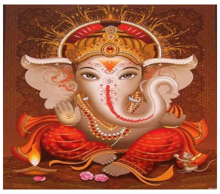

ANALYSIS OF CHANGES IN INCOME TAX UNDER BUDGET 2023-24

Dear Friends,

As you are aware that common man/middle class a group of the most hardworking ,who pay their taxes to the government honestly has got their dues after a period of 8 years from MODI Government. We are waiting for these tax breaks eagerly far long time.

In this year Budget Speech, the Honorable Finance Minister of India started with the achievements of the government since 2014, covered the vision for Amrit Kaal – an empowered and inclusive economy, and kept the priorities of this Budget at inclusive development, infrastructure and investment, Green growth and Youth Power.

This is a development-oriented budget and Hon'ble Finance Minister has provided and allocated funds for every sector of the country. Of course, Agriculture is our core sector along with infrastructure, health services , innovation, digital India etc. are given special attention in this Budget. The government has whole heartly allocated funds for our Defense Budget and also kept in mind Chinese insertion in the neighboring countries.

The Government has also kept in its mind the most hardworking and honest taxpayers the Middle-Class People of India. We are demanding in change of Tax Slabs and increase in threshold limits of various rebates and deductions. The Government has done a lot to satisfy the large section of people through this Budget.

This is a good and development-oriented budget, this will help to achieve our targeted goal of Five Trillion Economy.

LET'S CONSIDER SOME CHANGES IN INCOME TAX IN THE BUDGET

This Year Budget gives approx. Rs. 37,500 additional benefits only to new tax slabs for Individual Tax, subject to optional foregoing of various deductions and exemptions. This new regime will be the default in the future to come.

This means in addition to the approx. Rs. 7,500 benefits in the new tax regime introduced in the Budget 2020, total benefits in the New Tax regime Vs Old Regime are now at Rs. 45,000/-.

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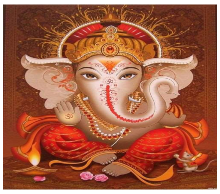

These benefits will be accrued to only those Salaries employee having Total Incomes equal to or more than Rs. 15 Lacs and does not have any Interest on Housing loan benefit to be taken.

Now practically we can say the old regime will be completely redundant and not beneficial.

FINANCE BUDGET 2023-24			
THE NEW TAX REGIME HAS PROPOSED FOLLOWING CHANGES			
PARTICULARS	**NET TAX REGIME**		**OLD TAX REGIME**
INCOME SLAB	**PROPOSED NOW**	**NEW (CURRENT) PRIOR TO BUDGET**	**OLD REGIME (Rs.)**
Assume Annual Gross Total Income	1,500,000	1,500,000	1,500,000
Deductions			
1. Standard Deductions	NIL	NIL	-50,000
2. Section 80C	NIL	NIL	-150,000
3. Section 80D	NIL	NIL	-25,000
TAXABLE INCOME	1,500,000	1,500,000	1,275,000
TAX RATES			
Income Rs. (0.00- 250000)	0.00%	0.00%	0.00%
Income Rs. (250001-300000)	0.00%	5.00%	5.00%
Income Rs. (300001- 500000)	5.00%	5.00%	5.00%
Income Rs. (500001- 600000)	5.00%	10.00%	20.00%
Income Rs. (600001- 750000)	10.00%	10.00%	20.00%
Income Rs. (750001- 900000)	10.00%	15.00%	20.00%
Income Rs. (900001- 1000000)	15.00%	15.00%	20.00%
Income Rs. (1000001- 1200000)	15.00%	20.00%	30.00%
Income Rs. (1200001-1250000)	20.00%	20.00%	30.00%
Income Rs. (1250001-1500000)	20.00%	25.00%	30.00%
Income Rs. (1500000) above	30.00%	30.00%	30.00%

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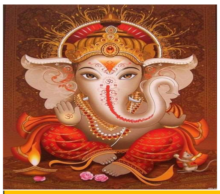

NET TAX	150,000	187,500	195,000
ADD: Surcharge as Applicable			
ADD: Higher Education Cess @4%	6,000	7,500	7,800
TOTAL TAX	156,000	195,000	202,800
GAIN FROM NEW TAX Vs. OLD REGIME	46,800		
GAIN FROM NEW (PB)TAX Vs. OLD REGIME	7,800		

