



DRIVEN TO MAKE
POSITIVE DIFFERENCE

KEY BUDGET HIGHLIGHTS - 2023

- By E. A. Patil & Associates LLP
- For Internal Circulation Only



Disclaimer



The document is based on the proposed amendments in the Budget 2023. The final amendments may differ on actual passing of Finance Bill in the Parliament.

It is advisable to consult before taking any decision based on information provided in this document.

INTRODUCTION



- The Budget 2023 is the first budget laid down by the ministry in the “Amrit Kal” focused on the path towards achievement of Vision laid down for the next 25 years – from India at 75 to India at 100.
- Indian Economy has been recognized as a “Bright Star”.
- India has now been elevated from being the 10th Largest to 5th Largest economy in the world.
- The current economic growth is estimated to be at 7%, which is highest among all the major economies.



KEY FOCUS AREAS

- Vision for **Amrit Kaal** focusses on

Opportunities for Citizens with Focus on Youth

Growth and Job Creation

Strong and Stable Macro-Economic Environment

- The FM also highlighted “7” Priorities - **Saptarishi**



AGRICULTURE SECTOR

- **Digital Public Infrastructure** for Agriculture - Building an accessible, inclusive and informative solution for Farmers which will support for growth of Agri-tech Industry and Start-ups.
- Setting up **agriculture accelerated funds** aiming at bringing innovative and affordable solutions for farmers. This will also encourage innovative start-ups in rural areas.
- **Atmanirbhar Bharat** – Horticulture clean plant program to be launched to boost the production of disease free, quality planting material for high value horticultural crop.
- There will be adoption of **cluster-based and value chain approach** through Public Private Partnership to enhance the productivity of Cotton crop, meaning better collaboration between farmers, state and industry.



AATMA-NIRBHAR
BHARAT



- Making India **Global hub for Millets**. *Shree Anna* support to be given to ‘Indian Institute of Millet Research, Hyderabad’ to promoting research.
- **Agricultural Credit** – 20 lakh crore agricultural credit towards Animal Husbandry, Dairy and Fisheries Sector



- Launch of sub scheme of **PM Matsya Sampada Yojana** (PMMSY) to improve value chain efficiencies and expand market.
- Setting up of widely available storage capacity, which will enhance farmers’ remuneration by enabling sale at appropriate time.
- Investment of 10,000 Crores will be made in **Gobhardhan Scheme**.



HEALTHCARE SECTOR

- The budget laid down not only focused on healthcare via education and facilities, but it also facilitated in creation of new employment opportunities.



HealthCare

- The Key areas being :

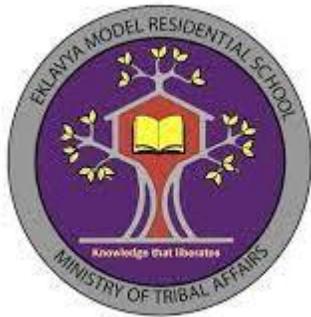


- Nursing Colleges – 157 new *nursing colleges* will be established in co-location with the existing 157 medical colleges established since 2014.
- Medical Research. – Joint medical research facilities in ICMR Labs by public and private medical college faculty, along with private sector R&D teams for encouraging collaborative research and innovation.
- Pharma Innovation - New programmes to promote research and innovation in pharmaceuticals to encourage the related industries for investment in research and development.
- Medical Devices - Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.



EDUCATION SECTOR

- National digital library to be setup for children and adolescents. States will be encouraged to set up physical libraries at panchayat and ward levels as well.
- The District Institutes of Education and Training will be developed as vibrant institutes of excellence to provide the revamped training to Teachers.



- More teachers to be recruited for 740 Eklavya Model Residential Schools.
- National Digital Library to be set up for children and adolescents



INFRASTRUCTURE SECTOR

Budget 2023 takes the lead once again against the period of the pandemic to ramp up the virtuous cycle of investment and job creation.

- Capital Investment for growth and jobs - Capital investment outlay is being increased steeply to enhance growth potential and job creation, crowd in private investments, and provide a cushion against global headwinds.

- The 'Effective Capital Expenditure' of the Centre is budgeted at Rupees 13.7 lakh crore, which will be 4.5 per cent of GDP.

