



**Important
Amendments as per
Finance Act 2023**

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1.Section 115BAC

Tax on Income of Individual, HUF & Others
(New Regime – Default Regime)



- With effect from A.Y. 2024-25, new tax regime with following tax rate, shall be the **default scheme** for Individual, HUF, AOP & BOI

Income Slab (INR)	Income Tax Rates
0 – 3 Lakhs	Nil
3 Lakhs – 6 Lakhs	5%
6 Lakhs – 9 Lakhs	10%
9 Lakhs - 12 Lakhs	15%
12 Lakhs - 15 Lakhs	20%
15 Lakhs & above	30%

- No deductions or exemptions shall be provided except for deductions under section 80CCD(2) or 80CCH(2) or 80JJAA and **standard deduction of Rs.50,000/-** under Section 16(ia).
- This tax rate will be the **default tax regime**.
- Opting out option to be exercised on or before the due date specified under section 139(1) of the Act.
- The option once exercised cannot be changed in case of assessee having income from business and profession.
- Surcharge shall be limited to **25%** under this option.

2.

Old Tax Regime – Optional Regime

- With effect from A.Y. 2024-25, following tax rate shall be the optional tax rate

Income Slab (INR)	Income Tax Rates
0 – 2.5 Lakhs	Nil
2.5 Lakhs – 5 Lakhs	5%
5 Lakhs – 10 Lakhs	20%
10 Lakhs & Above	30%

For Senior Citizen (above 60 years), Tax Rate will be Nil in case of Income upto Rs.3 Lakhs

For Super – Senior Citizen (above 85 years), Tax rate will be Nil in case of Income upto Rs.5 Lakhs

- Surcharge shall be as per applicable rates.

3.**Section 9(1)(viii)**

Taxability of income arising outside India in nature of income u/s 56(2)(x)

- Applicable to non-resident (On or after 05/07/2019) or a not-ordinary resident (on or after 01/04/2023),
- Any sum of money received from a resident Indian who is not a relative and if such amount is received outside India, then
- Such sum is taxable in India in the hands of a recipient.

4.**Section 10(10D)**

Taxation of amounts received from Insurance companies & ULIPS

- Amounts received from following Insurance policies are taxable:

Policy issued	Premium Paid in any year
On or after 01/04/2003, but on or before 31/03/2012	Exceeds 20% of the actual capital sum-assured
On or after 01/04/2012 but on or before 31/03/2023	Exceeds 10% of the actual capital sum-assured
After 01/04/2023 (Insurance Policies & ULIPS)	Exceeds Rs.5 Lakhs

- Deduction of premium paid on such policies will be allowed against such income only if no benefit is claimed under 80C in the year of payment of premium.

**5.****Section 10AA**

Provisions related to SEZ

Specified units located in SEZ gets tax deductions @ 100% of profit for the first 5 AY's and 50% for the next 5 AY's u/s. 10AA. Now, to get this deduction, some additional conditions are to be complied with;

- Return of income by such assessee will have to be filed within the due date specified u/s 139(1) of the Act.
- Proceeds from sale of goods or provision for services, should be received in or brought into India in convertible foreign exchange within 6 months from the end of the financial year.

6.

Section 17(2)(ii)

Perquisite in form of Concessional Rent

- Method for valuation and taxability of perquisite for providing accommodation at concessional rent redefined
- Perquisite = Value as per Rule 3 (less) Rent recoverable from or payable to employee.

7.

Section 28(iv)

Value of benefit or perquisite to be included in Business Income

Any benefit or perquisite arising from exercise of business or profession;

- whether it is convertible into money or not;
- *in cash or in kind or*
- *partly in cash and partly in kind.*

Will be included in income from business or profession.

This is to bring the provision in line with provisions of section 194R.

8.

Section 35D

Form prescribed to claim deduction of preliminary expenses.

• Form has been specified which is now required to be filed for claiming deduction of expenditure in relation to feasibility report, preparation of project report, etc.

- Modalities for filing of form, its due date are to be published.

9.

