

GLOBALLINKER

WEBINAR

Union Budget 2023

Impact of Budget on SMEs & Business Owners

- Key Highlights for SMEs
- New Initiatives & Tax Proposals
- Q&A



2 Feb, Thur



4:00 PM (IST)



CA Ritul Patwa

Partner - M/s Ritul Patwa & Co
Chartered Accountants

OVERALL DIRECTION OF BUDGET



1. FINANCIAL DISCIPLINE – FISCAL DEFICIT AT 5.9% OF GDP
2. MIGRATION FROM SAVINGS TO MARKET ECONOMY
3. CONSISTENCY IN TAX POLICY
4. BENEFIT FOR ALL CLASSES INCLUDING SUPER RICH, MIDDLE CLASS AND LOW INCOME GROUP
5. EASE OF DOING BUSINESS FOR MSMEs AND SOLVING THEIR PROBLEM

INCOME TAX PROPOSALS



NO MAJOR CHANGE IN TAX RATE FOR PARTNERSHIP FIRMS, LLPs AND COMPANIES.

FOR INDIVIDUALS, HUF, AOP, BOI

New Scheme (without deductions)
(Default)

Old Scheme (Savings Deduction)
(Optional)

CONDITIONS & RESTRICTIONS ON OPTING OPT OF NEW SCHEME

- (A) WITHOUT BUSINESS INCOME – Assessee can choose the scheme each year at the time of filling return of income
- (B) WITH BUSINESS INCOME – One time option before filling return of income and same shall continue for subsequent years. This option can be withdrawn only once and if withdrawn cannot be re-opted for old scheme.

TAX RATE UNDER NEW SCHEME (115BAC)



SLAB	TOTAL INCOME (T.I.) SLAB	RATE OF TAX	TAX CALCULATOR
I	UPTO Rs. 3,00,000/-	0%	NIL
II	Rs. 3,00,001 to 6,00,000/-	5%	$(\text{Total Income} - 3,00,000) * 5\%$
III	Rs. 6,00,001 to 9,00,000/-	10%	$15,000 + (\text{Total Income} - 6,00,000) * 10\%$
IV	Rs. 9,00,001 to 12,00,000/-	15%	$45,000 + (\text{Total Income} - 6,00,000) * 15\%$
V	Rs. 12,00,001 to 15,00,000/-	20%	$90,000 + (\text{Total Income} - 6,00,000) * 20\%$
VI	Above Rs. 15,00,000/-	30%	$1,50,000 + (\text{Total Income} - 15,00,000) * 30\%$

Total Income upto Rs. 7 Lakhs Tax Free by virtue of upto Rs. 25,000/- Tax Rebate u/s 87A for Resident Individuals.

Standard Deduction of Rs. 50,000/- for Salaried Employees allowed.

Other allowance Deductions include u/s Family Pension u/s 57(ia), Employers Cont to NPS u/s 80CCD(2), Deposit in Agniveer Corpus Fund u/s 80 CCH, Profit from Biodegradable Business u/s 80JJA and Income of Unit in IFSC u/s 80LA(1A)

SPECIFIED TAX RATE IN SPECIAL CASES : OVERRIDING REGULAR TAX RATE



SECTION	NATURE OF INCOME	INCOME TAX RATE
111A	Short Term Capital Gain – Listed Equities & Equity MF	15%
112	Long Term Capital Gain – Others	20%
112A	Long Term Capital Gain above Rs. 1 Lakhs – Listed Equities, Equity MF, certain ULIPs	10%
115BB	Winning from Lotteries, Crossword Puzzles or race including horse race or Card Game or Sport in India or gambling or betting in any form or nature whatsoever (Other than Online Gaming)	30%
115BBJ	Tax on Winnings from Online Gaming	30% of Net Winning

SURCHARGE, CESS & TOTAL TAX – NEW REGIME



SURCHARGE (Subject to Marginal Relief)