- Enhancing opportunities for private investment –

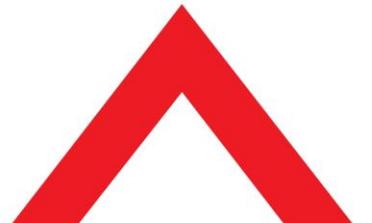
The newly established Infrastructure Finance Secretariat will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure and power, which are predominantly dependent on public resources.



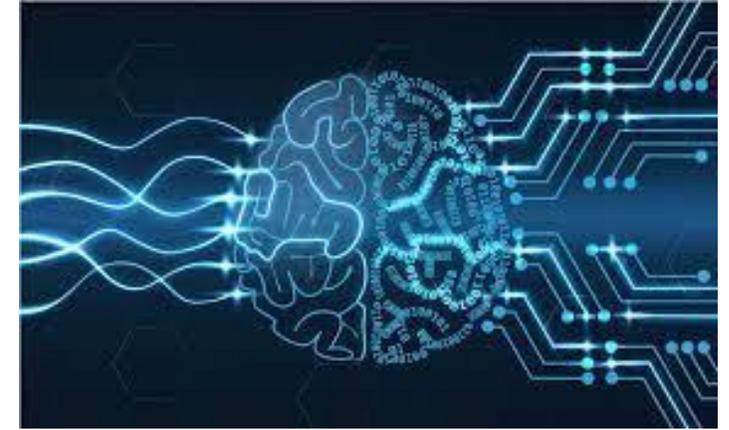
- **Railways** - A capital outlay of rupees 2.40 lakh crore has been provided for the Railways.
- **Logistics** – 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified, which will be taken up on priority with investment of Rs.75,000 crore, including rupees 15,000 crore from private sources.



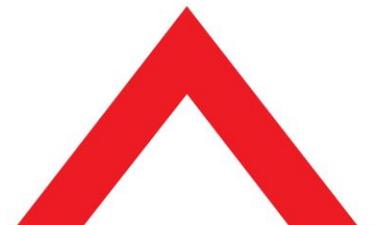
- **Regional Connectivity** – 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.



DIGITAL SECTOR

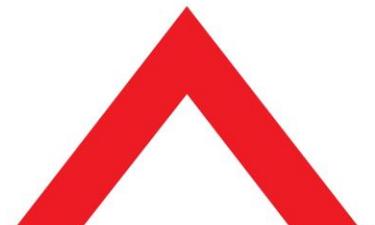


- **Focus on Artificial Intelligence** – “Make AI in India” and “Make AI work for India” - 3 centers for excellence of AI will be set-up in top educational institutions. Leading Industrial players will partner in the R&D.
- **PAN will be Common Business Identifier** - For the business establishments required to have a Permanent Account Number (PAN), the PAN will be used as the common identifier for all digital systems of specified government agencies
- **Fintech Services** – It will be facilitated by our digital public infrastructure including Aadhaar, PM Jan Dhan Yojana, Video KYC, India Stack and UPI.
- **New courses** involving Coding, AI, Robotics, 3D printing are to be introduced.
- **Bharat (SHRI)** – It was set up for digitization of ancient inscriptions.





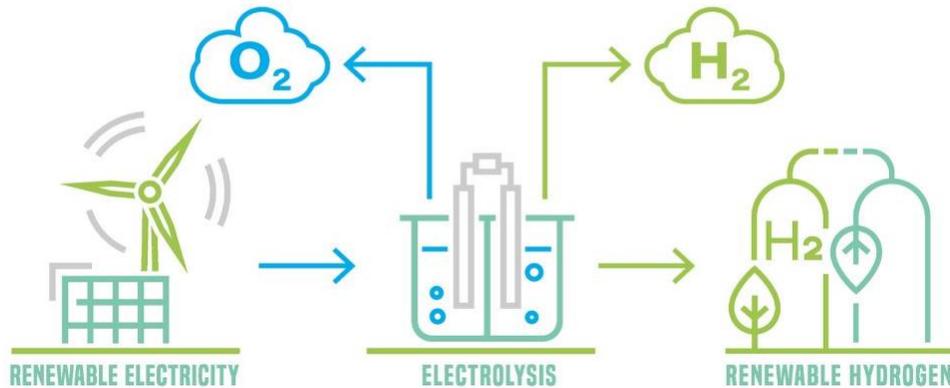
- **DigiLocker along with Entity Digilocker** - One stop solution for identity and address updating for individuals, MSMEs, large business and charitable trusts.
- **Mission Karmayogi** (integrated online training platform,) - government employees to upgrade their skills and facilitate people-centric approach
- **E-Courts** - Phase 3 of *E-Courts* to be introduced for Effective administration of Justice
- **PMKVY 4.0** - It will be launched covering new courses like coding, AI, Robotics, 3D printing etc.
- **5G Services** – 100 labs for developing applications using 5G services will be set up in engineering institutions.
- **Data Embassies** - Setting up of their **Data Embassies** in GIFT IFSC.