Section 43B

Inclusion of Clause (h) for payments to MSME's

• Now the amounts payable to MSME's will be disallowed under 43B(h), if not paid within the due date specified under MSME Act, 2006, i.e. **15 days**.

- 15 days will be read as **45 days**, incase a written agreement has been entered between the parties.



10.

Section 44AB

Tax-Audit

Applicability

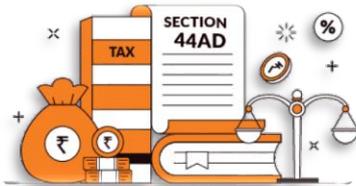


- Earlier, Tax Audit was not applicable to assessee who declares profit as per 44AD(1) and his total sales/turnover/gross receipts does not exceed Rs.2 crore.
- Now, the capping of Rs.2 crore has been removed from this provision and Tax Audit shall not be applicable to those assessee who declare profit u/s 44AD(1) or 44ADA(1), i.e. presumptive taxation for business and professionals.

11.

Section 44AD

Presumptive Taxation for Eligible Business



In order to motivate digital and banking transactions, the Limit of turnover for presumptive taxation has been enhanced from Rs.2 crores to Rs.3 crores for below specified case:

- **Cash receipts** is less than 5% of the total turnover or gross receipts
- Amounts received by cheque or bank draft, which is not account payee, will also be considered as cash receipt.

12.

Section 44ADA

Presumptive Taxation for Eligible Profession



In order to motivate digital and banking transactions, the Limit of turnover for presumptive taxation has been enhanced from Rs.50 Lakhs to Rs.75 Lakhs for below specified case:

- **Cash receipts** is less than 5% of the gross receipts.
- Amounts received by cheque or bank draft, which is not account payee, will also be considered as cash receipt.

13.**Section 45(5A)****Capital Gain in case of Specified Agreement**

- Capital Gain in these cases will apply when the certificate of completion is received.
- If asset is transferred prior to such completion, the CG will be taxable in the year of such transfer.
- Consideration = Stamp Duty value of such asset + Consideration received in Cash + Cheque + Draft + *Other mode*.

14.**Section 48****Exclusion from Cost of acquisitions for the purpose of CG**

Following **cannot** be added to cost of acquisition for computing capital gains:

- Amount of interest claimed as deduction u/s 24(b) – Housing Loan Interest
- Amount of interest claimed as deduction u/s 80EE

15.**Section 50AA****Capital Gains in case of Market Linked Debentures and units of specified mutual funds**

- Applicable to Market Linked Debentures (MLD)
- Also applicable to units of Specified Mutual Funds acquired on or after 01/04/2023.
- Capital Gain will always be **Short Term CG**.
- Capital Gain = Consideration (-) Cost of Acquisition of Debenture (-) expenditure in relation to transfer / redemption / maturity.
- No deduction allowed for STT Paid.
- MLD means **security in form of debt** and where returns are **linked to Market** (Includes MLD as per SEBI)
- Specified Mutual Funds means MF with **equity investment less than 35%**.

16.

Section 54 & 54F

Exemption on investment in residential house



- Capping has been introduced for claiming exemption from Capital Gains via re-investment.
- Maximum exemption available is Rs.10 crore.
- Capital Gains exceeding Rs.10 crore shall not be taken into account in this section.

17.

Section 55

Cost for purpose of Capital gains



- Cost of any improvement for **Intangible asset** will be "NIL"
- Cost of any improvement for **any other rights** will be "NIL"

18.

Section 56(2)(viib)

Taxation of shares issued above Face value

- If a company in which public is not substantially interested, issues shares above the Face value, then the value received above the Fair Market Value (FMV) will be taxable in the hands of such company.
- Shares issued to *Non-resident* will also be covered.
- FMV will be determined as per Rule 11U & 11UA.

19.

Section 56(2)(xii)

Sum received from units of Business trust

- Any sum received by a unit holder from unit of a business trust held by him at any time during the previous year shall be taxable.
- Specified sum = A (-) B (-) C
A = Aggregate sum distributed by business trust during previous year or earlier previous years, not in nature of income as per 10(23FC) or 10(23FCA) and not chargeable to tax u/s 115UA(2).
B = Amount at which such unit was issued by the business trust.
C = Amount charged to tax under this clause in any earlier previous year.