<u>LET'S CONSIDER AN ASSESSEE HAS HOUSING LOAN AND HAS INVESTED IN SECTION 80CCD(B1);</u>

THE NEW TAX REGIME HAS PROPOSED FOLLOWING CHANGES			
PARTICULARS	***NET TAX REGIME***		***OLD TAX REGIME***
INCOME SLAB	***PROPOSED NOW***	***NEW (CURRENT) PRIOR TO BUDGET***	***OLD REGIME (Rs.)***
Assume Annual Gross Total Income	15,00,000	15,00,000	15,00,000
Deductions			
1. Standard Deductions	NIL	NIL	-50,000
2. Section 80C	NIL	NIL	-1,50,000
3. Section 80D	NIL	NIL	-25,000
4. Section 80CCD(B1)			-50000
5. Interest on Housing Loan Section 24(b)			-200000
TAXABLE INCOME	15,00,000	15,00,000	10,25,000
TAX RATES			
Income Rs. (0.00- 250000)	0.00%	0.00%	0.00%
Income Rs. (250001-300000)	0.00%	5.00%	5.00%

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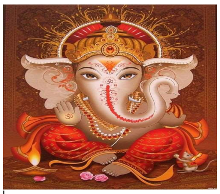

Income Rs. (300001- 500000)	5.00%	5.00%	5.00%
Income Rs. (500001- 600000)	5.00%	10.00%	20.00%
Income Rs. (600001- 750000)	10.00%	10.00%	20.00%
Income Rs. (750001- 900000)	10.00%	15.00%	20.00%
Income Rs. (900001- 1000000)	15.00%	15.00%	20.00%
Income Rs. (1000001- 1200000)	15.00%	20.00%	30.00%
Income Rs. (1200001-1250000)	20.00%	20.00%	30.00%
Income Rs. (1250001-1500000)	20.00%	25.00%	30.00%
Income Rs. (1500000) above	30.00%	30.00%	30.00%
NET TAX	1,50,000	1,87,500	1,20,000
ADD: Surcharge as Applicable			
ADD: Higher Education Cess @4%	6,000	7,500	4,800
TOTAL TAX	1,56,000	1,95,000	1,24,800
GAIN FROM NEW TAX Vs. OLD REGIME	-31,200		
GAIN FROM NEW (PB)TAX Vs. OLD REGIME		-70,200	
NOTE: In case you have Housing, Loan and have invested in NPS Rs. 50000/- then it is beneficial to adopt OLD TAX REGIME.			

EXEMPTIONS AND DEDUCTIONS NOT CLAIMABLE UNDER THE NEW TAX REGIME

The following are some of the major deductions and exemptions you cannot claim under the new tax system:

1. *The standard deduction under Section 80TTA/80TTB, professional tax and entertainment allowance on salaries.*
2. *Leave Travel Allowance (LTA).*
3. *House Rent Allowance (HRA).*
4. *Minor child income allowance.*
5. *Helper allowance.*
6. *Children education allowance.*
7. *Other special allowances [Section 10(14)].*

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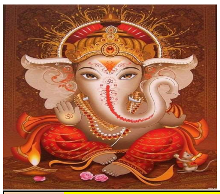

8. Interest on housing loan on the self-occupied property or vacant property (Section 24)
9. Chapter VI-A deduction (Section 80C, 80D, 80E and so on, except Section 80CCD(2) and Section 80JJAA)
10. The deduction u/s. 80CCD(1B) is also not available.
11. Exemption or deduction for any other perquisites or allowances
12. Deduction from family pension income.

WHAT ARE THE EXEMPTIONS AND DEDUCTIONS AVAILABLE UNDER THE NEW REGIME?

You can claim tax exemption for:

1. Transport allowances in case of a specially-abled person.
2. Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
3. Any compensation received to meet the cost of travel on tour or transfer.
4. Daily allowance received to meet the ordinary regular charges or expenditure you incur on account of absence from his regular place of duty.
5. Deduction for employer's contribution to NPS account (Section 80CCD(2)).
6. Deduction for additional employee cost (Section 80JJA).

