

INCOME TAX AMENDMENTS (PROPOSALS)





DIGITAL ASSETS

**TAXATION OF VIRTUAL DIGITAL ASSETS AS INTRODUCED
IN FINANCE BILL 2022**

34%

12%

According to Sec 2(47A) : **Virtual Digital Asset** means

- (a) any information or code or number or token (not being Indian currency or foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value exchanged with or without consideration, with the promise or representation of having inherent value, or functions as a store of value or a unit of account including its use in any financial transaction or investment, but not limited to investment scheme; and can be transferred, stored or traded electronically
- (b) a non-fungible token or any other token of similar nature, by whatever name called;
- (c) any other digital asset, as the Central Government may, by notification in the Official Gazette specify

Provided that the Central Government may, by notification in the Official Gazette, exclude any digital asset from the definition of virtual digital asset subject to such conditions as may be specified therein.



What is Virtual Digital Assets? –Decoding the definition



- 1** Any Information, Code, Number, Token, NFT etc. (not Indian or foreign currency)...
- 2** Generated through cryptographic means or otherwise...
- 3** Providing a digital representation of value exchanged, with the promise of having inherent value...
- 4** Functions as a store of value or a unit of account...
- 5** Can be transferred, stored or traded electronically.

A close-up portrait of Amitabh Bachchan, wearing glasses and a dark jacket, looking directly at the camera with a serious expression. The background is dark and out of focus.

AMITABH BACHCHAN NFT COLLECTION

CURATED BY THE LEGEND HIMSELF!

#AMITABHNFT

A HISTORY IS MADE

Amitabh Bachchan's NFT collection sold for Rs 7.18 crore

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Bollywood superstar Amitabh Bachchan has sold his collection of NFTs for a whopping USD 9,66,000 (Rs 7.18 crore approx) in an auction hosted by BeyondLife.club. The most successful was 'Madhushala' NFT collection – his father's poem, recorded in the superstar's own voice, which crossed a total of USD 756K (Rs 5.5crore) worth of bids for the entire collection.

All About Non-Fungible Tokens (NFTs)



What are NFTs

NFTs are securitized digital works like iconic videos, paintings & memes.

NFTs have unique digital certificate of ownership that can be traded online.

Blockchain makes forging impossible.

Scheme for Taxation of Virtual Digital Assets

Specific tax regime imperative for transactions in virtual digital assets given the volume and magnitude.

Any income from transfer of any virtual digital asset shall be taxed at the rate of 30%

Gift of virtual digital asset is also proposed to be taxed in the hands of the recipient

Loss from transfer of virtual digital asset cannot be set off against any other income

TDS on payment made in relation to transfer of virtual digital asset at the rate of 1% of such consideration above a monetary threshold



TAXATION of VDA :Sec 115BBH (from AY 2023-24)

- (1) Where the total income of an assessee includes any income from the transfer of any virtual digital asset, the income-tax payable shall be the aggregate of—
- (a) the amount of income-tax calculated on the income from transfer of such virtual digital asset at the rate of thirty per cent.; and
 - (b) the amount of income-tax with which the assessee would have been chargeable, had the total income of the assessee been reduced by the income referred to in clause (a).
- (2) Notwithstanding anything contained in any other provision of this Act,—
- (a) no deduction in respect of any expenditure (other than cost of acquisition) or allowance or set off of any loss shall be allowed to the assessee under any provision of this Act in computing the income referred to in clause (a) of sub-section (1); and
 - (b) no set off of loss from transfer of the virtual digital asset computed under clause (a) of sub-section (1) shall be allowed against income computed under any other provision of this Act to the assessee and such loss shall not be allowed to be carried forward to succeeding assessment years.

TDS ON Virtual digital Asset :- Sec 194S

- (1) Any person responsible for paying to a resident any sum by way of consideration for transfer of a virtual digital asset, shall, at the time of credit of such sum to the account of the resident or at the time of payment of such sum by any mode, whichever is earlier, deduct an amount equal to **one per cent. of** such sum as income-tax thereon:

Provided that in a case where the consideration for transfer of virtual digital asset is—

- (a) wholly in kind or in exchange of another virtual digital asset, where there is no part in cash; or
- (b) partly in cash and partly in kind but the part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such transfer, the person responsible for paying such consideration shall, before releasing the consideration, ensure that tax has been paid in respect of such consideration for the transfer of virtual digital asset

Gift of Virtual Digital Asset :-

Further, in order to provide for taxing the gifting of virtual digital assets, it is also proposed to amend Explanation to clause (x) of sub-section (2) of section 56 of the Act to *inter-alia*, provide that for the purpose of the said clause, the expression “property” shall have the meaning assigned to it in Explanation to clause (vii) and shall include virtual digital asset.

This amendment will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

Questions :-

Tax rate ???

What happens if we gift to a relative ---???



Tax Rates for AY 2023-24

No change in the rates of income tax for all categories of assessees

In case of individual, HUF, AOP,BOI,AJP:-

Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A, section 112 and section 112A of the Act, the rate of surcharge on the amount of Income-tax computed in respect of that part of income shall not exceed fifteen percent.

