

PY 2023-24  
(AY 2024-25)

# Analysis of Finance Bill 2023

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## **Summary of Changes Proposed in Income Tax Act,1961 in Union Budget 2023(Finance Bill,2023)**

Followings are the glimpses of proposed amendments w. e. from PY 2023-24(AY 2024-25)

(This document does not cover all amendments. Layman language is used for easy understanding)

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Changes in Tax Rates:

Change in tax rate, rebate, surcharge.

Section No.	Changes Proposed	Remarks	
115BAC	<b>New Tax Rates are:</b>	No Change in Old scheme tax rates.  No Change in H&EC.  These rates are same for resident, Non-resident, Senior Citizen, very senior Citizen.	
	<b>Slab</b>		<b>Rate</b>
	0-3,00,000		0
	3,00,001-6,00,000		5%
	6,00,001-9,00,000		10%
	9,00,001-12,00,000		15%
	12,00,001-15,00,000		20%
	Above 15,00,000		30%
	<b>More amendments of 115BAC are quoted after few Sections.</b>		
87A	For resident Individual who has opted for <b>115BAC Rebate</b> benefit will be as under: If Total Income is up to <b>Rs. 7,00,000</b> then rebate will be basic tax or <b>Rs.25,000</b> w. e. lower.	For old regime still the limit is 5,00,000 and Rs.12,500	
Surcharge	For individual/HUF <b>maximum surcharge</b> will be <b>25%</b> instead of 37% if opted for 115BAC.	For old regime still if total income is more than 5 crores then surcharge will be 37%.	
	Conclusion: Above changes only for individual/HUF who has opted for 115BAC.No changes if opted for old regime. Further no changes in tax rates of firm, company, LLP, trust, etc.		

Changes made in Section 115BAC:

<p><b>115BAC</b></p>	<p>The existing provision is ceased to have effect from AY 2024-25.</p> <p>From PY 2023-24(AY 2024-25):</p> <p>115BAC(1A): Section is applicable for Individual/HUF/AOP/BOI/AJP (Other than co. op. society)</p>	
	<p>In 115BAC now <b>80CCH (2) will also be allowed</b> as deduction (CG contribution to agniveer corpus Fund)- So now these deductions are allowed in total: 80CCD (2),80CCH (2),80JJAA</p>	
	<p>For person claiming 115BAC(1A): In salary standard deduction U/s <b>16(ia)</b> will be allowed.</p>	<p>Earlier it was not allowed.</p>
	<p>From AY 2024-25 onwards <b>115BAC is default</b>. If any assessee wants to opt old regime, then option to be exercised up to 139(1).</p> <p>For person having business/profession once option opted then it will apply to all subsequent year. This option can be withdrawn only once up to business stops.</p>	<p>Which scheme will be applicable for belated return?</p>

Analysis of 115BAC adoption:

<p>For Person not having business/profession</p>	<p>They can switch option every year &amp; if want to opt old regime then option to be exercised.</p>
<p>For person having business/profession</p>	<p>If they opt old regime then in entire life old regime. only one time option then to enter new regime and then for entire life new regime. (Up to business stops)</p>

## Changes made in Section 115BB:

For all casual Income up to now 30% tax rate is applicable.

Without any deduction of expense, No deduction U/c VI-A, No shifting benefit.

Now it is proposed to remove taxability of Winning from **online** gaming from the same Section and to bring new Section 115BBJ.

## New Section added: Section 115BBJ:

Tax on net winning from online games will be 30%.

What is net winning: that will be prescribed.

No deduction U/c VI-A, No Shifting benefit.

On receipt or accrual?

**E.g.:** Mr. A Played Dream 11 and won Rs. 6L during the year 2023-24. But the same is kept in wallet only and brought to bank account in the year 2024-25.

When tax liability will occur?

Ans.:

For this winning TDS is also added which is discussed later on.

## Insertion of Section 115BAE:

To align companies and co. op. society taxation, 115BAE is inserted same as Section 115BAB.

New optional tax system for resident **co. operative society engaged in manufacturing** and setup on or after 1.4.23 and commenced production up to 31.3.24.

Tax rate only **15%** (Subject to other provisions)

**Changes in Scope of Income and Exemptions:****Amendment in Section 9(Deemed to accrue or arise in India):**

If any resident in India gives sum of money as a gift outside India to NR, then it will be taxable to NR in India.

Now in this Section if recipient is RBNOR then also tax liability will arise.

**Taxability on high value life insurance policies:****Section 10(10D):**

Existing provisions: If life insurance policy premium is more than 10% of sum assured then maturity will be taxable.

If any ULIP is issued on or after 1.2.21 and aggregate premium paid for such ULIPS is more than Rs. 2,50,000 then maturity surplus will be taxable in Capital gains.

