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INDIA BUDGET 2023

Synopsis of Recent Policy Changes and Proposals for
Direct and Indirect Taxes, Impact and Economic Indicators

Index

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Foreword

Indian Economy: The Bright Star



Last year, the closing line of our foreword was that the growing Indian economy needed only covid to behave. It did. This time we have the Ukraine war. In spite of that, the economy is firing from all cylinders. Given the building stability, the focus was required on infrastructure, foreign investment, and rationalizing regulatory compliances.

Our Finance Minister gave a comparatively shorter budget speech, but sticks to the Macro blueprint she drew up earlier i.e. India @100. This budget aims to keep the economy on track, push domestic consumption, motivate neo-sectors and encourage local manufacturing over imports. Given the elections next year, expectedly, she threw in well directed sops. Equally enjoyable were the spew of nomenclatures to various schemes and ideas.

She has wisely stayed away from handling inflation which is the domain of monetary policy and the Central bank. In any case, that should auto correct if the economy moves into high growth, which looks to be the case. The fiscal deficit sits at 6.4 per cent of GDP, which she projects at 5.9 per cent in 2024 and targets 4.5 per cent by 2026. Her commitment to controlling the fiscal deficit is reassuring, but given the vast investments required to fuel the charged economy, seems a bit tough.

Continued thrust to infrastructure is very sensible. No better way to accelerate the economy, generate employment and increase consumption. Highest ever allocation to Railways. The outlay for 100 critical transport infrastructure projects for ports, coal, steel, fertilizer, and food grains. Setting up of 50 new aerodromes to improve regional connectivity. And establishing an Urban Infrastructure Development Fund for sustainable cities of tomorrow.

It has been particularly impressive to see tourism in focus by selecting 50 destinations for high end development. There exists a huge untapped potential, both domestic and global. Green growth remains the commitment with generous allocations to the National Hydrogen mission, energy transition and storage projects, coastal shipping and vehicle replacement.

It is a welcome effort to settle contractual disputes, where government bodies are a party, through an amnesty scheme. Much needed attention on skill development - 157 nursing colleges, Agro research institutes, R&D centres of excellence for Pharma/Medical devices/AI, teacher training centres etc. All this augers well for employment generation as equally fruitful future economic outcomes. The entire game plan is well sprinkled with digital - clearly the 'technology driven economy' is in serious focus. And rightly so.

The indirect taxes offer healthy incentives to the 'Make in India' program. Amongst others, electric vehicles, parts of mobile phones, lithium-ion batteries and certain segments of the chemical industry have received favourable customs duty. Those India can produce have received a less encouraging look. The income tax slabs have been slightly lowered with the middle class in mind. Tax incentive for start-ups has been extended by a year. There are numerous compliances rationalized, as the fine print always shows. But nothing alarming.

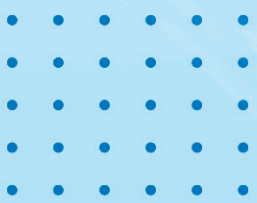
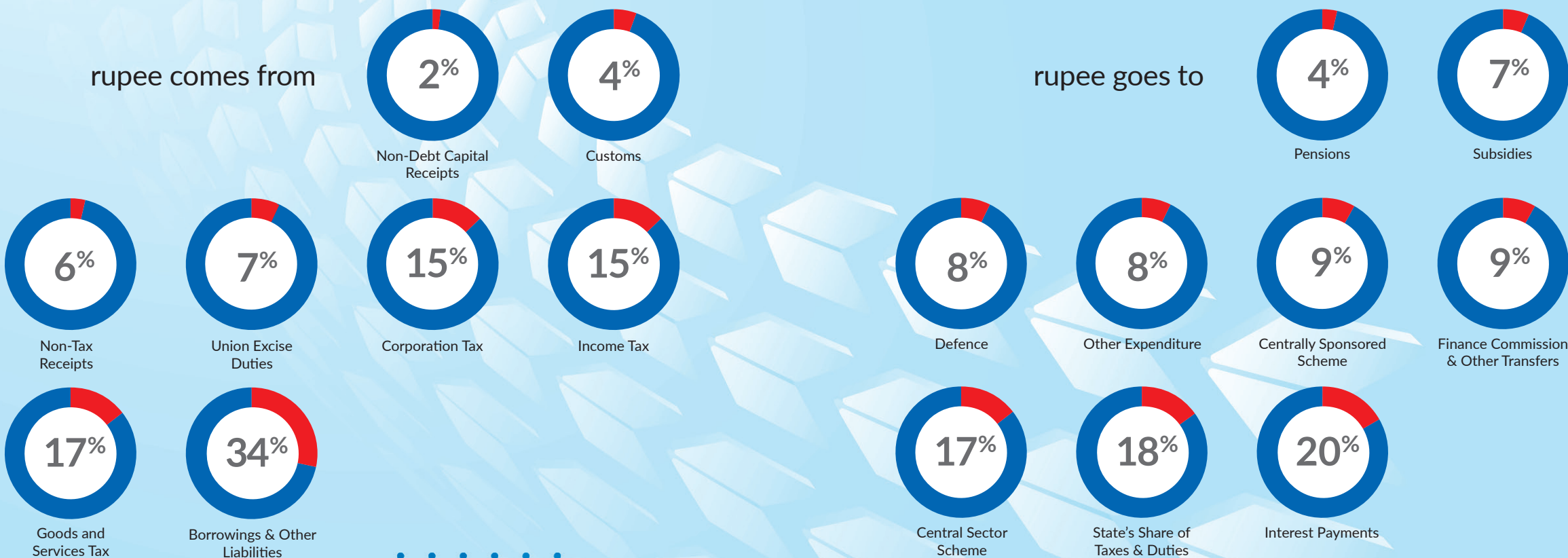
Through various fiscal incentivisation, the Government is letting go of revenues of ₹350 billion. The Government is clearly exhibiting the confidence it feels. Time to put it to test and, given all economic indications and global cues, looks like India is on the fast track (touch wood!).

