



With the economy riding on the twin waves of rapid economic growth and increased tax collections, the Union Budget for 2022-23 was presented by the Hon'ble Finance Minister on February 1, 2022.

A wide gamut of policy and tax matters were outlined by the Minister in her speech, many of which found way into the Finance Bill. We have put together the key takeaways for direct tax and indirect tax from the Union Budget. Trust this would be helpful. If you have any queries, please feel free to connect with us.

Key Direct Tax Proposals

- **Personal Taxation**
 - Tax rates, TDS rates, Standard deduction and relief for savings etc. remain unchanged.
 - Medical relief provided by employers or any other person in relation to COVID-19 will be exempt from F.Y. 2019 - 20 onwards.
 - Limit of deduction in respect of contribution by State Government towards National Pension Scheme has been raised from 10% to 14%.
- **New Provisions for Taxation of Virtual Digital Assets (VDA)**
 - VDAs have been given statutory definition as information or code or number or token generated through cryptographic means and include NFTs. However, Indian Digital Currency or Foreign Currency will not be VDA.
 - Income on transfer of VDAs will be taxable @ 30% from F.Y. 2022-23 onwards. No deduction will be allowed for expenditure except cost of acquisition.
 - Gift of VDAs will be taxable in the hands of the recipients.
- **Changes in respect of Taxation of Profits from Business**
 - Period of commencement of manufacturing for availing concessional tax rate of 15% has been extended to March 31, 2024.
 - Period for availing deduction of profits in case of Start-up Units has been extended to March 31, 2023.
 - Health and Education Cess will not be admissible as business expense retrospectively from April 1, 2005.
- **Provisions Relating to TDS**
 - Deduction of TDS of 1% on transfer of immovable property will be with reference to transfer consideration or stamp duty value whichever is higher.
 - Transfer of VDAs above INR 50,000/- will be subject to TDS of 1%.
- **Procedural Changes**
 - Taxpayers can file updated returns in case of any omissions by filing updated returns within 24 months from the end of the Assessment Year. This benefit will be not available in case of search or survey or loss or returns of loss.

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Key Indirect Tax Proposals

- **SEZ laws to be replaced**
 - Special Economic Zones Act is set to be replaced with a new legislation under which Customs administration would be IT driven, and a Customs National Portal would be set up for this purpose.
- **Proper Officer**
 - Definition of Officers of customs and Proper Officer elaborated in Customs Act
- **Rules for Valuation**
 - Central Board of Indirect Taxes ('CBIC') may put additional obligations on importers of any class of goods, where declared values are suspected.
- **Customs Tariff Simplified**
 - Simplification of Customs Tariff structure by moving unconditional concessional rates from existing exemption notification to the Customs Tariff Schedule.
- **Project imports**
 - Duty on Project imports for power projects, coal projects, gas projects, iron ore projects, water supply and others has been increased to 7.5% from lower rates applicable earlier.
- **GST**
 - Powers granted to impose restriction on setting off maximum proportion of output tax through credit.
 - Transfer of Balance in Cash Ledger (CGST and IGST) permitted between distinct persons.
 - Concept of two - way communication process in return filing withdrawn from ITC perspective with introduction of auto generated statements.
- **Excise**
 - List of goods covered under the Retail Sale Price Valuation pruned to cover only specified Tobacco products

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For any queries, reach our Taxation Practice Team



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