S. NO.	QUANTUM OF INCOME OF ASSESSEE	RATE OF SURCHARGE ONLY ON INCOME TAXABLE U/S 111A, 112, 112A & DIVIDEND	RATE OF SURCHARGE ON ALL OTHER INCOMES
1	Total Income upto Rs. 50 Lakhs	Nil	Nil
2	Total Income > 50 Lakhs <= 1 Crore	10%	10%
3	Total Income > 1 Crore <= 2 Crore	15%	15%
4	Total Income > 2 Crores (excluding income u/s 111A, 112, 112A & Dividend)	15%	25%
5	Total Income > 2 Crores including income u/s 111A, 112, 112A & Dividend (cases not covered in S. No. 4 and 5 above)	15%	15%

“Health & Education Cess” – 4% of the Income Tax & Surcharge

TOTAL TAX PAYABLE = TAX + SURCHARGE + H&E CESS

RATE OF INCOME TAX : OLD REGIME

General Category - Other than Sr. Citizen

SLAB	TOTAL INCOME	Rate of Tax	TAX CALCULATOR
I	Upto Rs. 2,50,000/-	0 %	NIL
II	Rs. 2,50,001/- to Rs. 5,00,000/-	5%	$(\text{Total Income} - 2,50,000) * 5\%$
III	Rs. 5,00,001/- to Rs. 10,00,000/-	20 %	$12500 + (\text{T.I.} - 500000) * 20\%$
IV	Above Rs. 10,00,000/-	30 %	$112500 + (\text{T.I.} - 10,00,000) * 30\%$

SURCHARGE (Subject to Marginal Relief)

S. No.	Quantum of Income of Assessee	Rate of Surcharge <u>only</u> on Income Taxable u/s 111A, 112, 112A & Dividend	Rate of Surcharge on all <u>Other</u> Incomes
1	Total Income upto Rs. 50 Lakhs	Nil	Nil
2	Total Income > 50 Lakhs <= 1 Crore	10%	10%
3	Total Income > 1 Crore <= 2 Crore	15%	15%
4	Total Income > 2 Crores <= 5 Crore (excluding income u/s 111A, 112, 112A & Dividend)	15%	25%
5	Total Income > 5 Crores (excluding income u/s 111A, 112, 112A & Dividend)	15%	37%
6	Total Income > 2 Crores including income u/s 111A, 112, 112A & Dividend (cases not covered in S. No. 4 and 5 above)	15%	15%

“Health & Education Cess” – 4% of the Income Tax & Surcharge

SELECTED DEDUCTIONS/ INCENTIVES IN OLD SCHEME



SECTION	NATURE	DEDUCTION UPPER LIMIT	COMMENTS/ REMARKS
16 (ia)	Standard Deduction to Salaried Employees	50,000/-	No Change
23(2) & 23(4)	Deduction of Deemed Rent on Self Occupied House	Entire Deemed Rent of 2 Houses "not Let Out" by an Assessee	No Change
24 (b)	Interest on Housing Loan (For Self Occupied Property)	Upto Rs. 2 Lakhs	In case of Let Out House Property the entire Interest is deductible; however by virtue of Section 71 (3A), the maximum loss of only upto Rs. 2 Lakhs can be set-off against income from other head of incomes and excess if any shall be carried forward for set-off in succeeding 8 years.
80 C	Investments in Life Insurance Premium, PF, PPF, NSC, ULIP, Tax Benefit Mutual Funds, Tution Fees (2 Child), Home Loan Principal Repayment, Notified Bonds, 5 Yr FDs etc	Upto Rs. 1.50 Lakhs	For Central Government Employees, a contribution to the specified account of the Pension Scheme referred to in Section 80CCD subject to conditions, has been included for deduction in this section.
80 CCD	Investment in National Pension Scheme (NPS)	Upto Rs. 0.50 Lakhs	For Central Govt Employees – Limit is 14% of of Salary; For Other Employees – Limit is 10% of Salary; individuals other than employee - limit of investment in NPS is 20% of GTI
80 D	Mediclaim Insurance	Sr. Citizen:Rs. 50000 Others : Rs. 25000	No Change