OTHER CHANGES

1. ***INCREASE IN THRESHOLD LIMIT OF INCOME:*** *the Government has increased threshold limit for tax purpose from Rs. 2.50 Lakhs to Rs. 3.00 Lakhs in New Tax Regime. It means that if you are adopting Old Tax Regime (with rebates and deductions) then you will not be eligible for this threshold and your threshold limit will be Rs. 2.50 Lakhs.*

2. ***REBATE ON TAX UPTO Rs. 7.00 LAKHS-*** *In earlier Old Tax Regime the Government has provided Rs. 12,500/- Tax Rebate U/s. 87A of the Income Tax Act, 1961 on income equal or less than Rs. 5,00,000/-. There is no increase in threshold in Old Tax Regime.*

   Now the threshold limit has increased to Rs. 7.00 Lakhs. It means that you do not have to pay tax of Rs. 25,000/-as tax in case your income is equal to or less than Rs. 7.00 Lakhs in New Tax Regime.

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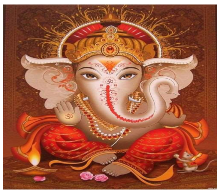

PLEASE NOTE THAT : *If you, like most other tax-payers, have been opting for the older, with-exemptions tax regime that offers tax breaks under section 80C among other things, you will not be eligible for this rebate on the enhanced income limit. You will get a rebate under the old regime only if your income is less than Rs 5 lakh.*

3. ***STANDARD DEDUCTIONS*** *– for those whose Gross Total Income from salary is Rs. 15.50 Lakhs or more will be Rs. 52,500/- p.a.*

   Standard deduction is a base amount that is not subject to tax, in addition to the basic exemption limit, providing relief to every tax payer. Deduction is different from a rebate, which is kind of a partial refund from tax payable. Income tax deductions are allowed to be claimed from the income, whereas rebate is allowed to be claimed from the tax payable.

   "standard deduction" of Rs 40,000 in the budget for 2018 to replace the transport allowance of Rs 19,200 and medical expense of Rs 15,000v— thirteen years after it was removed in 2005-06.

   Now Standard Deduction has been increased from Rs. 50,000/- to Rs. 52,500/- from FY 2023-24.

4. ***SURCHARGE*** *- Highest surcharge rate reduced from 37 per cent to 25 per cent in the new tax regime. This would result in reduction of the maximum tax rate to 39 per cent.*

   The highest surcharge rate of 37 per cent, which was applicable on those individuals with income above Rs 5 crore, has been brought down to 25 per cent.

   This means that, with effect from April 1, 2023, all income above Rs 2 crore would be subject to 25 per cent surcharge.

   In her 2023-24 budget speech, Sitharaman said the highest tax rate in the country is 42.74 per cent.

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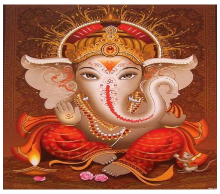

5. ***LEAVE ENCASHMENT ON RETIREMENT*** – *tax exemption limit increased from Rs. 3 Lacs to Rs. 25 Lacs.*

Let us understand leave encashment exemption with the help of an illustration:

*Mr. A is retiring after 15 years of service. Mr. A was entitled to 35 days of paid leave per annum from his employer, i.e., overall, 525 days of leave during his entire service. (35*15)*
*Out of the same, Mr. A has already utilized 200 days of paid leave and is left with 325 days of unutilized leave. Mr. A was drawing basic salary + DA of Rs 33,000 per month at the time of retirement and received Rs 3,57,500 as leave encashment calculated based on 325 days * Rs. 1,100 (salary per day = Rs.33,000/30 days).*

Particulars	*Amount (in Rs)*
Leave encashment received	***3,57,500 (325 days* Rs 1,100)***
Less: Exempt	***2,75,000***
Least of the following:	
1. Amount notified by the Government	*25,00,000*
2. Actual leave encashment	*3,57,500*
3. Average salary for 10 months= Rs 33,000 * 10 months	*3,30,000*
4. Rs 1,100 * (30 days * 15 completed years of service minus 200 days of utilized leave)	*2,75,000*
Leave encashment taxable as 'income from salary	***82,500***

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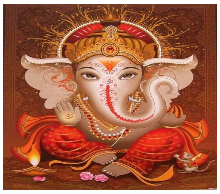

6. ***AGNIPATH SCHEME 2022*** – *The Payment Received by Agniveer is exempt from tax. During her Budget 2023 speech in Parliament, the finance minister announced that the payment received by the 'Agniveers' from the Agniveer Corpus Fund is proposed to be exempted from taxes.*

   "Deduction in the computation of total income is proposed to be allowed to the Agniveer on the contribution made by him or the Central Government to his Seva Nidhi account", Sitharaman added.