Ajay Sethi

Rupee Movement

rupee comes from

rupee goes to



Budget at a Glance

DIRECT TAXES

- ✓ Higher tax arbitrage under new tax regime
- ✓ Angel tax extended to non-resident investors
- ✓ Taxes withheld on past income allowed
- ✓ Higher TCS on remittances under LRS
- ✓ Measures to reduce pending appeals introduced

INDIRECT TAXES

- ✓ Overriding relaxation from GST registration for specified suppliers
- ✓ Input Tax Credit not permissible on CSR activities
- ✓ Limitation period from due date prescribed for filing various GST returns
- ✓ Validity period of Customs exemption notifications not to apply in certain cases

COMMERCE & TRADE

- ✓ In focus – Infrastructure, Green Growth and Finance
- ✓ Agriculture Accelerator Fund to be created for agri-startups
- ✓ PAN to be used as Common Business Identifier
- ✓ Credit guarantee scheme to reduce cost of credit for MSMEs

SOCIAL FOCUS

- ✓ Allocation to PM Garib Kalyan Anna Yojana
- ✓ Investment in 100 critical transport infrastructure projects
- ✓ 500 'waste to wealth' plants under the GOBARDhan scheme

ECONOMIC INDICATORS

- ✓ GDP increases by 7 per cent in FY 2022-23
- ✓ WPI based inflation at 11.5 per cent
- ✓ Foreign exchange reserves at US\$ 562.72 billion
- ✓ Increase in production of core industries including coal, natural gas, refinery products, fertilizers, steel, cement and electricity

Budget Proposals

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2023. The direct tax provisions in the Finance Bill, 2023 would ordinarily apply to the Financial Year commencing on April 1, 2023 (Assessment Year 2024-25) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament

Direct Taxes

INCOME TAX

- The basic tax slabs for individual and HUF remains unchanged in the old regime. Income slabs enhanced under the new regime i.e.

OLD REGIME		NEW REGIME ²		
INCOME RANGE (₹)	RATE (%)	INCOME RANGE (₹)		RATE (%)
		FROM	TO	
Upto 250,000 ¹	Nil	Upto 250,000	Upto 300,000	Nil
250,001-500,000	5	250,001-500,000	300,001-600,000	5
500,001-1,000,000	20	500,001-750,000	600,001-900,000 ³	10
		750,001-1,000,000	900,001-1,200,000	15
1,000,001 & above ⁴	30	1,000,001-1,250,000	1,200,001-1,500,000	20
		1,250,001-1,500,000	-	25
		1,500,001 & above ⁴	1,500,001 & above ⁴	30

¹Exemption limit for individuals reaching 60 and 80 years remains unchanged at ₹300,000 and ₹500,000 respectively

²The new regime is extended to association of persons (other than a co-operative society), body of individuals and artificial juridical persons. Deductions, exemptions and carried forward losses restricted, with certain conditions.

³Tax rebate limit enhanced from ₹0.5 to 0.7 million under the new regime.

⁴Surcharge remains unchanged at 10 per cent on income exceeding ₹5 to 10 million; stands at 15 per cent on income exceeding ₹10 to 20 million; stands at 25 per cent on income exceeding ₹20 to 50 million; stands at 37 per cent on income exceeding ₹50 million. However, surcharge is now restricted to 25 per cent under the new regime. Further, surcharge shall not exceed 15 per cent on dividends, STT paid capital gains and non-STT paid long term capital gains.

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. In case of a co-operative society, surcharge remain unchanged at 7 per cent on income exceeding ₹10 million and at 12 per cent on income exceeding ₹100 million

respectively. In all other cases, surcharge at 12 per cent where income exceeds ₹10 million.

- Corporate tax rates remain unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
▸ New manufacturing enterprise	25 ²
▸ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax is applicable to new manufacturing companies with turnover or gross receipts up to ₹4 billion during financial year 2021-22

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme

ENTITY	RATE (%)
Domestic Company and Cooperative Society ¹	
▸ New manufacturing enterprise	15 ²
▸ New manufacturing cooperative society	15 ³
▸ Others	22

¹Deductions under respective provisions of chapter VIA restricted for availing concessional tax rate. Surcharge at 10 per cent

²Benefit applicable to companies registered on or after October 1, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2024 with certain conditions

³Benefit applicable to manufacturing co-operative society set up on or after April 1, 2023 and commencing manufacturing or production before March 31, 2024 with certain conditions

SALARY

- The existing basis of computing value of rent free or concessional accommodation for salaried employees to be replaced with new rules.