**Proposed amendment:****Sixth Proviso to 10(10D):**

If any life insurance policy is taken **on or after 1.4.23** and annual **premium** in any PY up to maturity exceed **Rs.5,00,000** then surplus at time of maturity will be taxable.

(If more than 1 LIP is taken then limit of Rs. 5,00,000 is applicable for aggregate premium of all such LIP issued on or after 1.4.23)

This provision is not applicable if policies issued prior to 1.4.23.

In case of death also exemption will continue.

E.g.:

Mr. A has following policies: (Assuming premium is less than 10% of sum assured)

Scenario-1:

Policy taken on	Annual Premium	Taxability on maturity
1.4.22	6,00,000	
1.4.23	2,00,000	

Scenario-2:

Policy taken on	Annual Premium	Taxability on maturity
1.4.22	2,00,000	
1.4.23	6,00,000	

Scenario-3:

Policy taken on	Annual Premium	Taxability on maturity
1.4.22	6,00,000	
1.4.23	2,00,000	
1.5.24	4,00,000	

**Where this maturity will be taxable?**

**Insertion of Section 56(2)(xiii):**

Any taxable maturity of LIP (Except ULIP and Keyman insurance policy) Then surplus will be taxable in IFOS (If not exempt in 10(10D)).

How to compute surplus: That method will be prescribed.

**Amendment in Section 10AA:**

10AA deduction available only if return of Income is **filled on or before due date of Section 139(1)**.

10AA(4A): 10AA deduction applies only to the unit which has received convertible foreign exchange **within 6 months from end of financial year or extended time**.

**Insertion of taxability for Agniveer Corpus Fund:**

This is a fund which can be opened by a soldier joining service as agniveer. This fund works same like NPS. Here Employee also contribute and CG(Employer) also contribute and at the end maturity will be there.

When employer will contribute in this fund:

**A. Amendment in Section 17(2):**

17(1): Salary also includes contribution made by central government in PY to Agniveer Corpus fund. Then deduction in 80CCH (2).

**B. Insertion of Section 80CCH:**

80CCH (1): If any Individual enrolled in Agni path Scheme and subscribe to Agniveer Corpus Fund on or after 1.11.22 then 100% of contribution will be allowed as deduction.

80CCH (2): If CG makes any contribution to the fund that is also allowed as deduction. (This deduction also allowed if followed 115BAC).

**C. Insertion of Section 10(12C):**

Maturity of such agniveer fund will be exempt.



### Changes in Trust taxation:

#### Changes in Section 11:

A. Up to now the provision was:

If trust registered U/s 12AB donates to other trust registered u/s 12AB or institution U/s 10(23C) and if such donation is corpus for recipient, then deduction will not be allowed.

Proposed amendment:

However, if such donation is non corpus, then deduction is allowed but only 85% of donation.

B. If trust set apart U/s 11(2) then **form 10 to be furnished at least 2 months prior to due date of 139(1).**

**(Up to now it was due date of 139(1)).**

### Changes in Salary Head:

#### Amendment in calculation of perquisites for accommodation:

Up to now it was 7.5/10/15% of salary based on population of city.

That entire rule is scrapped and now one method will be prescribed to calculate perquisite for accommodation.

#### Standard Deduction:

Note: Please note there is no change in amount of standard deduction of Section 16(ia).

### Changes in PGBP Head:

#### Amendment in Section 28:

If any benefit received in case of business or profession from suppliers etc then it will be taxable whether in cash or kind or partly in cash or partly in kind.

**Amendment in Section 43B:**

43B provides list of transaction in which deduction of expenses will be available only if it is actually paid up to due date of filling return of Income U/s 139(1).

Now one more transaction is proposed to be added in the list.

43B(h) Any sum payable by assessee to micro or small enterprise beyond the time limit of Section 15 of MSME Act.

However here the limit for payment will be 31<sup>st</sup> March itself and not due date of 139(1).

As per Section 15 of MSME Act.

Due date of payment to supplier registered under MSME is 15 days.

If any other agreement is done then period can be extended but total not more than 45 days.

What is common interpretation of Section 43B(h) r.w. Section 15 of MSME Act:

Purchase Date	Due date of payment as per agreement	Payment made on	Purchase expense deductibility
1/4/23	30/4/23	25/4/23	
1/4/23	30/4/23	30/6/23	
1/1/24	31/1/24	31/3/24	
1/1/24	31/1/24	31/5/24	
31/3/24	30/4/24	25/4/24	
31/3/24	30/4/24	31/5/24	

**Amendment in Section 44AD:**

Presumptive taxation for business:

Limit of turnover for eligible assessee will be **3 crores** instead of 2 crores if amount received during the PY in cash does not exceed **5%** of total turnover. Here crossed cheque and bearer cheque will be treated as cash.