20.

Section 79 & Section 80-IAC

Provision related to start-ups

- Start-ups can now carry-forward their losses for 10 years.
- Start-ups incorporated before 01/04/2024 will be eligible to claim deduction u/s 80-IAC of 100% of profits for 3 consecutive AY's.



21.

Section 80G

Donations

- Donations to Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation will not be eligible u/s 80G.



22.

Section 87A

Rebate in case of Individuals



- Resident Individuals opting for old tax regime, will be eligible for rebate upto Rs.12,500/- provided the total income chargeable to tax does not exceed Rs.5 Lakhs.
- Assessee opting for 115BAC (New Tax Regime), will be eligible for rebate upto Rs.25,000/-, provided the total income chargeable to tax does not exceed Rs.7 Lakhs.
- In the above case, if income exceeds Rs.7 Lakhs and the income tax payable exceeds the amount of income exceeding Rs.7 lakhs, then marginal relief to the extent of additional tax will be provided.

Total Income	(A)	7L	7.2L	7.4L
Tax Liability	(B)	25,000	27,000	29,000
Income in excess of Rs. 7L	(C) = (A) - 7L	0	20,000	40,000
Excess of tax over Income	(D) = (B) - (C)	25,000	7,000	0
Rebate Allowed	(E)	25,000	7,000	0
Net Tax Liability	(F) = (B) - (E)	0	20,000	29,000

23.

Section 92D

Maintenance, keeping or furnishing of information by certain person



- In case of person entering international transactions or specified domestic transactions, certain prescribed documents and information are required to be maintained.
- Such information or document can be called for by the Assessing officer for verification and the compliance for the same will have to be made within a period of 10 days from the date of notice.

24.**Section 115BAE****Tax on certain new manufacturing co-operative societies**

- Applicable to co-operative society, resident in India, set up and registered on or after 01/04/2023.
- Manufacturing or production should commence on or before 31/03/2024.
- **Conditions :**
 - Business should not be formed by splitting up or reconstruction
 - Does not uses plant & machinery, used earlier
 - Used P&M allowed to the extent of 20% of total P&M
 - Imported used P&M, to be used first time in India is allowed.
 - No other business apart from eligible business.
- **Eligible business :**
 - Manufacturing or production of any article or thing
 - Research in relation to or for distribution of such article or thing
 - Does not include development of computer software, mining, conversion of marble blocks into slabs, bottling of gas in cylinder, printing of books or production of cinematographic films.
- No deduction allowed related to specified income.
- Depreciation and Losses attributable to above deductions also not allowed.
- Tax Rate shall be 15%
- Tax Rate shall be 22% on income which is not derived from or incidental to manufacturing or production of article, for which no specific rate of tax is provided in the Act. No deductions allowed.
- Tax Rate shall be 30% for profits which appears to be unreasonably high as per AO owing to close connection between assesee and other party.
- Tax Rate shall be 22% for STCG on capital asset on which depreciation is not charged.
- Option has to be exercised on or before the due date of return filing as per 139(1)
- Option once exercised cannot be withdrawn in any previous year.

25.

Section 115BBJ

Tax on winnings from online games

- Tax Rate shall be 30% on net winnings from online games.
- “Online games” means game that is offered on internet and is accessible by a user through a computer resource including any telecommunication device.

26.

Section 194B

TDS on Winnings from lottery or crossword puzzle, etc

- Winnings from lottery or crossword puzzle or from gambling or betting of any form or nature will be covered
- TDS will be applicable on amounts or aggregate of amounts exceeding Rs.10,000/-
Winnings from online games will not be covered under this provision.

27.

Section 194BA

TDS on winnings from online games

- TDS to be deducted on the net winnings in the account at the end of the financial year as per **rates in force.**
- If amounts are withdrawn from the account during the year, TDS to be deducted at the time of withdrawal from such account.
- If the winnings in cash are not sufficient to discharge the TDS, then it is the payers responsibility to ensure that the tax has been paid by the payee.



28.