INCOME FROM BUSINESS & PROFESSION

- Turnover threshold under presumptive taxation regime for eligible businesses enhanced from ₹20 to 30 million and for specified profession from ₹5 to 7.5 million, where aggregate cash receipts do not exceed 5 per cent of the turnover.
- To claim deduction on amortization of preliminary expenditure, taxpayer to now submit a statement in prescribed form and manner before appropriate authorities.
- Trade payables to micro and small enterprises, now deductible on actual payment basis.
- Where eligible businesses in Oil & Gas and EPC sectors have opted for non-resident presumptive taxation regime in India, benefit of carry forward of losses and depreciation is not available on actual basis.

CAPITAL GAINS

- Conversion of Physical Gold to Electronic Gold Receipt (EGR) and vice versa, not taxable.
- Long-term capital gain exemption on reinvestment into a residential accommodation in India, capped at ₹100 million.

- Gain on transfer or redemption or maturity of Market Linked Debentures will now be taxed as short-term capital gain.
- Deduction already claimed in respect of interest on borrowings for acquiring, renewing, or reconstructing a property will not form part of its cost of acquisition/improvement.

INCOME FROM OTHER SOURCES

- Voluntary receipts, except under specific circumstances, in excess of ₹50,000 by a Not-Ordinarily Resident individual, from an Indian resident, are taxable.
- Any distribution by a business trust to a unit holder, including repayment of debt and redemption of units, is now taxable in the hands of the recipient.
- Net winnings from online games now taxed at 30 per cent and subjected to tax withholding in entirety.
- **Angel tax extended to non-resident investors. Now, share premium in excess of FMV of shares, received from non-resident investors, taxable in hands of the recipient resident company.**

TAX WITHHOLDING/ TAX COLLECTION

- Tax withholding at 10 per cent on interest income arising from listed debentures maintained in a dematerialized form, to a person resident in India.
- Mutual Funds to apply the beneficial rate of withholding tax under relevant tax treaty when distributing income to non-resident unit holders.
- **Foreign remittances other than for medical and educational purposes under Liberalised Remittance Scheme (LRS) subjected to tax collection at source at 20 per cent on entire remittance.**

ASSESSMENT AND APPELLATE PROCEEDINGS

- Time limit for completion of regular assessment extended from 9 to 12 months.
- In the course of transfer pricing assessment or appeal, time limit to submit transfer pricing documentation reduced from 60 to 40 days.
- **In specific cases, Joint Commissioner of Income-tax (Appeals) to act as the first appellate authority alongside Commissioner of Income-Tax (Appeals).**

PENALTY AND PROSECUTION

- Inaccurate disclosure in Statement of Financial Transaction (SFT) to attract an additional penalty of ₹5000 on the reporting financial institution or the account holder.
- Where the consideration for transfer of Virtual Digital Assets, business benefits and winnings from online games is received in kind, non deduction of tax to attract penalty and prosecution.

OTHERS

- Time limit for incorporation of eligible start-ups extended till April 1, 2024 for availing tax deduction.
- Time limit to avail benefit of carry forward and set-off losses by eligible start-ups extended from 7 to 10 years from date of incorporation.
- Income distributed by Offshore Banking Unit ('IBU') in International Financial Services Center ('IFSC') to non-resident Offshore Derivative Instruments holders exempt from tax provided IBU paid taxes on such income.

- Additional conditions imposed on units in SEZ to claim tax holiday – to submit tax return before due date and realise export proceeds within the duration prescribed by the RBI.
- **Credit of taxes withheld in a subsequent year can be claimed in the previous year in which corresponding income was offered to tax.**
- The tax officer can withhold tax refund for any year pending any assessment/reassessment without prior intimation or offering any interest in lieu of amounts withheld.



Indirect Taxes

CUSTOMS DUTY

Rationalization of Customs Duty rate structure.

HIGHLIGHTS

- Amendments
 - Validity period of two years in respect of exemption notifications shall not apply in specified cases.
 - Settlement Commission to pass order within 9 months which can be further extended by 3 months.
 - Agricultural Infrastructure and Development Cess rates changed in case of specified goods.
- Exemptions
 - Extension of Custom Duty exemptions on specified goods.
 - Social Welfare Surcharge exempted in case of specified goods.
- Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
MINERALS			
‣ Acid grade fluorspar (containing by weight more than 97% of calcium fluoride)	5	↓	2.5

INDUSTRY	RATE (%)		
	From	↑↓	To
PETROCHEMICALS			
‣ Naphtha	1	↑	2.5
GEMS AND JEWELLERY			
‣ Seeds for use in manufacturing of rough lab-grown diamonds	5	↓	0
‣ Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	7.5	↑	10
‣ Silver Dore	6.1	↑	10
IT AND ELECTRONICS			
‣ Specified chemicals/items for manufacture of Pre-calcined Ferrite Powder	7.5	↓	0
‣ Palladium Tetra Amine Sulphate for manufacture of parts of connectors	7.5	↓	0

