

KEY HIGHLIGHTS

UNION BUDGET 2022

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Against the backdrop of an expected 9.27% GDB growth in the upcoming financial year, the latest Union Budget presented by Union Finance Minister Nirmala Sitharaman included 4 key priorities: PM Gati Shakti; inclusive development; productivity enhancement and investment, sunrise opportunities, energy transition and climate action; and financing of investments. Here are some of the key highlights of the Budget 2022-23.

Infrastructure and Energy

- To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of INR 19,500 crore for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.
- Government to promote use of public transport in urban areas.
- Battery swapping policy to allow EV charging stations for automobiles will be framed.
- Special Economic Zones Act will be replaced with new legislation for the development of enterprise and hubs. It will cover the existing industrial enclaves and enhance the competitiveness of exports.
- An international arbitration centre will be set up at GIFT City to provide faster dispute resolution.
- In addition, a world-class university to be allowed in GIFT IFSC (**International Financial Services Centre**) free from domestic regulation.

Insolvency and Bankruptcy

- Several IT-based systems have been established for accelerated registration of new companies. Now the Centre for Processing Accelerated Corporate Exit (**C-PACE**) with process re-engineering, will be established to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.
- The Finance Minister has stated that necessary amendments will be carried out to the Insolvency and Bankruptcy Code, 2016. By way of two notices issued by the Government at the end of 2021, inviting comments from the public, it can be gauged that the following amendments may be brought about:
 - Streamlining the provisions relating to improper trading and avoidable transactions
 - Allowing for an out-of-court closure of a voluntary liquidation process prior to dissolution
 - Mandating that all financial institutions rely on records with the information utility to demonstrate default of a corporate debtor and that National Company Law Tribunals (**NCLTs**) consider this sufficient evidence to commence CIRP
 - Rolling out a cross-border insolvency framework, modelled on the UNCITRAL Model Law on Cross-Border Insolvency (**Model Law**)
 - Providing a fixed time-period of 30 days to NCLTs for approval or rejection of resolution plans
- Clause 50 of the Finance Act, 2022 seeks to insert a new section 156A in the Income Tax Act relating to modification and revision of notice in certain cases. It is proposed to provide that where any tax, interest, penalty, fine or any other sum in respect of which a notice of demand has been issued under Section 156, is reduced as a result of an order of an Adjudicating Authority, the Assessing Officer shall modify the demand payable in conformity with such



order and shall thereafter serve on the assessee a notice of demand specifying the sum payable, if any, and such notice of demand shall be deemed to be a notice under section 156.

- It is further proposed to provide that where the order referred to in sub-section (1) is modified by the NCLAT or the Supreme Court, as the case may be, the modified notice of demand as referred to in sub-Section (1), issued by the Assessing Officer shall be revised accordingly.
- Further, by way of Clause 53 of the Finance Act, 2022 it is sought to amend section 170 of the Income-Tax Act relating to succession to business otherwise than on death. It is proposed to amend the said section to insert a new sub-Section (2A) to provide a deeming provision in order to save and validate the proceedings and to hold the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, to be held in the hands of the successor.

Corporate Sector

- Surcharge on corporate tax pruned from 12% to 7%.
- Concessional corporate tax rate of 15% would be available for 1 more year till March 2024 for newly incorporated manufacturing companies.

