

Union Budget Analysis on Taxations 2023-2024

The International Monetary Fund (IMF) published a report whereby, it was stated that Indian Economy will reach 5 trillion-dollar economy by 2028-29. However, IMF quickly retreated from its statement and corrected its calculation by stating that the Indian Economy will reach its target of the 5 trillion-dollar economy by 2026-27.

In order to assess the practicality in this target, it is essential to determine the target which has been met so far. Presently, we have already achieved 3.5 trillion dollars. During the period of pandemic and the Ukraine war, Internationally India proved itself to be a dependable nation.

Today Finance Minister (FM) Nirmala Sitharaman marked 5th Union Budget presentation since 2019. The two pivotal questions surrounding the Union Budget 2023 presented by the FM are: Are there any substantial changes proposed to be brought to the tax regime and whether these changes will have any substantial effect on the common man of this nation?

Before addressing the above two questions, we will briefly address the Union Budget at a wholistic level. The Union Budget has come up with several new initiatives which are proposed with an intent to push the growth in Indian economy.

Few of these initiatives are: 50 new airports, focus on Saptarishi for India's growth during Amrit Kal, completion of Phase III of the e-courts project, Global hub of millets (Shree Anna), change in GST rates, introduction of new ITR form, change and replacement of 6 tax slab rates to 5 new tax slab rates, appointment of 100 joint commissioners etc are amongst few of them.

The changes brought into the indirect tax laws are:

- A. Custom duty reduced from 21% to 13%
- B. GST exemption on blended CNG
- C. Cost of mobiles, camera lens, TV and blended CNG would be cheaper
- D. Duty reduced on the cost of shrimps
- E. Customs on kitchen chimneys has been reduced
- F. Cost of cigarettes increased

Wholistically speaking, there have not been any major changes in the GST laws through the Union Budget 2023.

On the other hand, Direct Tax laws are expected to be drastically amended through the Finance Bill proposed through the Union Budget 2023. These amendments are beneficial for Individuals and as well for MSMEs & Professionals.

It is noteworthy to mention that 72 lakhs ITRs were filed in a single day and a total of 5 crores ITRs were filed. Further, out of the total ITRs filed, 45% of the ITRs were processed within 24 hours of filing.

In view of the same, the Government has taken several welcoming steps in the direct tax laws which are mentioned as follows:

- ⇒ Proposed to appoint of 100 new Joint Commissioners for the purpose of effective and expedite resolution of small tax disputes arising between the Revenue Department and the assesseees.
- ⇒ Introduction of a new ITR Form for ease of filing returns.
- ⇒ Proposed an extension of the date of incorporation for income tax benefits to start-ups from March 31, 2023, to March 31, 2024. Further, it would provide the benefit of carry-forward of losses on change of shareholding of start-ups from seven years of incorporation to 10 years.

⇒ Replacement of 6 old slab rates with 5 new slab rates and basic exemption limit has been increased from Rs. 2.5 Lakhs to Rs.3 lakh under the new income tax regime in the Budget 2023. According to the announcement, 5 income tax slabs will be there in FY 2023-24, from 6 income tax slabs currently. A rebate under Section 87A has been enhanced under the new tax regime; from the current income level of Rs.5 lakh to Rs.7 lakh. Thus, individuals opting for the new income tax regime and having an income upto Rs.7 lakh will not pay any taxes.

As mentioned above, a ‘rebate’ under Section 87A has been enhanced under the new tax regime; from the current income level of Rs.5 lakh to Rs.7 lakh. It is important to note that rebate under Section 87A should not be misconstrued with the term exemption. This implies that if an individual is earning an income up to Rs. 7 lakhs only then he/she will be eligible for the said rebate.

