

Quick Summary of Key Provisions: Budget 2022

Filing "Updated" return

Opportunity given to file updated return within 24 months from the end of relevant assessment year, subject to payment of additional tax on undisclosed income and subject to other conditions.

Cess and Surcharge not to be considered deductible expenses

Retrospective amendment to provide that any cess or surcharge on income tax is not deductible

Withdrawal of concessional tax rate of 15% on specified foreign dividend

Concessional rate of tax on specified foreign dividends as available to Indian companies now stand withdrawn.

Clarification on disallowance under section 14A

Disallowance of expenses to be made irrespective of non- receipt of any exempt income during the year

Extension of last date for kick-off of manufacturing to 31.3.2024

Concessional rate of taxation of 15% has been extended to companies commencing manufacturing on or before 31.03.2024

Extension of date of incorporation for eligible startups to 31.3.2023

The deadline for set up of start-ups eligible for tax holiday is extended to 31.03.2023

Compensation related to COVID not considered as income

Amount received by Individuals or family members from employers or any other persons for the purpose of medical treatment of COVID or upon death due to COVID shall not be taxable (subject to limits)

Higher rate of TDS/ TCS for non filers

Higher rate of TDS/ TCS to apply even in case where tax return not filed for one year

Application of stamp duty for TDS on immovable property

TDS on property to be deducted at 1% of stamp duty value or consideration, whichever is higher

Taxation of Virtual Digital Assets

- i. Taxation of Virtual digital assets has been proposed at 30% of profits from sale without any deduction of expenditure other than cost
- ii. Gift of such assets to be taxed in the hands of the recipient
- iii. TDS of 1% introduced on sale of such assets
- iv. No set-off or carry forward of loss on transfer of virtual digital assets

Additional onus for loans and borrowings

Source of lender to be explained for loans and borrowings so as not to attract additional tax on unexplained cash credit

Changes for charitable organisations

- i. Compliance and investment conditions for section 10(23C) brought at par with section 11/12
- ii. Penalties for passing unreasonable benefits to trustees or specified persons
- iii. Application of exit tax to 10(23C) organization
- iv. Non utilized accumulation to be taxed in 5th year
- v. Application to be allowed on actual payment

Rationalisation of surcharge

- i. Surcharge on all long-term capital gains restricted at 15%
- ii. Surcharge on AOP (with corporate members) restricted to 15%

Disallowance under section 37(1) - Clarifications

- i. Disallowance to include expenditure incurred which is an offence under any law, whether in India or outside India
- ii. Disallowance to include compounding of offence
- iii. Disallowance to include any benefit or perquisite provided to a person in violation of any law/ rule/ regulation/ guideline governing the conduct of such person

Impetus to GIFT City

- i. Exemption to non-resident extended on transfer of offshore derivative instruments, OTC derivatives, royalty or interest on lease of ship or from funds managed by portfolio manager in IFSC
- ii. Angel tax provisions to not apply in case of issue of shares to Category I or II AIF regulated by IFSCA

Bonus/ dividend stripping – provisions expanded

Bonus/ dividend stripping provisions expanded to include securities and units of InVIT, REIT and AIF

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