INDUSTRY	RATE (%)		
	From	↑↓	To
‣ Camera lens and its inputs/ parts for use in manufacture of camera module of cellular mobile phone	2.5	↓	0
‣ Specified parts for manufacture of open cell of TV panel	5	↓	2.5
ELECTRONIC APPLIANCES			
‣ Heat Coil for use in the manufacture of Electric Kitchen Chimneys	20	↓	15
AUTOMOBILES			
‣ Vehicle (including electric vehicles) in Semi-Knocked Down form	30	↑	35
‣ Vehicle in Completely Built Unit form	60	↑	70

INDUSTRY	RATE (%)		
	From	↑↓	To
➤ Electrically operated Vehicle in Completely Built Unit form	60	↑	70
AUTOMOBILES			
➤ Specific capital goods/ machinery for manufacture of Lithium ion cell for use in battery of electrically operated vehicle (EVs)	2.5	↓	0
AGRICULTURAL PRODUCTS AND BY PRODUCTS			
➤ Mineral and Vitamin Premixes for use in manufacture of aquatic feed	15	↓	5
➤ Fish meal for use in manufacture of aquatic feed	15	↓	5
➤ Denatured ethyl alcohol for use in manufacture of industrial chemicals	5	↓	0

EXCISE DUTY

- Effective February 02, 2023, National Calamity Contingent Duty increased on specified cigarettes.
- Excise duty on blended Compressed Natural Gas ('CNG') exempted based on specified conditions.

GOODS AND SERVICES TAX

- Amendments
 - Composition levy scheme extended to persons supplying goods through e-commerce operator.
 - Overriding relaxation from registration for suppliers having fully exempt or non-taxable supplies, irrespective of applicability of specified mandatory registration requirements including due to reverse charge.
 - Input Tax Credit ('ITC') not permitted in respect of Corporate Social Responsibility activities.
 - Supply of warehoused goods before customs clearance included in exempt supply for apportionment of blocked ITC.
 - Limitation period of 3 years from due date prescribed for filing of various GST returns.
 - Penal provisions introduced for e-commerce operators for specified violations in respect of supplies made through them.
 - Decriminalisation of specified offences.
 - Threshold for launching prosecution increased from ₹10 to 20 million except for offences relating to or arising out of fraudulent invoices.

- Compounding provisions made stringent in respect of fraudulent invoices.
- Consent based sharing of taxpayers' data with other Government systems.
- Transportation services for sending goods outside India made taxable if both supplier and recipient based in India.
- Scope of Online Information and Database Access or Retrieval services enlarged.
- Retrospective Amendments
 - Effective July 01, 2017, following shall be treated neither as supply of goods nor services:
 - Supply of goods outside India without such goods entering India viz. merchant trade and high sea sales
 - Supply of warehoused goods to any person before customs clearance for home consumption.



Commerce & Trade Focus

AGRICULTURE

- ₹2 trillion (US\$ 25 billion) allocated under PM Garib Kalyan Anna Yojana from January 1, 2023 to ensure food and nutritional security.
- Agriculture Accelerator Fund created to encourage young rural entrepreneurs to build agri-startups. The fund aims to bring technology for increasing agricultural productivity and profitability.
- Atmanirbhar Clean Plant Program to be launched with an outlay of ₹22 billion (US\$ 275 million) to boost availability of improved quality planting material for high value horticultural crops.
- Agriculture credit target increased to ₹20 trillion (US\$ 250 billion) with a focus on animal husbandry, dairy and fisheries.

INFRASTRUCTURE & INVESTMENT

- Outlay for PM Awas Yojana (affordable housing to urban poor) increased by 66 per cent to ₹790 billion (US\$ 9.88 billion).
- Capital investment outlay enhanced by 33 per cent to ₹10 trillion (US\$ 125 billion), which would be 3.3 per cent of GDP. The 'Effective Capital Expenditure' will be ₹13.7 trillion (US\$ 171 billion), amounting to 4.5 per cent of GDP.
- 50-year interest free loan to state governments extended by one more year with an enhanced outlay of ₹1.3 trillion (US\$ 16.25 billion).
- Railways provided with a capital outlay of ₹2.4 trillion (US\$ 30 billion).
- ₹750 billion (US\$ 9.4 billion) to be invested in 100 critical transport infrastructure projects for first and last mile connectivity of ports, coal, steel, fertilizer and food grain sectors.
- Urban Infrastructure Development Fund ('UIDF') to be established with an outlay of ₹100 billion (US\$ 1.25 billion) to build urban infrastructure in Tier 2 and Tier 3 cities.

EASE OF DOING BUSINESS

- PAN to be used as the common identifier for all digital systems of specified government agencies.
- Government to return 95 per cent of the sums forfeited from MSMEs for failures to execute contracts during COVID-19.
- E-courts project to be additionally launched with an outlay of ₹70 billion (US\$ 875 million).

GREEN GROWTH

- ₹350 billion (US\$ 4.38 billion) provided for priority capital investments towards energy transition, the objective is to achieve net zero emissions by 2070.