On the other hand, if an individual is earning even a single rupee above the rebate limit of Rs. 7 lakhs, then the tax will be computed on the entire income. The said amendment has been reproduced hereunder:

“43. In section 87A of the Income-tax Act, the following proviso shall be inserted with effect from the 1st day of April, 2024, namely:—

Provided that where the income-tax payable on the total income of the assessee is computed under sub-section (1A) of section 115BAC, this section shall have the effect as if,—

(a) for the words “five hundred thousand rupees”, the words “seven hundred thousand rupees”;

The main objective of the Union Budget is to motivate the taxpayers to shift from the old regime to the newly proposed tax regime whereby new tax slab rates have been proposed in order to boost the India economy. The newly proposed tax slab has been tabulated hereunder:

Resident Individuals & HUF < 60 years of age & NRIs (OLD)	Resident Individuals & HUF > 60 to < 80 years (OLD)	Resident Individuals & HUF > 80 years (OLD)	Applicable for All Individuals & HUF (NEW)	New Regime
Rs 0.0 – Rs 2.5 lakh	NIL	NIL	NIL	NIL
Rs 2.5 – Rs 3.00 lakh	5% (tax rebate u/s 87a is available)	NIL	NIL	5% (tax rebate u/s 87a is available)
Rs 3.00- Rs 5.00 lakh		5% (tax rebate u/s 87a is available)	NIL	
Rs 5.00 – Rs 7.5 lakh	20%	20%	20%	10%
Rs 7.5 – Rs 10.00	20%	20%	20%	15%

Resident Individuals & HUF < 60 years of age & NRIs (OLD)	Resident Individuals & HUF > 60 to < 80 years (OLD)	Resident Individuals & HUF > 80 years (OLD)	Applicable for All Individuals & HUF (NEW)	New Regime
lakh				
Rs 10.00 – Rs 12.50 lakh	30%	30%	30%	20%
Rs 12.5 – Rs 15.00 lakh	30%	30%	30%	25%
> Rs 15 lakh	30%	30%	30%	

In view of the above, it can be observed that this budget was focused on the shifting from Old Tax Regime to New Tax Regime, by making it as default.

Apart from above, the Government proposed to;

- ⇒ Reduce the highest surcharge rate on Income above 5 Crore from 37% to 25% in new tax regime.
- ⇒ Minimum threshold of Rs 10,000 TDS removed in income from online gaming.
- ⇒ Leave Encashment on retirement for non Govt. Salaried person increased from Rs. 3,00,000 to Rs. 25,00,000
- ⇒ Under the existing provisions, where the capital gain of an Individual or HUF does not exceed 2 Crore rupees, the assessee at his option purchase or construct two residential houses in India. Now, w.e.f. FY 2023-24, the amount of Capital Gain increased from 2 Cr to 10 Cr for the purpose of claiming exemption under sections 54 and 54F.

On the other side Government also emphasised on benefitting the MSMEs to promote Start up in manufacturing, Agro - equipment and farming developments etc and proposed the following:

- Micro enterprises with turnover up to ₹2 crore and certain professionals with turnover of up to ₹50 lakh can avail the benefit of presumptive taxation. Now, enhanced limits of ₹3 Crore and ₹75 lakh respectively, to the tax payers, whose cash receipts are not more than 5%.
- Deduction against payment to MSME allowed only when payment is actually made.
- New co-operatives that commence manufacturing activities till March 31, 2024, shall get the benefit of a lower tax rate of 15%, as is presently available to new manufacturing Companies under 115BAB.
- Date of incorporation for income tax benefits to start-ups from March 31, 2023 to March 31, 2024. She further proposed to provide the benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years.
- Simplicity and standardization of KYCs/ common business identifier via Digilocker - will reduce compliance cost and enhance speed for all stakeholders
- Credit Guarantee for MSMEs of ₹9000 crore will aid enhanced credit to MSMEs with a multiplier effect of upto Rs. 2 lakh crores, while reducing the cost of credit

- More than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. For furthering the trust-based governance, govt introduced the Jan Vishwas Bill to amend 42 Central Acts.
- For efficient administration, the Government announced to work on Phase-3 of the E-Courts project and it will be launched with an outlay of Rs 7,000 crore.

Amendments in CGST Act

The Budget provides for amending the CGST Act so as to raise the minimum threshold of tax amount for launching prosecution under GST from ₹ 1 crore to ₹ 2 crore, except for the offence of issuance of invoices without supply of goods and services or both.

The compounding amount will be reduced from the present range of 50 to 150% of tax amount to the range of 25 to 100%. It will also decriminalize certain clauses of the Act like obstruction and preventing of any officer from discharge of his duties, deliberate tempering of evidence or failure to supply the information.

Keeping into consideration the Global Economic recession, impact of war between Russia and Ukraine, the Indian economy is sustainable and we may see higher economic growth in the year ahead.

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