

1 February 2022

Budget Connect 2022

Tax Alert - Macro-fiscal developments

Macro fiscal developments

Budget emphasizes restoring growth normalcy while undertaking fiscal consolidation

Key tax takeaways

Emerging from the pandemic

- ▶ Fiscal year 2022-23 is expected to be the first normal year after COVID-19 adversely impacted growth during the two-year period covering 2020-21 and 2021-22.
- ▶ The magnitude of real GDP at INR147.5 lakh crore in 2021-22 is marginally higher than INR145.2 lakh crore in 2019-20, implying a CAGR of only 0.8% over 2019-20.
- ▶ While the Economic Survey for 2021-22 assessed real GDP growth for 2022-23 in the range of 8-8.5%, the Union Budget estimates nominal GDP growth at 11.1%. The budgeted nominal growth appears to be an underassessment given the current trends.

Budgetary focus on capital expenditure

- ▶ The Budget signals prioritization of capital expenditure over revenue expenditure in the composition of its total expenditure.
- ▶ While total expenditure growth is budgeted at 4.6% in 2022-23, capital expenditure is estimated to grow by 24.5%.
- ▶ The Budget has incentivized states for expanding their capital expenditures by allowing a fiscal deficit limit of 4% of GDP with 0.5% points tied to expansion of power infrastructure. Additionally, INR1 lakh crore allocated to states for capital expenditure in 2022-23 as 50-year interest-free loans, over and above normal borrowings allowed to them.

Highlights



Government
Capex
24.5%
Increase

FY22 Fiscal Deficit
6.9% of GDP



FY23 Fiscal Deficit
6.4% of GDP



Budgeted
nominal growth
at **11.1%** in
FY23

- ▶ Revenue expenditures is budgeted to grow only by 0.9%. This is based on the assumption that it would be feasible to bring down major food, fertilizer and petroleum subsidies.
- ▶ However, share of interest payments in revenue receipts is budgeted to increase to 42.7% in 2022-23 as compared to 39.1% in 2021-22 due to the relatively high debt-GDP ratio of the Central Government.

Trends in Tax Revenue Collection

- ▶ Centre's gross and net tax revenues are estimated to grow at 24.1% and 23.8% respectively in 2021-22 (RE) implying a tax buoyancy of 1.4 for both.
- ▶ In 2022-23 (BE), considering the nominal growth of 11.1%, tax buoyancy has been estimated to fall to 0.9. This implies a gross tax revenue (GTR) growth of 9.6% which appears to be an underestimate.
- ▶ Considerable improvement in digitization and formalization of the economy may lead to a relatively higher growth in Centre's GTR in 2022-23.

On the fiscal consolidation path

- ▶ Budget indicates a reduction in Centre's fiscal deficit from 6.9% of GDP in 2021-22 to 6.4% of GDP in 2022-23.
- ▶ Further, the quality of fiscal deficit, as indicated by the ratio of revenue deficit to fiscal deficit, shows an improvement in 2022-23. This ratio stands at 59.6% in 2022-23, the lowest since FY17.
- ▶ The Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement indicates achieving a fiscal deficit of 4.5% of GDP by 2025-26, implying an average per year reduction of 0.63% points in the next three years.
- ▶ It might have been preferable to accelerate the pace of fiscal consolidation by reducing the fiscal deficit from 6.9% in 2021-22 to close to 6% in 2022-23.
- ▶ This may have been facilitated by assuming a higher nominal GDP growth which would have been more realistic.



1 February 2022

Budget Connect 2022

Tax Alert - Corporate Taxation

Providing a stable and predictable tax regime

Direct tax

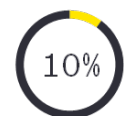
- ▶ No changes to corporate tax rate.
- ▶ Sunset date for commencement of business by new manufacturing company for availing concessional tax regime extended from 31 March 2023 to 31 March 2024.
- ▶ Sunset date for incorporation of start-ups to be eligible for tax holiday extended from 31 March 2022 to 31 March 2023.
- ▶ Concessional rate of taxation on dividend income received by Indian company from specified foreign company at 15% (excluding surcharge and cess) withdrawn and will be taxable at regular rates.
- ▶ Expenses incurred to earn exempt income to be disallowed even in cases where no corresponding income is earned or received during the year.
- ▶ Disallowance of surcharge and health and education cess as an expense from the computation of business income with retrospective effect.
- ▶ Interest discharged by conversion of the same into any instrument by which the liability to pay is deferred to a future date will not be regarded as a constructive payment and deduction will be allowed only on actual payment basis.
- ▶ Disallowance of expenditure incurred for any purpose which is in contravention of Indian or foreign law (including expense incurred for compounding of offences) and any benefit/perquisite in contravention of any guidelines.
- ▶ Additional benefits extended to offshore banking units and units set up in IFSC, including certain benefits to non-residents dealing with such units.
- ▶ Tax deduction at source introduced on benefit or perquisite provided by a taxpayer and taxed as income from business or profession in the hands of recipient.
- ▶ Taxpayers now allowed to file updated return to rectify errors or omissions in cases where additional income is to be offered to tax subject to payment of additional taxes to the tune of 25%-50% on additional income and interest thereon.
- ▶ Scope of reassessment provisions widened.

Highlights

Extension of
incentives



Rationalisation
of provisions



WHT on
benefits or
perquisites

Litigation
Management



- ▶ Enabling provision for deferral of appeals by revenue against order of lower authority introduced subject to identical issue pending before the jurisdictional High Court or Supreme Court (in any case).
- ▶ No set off allowed of loss against undisclosed income detected during search/ survey operations.