GREEN GROWTH SECTOR

- Govt. are implementing many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors.

GREEN HYDROGEN – 100% RENEWABLE ENERGY



- **Green Hydrogen Mission** - The recently launched National Green Hydrogen Mission, with an outlay of Rs. 19,700 crores, will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector.

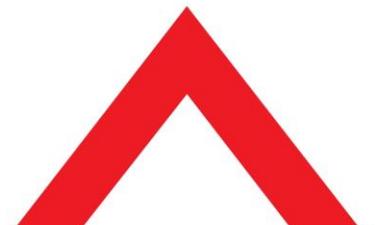
- **Green Credit Programme** - For encouraging behavioural change, a Green Credit Programme will be notified under the Environment (Protection) Act. This will incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities.

- **Energy Transition** - This Budget provides Rs. 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- **Energy Storage Projects** - To steer the economy on the sustainable development path, Battery Energy Storage Systems with capacity of 4,000 MWH will be supported with viability Gap Funding
- **Other Initiatives towards Green Growth :-**
 - Renewable Energy Evacuation
 - PM-PRANAM
 - GOBARdhan scheme
 - MISHTI
 - Amrit Dharohar
 - Coastal Shipping
 - Vehicle Replacement
 - Bhartiya Prakritik Kheti Bio-Input Resource Centres



INVESTMENT, SECTORAL ALLOCATIONS

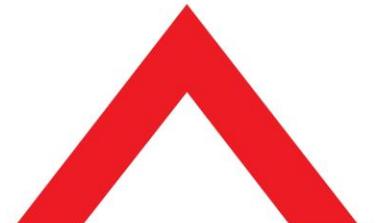
- For vision of ‘Sahakar Se Samriddhi’ the government has already initiated computerization of 63,000 Primary Agricultural Credit Societies (PACS) with an investment of 2,516 crore
- This Budget provides 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by Ministry of Petroleum & Natural Gas.
- The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of 20,700 crore including central support of 8,300 crore.
- Continuation of 50 year interest free loan to state government to facilitate infrastructure investment.



TOURISM

India offers immense attraction for domestic as well as foreign tourists. Considering the huge opportunities for jobs and entrepreneurship for youth in particular, promotion of tourism will be taken up on mission mode which will include public-private partnerships.

- **Development Of Tourism** - Every destination would be developed as a complete package. An Application to be made to enhance tourist experience like physical connectivity, virtual connectivity, tourist guides; high standards for food streets and tourists' security which will help for new business opportunity and employment too.



- **Dekho Apna Desh.**- This initiative is launched to encourage middle class peoples to prefer the domestic tourism over international tourism. This will encourage sector specific skilling and entrepreneurship development to achieve the objectives of the 'Dekho Apna Desh' and ultimately helps to boost for new business opportunities & employment. Under the Vibrant Villages Programme, tourism infrastructure and amenities will also be facilitated in border villages.


unity one



- **Unity Mall.**- States will be encouraged to set up a Unity Mall in their state capital or most prominent tourism centre or the financial capital for promotion and sale of their own ODOPs (one district, one product), GI products and other handicraft products, and for providing space for such products of all other States.



MSME SECTOR

- Vivad se Vishwas I -Relief for MSMEs -

In cases of failure by MSMEs to execute contracts during the Covid period, 95 % of the forfeited amount relating to bid or performance security, will be returned to them by government and government undertakings. This will provide relief to MSMEs.



- Credit Guarantee scheme for MSMEs - Expanded corpus under a **revamped scheme** to enable additional collateral free guaranteed credit of 2 lakh crore. The revamped scheme will take effect from 1st April 2023 through infusion of Rs 9,000 crore in the corpus. Further, the cost of the credit will be reduced by about 1 per cent.