7. ***PAYMENT TO MSME*** – *covered under section 43B.*

   With the objective of promoting timely payments to Micro and Small Enterprises, Finance Minister Nirmala Sitharaman in her Budget 2023-24 speech has proposed to insert a new clause (h) in section 43B to provide that any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in Section 15 of the MSMED Act, 2006 shall be allowed as deduction only on Actual Payment basis.

   Section 43B of the Act provides for certain deductions to be allowed only on actual payment. Further, the provision of section 43B allows deduction on accrual basis, if the amount is paid by the due date of furnishing the return of income.

   Section 15 of the MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement, which cannot be more than 45 days. If there is no such agreement then the payment will be made within a period of 15 days.

   Thus, the proposed amendment to section 43B will allow the payment as deduction only on payment basis. It can be allowed on accrual basis only if the payment is within the time mandated under provisions of Section 15 of the MSMED Act, 2006.

   The amendment will be applicable from 1st April, 2024 onwards i.e., from FY 2023-24.

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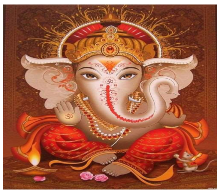

8. ***RELIEF TO START-UPS IN CARRYING FORWARD AND SETTING OFF OF LOSSES*** – *51% shareholding is relaxed and carry forward timeline increased to 10 years from 7 years Start up Eligible for exemption – Date of incorporation extended up to 1st April 2024.*

   India is now the third largest ecosystem for start-ups globally, and ranks second in innovation quality among middle-income countries. The Government has proposed to extend the date of incorporation for income tax benefits to start-ups from 31.03.23 to 31.3.24. it was 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.

   PLEASE NOTE THAT : *Start-ups -- those registered under DPIIT and with turnover not exceeding Rs 100 crore , are eligible to avail these benefits. The government has extended the benefits of various tax relaxations for start-ups registered up until March 31, 2024. Secondly, the provision allowing private start-ups to carry forward and use their past losses to reduce their taxable income has been extended from 7 years after the company's incorporation to 10 years. This change benefits start-ups that have experienced changes in ownership during their first 10 years of operation.*

9. ***GOLD TO ELECTRONIC GOLD RECEIPT*** – *Conversion from Physical Gold to electronic Gold and vice versa is not to be treated as transfer and not to attract any Capital Gain.*

   In order to encourage buying of electronic gold, the government announced that there would be no capital gains tax if physical gold is converted to an Electronic Gold Receipt (EGR) and vice versa. It is proposed to exclude the conversion of physical form of gold into EGR and vice versa by a SEBI registered Vault Manager from the purview of 'transfer' for the purposes of Capital gains."

   It is also proposed that the cost of acquisition of the EGR for the purpose of computing capital gains shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued, and the holding period for the purpose of capital gains, would include the period for which gold was held by the assessee prior to its

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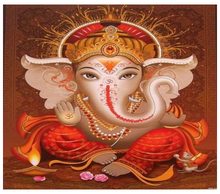

conversion into EGR. Similarly, provision for conversion from gold to EGR is also proposed.

10. ***INCENTIVES TO IFSC*** *– Relocation of Funds to IFSC has certain tax exemption. The deadline for relocation is extended till 31st Mar 2025. (IFSC is International Financial Services Center, located in Gift City SEZ, Gujrat.)*

The Budget 2023, presented by the Hon'ble Finance Minister, Ms Nirmala Sitharaman, hopes to build on the foundation laid in the previous Budget. GIFT IFSC (Gujarat International Finance Tec-City - International Financial Services Centre) continues to be a focus area for the Government with key policy announcements being made in this Budget as well.

The following are key objectives basis which initiatives are proposed for GIFT IFSC:

- *Ease of doing business*
- *Enhancing business activities*
- *Avoidance of dual taxation and regulations*

The Government has been making enormous effort to release policies and tax incentives conducive to set up of presence in IFSC, and the amendments proposed in the Budget support the pursuit of the Government to make GIFT-IFSC an attractive destination for setting up operations and attracting investments.

The Governments efforts are also reflected in the Economic Survey 2022-23 (The Survey), which laid emphasis on the Government's vision for GIFT-IFSC which transcends much beyond traditional finance and is envisioned as the embodiment of Aatmanirbhar Bharat.