Corporate tax

Specimen of corporate tax rates

Description	Existing rate * (%)	Proposed rate * (%)	Difference + - =
A) Domestic company			
Regular tax			
Companies having turnover not exceeding INR4 billion in financial year 2020-21 (2019-20 for previous year 2021-22):			
▶ Total income ≤ INR10 million	26 ¹	26 ¹	No change
▶ Total income more than INR10 million to INR100 million	27.82 ²	27.82 ²	
▶ Total income > INR100 million	29.12 ³	29.12 ³	
Companies having turnover > INR4 billion in financial year 2020-21 (2019-20 for tax year 2021-22):			
▶ Total income ≤ INR10 million	31.2 ⁴	31.2 ⁴	No change
▶ Total income more than INR10 million to INR100 million	33.38 ⁵	33.38 ⁵	
▶ Total income > INR100 million	34.94 ⁶	34.94 ⁶	
New manufacturing companies set up and registered on or after 1 October 2019 not availing incentives (optional regime)	17.16 ⁷	17.16 ⁷	No change
Other domestic companies not availing incentives (optional regime)	25.17 ⁸	25.17 ⁸	No change
B) Minimum Alternate Tax (Refer Note 1)			
Regular			
▶ Total income ≤ INR10 million	15.6 ⁹	15.6 ⁹	No change
▶ Total income more than INR10 million to INR100 million	16.69 ¹⁰	16.69 ¹⁰	
▶ Total income > INR100 million	17.47 ¹¹	17.47 ¹¹	
International Financial Service Centre (IFSC)			
▶ Total income ≤ INR10 million	9.36 ¹²	9.36 ¹²	No change
▶ Total income more than INR10 million to INR100 million	10.02 ¹³	10.02 ¹³	
▶ Total income > INR100 million	10.48 ¹⁴	10.48 ¹⁴	
C) Foreign company			
Regular tax			
▶ Total income ≤ INR10 million	41.6 ¹⁵	41.6 ⁹	No change
▶ Total income more than INR 10 million to 100 million	42.43 ¹⁶	42.43 ¹⁰	
▶ Total income > INR 100 million	43.68 ¹⁷	43.68 ¹¹	

¹ 25% plus 4% cess

² 25% plus 7% surcharge plus 4% cess on tax and surcharge

³ 25% plus 12% surcharge plus 4% cess on tax and surcharge

⁴ 30% plus 4% cess

⁵ 30% plus 7% surcharge plus 4% cess on tax and surcharge

⁶ 30% plus 12% surcharge plus 4% cess on tax and surcharge

⁷ 15% plus 10% surcharge plus 4% cess on tax and surcharge

⁸ 22% plus 10% surcharge plus 4% cess on tax and surcharge

⁹ 15% plus 4% cess

¹⁰ 15% plus 7% surcharge plus 4% cess on tax and surcharge

¹¹ 15% plus 12% surcharge plus 4% cess on tax and surcharge

¹² 9% plus 4% cess

¹³ 9% plus 7% surcharge plus 4% cess on tax and surcharge

¹⁴ 9% plus 12% surcharge plus 4% cess on tax and surcharge

¹⁵ 40% plus 4% cess

¹⁶ 40% plus 2% surcharge plus 4% cess on tax and surcharge

¹⁷ 40% plus 5% surcharge plus 4% cess on tax and surcharge

* These rates are inclusive of applicable surcharge.

Notes:

1. MAT is not applicable to 15% CTR company and 22% CTR company. Presently, there is no MAT on foreign companies having no PE in India or having no registration requirement under any other law in India or foreign companies whose total income comprises solely of profits and gains from business or profession which are subject to presumptive basis of taxation under normal computation (shipping, aircraft, oil and gas, civil construction and turnkey power projects). If MAT is applicable to foreign companies, rates of surcharge will differ.
- ▶ **Concessional tax regime extended for new manufacturing domestic companies by one year from 31 March 2023 to 31 March 2024**
 - ▶ The existing provisions of the ITL provides for an option to new manufacturing domestic companies set-up after 1 October 2019 and commencing manufacture or production operations on or before 31 March 2023 to claim a concessional 15% corporate tax rate.
 - ▶ Considering the impact of the COVID-19 pandemic, FB 2022 now proposes to extend such cut-off date from 31 March 2023 to 31 March 2024.
 - ▶ **Withdrawal of concessional rate of taxation on dividend income received by Indian company from specified foreign company**
 - ▶ Under the existing provisions of ITL, if dividend income is received by an Indian company from a foreign company in which the Indian company holds 26% or more of the nominal value of equity shares (specified foreign company), a concessional tax rate of 15% (excluding surcharge and cess) was applicable in the hands of the Indian company on such dividend income.
 - ▶ FB now provides that, with effect from assessment year 2023-24, the concessional rate of taxation for an Indian company on dividend received from a specified foreign company will not be applicable and same will be taxable under the regular tax rates.
 - ▶ The amendment will be effective from assessment year 2023-24.
 - ▶ **Expense incurred to earn exempt income disallowed in all circumstances**
 - ▶ The existing provisions of the ITL disallow any expenditure incurred to earn income exempt from income tax. Hitherto, there arose a controversy over allowability of such expense when no corresponding income is earned in such year, with many courts holding the expense to be deductible.
 - ▶ In order to set the controversy to rest, FB 2022 now clarifies that expense incurred to earn exempt income shall be disallowed even in cases where no corresponding income is accrued or arisen or received during the year.
 - ▶ This amendment will be effective from assessment year 2022-23.
 - ▶ **Disallowance of surcharge and health and education cess (cess) from the computation of business income with retrospective effect**
 - ▶ There has been a dispute with conflicting rulings on deductibility of surcharge and cess levied on income-tax as an expense while computing business income. FB 2022 now clarifies that deduction for surcharge and cess, being contrary to legislative intent, will not be allowed in the computation of business income of the taxpayer.
 - ▶ This amendment is effective retrospectively from assessment year 2005-06.