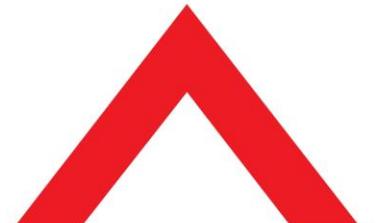


LAB GROWN DIAMONDS (LGD) SECTOR

- Lab Grown Diamonds (LGD) is a technology-and innovation-driven emerging sector with high employment potential. These environment-friendly diamonds which have optically and chemically the same properties as natural diamonds.



- To encourage indigenous production of LGD seeds and machines and to reduce import dependency, a research and development grant will be provided to one of the IITs for five years.
- **Reduction in basic customs duty on Seeds** for use in manufacturing of rough lab-grown diamonds from 5% to Nil.



OTHER SECTORS

- Implementation, from 1st January 2023, a scheme to supply free food grain to all Antyodaya and **Priority Households** for the next one year, under PM Garib Kalyan Anna Yojana (PMGKAY).
- **Pradhan Mantry Aawas Yojana** is allocated with 79,590 Crs to ensure housing for all.
- **Amrit Peedhi** – Youth Power (**PMKVY 4.0** will be launched) - To empower our youth and help the ‘Amrit Peedhi’ realize their dreams, we have formulated the National Education Policy, focused on skilling, adopted economic policies that facilitate job creation at scale, and have supported business opportunities.



- The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced to Rs. 30 lakh
- The maximum deposit limit for Monthly Income Account Scheme will be enhanced to Rs. 9 lakh for single account and Rs. 15 lakh for joint account.
- Mahila Samman Savings Certificate, a deposit facility upto Rs. 2 lakh in the name of women or girls for a tenor of 2 years at fixed interest rate of 7.5 per cent with partial withdrawal option.
- The tax exemption on LEAVE ENCASHMENT on retirement of non-government salaried employees is proposed to increase to Rs. 25 lakh.



DIRECT TAX – INCOME TAX

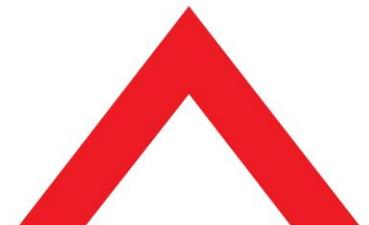
- Tax Rates u/s 115BAC (New Regime), without any deductions under Chapter VIA for FY 2023-24

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

- Under the new tax regime, standard deductions for Salaried person will be allowed, along with deduction in respect of income earned from family pension.
- In case of Individual/HUF's, maximum rate of surcharge will be 25% in case of new regime only.
- No change in the existing slab rates under the old tax regime.



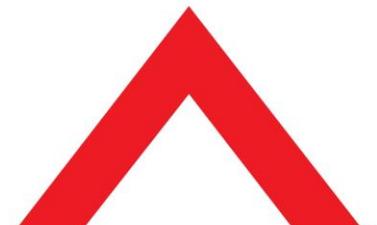
- A co-operative society engaged in manufacturing activities set up on or after 01.04.2023 and commences operation on or before 31.03.2024, can opt for tax rate at 15% along with 10% surcharge.
- For promoting timely payments to MSME, section 43B of the Income Tax Act, is proposed to be amended to allow the expenditure incurred through MSME's on payment basis. This will be applicable from F.Y. 2023-24.
- In case a co-operative society, cash withdrawal exceeding Rs.3 crore will be liable for TDS u/s 194N.
- A Not Ordinary Resident receiving a gift out of India of a sum of Rs.50,000 or more from a resident Indian, the same shall be taxable in India.



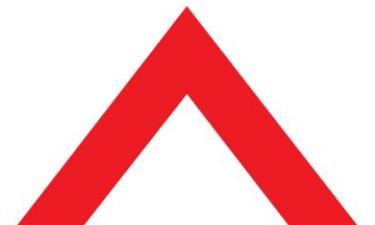
- In order to promote Start-ups, relaxation has been provided to set off the carry forward losses till 10 years from the date of incorporation. This amendment is proposed to be applicable from Financial Year 2022-23.
- Additionally, the date of incorporation of startups has been extended till 31.03.2024 for claiming of tax exemptions under section 80-IAC.



- In order to claim amortization of Preliminary Expenses incurred for preparation of project report / feasibility report, a statement in a prescribed form shall be submitted before the prescribed income tax authority before the prescribed period. Effective from FY 2023-24.