SELECTED DEDUCTIONS/ INCENTIVES IN OLD SCHEME

80 E	Interest on Education Loan (Upto maximum 8 years from the year of first repayment)	Entire Interest Paid during the year	<ol style="list-style-type: none"> 1. Education Loan must be taken by that Individuals; 2. For <u>Higher</u> Education of Self, Spouse, Children or student for whom, he is a legal guardian; 3. The loan is taken from any Financial Institution or approved Charitable Institution;
80 EEA	Additional Interest on Home Loan for 1st Residential House Property	Rs. 1,50,000/-	<ol style="list-style-type: none"> 1. Loan sanctioned between 01-04-19 to 31-03-22; 2. Stamp Duty Value of property not exceeding Rs. 45 Lakhs; 3. Deduction of Interest is only allowed once and cannot be claimed in both 24(b) and 80EEA or any other section;
80 EEB	Interest on Loan for Purchase of Electric Vehicle	Rs. 1,50,000/-	<ol style="list-style-type: none"> 1. Loan is sanction by a Financial Institution (including NBFC) between 01- 04-2019 to 31-03-2023; and 2. The assessee does not own any other Electronic Vehicle on the date of sanction of loan. 3. No deduction is allowed for this interest in any other section of IT Act
80 GG	Rent Paid	Lower of Following: 1. Rs. 5000 p.m. 2.25% of Total Income; 3.Rent Paid – 10% of Total Income	No Change
80TTA	Interest from Savings Account	Rs. 10000/-	This is allowed to the extent of Interest earned from Savings Account. No Benefit under this section if benefit u/s 80TTB is claimed.
80TTB	Interest from Deposits in Banking Co or P.O.	Rs. 50000/-	Only for Senior Citizens (Age 60 years) without TDS Liability.
87A	Rebate	12,500/- or Tax Liability whichever is lower	Applicable only for Individuals resident in India with Total Income upto Rs. 5,00,000/-

TAX COMPARISION IN OLD AND NEW SCHEME



ASSESSEE WITHOUT ANY SAVINGS (including Surcharge & Education Cess)

INCOME	TAX - NEW SCHEME	TAX - OLD SCHEME	BENEFIT / (LOSS)
5,00,000/-	NIL	NIL	-
7,00,000/-	NIL	54,600/-	54,600/-
10,00,000/-	62,400/-	1,17,000/-	54,600/-
15,00,000/-	1,56,000/-	2,73,000/-	1,17,000/-
60,00,000/-	17,16,000/-	18,44,700/-	1,28,700/-
1,20,00,000/-	39,46,800/-	40,81,350/-	1,34,550/-
3,00,00,000/-	1,13,10,000/-	1,14,56,250/-	1,46,250/-
6,00,00,000/-	2,30,10,000/-	2,53,79,250/-	23,69,250/-

TAX COMPARISION IN OLD AND NEW SCHEME



**ASSESSEE WITH SAVINGS UNDER 80C – 1.5 Lakh, 80CCD – 0.50 Lakhs,
80D – 0.25 Lakhs, Home Loan Interest – 2 Lakhs : TOTAL 4.25 Lakhs
(including Surcharge & Education Cess)**

INCOME	TAX - NEW SCHEME	TAX - OLD SCHEME	BENEFIT / (LOSS)
7,00,000/-	NIL	NIL	NIL
10,00,000/-	62,400/-	27,500/-	(35,000)
15,00,000/-	1,56,000/-	1,40,400/-	(15,600)
60,00,000/-	17,16,000/-	16,98,840/-	(17,160)
1,20,00,000/-	39,46,800/-	39,28,860/-	(17,940)
3,00,00,000/-	1,13,10,000/-	1,12,90,500/-	(19,500)
6,00,00,000/-	2,30,10,000/-	2,51,97,588/-	21,87,588/-

WHO SHOULD OPT FOR OLD SCHEME



- 1. PERSONS WHO HAVE UNABSORBED LOSSES AND DEPRECIATION CARRY FORWARD OR ARE IN EXTREMELY RISKY BUSINESS LIKE F&O CAN EVALUATE THE BENEFITS OF OLD SCHEME AND OPT ACCORDINGLY.**
- 2. WHERE THERE IS A MATERIAL SAVING IN TAX ON OLD SCHEME.**

MAJOR BENEFITS TO MSME IN BUDGET, 2023



-:EASE IN RECOVERY OF DUES:-

SECTION 43B (h) - Any payment due to an MSME beyond 45 days (prescribed time limit under section 15 of MSMED Act, 2006) shall be allowed as an Expenditure (deduction) in the Books only on Actual Payment before the Due Date of Filing Return of Income.