- ▶ **Disallowance of expenditure incurred for any purpose which is in contravention of any law**
 - ▶ Under the ITL, any expenditure incurred for any purpose which is an offence or prohibited by law are disallowed while computing the business income. However, certain taxpayers claimed above expenses which were in violation of foreign law or for compounding of an offence under foreign law and same was also accepted by certain appellate authorities. In order to set the controversy at rest, FB 2022 now specifically provides that expenses which are in the nature of offences, either as per Indian law or as per foreign law will also be disallowed. Further, FB 2022 now disallows expense incurred towards compounding of offences under any Indian or foreign law.
 - ▶ Separately, FB 2022 also clarifies that any benefit or perquisite to any person, where acceptance of such benefit is in contravention with the guidelines/ laws regulating the conduct of such person, will also be disallowed.
 - ▶ These amendments will be effective from assessment year 2022-23.
- ▶ **Interest on payment to certain financial institutions to be allowed as a deduction only on actual payment basis**
 - ▶ As per the existing provisions of the ITL, the payment of interest on loan or borrowing from specified financial institution/Non-Banking Financial Institution (NBFC)/scheduled bank or a co-operative bank is allowed if such interest has been actually paid. Any interest which has been converted into a loan or borrowing or advance shall not be deemed to have been actually paid in such a situation.
 - ▶ However, based on Supreme Court ruling, some taxpayers were claiming deduction of such interest on account of conversion of interest payable on an existing loan into a debenture on the ground that such conversion is a constructive discharge of interest liability which may be said to be akin to an actual payment of interest.
 - ▶ FB 2022 now provides that no deduction will be allowed for interest liability discharged by conversion of the same into debentures or any other instrument by which the liability to pay is deferred to a future date.
 - ▶ The amendment will be effective from assessment year 2023-24.
- ▶ **Extending tax holiday provisions in respect of start-ups till 31 March 2023**
 - ▶ The existing provisions of ITL grants 100% profit-linked deduction to eligible start-ups for income earned from eligible business ¹⁸. The deduction is available for 3 consecutive years out of 10 years beginning from year of incorporation, at the option of the start-up taxpayer which is incorporated on or after 1 April 2016 and before 1 April 2022.
 - ▶ The sunset date for incorporation is now extended for another year, up to 31 March 2023.
- ▶ **Transition of losses on disinvestment of public sector companies permitted despite change in majority shareholding**
 - ▶ The existing provisions of ITL provides limitation on set off of losses of earlier years from current years income when there is change in shareholding of taxpayer such that 51% of the voting power is not beneficially held by same set of shareholders which held such voting power at the end of the year in which the losses were incurred.
 - ▶ FB 2022 now dispenses with above limitation when change in 51% shareholding is in Public Sector Company which ceases to be PSU post change in 51% shareholding, provided the ultimate holding company of acquirer continues to hold at least 51% voting power directly or through subsidiaries in such erstwhile PSU. Where the ultimate holding company of acquirer ceases to hold 51% voting power directly or indirectly, the limitation on set off of losses would trigger from such year of cessation.
 - ▶ This amendment will be effective from assessment year 2022-23.

¹⁸ "eligible business" means a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation and for which the start-up holds a certificate from the Inter-Ministerial Board of Certification.

- ▶ **Explanation towards source of funds of loans or borrowings credited in books of taxpayer, made stringent**
 - ▶ The existing provisions of the ITL provides that where any sum is credited in the books of taxpayer and the taxpayer offers no or unsatisfactory explanation about the nature and source thereof, such sum will be treated as taxable income of the taxpayer. The existing provisions cast greater onus on company, in which public are not substantially interested, to not only explain the source of share application money, share capital, share premium or any such amount but also the 'source of source' of such amount if the amount is received from a resident.
 - ▶ FB 2022 amends the above provision to provide that in case of loans or borrowings or such amount credited in the books of any taxpayer, an additional onus will apply on taxpayer to explain the source of funds in the hands of the creditor. Thus, it expands the onus on taxpayer to explain 'source of source' for all borrowings.
 - ▶ This amendment will be effective from assessment year 2023-24.
- ▶ **Filing of updated return of income**
 - ▶ The existing provisions of the ITL permits filing of a belated or revised return until 3 months prior to the end of the assessment year or prior to completion of assessment, whichever is earlier.
 - ▶ FB 2022, vide a new provision, now additionally permits a taxpayer to file an "updated return" within 2 years from the end of the assessment year, subject to:
 - ▶ The updated return not being a loss return or resulting in decrease in the total tax liability/ increase in refund thereof.
 - ▶ Payment of additional tax to the extent of 25% of tax and interest payable on additional income offered to tax where the updated return is filed within 1 year from the end of the assessment year. Such additional tax percentage is increased to 50% if updated return is filed beyond 1 year but before 2 years from the end of the assessment year. The additional tax is not applicable if the time limit for belated or revised return has not expired.
 - ▶ Absence of any search or survey proceedings against the taxpayer or any other person during the course of which information related to taxpayer is discovered.
 - ▶ Non-initiation of any proceedings under the specified Acts and ITL (including prosecution proceedings) in respect of such year.
 - ▶ Taxpayer should not be covered by person as will be notified by CBDT.
 - ▶ The taxpayer will need to pay the additional tax including the relevant surcharge and cess prior to filing the updated return, failing which the return of income may be regarded as defective.
 - ▶ This amendment will be effective from 1 April 2022.
- ▶ **Tax deduction at source on benefit or perquisite taxed as income from business or profession**
 - ▶ As per the ITL, the value of any benefit or perquisite whether convertible into money or not arising from business or exercise of profession is charged as business income in the hands of the recipient of such benefit or perquisite.
 - ▶ In order to ensure correct reporting of particulars in the return of income and to widen and deepen the tax base, FB 2022 now places the onus on the payer of such benefit or perquisite to a resident to withhold tax at the rate of 10% of the value of such benefit or perquisite where the amount of benefit exceeds INR20,000.
 - ▶ The provisions shall not be applicable for individuals or a HUF with total sales, gross receipts or turnover not exceeding INR 1 Crore in case of business or INR 50lakh in case of profession, during the immediately preceding financial year in which such benefit or perquisite may be provided by such person.
 - ▶ In case of non-monetary benefit/ perquisites or where the monetary component is not sufficient to cover the TDS liability, the person responsible for tax deductions shall be required to ensure that tax has been paid before such benefits/ perquisites are released.
 - ▶ This amendment will be effective from 1 April 2022 as per FB 2022¹⁹.

¹⁹ The Explanatory Memorandum specifies the effective date as 1 July 2022 raising an ambiguity on the effective date of this provision