- The limit for presumptive taxation u/s 44AD (Eligible business) & 44ADA (professionals) has been revised to Rs.3 Crores and Rs.75 Lakhs respectively, subject to cash receipts does not exceed 5% of the Total Gross Receipts. This is proposed to be applicable from FY 2023-24.
- A new section 194BA has been introduced for deduction of Tax at source on winning from online games. This is proposed to be applicable from 01.07.2023.



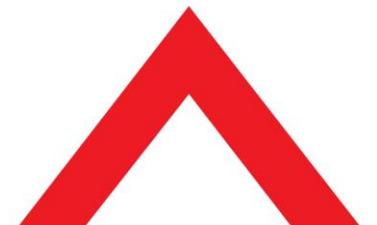
- TCS rates is proposed to be modified for certain case of foreign remittance with effect from 01.07.2023.

Nature of Remittance	Earlier Rate	Proposed Rate
Overseas Tour Package	5% without any limit	20% without any limit
Any remittance apart from purpose of education or medical expenditure	5%, if the remittance exceeds Rs.7 Lakhs	20%, if the remittance exceeds Rs.7 Lakhs

- Maximum ceiling for claiming exemption for reinvestment of capital gains in new residential property u/s 54 & 54F is proposed to be Rs.10 crore. This is proposed to be applicable from FY 2023-24.



- Market Linked Debentures will now be taxable as a Short-Term Capital Asset on redemption / transfer / maturity.



- Insurance policies having premium exceeding Rs.5,00,000/- in a year, will now be taxable on maturity. If maturity is received after death, it will not be taxable. This is proposed from FY 2023-24.



- For Computation of Capital gains in case of intangible asset or rights, cost of asset is to be specifically considered as “Nil”. This is proposed to be applicable from FY 2023-24.

- The interest paid on borrowed capital for acquisition of a house property shall be allowed as deduction only once, either as a Loss under the Income from House Property or as a Cost of Acquisition under capital gains.



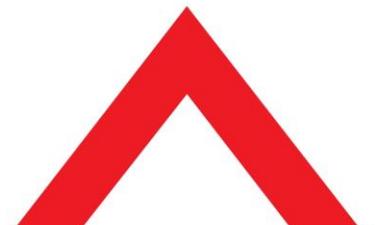
- To support low-paid employees not holding PAN, TDS rate on payment from accumulated balance of EPF is proposed to be capped at 20%.

Form 16 and Form 26AS Mismatch !!

**What to
show in
ITR ??**



- Section 155(xx) is proposed to be inserted to give benefit of mismatch of declaration of Income in one year and tax deduction done in another year, by way of specific application before the AO.
- If the Company receives any consideration for issue of shares from residents above the FMV of the share, the excess over the FMV is taxable in the hands of the recipient company u/s.56(2)(viib). The provision is proposed to amended to make it applicable to amount received from Non Resident also. Applicable from FY 2023-24.



- It is proposed that Donation to the following funds will not be eligible for non-qualifying limit deduction
 - The Jawaharlal Nehru Memorial Fund
 - The Indira Gandhi Memorial Trust
 - The Rajiv Gandhi Foundation



- In case if the Income Tax Return is selected for Scrutiny, then the refund determined u/s 143(1) will be withheld till the completion of assessment, without any interest on such refund.
- In case of Statement of Financial Transaction, if the financial institution submits inaccurate information which is reported to them by the account holder, then penalty of Rs.5,000/- shall be leviable. The financial institution can also recover this from those specific account holder for inaccurate disclosure.



INDIRECT TAX – CUSTOMS

- Green Mobility

- Exempt excise duty on GST-paid compressed bio gas
- Exempt customs duty on import of CG and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles.



- Electronics

- Relief in customs duty on import of certain parts and inputs like camera lens and continue the concessional duty on lithium-ion cells for batteries for another year.
- Reduction in basic customs duty on parts of open cells of TV panels to 2.5%.

- Electrical

- Basic customs duty on electric kitchen chimney is proposed to increase to 15% and on heat coils is to be reduced to 15%.



- Chemicals and Petrochemicals

- Basic customs duty is proposed to exempt on Denatured ethyl alcohol.
- Basic customs duty is proposed to be reduced on acid grade fluorspar to 2.5%.
- Basic customs duty on crude glycerin for use in manufacture of epichlorhydrin is proposed to be reduced to 2.5%.

