital goods for use in the silk textile industry
12.	436	Spares, supplied with outboard motors for maintenance of such outboard motors
13.	448	Specified advance capital goods/machinery used in agriculture
14.	460	Shuttle less looms and parts/components for its manufacturing
15.	513	Parts or components for use in manufacture of populated printed circuit board of DVR, NVR, CCTV camera

S. No.	Entry. No. Notfn No. 50/2017	Description of goods
16.	393	Machinery/Capital goods for manufacturing sports goods
17.	394	Bacteria removing clarifier
18.	395	Machinery/ Capital goods used in Fisheries sector
19.	409	Goods required for setting up crude petroleum refinery
20.	439	Specified machinery/capital goods in leather / footwear industry
21.	440	Fogging Machines imported by Municipal Committee, DistrictBoard to combat Malaria etc
22.	444	Geothermal ground source heat pumps
23.	445	Machinery/Capital goods for making Gems & Jewellery
24.	455	Goods specified under 8422 3000, 8422 4000 or 8422 9090 inpackaging Industry
25.	458	Machineries under 8438 used in food processing industry
26.	461	Specified textile Machinery specified under 8444,8445,8446,8447,8448 (except 84483100), 8449
27.	469	Atmospheric Water Generator

28.	470	Presses for manufacturing of particle board or fibre building board of wood or other ligneous material and other machinery for treating wood or cork
29.	594	Snow Ski and other snow ski equipment; water-skis, surf –boards, sailboards and other water sports equipment
30.	16	Human Embryo
31.	325	Monofilament yarn

Standalone notification being discontinued with effect from 31.3.2023.

S. No.	Notification No.	Subject	Justification
1	48/2017-Cus	Exemption to catering cabin equipment, food and drinks on re-importation by aircrafts of the Indian Airlines Corporation from foreign flights	Indian Airlines Corporation is no longer in existence

Note: Description of entry is indicative, notification may be referred for complete description.