- ▶ **Deferral of appeals by revenue against order of lower authority when an identical issue is pending before the jurisdictional High Court or Supreme Court**
 - ▶ The existing provisions of the ITL permit the tax authority to defer filing of appeals before the ITAT (subject to consent by taxpayer) against an order in favor of the taxpayer if an identical issue is pending in appeal before the SC against an order of the HC.
 - ▶ FB 2022 now extends the benefit of such deferral of appeals (subject to consent by taxpayer) to the following scenarios as well:
 - ▶ Where there is an order in favor of the same taxpayer by ITAT and pending with the jurisdictional HC; or against order of HC pending before SC; or
 - ▶ Where the issue is pending in appeal before the SC or jurisdictional HC against an order of the HC/ITAT respectively in favor of any other taxpayer.
 - ▶ This amendment will be effective from 1 April 2022.
- ▶ **Streamlining of process of faceless assessment**
 - ▶ Faceless assessment provision is substituted by amended provision wherein CG provides few structural modifications in the scheme of faceless assessment provisions while retaining in substance the existing procedure for assessment. The proposals are to streamline the process of faceless assessment and to address various legal and procedural issues in implementation of the said scheme. Amongst others, some key variations are as under:
 - ▶ A specific provision to grant an opportunity of personal hearing to all taxpayers upon request. However, such hearing should be mandatorily be conducted through video conferencing;
 - ▶ National Faceless Assessment Centre (NFAC) is only to act as point of contact amongst various units under the scheme and/or with taxpayer to conduct proceedings in faceless manner. No other functions (such as processing of draft assessment order, etc.) will be undertaken by NFAC;
 - ▶ Various units (such as Assessment Unit, Verification Unit, etc. which comprises of one or more tax authority) established under the scheme represents 'Assessing Officers having powers so assigned by CBDT';
 - ▶ Regional Faceless Assessment Centres are abolished. National Faceless Assessment Centre will interact directly with various units under the scheme such as Assessment Units, Verification Units, etc. in electronic mode;
 - ▶ A specific provision declaring the assessment as void if the faceless assessment procedure prescribed in the provision is not followed is omitted with retrospective effect from earlier date.
 - ▶ This amendment will be effective retrospectively from 1 April 2021.
- ▶ **Enabling provisions introduced in the ITL for the Tax Authority to pass an order to give effect to the order or directions of the Dispute Resolution Committee (DRC)**
 - ▶ The existing provisions of the dispute resolution scheme²⁰ in the ITL do not contain any provision which will enable the Assessing Officer to pass an order giving effect to the order or directions of the Dispute Resolution Committee.
 - ▶ Therefore, enabling provisions will be introduced in the ITL vide FB 2022 wherein the assessing officer will be able to pass an order to give effect to the order or directions of the Dispute Resolution Committee (DRC).
 - ▶ This amendment will be effective from 1 April 2022.

²⁰ An optional scheme to provide early tax certainty to small and medium taxpayers who fulfils specified conditions in respect of specified order

- ▶ **Resolution of administrative difficulties in tax proceedings on business reorganization**
 - ▶ The existing provisions of the ITL provide for assessment of income in the hands of the successor entity in case of business reorganizations. However, given the time lag seen in conclusion of such reorganizations (many of which are made effective with retrospective effect), it was seen that proceedings would continue in the name of the predecessor entity.
 - ▶ Such proceedings were held to be illegal and invalid by various courts, as predecessor entity ceased to exist, leading to administrative difficulty. In order to resolve the same, FB 2022 now deems such proceedings as validly being carried out in the name of the successor but only where the proceedings are made on the predecessor entity during the course of pendency of such reorganization i.e. the period between the date of filing of application before competent authority and date on which competent authority's order is received by the Tax Authority.
 - ▶ Separately, FB 2022 also enables the successor entity to file a modified return in lieu of the returns which were filed for any assessment year relevant to the previous year pertaining to the reorganization to reflect the impact of change due to the reorganization. The successor has to file such modified return within 6 months from the end of the month in which the reorganization order is pronounced by the competent authority.
 - ▶ Furthermore, enabling provisions are also introduced to give effect to the order of competent authority to modify tax demands reduced pursuant to business reorganization.
 - ▶ For the above provisions, "business reorganization" is defined to mean reorganization of business involving amalgamation or demerger of companies or merger of business of one or more persons.
 - ▶ This amendment will be effective from 1 April 2022.

- ▶ **Penal provisions for TDS/TCS in case of non-filers of income tax return made more stringent**
 - ▶ The existing provisions of ITL state that any person making payment or receiving any sum from a specified person will be required to deduct/collect taxes at a rate twice the rate of tax deduction/collection at source or 5%, whichever is higher.
 - ▶ For this purpose, specified person means any person (not being a non-resident without a permanent establishment in India) who has not filed the return of income for last two years (for which due date for filing return has expired) preceding the financial year in which tax is required to be deducted/collected, and the tax deducted/collected is INR 50,000 or more in each of the two preceding years relevant to the financial year in which tax is required to be deducted/collected.
 - ▶ FB 2022 now reduces the period for which return has not been furnished from the last two years to only one year, being the preceding year relevant to the financial year in which tax is required to be deducted/collected, making it more stringent.
 - ▶ This amendment will be effective from 1 April 2022.

- ▶ **Procedure for claim of refund of TDS by deductor in case of 'net of tax' contracts**
 - ▶ The existing provisions of ITL permit the payer to directly approach the Commissioner of Income Tax (Appeals)²¹ [CIT(A)], within 30 days from the date of payment of taxes deducted, if the payer denies liability to deduct tax, provided the withholding taxes are to be borne by the payer.
 - ▶ FB 2022 now requires the deductor to approach the tax authority for the same. Further, provision is introduced for appeal against the order of the tax authority before the CIT(A).
 - ▶ The amendment will be effective from 1 April 2022.

- ▶ **No set off allowed of loss against undisclosed income detected during search/ survey operations**
 - ▶ The existing provisions of the ITL permits set off or carry forward and set off of losses while computing taxable income under various heads of a taxpayer.
 - ▶ Taxpayers, in some cases, claimed set off of losses or unabsorbed depreciation, against undisclosed income corresponding to difference in stock, undervaluation of stock, unaccounted cash payment etc. which is detected during the course of search or survey proceedings. However, similar set off is denied in case of income assessed as unexplained cash credit or undisclosed investment or expenditure.
 - ▶ FB 2022, vide a new provision, similarly disallows such set off of losses or unabsorbed depreciation from undisclosed income detected during the course of search or survey proceedings.
 - ▶ The amendment will be effective from assessment year 2022-23.