- Marine products

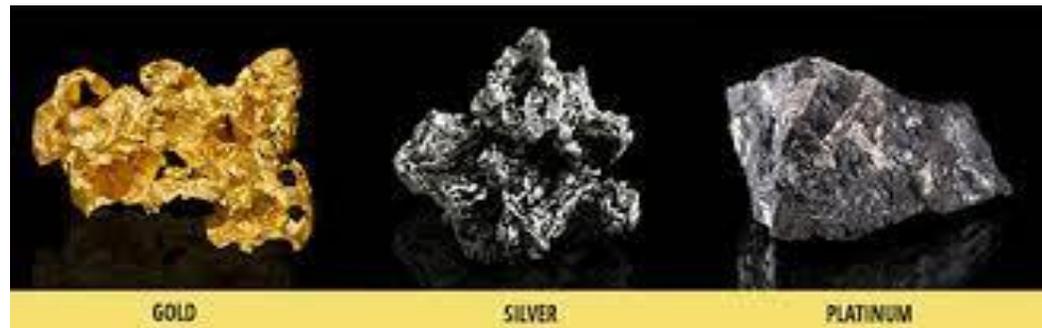
- Duty is being reduced on key inputs for domestic manufacture of shrimp feed.

- Lab Grown Diamonds

- Exemption of basic customs duty on seeds used in manufacturing of LGD.

- Precious Metals

- Basic customs duty is proposed to be increased on import of silver dore, bars and articles to align them with that on gold and platinum.



- **Compounded Rubber**

- The basic customs duty rate on compounded rubber is being increased to 25% or Rs. 30/kg whichever is lower, to bring at par with that on natural rubber other than latex, to curb circumvention of duty.



- **Cigarettes**

- National Calamity Contingent Duty (NCCD) on specified cigarettes was last revised three years ago. This is proposed to be revised upwards by about 16%.

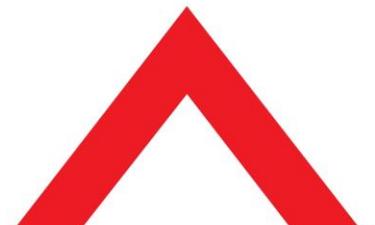


INDIRECT TAX – GST

- **Relaxation for Composition Goods Dealer for ONLINE platform dealer** - The registered person shall be eligible to opt for Composition scheme for Goods, even if dealer is making supply through Electronic commerce operator. However proposed relaxation is limited for Supply of Goods and not extended to Supply of Service.



- **Amendment of section 17(3). Reversal of Proportionate credit in case of Exempt Supply** - Supply of custom warehoused goods to any person before clearance of Home consumption (Entry 8(a) of schedule III) shall also be treated as Exempt supply and Proportional common ITC reversal will be applicable.

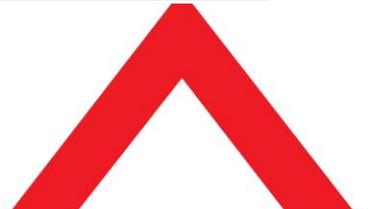


- **Amendment of section 17(5). Insertion of new clause (fa) under Block Credit -** New item is added to the Blocked credit list as below, “(fa) goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013;”.
- **New Penalty provisions introduced to Ecommerce operator for certain offences in relation to supply made through Ecommerce Platform.**



- **Restriction on Filing of various Return/statement under GST Act** – A Registered person shall not be allowed to furnish a return/statement for a tax period after the expiry of **Three years** from due date of return.
- **Following is the list of returns/statement where restriction will be applicable**

New Section	Return	Return Description
Section 37 (5)	GSTR 1- Monthly return	Details of Outward Supplies
Section 39 (10)	GSTR 3B- Monthly return	Details of Outward and Inward Supply, tax paid and such other Particulars
Section 44 (2)	GSTR 9- Annual Return	Self-certified reconciliation statement, reconciling the value of supplies declared in return furnished for the FY with the audited annual financial statements.
Section 52 (14)	TCS Statement by Ecommerce operator - Monthly	Ecommerce operator needs to file statement after end of 10 days from such month for collection of TCS not exceeding 1% of the net value of taxable supplies made through Ecommerce.





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