The Survey also mentioned that GIFT IFSC is now emerging as a preferred jurisdiction for international financial services. Recognising the growing significance of IFSC, the Global Financial Centres Index, London Report (March 2022) put IFSC in GIFT City at the top, among 15 centres globally.

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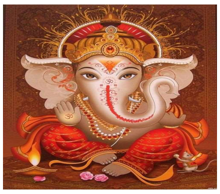

11. ***MANUFACTURING CO-OPERATIVE SOCIETY –*** *15% concessional tax rate for new cooperative societies formed after 1st Apr 2023 and commences manufacturing/production before 31 mar 2024.*

Finance Minister Nirmala Sitharaman announced new initiatives for the cooperative sector in her 2023-24 Union Budget speech. The Minister stated that new cooperatives that commence manufacturing activities before March 31, 2024, shall get the benefit of a lower tax rate of 15%, as is presently available to new manufacturing companies.

It was proposed to provide an opportunity to sugar cooperatives to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure. This is expected to provide them with a relief of almost ₹10,000 crore.

The Government announced a higher limit of ₹2 lakh per member for cash deposits to and loans in cash by Primary Agricultural Cooperative Societies (PACS) and Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) adding that a higher limit of ₹3 crore for Tax Deducted at Source (TDS) on cash withdrawal is being provided to cooperative societies.

12. ***PRESUMPTIVE TAXATION SCHEME –*** *For Businesses increased to Rs. 3.00 Cr (from Rs. 2.00 Cr.) and For Specified Professionals increased to Rs. 75 Lacs (from Rs. 50 Lacs).*

The existing provisions of Section 44AD of the Act, inter-alia, provide for a presumptive income scheme for small businesses. This scheme applies to certain resident assessees (i.e., an individual, HUF or a partnership firm other than LLP) carrying on eligible business and having a turnover or gross receipt of two crore rupees ***(Rs. 2.00 Crores) or less now it has been increased from Rs. 2.00 Crores to Rs. 3.00 Crores.***

Under this scheme, a sum equal to 8% or 6% of the turnover or gross receipts is deemed to be the profits and gains from business subject to certain conditions.

I f assessee has claimed to have earned higher sum than 8% or 6%, then that higher sum is taxable.

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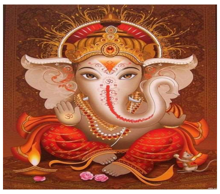

Section 44ADA of the Act provides for a presumptive income scheme for small professionals. This scheme applies to certain resident assessees (i.e., an individual, partnership firm other than LLP) who are engaged in any profession referred to in subsection (1) of section 44AA, and whose total gross receipts do not **exceed fifty lakh rupees(Rs. 50.00 Lakhs) not this limit has been increased to Rs. 75.00 Lakhs** in a previous year. Under this scheme, a sum equal to 50% of the gross receipts is deemed to be the profits and gains from business. If assessee has claimed to have earned higher sum than 50%, then that higher sum is taxable.

13. BUSINESS TRUSTS - It is proposed to tax distributed income by business trusts in the hands of a unit holder (other than dividend, interest or rent which is already taxable) on which tax is currently avoided both in the hands of unit holder as well as in the hands of business trust.

Budget 2023 enhanced the scope of taxation of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INvITs) by including income that was not previously taxable.

These will be taxed in the hands of unit holders from April 1, 2024.

Dual non-taxation of any money distributed by the business trust, i.e., which is exempt in the hands of the trust as well as the unit holder, is not the intent of the special taxation regime applicable to such investment vehicles, the Budget document said.

"The amendment proposed for REIT/InVIT related to distribution by manner of 'Repayment of debt' to the unitholders is now covered under the ambit of taxation as other income (net of cost of acquisition of the unit) which earlier was not captured. This was acting as an incentive for many sponsors.

Any foreign investor receiving the said distribution will be taxed at 40 percent plus surcharge.

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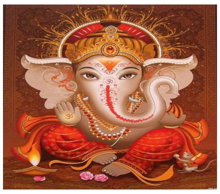

These amendments will take effect from April 1, 2024 and will apply to assessment year 2024-25 and subsequent assessment years.

REITs are investment vehicles that own, operate and manage a portfolio of income-generating properties for regular returns. REITable properties in India will include commercial assets - primarily office space - that can generate steady rental income.