²¹ The First Appellate authority

- ▶ **CBDT empowered to provide relaxation in case of genuine hardships in filing of return of income**
 - ▶ The existing provisions of ITL provides for a levy of fee of INR 5,000 in case a person fails to furnish return of income within the prescribed time.
 - ▶ FB 2022 now empowers the CBDT to provide relaxation from the above levy to specific class of persons through orders or instructions, as deemed fit by the CBDT.
 - ▶ This amendment will be effective from 1 April 2022.
- ▶ **Expanding Scope of New Reassessment Regime introduced vide Finance Act 2021**
 - ▶ FA 2021, in an effort to give transparency and certainty to taxpayers, w.e.f. 1 April 2021, introduced a new regime for reopening of cases based on certain objective criteria, which includes information flagged by Risk Management Strategy and final objections by the Comptroller and Auditor General of India (CAG). Furthermore, the new regime also revised the limitation period for reopening of cases from the earlier time limit of seven years from the end of the relevant FY to four years from the end of the relevant FY (extendable to 11 years in certain high-value cases involving income over INR50L representing in the form of an asset in a single year).
 - ▶ FB 2022 now expands the scope of the New Reassessment Regime to cover cases as follows:
 - ▶ All audit objections (including draft CAG objections) that the assessment is not in accordance with ITL;
 - ▶ Based on Information received under international exchange of information agreement;
 - ▶ Information which requires action in consequence of order or a court or Tribunal.
 - ▶ Additionally, applicability of the extended limitation period of 11 years is also extended to encompass escaped income over INR50L representing in the form of any expenditure on occasion or event or entry in the books of accounts. It is also provided that where the investment in asset/ expenditure on occasion or event is INR50L but spread over more than 1 year (within the block of 11 years), the tax authority is entitled to reassess each of these impacted years.
 - ▶ Further, FA 2021 also included cases involving search and seizure commencing after 1 April 2021 within the New Reassessment Regime. In this regard, it was provided that in cases involving search/ seizure, there was no necessity to ascertain the satisfaction of the afore-mentioned objective criteria. In such cases, income was deemed to have escaped assessment for 3 years preceding the year of commencement of search or seizure so as to tax authority can proceed further to assessment.
 - ▶ Now, FB 2022 has extended such deeming provision beyond 3 years to cover all the 10 years for reassessment.
 - ▶ This amendment will be effective from 1 April 2022.
- ▶ **Extension of Benefits to Units IFSC**
 - ▶ The existing provisions of the ITL provides many incentives to offshore banking units (OBUs) and units located in International Financial Service Centre (IFSC). Further, benefit is also provided to the non-residents dealing with such units. FB 2022 has now expanded the scope of incentives and provides for certain additional benefits as below:
 - ▶ ITL currently provides for exemption of income from transfer of non-deliverable forward contracts entered into with OBUs set up in IFSC. FB 2022 now extends the benefit to income from transfer of offshore derivative instruments or over the counter derivatives entered into with such OBUs.
 - ▶ The current exemption of royalty or interest income received by a non-resident from a unit set up in an IFSC on account of lease of aircrafts will be extended to royalty or interest income on account of lease of ships as well. Consequently, similar benefit will be extended to unit in IFSC on gains from transfer of ships leased by a unit in IFSC, which under the current ITL provisions is available with reference to aircrafts.
 - ▶ FB 2022 provides for an additional exemption in respect of income of a non-resident from a portfolio of securities or fund maintained with the OBU set up in IFSC, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.
 - ▶ Further, FB 2022 now provides that premium on issue of shares in excess of fair value of shares issued to a specified fund set up in an IFSC will not be subjected to tax in the hands of the issuing company.
 - ▶ These amendments will be effective from assessment year 2023-24.

1 February 2022

Budget Connect 2022

Tax Alert - Transaction tax

The Budget aims to tax virtual digital assets and reduce the effective long term capital gains tax rate.

Key tax takeaways

- ▶ **Surcharge on long-term capital gains capped at 15%**
 - ▶ The Finance Act 2019 had enhanced the surcharge for Individuals, HUFs, AOPs and BOIs, to 25% and 37% where income exceeds INR 20 million and INR 50 million respectively.
 - ▶ The current Budget has proposed to cap the surcharge in case of long-term capital gains for Individuals, HUFs, AOPs and BOIs at 15%. Effectively, the highest long-term capital gains tax rate will reduce from 28.5% to 23.92%.
- ▶ **Expanding scope of “bonus stripping” and “dividend stripping”**
 - ▶ Presently, there are anti-avoidance provisions disallowing tax losses in certain cases (where purchase and sale of ‘securities’/ ‘units’ is made within a specific period), commonly referred as “bonus stripping” and “dividend stripping”.
 - ▶ The above anti-avoidance provisions have been proposed to be expanded to cover units of InvIT, REIT and AIF.
 - ▶ In addition, the Budget proposes to expand bonus stripping provisions to cover ‘securities’ (defined to include stock and shares) as well.
- ▶ **Rationalization of withholding tax (TDS) on sale of immovable property**
 - ▶ Gains in relation to transfer of immovable property is taxable based on actual sale consideration or stamp duty value whichever is higher. However, existing TDS provisions are based on only actual sale consideration and do not consider such stamp duty value.
 - ▶ To remove this inconsistency, the TDS provisions are proposed to be amended to make TDS applicable on the higher of actual sale consideration or stamp duty value (provided either of the amount exceeds INR 5 million).

Highlights

Surcharge on LTCG
37% → 15%

TDS on higher of transaction value and stamp duty value



Expanding scope of Dividend and Bonus stripping

Taxable at
30%



▶ **Taxation of Virtual Digital Asset (“VDA”)**

- ▶ Finance Bill 2022 has proposed a specific tax regime for VDA ;
- ▶ VDA has been defined to mean any information or code or number or token generated through cryptographic means or otherwise providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and any other token of similar nature are included in the definition.
- ▶ Key tax provisions are set out below:
 - ▶ Transfer of VDA to be taxable at 30%;
 - ▶ No deduction/ allowance/ set off of loss will be available from income from transfer except for cost of acquisition;
 - ▶ Loss on transfer will neither be available for set off against any income nor available to be carried forward to subsequent years;
 - ▶ This amendment will be effective from 1 April 2023.
- ▶ TDS to apply at 1% on transfer of VDA by resident:
 - ▶ No TDS required where consideration is less than INR 50,000 payable by ‘specified persons’ and INR 10,000 for others;
 - ▶ In absence of sufficient cash consideration, deductor shall ensure that tax has been paid before releasing the payment for the transfer;
 - ▶ This amendment will be effective from 1 July 2022.
- ▶ Gift of VDA will be taxable in hands of recipient:
 - ▶ This amendment will be effective from 1 April 2023.

1 February 2022

Budget Connect 2022

Tax Alert - Transfer Pricing

Faceless schemes deferred for transfer pricing assessments and dispute resolution proceedings

Key tax takeaways

- ▶ Directions/procedure for undertaking transfer pricing assessment and dispute resolution proceedings under the faceless scheme shall be notified no later than 31 March 2024.
- ▶ The Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner having jurisdiction over the taxpayer may revise the transfer pricing order, if prejudicial to the interest of revenue.
- ▶ Option given to file updated tax return within 24 months at the end of relevant assessment year on payment of additional tax on income. The updated tax return can be filed for income arising on account of transfer pricing as well.
- ▶ Tax litigation proposed to be deferred where an identical question of law is pending in appeal before jurisdictional High Court or Supreme Court till the same is decided.
- ▶ The above is applicable for transfer pricing related appeals as well.