If cash receipt is more than 5% of turnover then limit will be still Rs. 2 crores.

**Amendment in Section 44ADA:**

Presumptive taxation for profession:

Limit of gross receipt for professional will be **75 Lakhs** instead of 50 Lakhs if Amount received during the PY in cash does not exceed **5%** of total turnover. Here crossed cheque and bearer cheque will be treated as cash.

If cash receipt is more than 5% of turnover then limit will be still Rs. 50 Lakhs.

### Changes in Capital Gain Head:

#### Insertion of 47(viid):

Any transfer from gold to electronic gold receipt or from electronic gold receipt to gold will not be regarded as transfer.

2(42A): Period of holding to be computed from holding of original asset.

49: Cost of acquisition will be cost of original asset.

#### Amendment in Section 48:

Any Cost of acquisition or Cost of improvement will not include deduction taken earlier U/s 24(b) or Chapter-VI-A (Like 80EE, 80EEA).

#### Insertion of Section 50AA:

If Capital asset is "Market linked Debentures":

CG will always be short term capital gain (Irrespective of POH)

STT will not be allowed as deduction.

#### Amendment in Section 54 & 54F:

Cost of new HP **above Rs. 10 crores will be ignored.**

### Changes in Taxation of start-ups:

#### Amendment in Section 79:

Setoff and carry forward losses in case of change in 51% shareholding is prohibited for unlisted companies.

This rule is N.A. for startup companies up to 7 years of incorporation.

Now Proposal is to extend benefit up to 10 years.

#### Amendment in Section 80-IAC:

Tax benefit in case of eligible startup companies incorporated up to 31.3.23.

This benefit is proposed to be extended for companies incorporated up to 31.3.24

## Changes in Deduction Chapter:

### Amendment in Section 80G:

Earlier for the donation made in below mentioned fund, 50% deduction was allowed without any upper limit:

- a. Jawaharlal Nehru Memorial Fund
- b. Indira Gandhi Memorial Fund
- c. Rajiv Gandhi Foundation

Now it is proposed to remove above three funds from the list of deductions.

## Changes in Assessment Procedure:

### Amendment in Section 116:

To clear the disputes speedily one authority is added "Joint commissioner (Appeal)"

### Amendment in Section 142(2A):

With provisions of special audit, Power of valuation of **inventory by cost accountant is added** if it is in interest of revenue

### Amendment in Section 148:

In reopening of cases, now the time limit to file return as per the notice will be 3 months from end of month of notice.

### Amendment in Section 153:

Time limit for completion of assessment for any AY commencing on or after 1.4.2022 will be **12 months** from end of AY

Earlier it was 9 months.

## Changes in TDS/TCS Provisions:

### Amendment in Section 192A:

TDS in case of taxable maturity of PF by employee TDS was deducted @10% and if employee do not furnish PAN then @ MMR (42.744%).

Now it is proposed to deduct TDS in case no PAN - @ 20% instead of MMR.

### Amendment in Section 193:

Up to now no TDS to be deducted on interest of listed securities. Now it is proposed to deduct TDS @ 10% on the same.

### Amendment in Section 194B:

Up to now No TDS was deducted on gambling and betting.

Now it is proposed to add TDS @30% with threshold of Rs. 10,000 on gambling and betting.

Now no TDS to be deducted on winning from online gaming under this Section.

### Insertion of Section 194BA:

**Winning from online gaming then TDS @ 30% on net winning (As per method prescribed)**

**No threshold.**

Time: At the end of FY or withdrawal w.e. earlier.

### Amendment in Section 194N:

TDS on cash withdrawal is applicable if cash withdrawn over Rs. 1 crore.

However, if cash withdrawn by co. op. society, then threshold will be 3 crores.

### Amendment in Section 194R:

TDS to be deducted even if benefit is in cash or kind.

### Amendment in Section 206AB & 206CCA:

For non-fillers of IT return and whose TDS+ TCS deducted is more than Rs. 50,000- Double TDS/TCS is applicable.

However, if that assessee is NR, then these Sections will not apply.

### Amendment in Section 206C(1G):

For remittance outside India TCS was applicable @ 5%.

However now it is proposed to collect TCS @ 20%.

But if remittance is for educational or medical purpose then threshold will be Rs. 7L and rate of TCS will be 5%.

**Changes in Other Misc. Provisions:**

**Amendment In Section 269SS/269T:**

Loan/Advance/Specified Sum:

Limit will be enhanced to **Rs. 2,00,000 instead of 20,000** if transaction between member and primary agricultural credit society.