- Battery Energy Storage Systems with a capacity of 4,000 MWH to be set up with Viability Gap Funding.
- The inter-state transmission system to be constructed for evacuation and grid integration of 13 GW of renewable energy from Ladakh. The project to have an investment of ₹207 billion (US\$ 2.58 billion).
- 500 'waste to wealth' plants under the GOBARDhan ('Galvanizing Organic Bio-Agro Resources Dhan') scheme to be established to promote zero waste and sustainable industrial cycle. 200 compressed biogas plants and 300 community or cluster-based plants proposed at a total outlay of ₹100 billion (US\$ 1.25 billion).

FINANCE

- ₹90 billion (US\$ 1.13 billion) outlay for credit guarantee scheme to reduce cost of credit for MSMEs.
- For enhancing business activities in GIFT IFSC, the following measures to be taken:
 - IFSCA to be delegated powers under SEZ Act to avoid dual regulation.
 - Single window IT system for approval from IFSCA, SEZ, GSTN, RBI, SEBI and IRDAI.
 - Permission to IFSC Banking Units for acquisition financing.
 - EXIM Bank subsidiary to be established for trade re-financing.
 - Amendment in IFSCA Act relating to arbitration and ancillary services for avoiding dual regulation under SEZ Act.
 - Offshore derivative instruments to be recognised as valid contracts.

FISCAL MANAGEMENT

- Revised estimate of FY 2022-23 of total receipts (other than borrowings) stood at ₹24.3 trillion (US\$ 304 billion) while revised estimate of total expenditure is ₹41.9 trillion (US\$ 524 billion).

- Total budget receipts (other than borrowings) of FY 2023-24 planned at ₹27.2 trillion (US\$ 340 billion) while total budget expenditure is placed at ₹45 trillion (US\$ 562.5 billion).
- Revised Estimate of the fiscal deficit of FY 2022-23 is 6.4 per cent of GDP.
- Fiscal deficit of FY 2023-24 is estimated to be 5.9 per cent of GDP.
- Net market borrowings for FY 2023-24, from dated securities, estimated at ₹11.8 trillion (US\$ 147.5 billion).



Impact

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 0.27 per cent higher at 59,708.08 up by 158.18 points. The National Stock Exchange ('Nifty') fell 0.26 per cent, down by 45.85 points to close at 17,616.30 points. The Sensex touched an intra-day high of 60,773.44 and a low of 58,816.84 while Nifty touched a high of 17,972.20 and a low of 17,353.40 during the day.

KEY SECTORS

AGRICULTURE

Digital public infrastructure to enable tech-based solutions for crop planning and health, easy access to farm inputs and credit through Agri-tech initiatives. Agriculture Accelerator Fund, decentralised storage capacity and Atmanirbhar Clean Plant Program to promote innovative and affordable transformative solutions for agricultural practices to augment incomes, food security and welfare of the farmers.

HEALTHCARE

Set-up of 157 new nursing colleges and access of select ICMR laboratories for medical research by private sector and colleges to augment innovation and healthcare facilities. Promotion of 'Centre of Excellence' for pharmaceuticals research and innovation in priority sectors. Thrust on multidisciplinary courses in medical devices for skilling manpower in futuristic medical technologies, high end manufacturing and research in India.

EASE OF DOING BUSINESS

PAN to be used as common business identifier for all digital filings with various governmental agencies. Usage of DigiLocker for one stop verification of identity and address of individuals would ease compliance documentation. Collateral free credit guarantee to MSMEs and increase in threshold for presumptive taxation to boost entrepreneurship and new start-ups.

ENVIRONMENTAL, SOCIAL & GOVERNANCE ('ESG')

Reduction in duties on import of Lab Grown Diamond ('LGD') seeds to help conserve environment, reduce greenhouse emissions due to mining, sustain natural habitat and to contribute towards safe environment and skill upgradation. Enhanced focus on energy storage projects and renewable energy evacuation to reduce reliance on fossil fuels. The Green Credit Programme to incentivize environmentally sustainable corporate actions.

DIGITAL TECHNOLOGY

iGOT Karmayogi, an online training platform to upgrade skills and provide learning opportunities for civil servants. Proposal to integrate compliances through digital tools, equipping teachers with innovative ICT based training. National Digital Library enabling digital access to qualitative learning would accelerate skill upgradation and enhance IT prowess of the nation. A one stop solution for reconciliation and updating of identity and address of individuals maintained by various government agencies, regulators and regulated entities to be established using DigiLocker service and Aadhaar as foundational identity.

URBAN PLANNING

Urban Infrastructure Development Fund ('UIDF') with an outlay of ₹100 billion (US\$ 1.25 billion) to create urban infrastructure in Tier 2 and Tier 3 cities to support infrastructure development. Target of 100 per cent de-sludging of septic tanks and sewers transition to machine mode.

FINTECH

Setting up a National Financial Information Registry as central repository of financial and ancillary information would enable financial inclusion and transparency. A new legislation proposed to regulate credit for public infrastructure with amendments in banking legislations to improve governance and safeguarding investors' interest. Streamlining of IFSCA regulations to ease up global financial market engagement.

LOGISTICS

Proposal to set-up 50 additional airports, heliports, water aerodromes and advanced landing ground would have ripple effect on infrastructure, transportation, hospitality and tourism industry. High emphasis on critical transport infrastructure projects to the tune of ₹150 billion (US\$ 1.8 billion) through private players would boost investments in India.