Highlights



Process for Faceless assessment to be notified by 2024

Revision of TP order

Provision for filing of updated tax return within 24 month from end of AY



Deferral of litigation with pending identical question of law

Transfer pricing

▶ Faceless scheme deferred

▶ Background

- ▶ The Central Government has undertaken several measures to make the processes under the income-tax law, electronic, by eliminating person to person interface between the taxpayer and the department.
- ▶ As part of this process of making the tax administration transparent and efficient, provisions for notifying faceless schemes were also proposed to cover transfer pricing assessment and dispute resolution proceedings with effect from 1 November 2020.
- ▶ The directions/procedure to undertake faceless assessment under these provisions was proposed to be notified on or before 31 March 2022.

▶ Amendment

- ▶ To ensure optimum utilization of the information technology structure resulting in stabilization of the systems, it has been proposed that directions/procedure for undertaking transfer pricing and dispute resolution proceedings under the faceless scheme shall be notified no later than 31 March 2024.

This amendment will be effective from 1 April 2022.

▶ Revision of orders prejudicial to revenue – to include transfer pricing orders

▶ Background

- ▶ Under the existing provisions, an order passed by the assessing officer was subject to revision by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, if it was prejudicial to the interest of the revenue.
- ▶ As the provisions expressly referred “order passed by assessing officer”, there was ambiguity as to the concerned authority having jurisdiction to revise the transfer pricing order, which could have been prejudicial to the interest of revenue.

▶ Amendment

- ▶ It is now clarified that the Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner having jurisdiction over the taxpayer may revise the transfer pricing order if it is prejudicial to the interest of revenue.
- ▶ Consequential order passed by the transfer pricing officer pursuant to the above revision will be incorporated in the assessment order to be passed by the assessing officer, within two months from the end of the month in which such transfer pricing order is received by the assessing officer.

▶ Updated tax return – voluntary compliance by taxpayers

▶ Background

- ▶ Under the existing income tax law, there is a very short period for revising the tax return which makes it difficult for taxpayers to rectify any errors on time.

▶ Amendment

- ▶ To ensure the desired objective of motivating taxpayers towards voluntary tax compliance starting with filing of correct tax returns, it is proposed to introduce one-time voluntary filing of updated return of income by any person, whether the taxpayer has filed a return previously for the relevant assessment year, or not.
- ▶ The provisions provide for certain conditions wherein updated return cannot be filed which inter alia include the following:
 - ▶ There should only be incremental income (cases involving reduction of income and tax liability and enhancement of refunds not included).
 - ▶ Any proceeding for assessment or reassessment or recomputation or revision of income that is pending or has been completed for the relevant assessment year in the taxpayer's case.

- ▶ Information for the relevant assessment year has been received under an agreement referred to in section 90 or section 90A in respect of such taxpayer and the same has been communicated to the taxpayer, prior to the date of furnishing the updated return.
- ▶ The taxpayer shall have to pay additional tax at 25% of aggregate tax and interest liability (if filed within 24 months from the financial year), or 50% (if filed within 36 months from the financial year) after considering tax credit/advance tax as per original return.
- ▶ The above amendment is applicable for income arising from transfer pricing as well.

This amendment will be effective from 1 April 2022.

▶ **Litigation management – deferral of filing appeal by tax department**

▶ **Background**

- ▶ Under the existing provisions, in case of a taxpayer, an appeal is pending before the Supreme Court on a question of law, the tax department for another assessment year, subject to the acceptance of the taxpayer, may make an application before the Appellate Tribunal to file a deferred appeal on the same question of law which is pending before the Supreme Court.
- ▶ If such a principle could be applied to cases where a question of law is identical and where a decision of the jurisdictional High Court, on the same question of law is available, the filing of appeal in such cases can be avoided to reduce the amount of litigation.

▶ **Amendment:**

- ▶ It is proposed to provide a procedure to keep the tax department appeal filing in abeyance subject to following conditions:
 - ▶ same question of law is arising in the case of the same taxpayer or any other taxpayer; and
 - ▶ appeal is pending before the jurisdictional High Court or the Supreme Court.
- ▶ The appeal shall be kept in abeyance only if taxpayer accepts that the question of law is identical and that the tax department can file the appeal subsequently based on the outcome of other appeals pending before jurisdictional High Court or the Supreme Court.
- ▶ The above amendment is applicable to cases involving transfer pricing appeals as well.

This amendment will be effective from 1 April 2022.

1 February 2022

Budget Connect 2022

Tax Alert - Personal Tax

Reforms to simplify tax system and promote voluntary compliance

Key tax takeaways

- ▶ No changes in the personal tax rates/ deduction limits for individuals.
- ▶ Updated tax return introduced to provide an opportunity to taxpayers to correct omissions/ mistakes.
- ▶ Surcharge on all long-term capital gains capped at 15%.

Personal tax

- ▶ Introduction of updated tax return and tax thereon
 - ▶ An updated return has been introduced to provide an opportunity to taxpayers to correct omissions/ mistakes while estimating income.
 - ▶ It can be filed by any taxpayer irrespective of whether a tax return has been filed earlier or not.
 - ▶ It can be filed at any time within 24 months from the end of the relevant assessment year.
 - ▶ The new provision of filing an updated tax return will not apply:
 - ▶ If the updated return is a return of loss; or
 - ▶ Has the effect of decreasing the total tax liability determined based on previously filed return; or
 - ▶ Results in refund/ increases the refund due based on tax returns filed previously; or
 - ▶ In case search has been initiated and/ or survey has been conducted; or

Highlights

Increase in deduction for employer's contribution to NPS for State Government employees



2
years

Filing of updated return



Capping of surcharge on LTCG



Exemption for Covid-related ex-gratia payments

- ▶ An updated tax return has already been filed for the relevant assessment year.
- ▶ Other conditions as specified.
- ▶ An additional income tax will be payable at the time of filing the updated tax return as under:
 - ▶ 25% of the total tax and interest – if the updated return is filed after the expiry of time provided for filing of revised or belated return but before 12 months from the end of the relevant assessment year;
 - ▶ 50% of the total tax and interest – if the updated return is filed after 12 months but before 24 months from the end of the relevant assessment year.

In case of failure to pay such additional tax, return shall be treated as defective return.

Highlights

Relief for persons with disability



TDS on stamp duty value of immovable property

▶ Increase in deduction for employer contribution to National Pension scheme

To bring parity between Central Government employees and State Government employees, the deduction for employer's contribution to NPS has been increased from 10% to 14% for State Government employees.