They operate like mutual funds or shares. REITs have to be mandatorily listed on exchanges and traded like securities. Small investors can buy units in REITs from both primary and secondary markets just as they buy shares or mutual funds.

As per the guidelines for REITs, 80 percent of the company's assets must be invested in completed projects, and only 20 percent in under-construction projects, equity shares, money market instruments, cash equivalents, and real estate activities. To ensure regular income to investors, it has been mandated to distribute at least 90 percent of the net distributable cash flows to the investors at least twice a year.

INCOME FROM OTHER SOURCES

"Interest, dividend and rental incomes have been accorded a pass-through status at the level of business trusts and are taxable in the hands of the unit holder. However, in respect of the distributions made by the business trust to its unit holders, which are shown as repayment of debt, are actually distributions of surplus cash and it is seen that it did not suffer taxation either in the hands of business trust or in the hands of the unit holder.

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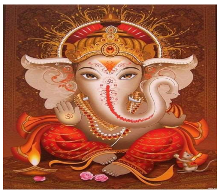

It is proposed to make such sums received by a unit holder taxable in his hands. Hence Section 56(2)(xii) is proposed to be inserted to provide that such income shall be included as income from other sources received by a unit holder from a business trust.

The budget document noted that that Finance (No.2) Act, 2014 introduced a special taxation regime for REITs and InVITs (commonly referred to as business trusts).

The special regime was introduced in order to address the challenges of financing and investment in infrastructure. The business trusts invest in special purpose vehicles (SPVs) through equity or debt instruments.

Keeping in mind the business structure, the special taxation regime under section 115UA of the Act, inter-alia, provides a pass-through status to business trusts in respect of interest income and dividend income received by both of them from an SPV and rental income in case of REIT.

Such income is taxable in the hands of the unit holders unless specifically exempted, the document said.

14. TAX ON CAPITAL GAIN – *Investment of proceeds in to Residential property is capped at Rs. 10 Crore.*

As you are aware that Capital Gain on sale of Capital Assets is exempted when invested in purchasing any other residential property and there is no cap on such adjustment of Capital Gain the exemption has been provided under provisions of Sections 54 & 54F of the Income Tax Act, 1961. It facilitates purchase of luxurious apartments.

The Budget 2023 - Any capital gains arising from the sale of long-term assets, including residential houses, are now exempt from tax if the proceeds were invested in another

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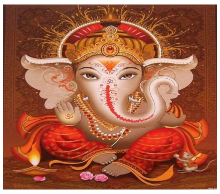

residential property and there is no cap on the amount on which the deduction could be obtained. But under the new provisions, a cap of Rs 10 crore has been put on capital gains on which deduction will be available.

15. LIFE INSURANCE POLICIES (OTHER THAN ULIP) – *Income will be exempt only from those policies issued after 1st April 2023 with aggregate premium up to Rs. 5 Lakh.*

The Union Budget 2023-24 has proposed to limit the income tax exemption on the proceeds of high value life insurance policies. It is proposed to provide that where aggregate of premium for life insurance policies [other than ULIP] issued on or after April 1, 2023 is above ₹5 lakh, income from only those policies with aggregate premium up to ₹5 lakh shall be exempt," the Budget documents said. The proposal will not affect the tax exemption provided to the amount received on the death of the insured person, nor will it affect insurance policies issued till March 31, 2023.

It means that if you have more than one LIC Polices and paying Premium of more than Rs. 5.00 Lakhs ,then maturity proceeds of only those policies will be exempted whose aggregated will be Rs. 5.00 Lakhs during financial year.

LET'S CONSIDER AN EXAMPLE: *Mr. A have below mentioned policies ;*

i) *Policy 1- Premium /pa. Rs. 65,000/-*
ii) *Policy 2- Premium /pa. Rs. 165,000/-*
iii) *Policy 3- Premium /pa. Rs. 115,000/-*
iv) *Policy 4- Premium /pa. Rs. 111,000/-*
v) *Policy 5- Premium /pa. Rs. 225,000/-*

The proposed amendment said that the Policies Nos. 1-4 will be considered as exempted and income from policy -5 will be taxable.

DISCLAIMER: *the analysis presented here is only for sharing information and knowledge with the readers. The views are personal, shall not be considered as professionals' advice. In case of necessity do consult with tax professionals for more understanding and clarity on subject matter.*

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