-:INCREASE IN PRESUMPTIVE TAX SLAB:-

SECTION 44AD – FOR SMALL BUSINESSES (Section 44 AD)

[Not applicable on LLPs, professions referred u/s 44AA(1), commission/ brokerage income & agency business]

Turnover upto Rs. 200 Lakhs [**Rs. 300 Lakhs - If the Cash Receipt is upto 5% of Gross Receipts]**

Deemed Profit –

- a) **6% of Gross Receipts** received by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account or such other electronic mode as may be prescribed during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year;
- b) **8% of Gross Receipts** other than those covered in para (a) above.

MAJOR BENEFITS TO MSME IN BUDGET, 2023



-:COMPOSITION SCHEME FOR SELLER OF GOODS IN E-COMMERCE:-

SECTION 10 – Seller of “Goods” (not Services) on E-Commerce Portal are now allowed to opt for Composition Scheme under GST.

-: GST ITC TO BE PAID IN CASH - ON NON PAYMENT TO SUPPLIER:-

SECTION 16 – Second Provision

It has been provided that where the Recipient of Goods/Services has taken an ITC Credit and the Payment for the same is not made to the supplier within 180 days, the Assessee has to make the payment of such ITC along with Interest to the Government.

SECTORS BENEFITTED BY BUDGET, 2023



SECTORS	REASON
Agriculture Sector	Warehousing Facilities, Agri Tech StartUps Incubation, Credit, Insurance, Crop Protection etc
Infrastructure	30% increased allocation to Infrastructure Sector will benefit Cement, Steel and Capital Goods Companies.
Fintech	Simplified KYC Process and access to Digi Locker and emphasis on Digital India and 5G.
Domestic Tourism	Special Package for Domestic and International Tourism for Select Cities along with higher TCS of 20% on outbound international travel packages will boost Local Tourism.
Education & Skill Development	Heavy allocation and new programs for Education, Skill Development and R&D by way of setting up new institutions, focus on new generation skills like Coding, Artificial Intelligence etc.

SECTORS LOOSING IN BUDGET, 2023



SECTORS	REASON
Life Insurance	Return on Insurance Premium above Rs. 5 Lakhs p.a. made taxable and benefit of 80C in Tax removed under new scheme.
Silver Jewellery & Articles	With higher Customs Duty of 10% cost of Silver is going to increase. (earlier 7.5% and 6.1%)
Imported Cars	Custom Duty increased from 60% to 70%

FOCUS ON LOCAL MANUFACTURING

IMPORTS MADE EXPENSIVE AND BOOST GIVEN TO LOCAL MANUFACTURING INDUSTRY



The budget is highly progressive and government has clearly defined a transition from a Savings Economy to a Market based Economy.

Emphasis on Go-Local, Infrastructure and building new generation Businesses & Skills in India.

- CA Ritul Patwa

DISCLAIMER: The Views expressed in this presentation are strictly personal and for knowledge of our clients only. The contents of this article are solely for informational purpose and it does not constitute any professional advice or recommendation. It is suggested to take specific legal advice and necessary due diligence before relying on the contents and information of this article.

The views & opinions expressed in this presentation are those of the speaker & do not necessarily reflect the views, official policy or position of GlobalLinker.

M/s. RITUL PATWA & CO

30 KA 6, Opp. Rajasthan Vidhan Sabha, Jyoti Nagar, Lal Kothi, Jaipur - 302015

E-mail : rp@ritulpatwa.com

Website : www.ritulpatwa.com