▶ Surcharge on all long-term capital gains to be capped at 15%

Currently, the surcharge on long term capital gains arising from the sale of listed securities is capped at 15% while other long term capital gains are subject to a surcharge of up to 37%. Hence, to bring uniformity, the surcharge on all long-term capital gains will now be capped at 15%.

▶ Relief for persons with disability

- ▶ Under the current provisions, an amount paid towards an insurance scheme which provides payment of annuity or lump sum amount to the differently abled dependents upon death of the taxpayer, is allowed as a deduction in the hands of taxpayer (i.e., parent/ guardian).
- ▶ The deduction is now extended to the amount deposited in any scheme which provides for payment of annuity or lump sum upon the taxpayer attaining 60 years of age and the payment to such scheme has been discontinued.

▶ Exemption for COVID related ex-gratia payments for medical treatment/ death

- ▶ Legislative amendments have been introduced to give effect to the relief for COVID related ex-gratia payments as stated in the press statement dated June 25, 2021.
- ▶ Ex-gratia payment received by a taxpayer from his/ her employer or any other person for actual expenditure incurred on own medical treatment or treatment of any family member due to COVID-19 will not be considered as income in the hands of the taxpayer, subject to the fulfilment of specified conditions.
- ▶ Ex-gratia payment received by a family member of a person deceased due to COVID-19 will not be taxable if such payment is received from the employer of the deceased person (without limit), or from any other person or persons to the extent that such sum or aggregate of such sums does not exceed 10 lakh rupees and is received within 12 months from the date of death, subject to the fulfilment of other specified conditions.

- ▶ The said amendment is applicable retrospectively from the assessment year 2020-21.

▶ Tax deduction at source (TDS) on stamp duty value of immovable property

- ▶ In case of transfer of an immovable property, a taxpayer shall be responsible to deduct tax at the rate of 1% on sale consideration or stamp duty value of such property, whichever is higher.
- ▶ The requirement to withhold tax on stamp duty value has been introduced in the current Budget.
- ▶ This requirement shall not be applicable where the sale consideration and stamp duty value of such property are both less than INR50 lakhs.

1 February 2022

Budget Connect 2022

Tax Alert - Indirect Tax

Customs duty rate rationalization aligned to Make in India and Atmanirbhar Bharat Policy

Key tax takeaways

Indirect tax

- ▶ **Goods and Services Tax:**
 - ▶ Interest on ITC wrongly availed and utilized shall be leviable @ 18% (amendment retrospective from 1 July 2017).
 - ▶ Manner and conditions for communication of details of inward supplies and ITC in auto-generated statement has been prescribed.
 - ▶ Time limit has been relaxed till 30 November, in case of claim of ITC, Issuance of credit note and rectification of errors in statement of outward supply and returns.
- ▶ **Customs:**
 - ▶ Around 350 customs duty exemptions have been withdrawn and more than 40 exemptions relating to capital goods and project imports to be gradually phased out.
 - ▶ Customs tariff structure is simplified by moving unconditional concessional rates from existing exemption notifications to First Schedule of Custom Tariff Act.
 - ▶ Officers of DRI, audit and preventive formation are included as 'Proper Officer' to validate actions taken by them.
 - ▶ IGCR Rules have been revised to make the entire process digital and transparent.

Highlights

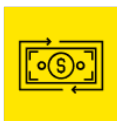


2 months
Extension in
GST timelines



350
Custom
Exemptions
withdrawn

Transfer of cash
balance to other
tax heads and
distinct persons



GSTR-3B
cannot be filed
without filing
GSTR-1



**Investigation
officers
included as
proper officer**

Indirect tax

Goods and Services Tax

- ▶ **Input tax credit:**
 - ▶ The existing procedure of two-way communication between the supplier and recipient for ITC and credit note matching has been done away with.
 - ▶ Auto-generated statement containing details of ITC will be communicated to the recipient. The statement will also contain details of supplies in respect of which credit cannot be availed due to specified events like:
 - ▶ Supplier has defaulted in tax payment continuously for period as may be prescribed.
 - ▶ Supplier has short paid the output tax, beyond a prescribed limit, as compared to details of outward supplies furnished.
 - ▶ The recipient will be eligible to claim ITC only if the same is not restricted as per the above details communicated to him.
 - ▶ Taxpayer will be eligible to avail ITC on self-assessment basis, subject to prescribed conditions and restrictions. If the tax is not paid by the supplier, recipient needs to reverse credit along with applicable interest. Credit can be re-availed once the tax is paid by the supplier.
 - ▶ At present, time limit to avail ITC is the earlier of the due date for furnishing GSTR-3B for September of the following FY to which the invoice or debit note relates or furnishing of the annual return. Now, the said timeline has been relaxed till 30 November instead of September.
 - ▶ Interest on ITC wrongly availed and utilized shall be leviable @ 18% (retrospective amendment w.e.f. 1 July 2017).
- ▶ **Returns:**
 - ▶ Timelines for declaration of details of credit notes and rectification of errors or omissions in the statement of outward supplies and return is also relaxed till 30 November of next FY.
 - ▶ A taxpayer shall not be allowed to furnish the details of outward supplies or file GSTR-3B for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him. However, Government may relax such restriction through notification.
 - ▶ Non-resident taxable person shall furnish the monthly return by 13th of the next month.
 - ▶ While filing GSTR-3B, registered person covered under proviso to section 39(1) will have to pay self-assessed tax or in lieu of self assessed tax, an amount to be determined in the manner as may be prescribed.
 - ▶ Late fees for delayed filing of return will also be applicable to return filed by e-commerce operator for tax collected at source.
- ▶ **Payment:**
 - ▶ Government is empowered to prescribe maximum proportion of output tax liability which can be paid by utilizing credit.
 - ▶ Balance in CGST cash ledger can be transferred to IGST/ SGST/ UTGST/ cess cash ledger within same GSTIN or to CGST/ IGST ledger of a distinct person.
- ▶ **Refund:**
 - ▶ Relevant date for filing refund claim in respect of supplies made to SEZ developer or SEZ unit shall be the due date of filing GSTR-3B for such supplies.
 - ▶ A specialized agency of the United Nations Organization or other specified persons under section 55 of CGST Act can make the refund application up to two years from the last day of quarter in which the supply was received.

