

INCOME TAX UPDATE

**Key Direct Tax Amendments
made in
Finance Bill, 2023**



Key Direct Tax Amendments made in Finance

Bill, 2023

- Scope of newly introduced Section 50AA (Special provision for computation of capital gains in case of Market Linked Debenture) expanded to include Specified Mutual Funds

Amendment has been made to the newly introduced Section 50AA in Finance Bill 2023 to include the specified mutual fund which is a fund with not more than 35% of investment in equity shares of domestic company.

The implication of the aforesaid amendment will be that the lower rate of 20% u/s 112 for LTCG shall not be applicable and such gains shall be treated as short term capital gains and accordingly those will be taxable as per normal slab rate. Further, benefit of indexation shall not

be available as well as the capital gain on said MFs will be treated as short term.

This amendment shall be applicable w.e.f. 01.04.2023 means it will be applicable on those MFs which will be purchased on or after 01.04.2023 and will not be applicable to those MFs which have been purchased or will be purchased till 31.03.2023.

➤ **Tax Rate u/s 115A for Royalty / FTS increased from 10% to 20%**

Section 115A has been amended to tax non-resident on royalty or FTS at 20%. Earlier, tax rate u/s 115A was 10%. Change of Tax Rate from 10% to 20% will impact to the non-residents of the countries with whom India doesn't have treaty. Now, they will be required to pay higher rate of 20% on income from Royalty and FTS.

This amendment shall be applicable for AY 2024-25.

➤ **Marginal Relief provided under the New Tax Regime u/s 115BAC**

Finance Bill 2023 has proposed to amend the Section 115BAC by which a person is not required to pay any taxes if his income doesn't increase 7 lacs. However, benefit of marginal relief was provided under Finance Bill 2023 in case the income of that person crosses 7 lacs.

Therefore, amendment has been made in Section 115BAC to provide benefit of marginal relief to persons opting for the new tax regime.

➤ **Dated of Applicability/Inapplicability Changed for Section 194B & 194BA**

Section 194B is amended to provide that it will become inapplicable w.e.f. 01.04.2023 instead of 01.07.2023.

Further, Section 194BA is also amended to provide that it will become applicable w.e.f. 01.04.2023 instead of 01.07.2023.

Moreover, Section 206AB has also been amended to provide that Section 194BA will also be covered within the scope of Section 206AB for higher TDS for non-filers of return.

➤ **TCS rate in absence of PAN restricted to 20% [Section 206CC]**

As per the current provisions u/s 206CC, in absence of PAN, TCS is collectible at rate of 5% or twice the rate specified in the relevant provision. However, there was no maximum limit was provided u/s 206CC for collecting TCS.

Therefore, now Section 206CC has been amended to restrict the higher rate of TCS collectible at 20%.

This amendment shall be applicable w.e.f. 01.07.2023.

➤ **TCS rate in case non-filer of return restricted to 20%**

[Section 206CCA]

As per the current provisions u/s 206CCA, in case of non-filer of return, TCS is collectible at rate of 5% or twice the rate specified in the relevant provision. However, there was no maximum limit was provided u/s 206CCA for collecting TCS.

Therefore, now Section 206CCA has been amended to restrict the higher rate of TCS collectible at 20%.

This amendment shall be applicable w.e.f. 01.07.2023.

➤ **Provisions for TCS on LRS Amended [Section 206C(1G)]**

Section 206C(1G) has been amended to provide that TCS is to be collected in case of remittance under LRS even if remittance is not made out of India. Earlier, TCS was collectible only if LRS is made out of India.

➤ **Amendments related to IFSC**

- Surcharge inapplicable on advance tax calculated on income of specified fund located in IFSC which is covered under Section 115AD(1)(a).
- New Section 10(4H) has been inserted for extending exemption on income of a non-resident or unit of an IFSC arising from capital gains on transfer of equity shares of domestic company which is a unit of IFSC [referred to in Section 80LA(1A)] which is engaged primarily in aircraft leasing business and commences operations prior to 31.03.2026. The exemption is for 10 years beginning from the year of commencement of operations. Here, aircraft means an aircraft or a helicopter or an engine or any part thereof. This amendment shall be applicable w.e.f. 01.04.2024.
- New Section 10(34B) inserted to exempt dividend income of an IFSC unit which is engaged in aircraft leasing where dividend is also from IFSC unit engaged

in aircraft leasing. This amendment shall be applicable w.e.f. 01.04.2024.

- Scope of Section 10(23FE) expanded to include any sum referred to in Section 56(2)(xii). This amendment shall be applicable w.e.f. 01.04.2024.
- Section 80LA has been amended to provide 100% tax holiday for AY commencing on or after AY 2023-24.
- Section 115A has been amended to tax non-resident at 10% on dividend from IFSC Unit referred to in Section 80LA(1A).
- Section 194LC has been amended to cover interest from any long-term bond or rupee denominated bond listed on stock exchange located in IFSC. Further, TDS rate on the said income have also increased from 5% to 9%. This amendment shall be applicable w.e.f. 01.07.2023.
- Tonnage Taxation provisions has been amended to allow IFSC units to opt for tonnage taxation after Section 80LA deduction ends.

For details, please refer the following:

- Notice of Amendments made in Finance bill 2023 as Introduced in Lok Sabha

<https://bit.ly/3IHrQoM>

- Finance Bill 2023

https://www.indiabudget.gov.in/doc/Finance_Bill.pdf

DISCLAIMER: - The summary information herein is based on Notice of Amendments made in Finance Bill 2023 as Introduced in Lok Sabha, Finance Bill 2023 and Provisions of Income Tax Act, 1961. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.