Maximum surcharge on all types of LTCG-15%



Tax rates



Normal rates
(less than 60 years of age)

Income slabs	Tax rates(%)
upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Senior Citizens
(60 to 79 years)

Income slabs	Tax rates(%)
upto 3,00,000	Nil
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Super senior citizens
(80 years and above)

Income slabs	Tax rates(%)
upto 5,00,000	Nil
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

[Section 115BAC]

Income slabs	Tax rates(%)
upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 7,50,000	10%
7,50,001 to 10,00,000	15%
10,00,001 to 12,50,000	20%
12,50,001 to 15,00,000	25%
Above 15,00,000	30%

Rates of Surcharge

Assessee	Total Income	Surcharge
Individual/HUF/AOPs/ BOIs/AJP	>50 lakhs ≤ 1crore	10%
	>1 Cr ≤ 2crore	15%
	>2 Cr ≤ 5crore	25%
	>5 Cr	37%
Firm/LLP, Co-operative Society, Local Authority	>1 Cr	12%
Domestic Company	>1 Cr ≤ 10Cr	7%
	>10 Cr	12%
Foreign Company	>1 Cr ≤ 10Cr	2%
	>10 Cr	5%

Co-operative Societies

Rationalization of provisions of the Act to promote the growth of co-operative Societies:-

Reduced Alternate minimum tax rate and Surcharge for Cooperatives:-

Change in the rate of surcharge:-

The amount of income-tax shall be increased by a surcharge at the rate of **seven per cent of such income-tax in case the total income of a cooperative society exceeds one crore rupees but does not exceed ten crore rupees.**

Surcharge at the rate of twelve per cent. shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

Section 115JC of the Act, inter alia, provides for the alternate minimum tax (AMT) payable by co-operative societies, which is at the rate of 18.5%.

However, vide the Taxation Laws (Amendment) Act, 2019, the Minimum Alternate Tax (MAT) rate for companies has been reduced to 15%. Therefore, in order to provide parity between co-operative societies and companies, it is proposed to modify sub-section (4) of section 115JC to reduce the **AMT rate** at which co-operative societies are liable to pay income-tax to **15%**.

Consequential amendment is also proposed in clause (b) of section 115JF in relation to the definition of “alternate minimum tax”

Sec 115BAB:- New domestic manufacturing companies set up and registered on or after 01.10.2019 and commence manufacturing /production on or before 31st March 2023 to claim the benefit of 15% Tax rate .

The intent of the introduction of section 115BAB was to attract investment, create jobs and trigger overall economic growth. However, the cumulative impact of the persistence of the COVID-19 pandemic has resulted in some delay in setting up/registration of new domestic companies and the commencement of manufacturing or production by such companies, if they have been set up and registered.

In order to provide relief to such companies, it is proposed to amend section 115BAB so as to extend the date of commencement of manufacturing or production of an article or thing, from 31st March, 2023 to 31st March, 2024.

Tax rate of companies :-

In case of domestic company, the rate of income-tax shall be **twenty five** per cent. of the total income, if the total turnover or gross receipts of the **previous year 2020-21 does not exceed four hundred crore rupees** and in all other cases the rate of Income-tax shall be thirty per cent. of the total income.

In the case of company other than domestic company, the rates of tax are the same as those specified for the FY 2020-21.

In section 139 of the Income-tax Act,—

(i) after sub-section (8), the following sub-section shall be inserted, namely:—

“(8A) Any person, whether or not he has furnished a return under sub-section (1) or sub-section (4) or subsection (5), for an assessment year (herein referred to as the relevant assessment year), may furnish an updated return of his income or the income of any other person in respect of which he is assessable under this Act, for the previous year relevant to such assessment year, in the prescribed form, verified in such manner and setting forth such particulars as may be prescribed, at any time **within twenty-four months from** the end of the relevant assessment year:

Provided that the provision of this sub-section shall not apply, if the updated return,—

- (a) is a return of a loss; or
- (b) has the effect of decreasing the total tax liability determined on the basis of return furnished under subsection (1) or sub-section (4) or sub-section (5); or
- (c) results in refund or increases the refund due on the basis of return furnished under sub-section (1) or sub-section (4) or sub-section (5), of such person under this Act for the relevant assessment year:

In section 80CCD of the Income-tax Act, in sub-section (2), for the words “Central Government” wherever they occur, the words “Central Government or the State Government” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2020.

Any contribution made by the Central Government or any other employer to the account of the **employee under a notified pension scheme**, the assessee shall be allowed a deduction in the computation of his total income, of the whole of the amount contributed by the Central Government as it does not exceed **fourteen per cent.** or any other employer as it does not exceed ten per cent. of his salary in the previous year.

It is proposed to amend the said sub-section so as to provide that the deduction under the said section shall be allowed to the assessee, in respect of any contribution made by the State Government also to the account of the employee under a notified pension scheme, of the whole of the amount contributed by the State Government as it does not exceed fourteen per cent. of his salary in the previous year.

*Thank
you*



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