Recent Policy Changes



CORPORATE LAW

- As an initiative towards ease of doing business, LLPs to be allotted PAN and TAN along with certificate of incorporation.
- Transferee of shares in Indian company mandated to provide declaration regarding requirement / non requirement of government approval prior to transfer of shares.
- Verification of registered office address made mandatory by the Registrar of Companies ('RoC').
- Revised guidelines issued for online maintenance and access of books of account:
 - Books of account and other relevant books and papers maintained in electronic mode to be accessible at all times in India.
 - Back-ups in electronic mode should be maintained on servers physically located in India on a daily basis (earlier periodic basis) even in cases, where currently such backups are maintained at a place outside India.
 - Additional disclosure to RoC relating to the name and address of the person in control of the books of account and other books and papers in India, where the data storage is outside India.
- Small Companies (determined based on capital & turnover criteria) are eligible for relaxations from several reporting and compliances. The threshold limits have been increased as follows:
 - **Paid up capital:** From ₹20 to 40 million
 - **Turnover:** From ₹200 to 400 million

CORPORATE SOCIAL RESPONSIBILITY ('CSR')

- Every company having a net worth of ₹5 billion or turnover of ₹10 billion or net profit of ₹50 million during the immediately preceding financial year is required to constitute a CSR Committee. There have been amendments pertaining to such committees as follows:
 - Companies to continue maintaining a CSR Committee in case any amounts are appearing as unspent in its CSR account.
 - Rules of implementation of CSR projects and engagement of implementation agencies clarified.
 - Companies undertaking CSR impact assessment permitted to book expenses up to 2 per cent of the total CSR expenditure or ₹5 million whichever is higher (earlier restricted to lower of 5 per cent or ₹5 million).

RESERVE BANK OF INDIA ('RBI')

- RBI increased investment limits for Foreign Portfolio Investors under voluntary retention route. Effect April 01, 2022, the limit has been enhanced from ₹1,500 to 2,500 billion with a minimum retention period of three years.
- New overseas investment framework enforced:
 - Enhanced clarity with respect to various definitions
 - Introduction of the concept of 'strategic sector'
 - Introduction of 'Late Submission Fee' for reporting delays
 - Dispensing with the requirement of approval for:
 - deferred payment of consideration

- investment/disinvestment by persons resident in India under investigation by any investigative agency/regulatory body
 - issuance of corporate guarantees to or on behalf of second or subsequent level Step Down Subsidiary ('SDS')
 - write-off on account of disinvestment
- New framework for international trade settlement in Indian Rupees under Foreign Exchange Management Act, 1998 introduced. Rules prescribed for:
- ▷ Invoicing – all exports and imports may be denominated and invoiced in Indian Rupees
 - ▷ Exchange Rate – exchange rate to be market determined
 - ▷ Settlement – to take place in Indian Rupees through Special Rupee Vostro Accounts.

TAXATION

- Supreme Court affirms 'employee secondment agreements' by overseas group companies as an act of providing of 'manpower services' to be taxed under erstwhile service tax. Indian companies using such services, now liable to pay service tax on the amounts reimbursed to the overseas company towards the salaries of seconded employees.
- Income Tax Appellate Tribunal held that amalgamated company (successor), is eligible to claim brought forward long-term capital loss and MAT credit of the amalgamating companies (predecessor).
- Central Board of Direct Taxes has issued a detailed guidance on the Mutual Agreement Procedure and connected matter. This would remove ambiguities relating to cases covered under the 'Vivad Se Vishwas Scheme'.
- E-invoicing threshold reduced to ₹100 million with effect from October 01, 2022. All taxpayers having aggregate turnover exceeding this limit in any financial year starting 2017-18 to comply with e-invoicing provisions.
- MAT provisions are not applicable to foreign companies despite having a Permanent Establishment ('PE') in India. Also, MAT provisions not to apply where tax treaty is invoked.

INFORMATION TECHNOLOGY

- Amended IT Rules (2021) mandate social media platforms to exercise greater diligence with respect to the content on their platforms.
- To ensure online safety and dignity of users, intermediaries will be mandated to remove / disable content that has an element of nudity or is an act of Exhibitionism. This is to be done within 24 hours of receipt of complaint against such content.
- 'Privacy Policies' of social media platforms to ensure that users are educated on the consequences of circulating copyrighted material and anything that can be construed as defamatory. This would also include content that is racially or ethnically objectionable, threatening the unity, integrity, defence, security or sovereignty of India or friendly relations with foreign states, or violative of any contemporary law.
- Other key amendments:
 - ▷ Legal obligation imposed on intermediaries to take reasonable efforts to prevent users from uploading harmful and unlawful content.
 - ▷ Safeguard constitutional rights of users with respect to due diligence, privacy and transparency.
 - ▷ Use of regional Indian languages for effective communication.
 - ▷ Judicial review of any content deemed defamatory or libellous.
 - ▷ Restriction of misinformation and content inciting violence between different religious / caste groups.
 - ▷ Establishment of grievance appellate committees to allow users to appeal against the inaction of, or decisions taken by intermediaries on user complaints.