Direct Tax

- Intent to bring more reforms and simplify the tax systems and reduce litigation. In the event that a question of law in the case of an assessee is identical to a question of law which is pending in appeal before the jurisdictional High Court or the Supreme Court in any case, the filing of further appeal in the case of this assessee by the department shall be deferred till such question of law is decided by the jurisdictional High Court or the Supreme Court.
- **New updated returns:** Provide an opportunity to taxpayers to correct errors in terms of income missed out while filing their income tax returns.
- To provide an opportunity to correct an error, taxpayers can now file an updated return within 2 years from the relevant assessment year.
- Surcharge on AOP's to be capped at 15%.
- Alternate Minimum Tax for cooperative societies has been reduced to 15%. As such, the surcharge will also be reduced to 7% for cooperative societies whose annual income is between INR 1,00,000/- to INR. 10,00,00,000/-.
- Both Centre and States govt employees' tax deduction limit to be increased from 10% to 14% to help the social security benefits of state government employees and bring them at par with the Central govt employees.
- **Incentive for startups:** Tax exemption which were set out in the Budget of the last financial year, to start-ups extended to March 2023.
- Income from virtual digital asset to be taxed at 30%. 1% TDS on transfer of virtual digital assets would be applicable. No deduction other than cost of acquisition will be allowed. Gift of such a virtual digital asset to be taxed in the hands of the recipient.
- Surcharge on long term capital gains arising on transfer of any type of assets at 15%.
- Any surcharge or cess on income and profits is not allowable as business expenditure.
- No set off of any loss shall be allowed against undisclosed income detected during search and survey operations. Benefits passed on to agents will be taxable if the aggregate value of the said benefits exceeds INR. 20,000/- during a particular financial year.
- Income tax rates/slabs for individuals will remain unchanged for FY 2022-23.

Indirect Tax (Customs/Import Excise/CVD/Anti-Dumping Duty)

- Faceless Customs has been fully established. Easing and enhancing ease of doing business.
- Import duty of 7.5% to be charged on capital goods.
- Concessional duty on import of capital goods to be phased out.
- Customs on polished diamonds, gemstones cut to 5%. Simply sawn diamonds will be exempted. To facilitate export of jewelry through e-commerce, simplified regulations will be in place by June this year.
- Customs duty exemption given to steel scrap last year is being extended for another year to provide relief to MSME secondary steel producers.
- Certain Anti- dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are being revoked in larger public interest considering prevailing high prices of metals.
- Duty on umbrellas is being raised to 20%. Exemption to parts of umbrellas is being withdrawn.
- Exemption is also being rationalised on implements and tools for agri-sector which are manufactured in India.
- To encourage the efforts for blending of fuel, unblended fuel shall attract an additional differential excise duty of INR 2/litre from 1st October 2022.

MSME

- Udyam, e-Shram, NCS and ASEEM portals will be interlinked.
- Emergency Credit Line Guarantee Scheme (ECLGS) has provided much-needed additional credit to more than 130 lakh MSMEs. The ECLGS will be extended up to March 2023 and its

guaranteed cover will be expanded by INR 50,000 crore to total cover of INR 5 lakh crore, with the additional amount being earmarked exclusively for the hospitality and related enterprises.

- Credit Guarantee Trust for Micro and Small Enterprises (**CGTMSE**) scheme will be revamped with required infusion of funds. This will facilitate additional credit of INR 2 lakh crore for Micro and Small Enterprises and expand employment opportunities.
- Raising and Accelerating MSME Performance (**RAMP**) programme with outlay of INR. 6,000 crore over 5 years will be rolled out. This will help the MSME sector become more resilient, competitive, and efficient.

Other Updates

- The 'Effective Capital Expenditure' of the Central Government is estimated at INR 10.68 lakh crore in 2022-23, which will be about 4.1% of the GDP.
- To mark 75 years of our independence, it is proposed to set up 75 Digital Banking Units (**DBUs**) in 75 districts of the country by Scheduled Commercial Banks.
- Introduction of central digital currency using blockchain to be issued by RBI in 22-23. It is expected that the tax regulation of such currency is also made clear, as there are aspects of classification (capital asset or otherwise), rate of taxation, disclosure requirements that have to be addressed.
- An open platform for the National Digital Health Ecosystem will be rolled out. It will consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities to better the access to quality mental health counseling and care services, a National Tele Mental Health program will be launched.
- In 2022-23, states will be allowed fiscal deficit of up to 4% of GSDP. INR 1 trillion worth financial assistance to states to be provided in 2022-23 to catalyse investments.
- A completely paperless, e-bill system will be launched by ministries for procurement.
- The issuance of e-Passports using embedded chip and futuristic technology will be rolled out in 2022-23 to enhance convenience for the citizens in their overseas travel.