Section 194N

TDS on Cash withdrawal

- TDS Rate is 2%
- Payer can be a banking company, post office or a co-operative society engaged in banking business.
- If cash payment to a person (recipient) exceeds Rs.1 crore from one or more account with such bank or post office or co-operative society.
- The limit for applicability of TDS will be Rs.3 crore where the recipient is a co-operative society.
If the recipient has not filed return of income for last 3 previous year, then TDS will be 2% for cash payment between Rs.20 lakhs to Rs.1 Crore and 5% for payments above Rs.1 Crore

29.

Section 206AB & 206CCA

TDS & TCS in case of non-filers

- These provisions shall not apply to “Non – Resident” who does not have Permanent establishment in India
- It shall also not apply to person not required to file return of income for a AY and is notified by Central Govt. in the official gazette.
- In case of Section 206CCA, TCS rate shall not exceed 20%.

30.

Section 206C(1G)

TCS on payments under LRS & overseas tour packages.

Wef. 01.07.2023

- TCS shall be 20% in following cases:
 - Remittances covered under Liberalised Remittances Scheme
 - Payments for overseas tour program package.
- Applicable to payments exceeding Rs.7 Lakhs In a Financial year
TCS shall be **5%** in case of payments for **education or medical treatment** exceeding Rs.7 Lakhs



31.

Section 206CC

TCS in case where PAN is not furnished

Wef. 01.07.2023

- Where PAN is not furnished to collectee, TCS applicable shall not exceed 20%

32.

Section 142

Inquiry before assessment



- With effect from 01.04.2023, the AO can direct the assessee to get the books audited by accountant as per Section 288(2) or get the inventory valued by Cost Accountant nominated by them.
- Prior approval is required from Commissioner, Chief Commissioner, Principal Chief Commissioner or Principal Commissioner
- Applicable only when AO is of the opinion that it is necessary to verify in the interest of the revenue.
- AO is required to give reasonable opportunity of being heard before giving such direction.

33.

Section 148

Issue of notice where income has escaped assessment



- Assessee will be allowed a period of 3 months from the end of the month in which such notice is issued, or such period allowed by AO as per assessee's application to file the return of income for the period under question.
- If the return is furnished later than the above specified time allowed, then such return will not be considered as return u/s 139.

34.

Section 153

Completion of assessment

AY selected for assessment	Time Limit for completion
Upto AY 2017-18	21 months from end of AY
AY 2018-19	18 months from end of AY
AY 2019-20	12 months from end of AY
AY 2020-21	18 months from end of AY
AY 2021-22	9 months from end of AY
From AY 2022-23	12 months from end of AY

- 12 months extension will be applicable in case where Assessment or reassessment is pending on the date of initiation of search u/s 132 or requisition of search u/s 132A

35.

Section 155

Grant of TDS deducted in subsequent AY (wef. 01.10.2023)



- This provision will benefit in case of mismatch of declaration of Income in one year and tax deduction done in subsequent year, by way of specific application before the AO.
- Such application has to be made within 2 years from the end of FY in which TDS is deducted.
- The AO will allow the credit of TDS in the relevant AY and amend the assessment or Intimation, if any.
- For rectification u/s 154, period of 4 years shall be calculated from end of FY in which TDS is deducted.
- In case refund arises, then Interest at rate of one-half percent for every month from date of application to date of issue of refund shall be given.

36.

Section 271FAA

Penalty on furnishing of inaccurate information in SFT



- Applicable to assessee covered u/s 285BA
- Penalty of Rs.50,000/- is applicable if
 - inaccurate information is furnished,
 - inaccuracy is known but not informed to prescribed authority
 - inaccuracy is discovered, but no action is taken to furnish correct information.
- Penalty of Rs.5,000/- is to be paid additionally, if inaccurate information is furnished due to incorrect information provided by their account holder. This penalty can be recovered by the assessee from the account holder.

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E. A. Patil & Associates LLP, Chartered Accountants is in the field of auditing for more than 40 years. The firm is registered under The Chartered Accountancy Act, 1949 of India. The firm was converted in to a Limited Liability Partnership in 2015.

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