MISCELLANEOUS

- Government introduces Digital Personal Data Protection Bill, 2022 to establish the comprehensive legal framework governing digital personal data protection in India. Central Government to set up the Data Protection Board of India.

- United Arab Emirates Comprehensive Economic Partnership Agreement ('CEPA') implemented w.e.f. May 01, 2022.
- India Australia Economic and Cooperation Trade Agreement ('ECTA') comes into force w.e.f. December 29, 2022. Indian goods on all tariff lines to get access to Australian market with zero customs duty.
- Foreign Trade Policy 2015-20 which was valid till September 30, 2022 extended for six months w.e.f. October 01, 2022 (till March 31, 2023).

FOREIGN TRADE

(April –November 2022)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main Exports to	Share (%)	Main Imports from	Share (%)
1	USA	17.81	China	13.76
2	UAE	6.98	UAE	7.49
3	China	3.32	USA	6.93
4	Singapore	2.69	Saudi Arabia	5.90
5	Saudi Arabia	2.33	Russia	5.88
6	Indonesia	2.26	Iraq	5.05
7	Hong Kong	2.19	Indonesia	4.35
8	Australia	1.73	Singapore	3.03
9	Russia	0.63	Australia	2.79
10	Iraq	0.47	Hong Kong	2.58

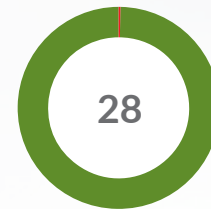
FOREIGN DIRECT INVESTMENT

(US\$ million)

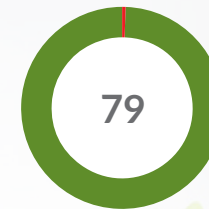
FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2020-21 (Apr - Mar)	2021-22 (Apr - Mar)	2022-23 (Apr - Sep)	Cumulative Inflows (Apr 2000 - Sep 2022)	% to total Inflows
1	Mauritius	5,639	9,392	3,319	1,61,061	26
2	Singapore	17,419	15,878	10,021	1,40,988	23
3	USA	13,823	10,549	2,602	56,753	9
4	Netherlands	2,789	4,620	1,761	43,022	7
5	Japan	1,950	1,494	1,183	38,126	6
6	UK	2,043	1,647	920	32,821	5
7	UAE	4,203	1,032	2,955	15,180	2
8	Cayman Islands	2,799	3,818	582	14,735	2
9	Germany	667	728	222	13,813	2
10	Cyprus	386	233	764	12,131	2

SECTORAL COMPOSITION OF FDI

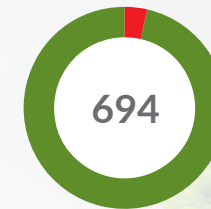
(Apr'22 - Sep'22) (US\$ million)



Construction Development



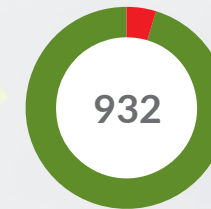
Metallurgical Industries



Telecommunications



Drugs & Pharmaceuticals



Automobile



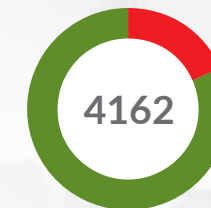
Construction (Infrastructure)



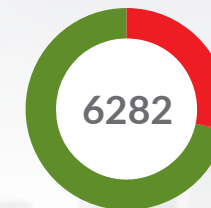
Chemicals (Other than fertilizers)



Trading



Services



Computer Software & Hardware

Economic Indicators

GROSS DOMESTIC PRODUCT ("GDP")

GDP growth for the FY 2022-23 is estimated at 7 per cent compared to 8.7 per cent in the FY 2021-22.



Figures for FY 2019-20 & 2020-21 are second & first revised estimate respectively.

Figures for FY 2021-22 is provisional estimate.

Figures for FY 2022-23 is advance estimate.

INFLATION

Inflation based on Wholesale Price Index ("WPI") decreased from 13 per cent in the FY 2021-22 to 11.5 per cent in FY 2022-23.

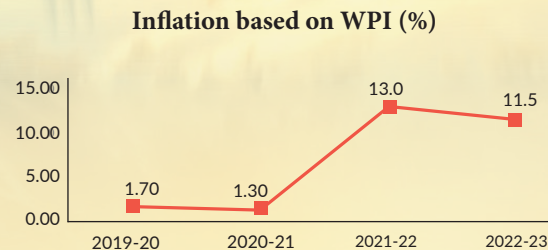


Figure for FY 2022-23 is for the period Apr – Dec.

FOREIGN TRADE

Exports till September 2022 were US\$ 234.80 billion registering a increase of 16.07 per cent for a similar period till September 2021 (US\$ 202.29 billion). Imports till September 2022 were US\$ 381.37 billion registering a substantial increase of 37.47 per cent for a similar period till September 2021 (US\$ 277.42 billion).



Figure for FY 2022-23 is preliminary estimate from Apr – Sep.

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves decreased by US\$ 44.59 billion as of December 2022 compared to March 2022. India's foreign exchange reserves continue to be comfortably placed at US\$ 562.72 billion.