- ▶ **Others:**
 - ▶ Registration can be cancelled in following cases:
 - ▶ A person paying tax under composition scheme has not furnished return beyond three months from the due date.
 - ▶ In cases other than above, the return is not furnished for such continuous tax period, as may be prescribed (earlier six months).
 - ▶ Government has notified www.gst.gov.in as Common GST Electronic Portal for all functions provided under CGST Rules, other than those provided for e-way bill and for generation of e-invoices (retrospective change with effect from 22 June 2017).
 - ▶ Fee for grant of alcoholic liquor license will neither be treated as supply of goods nor supply of services (retrospective amendment w.e.f. 1 July 2017).

Customs

- ▶ **Duty rates:**
 - ▶ As a part of custom duty rate rationalization and to boost domestic manufacture, around 350 exemptions have been withdrawn.
 - ▶ A detailed review of customs duty exemption on capital goods and project imports has been undertaken and more than 40 exemptions will be gradually phased out.
 - ▶ Customs tariff structure is simplified by moving unconditional concessional rates from existing exemption notifications to the First Schedule of Custom Tariff Act. Certain tariff lines and rates have also been rationalized.
 - ▶ Clarification on applicability of Social Welfare Surcharge on goods exempted from Basic Customs Duty proposed.
 - ▶ Sunset dates have been stipulated for conditional exemption entries in certain notifications. However, exemptions like international commitments such as FTA/ ITA, concessions emanating from FTP like advance authorization and concessions under PMP have been excluded from the purview of automatic expiry.
- ▶ **Valuation:**
 - ▶ Regarding valuation of imported goods, rules may provide for additional obligation on part of the importer, in respect of any class of imported goods and the checks to be exercised in circumstances where CBIC has reason to believe that the value declared may be incorrect.
- ▶ **Customs adjudication:**
 - ▶ Officers of DRI, audit and preventive formation are being specifically included in the classes of officers of customs.
 - ▶ CBIC, Principal Commissioners and Commissioners are given the power to assign functions to officers of customs. This amendment is carried out to correct the infirmity observed by the courts in recent judgements observing that the Customs Act required explicit provision conferring powers for assignment of function to officers of Customs as "proper officers".
 - ▶ Consequently, the definition of proper officer is amended to mean the officer of customs who is assigned functions by CBIC, Principal Commissioner or Commissioner of Customs.
 - ▶ The impact of above changes is that the officers of DRI, audit and preventive formation can be treated as proper officers.
 - ▶ Amendments relating to the definition of proper officer, classes of officers of customs and powers of officers of customs, shall always be deemed to have effect for all purposes as if the provisions of the Customs Act, as amended by the Finance Bill 2022 had been in force at all material times. This validates all actions taken prior to amendment.

- ▶ In specifying the conditions and limitations on officers of customs to exercise powers under the Customs Act and in assigning functions to them, CBIC may consider any one or more of the following criteria, including, but not limited to:
 - ▶ territorial jurisdiction;
 - ▶ persons or class of persons;
 - ▶ goods or class of goods;
 - ▶ cases or class of cases;
 - ▶ computer assigned random assignment;
 - ▶ any other criterion, as CBIC may specify by notification.
- ▶ Further, two or more officers of customs, can concurrently exercise powers and functions assigned (for example in the case of faceless assessment).
- ▶ Wherever an original function duly exercised by a customs officer, is the subject matter of a subsequent inquiry, investigation, audit, or any other specified purpose by any other officer, then, the officer, who originally exercised such jurisdiction, shall have the sole authority to exercise jurisdiction for further action like re-assessment and adjudications, consequent to the completion of such inquiry, investigation etc.
- ▶ An applicant can withdraw the application for advance ruling at any time before the ruling is pronounced. Earlier, the application could be withdrawn only within 30 days from the date of application.
- ▶ Advance ruling pronounced will be valid for a period of three years or till there is a change in law or facts based on which the advance ruling has been pronounced, whichever is earlier.
- ▶ Further, for advance ruling in force as on the date on which the Finance Bill, 2022 receives assent of the President, the above period of three years shall be reckoned from the date of enactment of Finance Bill.

▶ **Customs Procedure:**

- ▶ IGCR Rules, 2017 will be revised from 1 March 2022 to make entire process digital and transparent. The key highlights are:
 - ▶ All the necessary details are required to be submitted electronically on the common portal. This will lead to end-to-end automation in the entire process.
 - ▶ Standardizing and notifying various forms in which details are to be submitted electronically.
 - ▶ The need for any transaction-based permissions and intimations are being done away with.
 - ▶ Consequently, the procedure to claim the exemption notification benefit is being simplified and automated.
 - ▶ For effective monitoring of the use of goods for intended purposes, a monthly statement is proposed which is to be submitted by the importer on the common portal.
 - ▶ An option for voluntary payment of the necessary duties and interest, through the common portal is being provided to the importer in case of clearance of unutilized or defective goods for home consumption.

▶ **Others:**

- ▶ If a person publishes any information relating to the value or classification or quantity of goods imported or exported or the details of the exporter or importer of such goods, unless required under any law for the time being in force, he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to INR 50,000, or both.

SEZ Proposals:

- ▶ SEZ Act to be replaced by new legislation to enable states to become partners in 'Development of Enterprise and Service Hubs'.
- ▶ It will cover existing and new industrial enclaves to optimally utilise infrastructure and enhance export competitiveness.
- ▶ Customs administration of Special Economic Zones to function on the Customs National Portal w.e.f. 30 September 2022

Glossary

CAGR - Compound Annual Growth Rate

GTR - Gross tax revenues

BE - Budget Estimate

FY - Financial Year

GDP - Gross Domestic Product

RE - Revised Estimate

ITL - Income Tax Law

WHT - Withholding Tax

ITAT - Income Tax Appellate Tribunal

MAT - Minimum Alternative Tax

FB 2022 - Finance Bill 2022

FA 2021 - Finance Act 2021

HC - High Court

SC - Supreme Court

CAG - Comptroller and Auditor General of India

CBDT - Central Board of Direct Taxes

NBFC - Non-Banking Financial Institution

CTR - Concessional Tax Rate

NFAC - National Faceless Assessment Centre

DRC - Dispute Resolution Committee

CBIC - Central Board of Indirect Taxes and Customs

CGST Act - Central Goods and Services Tax Act, 2017

DRI - Department of Revenue Intelligence

FTA - Free Trade Agreement

FTP - Foreign Trade Policy (FTP)

FY - Financial year

GST - Goods and Services Tax

IGCR Rules - Customs (Import of goods at concessional rate of duty) Rules, 2017

ITA - Information Technology Agreement

ITC - Input Tax Credit

PMP - Phased Manufacturing Programmes

SEZ - Special Economic Zone



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