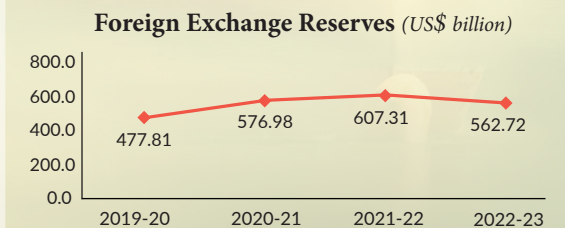


Figure for FY 2022-23 is for end of Dec 2022.

INFRASTRUCTURE

CORE INDUSTRIES

Coal production during April to November 2022 grew by 17.2 per cent over the corresponding period of the previous year. Production of natural gas, refinery products, fertilizers, steel, cement and electricity increased, while there was a decline in production of crude oil.

Growth in Core Industries (%)

SECTOR	2019-20	2020-21	2021-22	APRIL TO NOVEMBER	
				2021-22	2022-23
Coal	-0.4	-1.9	8.5	11.5	17.2
Crude Oil	-5.9	-5.2	-2.6	-2.7	-1.4
Natural Gas	-5.6	-8.2	19.2	22.8	0.7
Refinery Products	0.2	-11.2	8.9	10.6	5.7
Fertilizers	2.7	1.7	0.7	-0.6	10.0
Steel	3.4	-8.7	16.9	26.1	7.1
Cement	-0.9	-10.8	20.8	28.2	10.8
Electricity	0.9	-0.5	8.0	10.3	9.7
Overall Index	0.4	-6.4	10.4	13.9	8.0

POWER

Total power generation registered an increase of 8.67 per cent during April to November 2022 compared to corresponding period of the previous year. Hydropower generation grew by 9.72 per cent.

(billion units)

POWER SOURCE	APRIL TO NOVEMBER		
	2021	2022	GROWTH %
Thermal	723.43	789.05	9.07
Nuclear	30.39	29.94	-1.46
Hydro	118.05	129.52	9.72
Bhutan Import	7.07	6.63	-6.30
Total Power Generation	878.94	955.13	8.67

Figures for Apr – Nov 2022 are provisional.

TELECOMMUNICATIONS

Total telephone subscriber base in India stands at 1.17 billion (as of November 2022). While more than 97 per cent (1.14 billion) of the total subscribers are connected wirelessly (as of November 2022), 0.84 billion subscribers have internet connections as of June 2022. The overall tele-density in India stood at 84.8 per cent. The year on year (‘YoY’) change in internet subscribers is greater in rural than in urban areas. The roll out of 5G services is a landmark achievement in telecommunications in India, impacting higher data transfer speeds and lower latency.

RAILWAYS

Indian Railways (‘IR’) with over 68,031 route kms is the fourth largest network in the world under a single management. Passenger traffic stood at 8.09 billion during pre-Covid-19 period (FY 2019-20) but

dipped to 1.25 billion in FY 2020-21. It has since recovered to 3.52 billion in FY 2021-22. In FY 2022-23 (November 2022), passenger traffic has grown to 4.18 billion. During FY 2022-23 (November 2022), IR carried 976.8 million tonnes of revenue-earning freight traffic as against 901.7 million tonnes during FY 2021-22 translating into an increase of 8.3 per cent.

21 GatiShakti Multi-Modal Cargo Terminal (‘GCT’) have been commissioned and more than 90 locations have been provisionally identified for development of GCTs (as of October 31 2022). This will boost investment from industry in the development of additional terminals for handling rail cargo.

ROADS

A total of 10,457 km of roads constructed in FY 2022-23 as compared to 13,327 km in FY 2021-22. In FY 2022-23 (until October 2022), 4,060 km of National Highways were constructed, which is equivalent to 91 per cent of National Highway constructed during FY 2021-22.

Infrastructure Investment Trust of National Highways Authority of India (‘NHAI’) launched in FY 2022-23 facilitated monetisation of roads by attracting investments from foreign and domestic institutional investors. NHAI InvIT has raised more than ₹102 billion (US\$ 1.28 billion) up to December 2022.



Important Filing dates for the Year 2023-24

(The dates may be revised as per the notification by the regulators)

CORPORATE LAW

Regulatory Matter	Due Date
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Annual Accounts with the ROC	Within 30 days from conclusion of AGM

TAX

Regulatory Matter	Due Date
Corporate Tax Return	October 31st/ November 30th
Tax Audit Report	September 30th/ October 31st
Transfer Pricing Report	October 31st
TDS/TCS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Periodical Returns	
- Turnover > ₹50 million	Monthly
- Turnover ≤ ₹50 million	Quarterly/Monthly
GST Annual Return (GSTR-9)	
- Turnover > ₹20 million	Annually
GST Reconciliation statement and self certification by management (GSTR-9C)	
- Turnover > ₹50 million	Annually

COMPLIANCE

Regulatory Matter	Due Date
Deposit of TDS	7th of every month
Deposit of GST	
- Turnover > ₹50 million	20th of every month
- Turnover ≤ ₹50 million	20th/ 22nd/ 24th of every month/ Quarter*

*Differs according to State

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