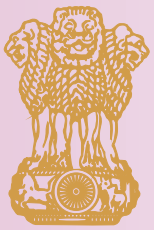

GOVERNMENT OF INDIA

MEMORANDUM EXPLAINING THE PROVISIONS IN THE FINANCE BILL, 2022

(Clauses referred to are clauses in the Bill)

FINANCE BILL, 2022

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance Bill, 2022 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue reforms in direct tax system through tax-incentives, removing difficulties faced by taxpayers and rationalization of various provisions.

With a view to achieving the above, the various proposals for amendments are organized under the following heads:—

(A) Rates of Income-Tax

(B) Promoting voluntary tax compliance and reducing litigation;

(C) Socio economic welfare measures;

(D) Widening and deepening of tax base;

(E) Revenue mobilisation;

(F) Phasing out of exemptions;

(G) Rationalisation measures.

DIRECT TAXES

A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2022-23.

In respect of income of all categories of assessee liable to tax for the assessment year 2022-23, the rates of income-tax have either been specified in specific sections (like section 115BAA or section 115BAB for domestic companies, 115BAC for individual/HUF and 115BAD for cooperative societies) or have been specified in Part I of the First Schedule to the Bill. There is no change proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections

115BAA or 115BAB or 115BAC or 115BAD for the assessment year 2022-23 would be same as already enacted. Similarly rates laid down in Part III of the First Schedule to the Finance Act, 2021, for the purposes of computation of "advance tax", deduction of tax at source from "Salaries" and charging of tax payable in certain cases for the assessment year 2022-23 would now become part I of the first schedule. Part III would now apply for the assessment year 2023-24 and would remain unchanged.

(1) Tax rates under section 115BAC and section 115BAD—

An individual and HUF tax payers have an option to opt for taxation under section 115BAC of the Act and the resident co-operative society has an option to opt for taxation under the section 115BAD of the Act.

On satisfaction of certain conditions as per the provisions of section 115BAC, an individual or HUF, from assessment year 2021-22 onwards, has the option to pay tax in respect of the total income at following rates:

Total Income (Rs)	Rate
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5 per cent.
From 5,00,001 to 7,50,000	10 per cent.
From 7,50,001 to 10,00,000	15 per cent.
From 10,00,001 to 12,50,000	20 per cent.
From 12,50,001 to 15,00,000	25 per cent.
Above 15,00,000	30 per cent.

Similarly, a co-operative society resident in India has the option to pay tax at 22 per cent for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to fulfilment of certain conditions.

(2) Tax rates under Part I of the first schedule applicable for the assessment year 2022-23

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-I of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part I applies) are as under:—

Up to Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs.5,00,000	5 percent.
Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs. 10,00,000	30 percent.

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

Up to Rs. 3,00,000	Nil.
Rs. 3,00,001 to Rs.5,00,000	5 percent.
Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs. 10,00,000	30 percent.

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Up to Rs.5,00,000	Nil.
Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs 10,00,000	30 percent.

b. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I of the First Schedule to the Bill. They remain unchanged at

(10% up to Rs 10,000; 20% between Rs 10,000 and Rs 20,000; and 30% in excess of Rs 20,000)

c. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I of the First Schedule to the Bill. They remain unchanged at 30%

d. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

e. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part I of the First Schedule to the Bill. 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 2019-20 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.

(3) Surcharge on income-tax

The amount of income-tax shall be increased by a surcharge for the purposes of the Union,—

(a) in the case of every individual or HUF or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act, including an individual or HUF exercising option under section 115BAC, not having any income under section 115AD of the Act,—

(i) having a total income (including the income by way of dividend or income under the provisions of section 111A and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent. of such income- tax; and

(ii) having a total income (including the income by way of dividend or income under the provisions of section 111A and 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of fifteen per cent. of such income-tax;

(iii) having a total income (excluding the income by way of dividend or income under the provisions of section 111A and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax;

(iv) having a total income (excluding the income by way of dividend or income under the provisions of section 111A and 112A of the Act) exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax;

(v) having a total income (including the income by way of dividend or income under the provisions of section 111A and 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) or (iv) above, at the rate of fifteen per cent of such income tax:

Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A and 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;

However, surcharge shall be at the rates provided in (i) to (iv) above for all category of income without excluding dividend or capital gains in case if the income is taxable under section 115A, 115AB, 115AC, 115ACA and 115E.

(aa) in the case of individual or every association of person or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act having income under section 115AD of the Act,—

(i) having a total income exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent of such income-tax; and

(ii) having a total income exceeding one crore rupees but not exceeding two crore rupees, at the rate of fifteen per cent of such income-tax;

(iii) having a total income [excluding the income by way of dividend or income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax;

(iv) having a total income [excluding the income by way of dividend or income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax;

(v) having a total income [including the income by way of dividend or income of the nature referred to in clause (b) of sub-section (1) of section 115AD of the Act] exceeding two crore rupees but is not covered in sub-clauses (iii) and (iv), at the rate of fifteen per cent. of such income-tax:

Provided that in case where the total income includes any income by way of dividend or income chargeable under clause (b) of sub-section (1) of section 115AD of the Act, the rate of surcharge on the income-tax calculated on that part of income shall not exceed fifteen percent;

(b) in the case of every co-operative society (except resident co-operative society opting under section 115BAD) or firm or local authority, at the rate of twelve per cent of such income-tax, where the total income exceeds one crore rupees;

(c) In case of resident co-operative society opting under section 115BAD, at the rate of ten percent of such income tax.

(d) in the case of every domestic company, except such domestic company whose income is chargeable to tax under section 115BAA or section 115BAB of the Act,—

(i) at the rate of seven per cent. of such income-tax, where the total income exceeds one crore rupees but does not exceed ten crore rupees;

(ii) at the rate of twelve per cent. of such income-tax, where the total

income exceeds ten crore rupees;

(e) in the case of domestic company whose income is chargeable to tax under section 115BAA or 115BAB of the Act, at the rate of ten percent;

(f) in the case of every company, other than a domestic company,—

(i) at the rate of two per cent. of such income-tax, where the total income exceeds one crore rupees but does not exceed ten crore rupees;

(ii) at the rate of five per cent. of such income-tax, where the total income exceeds ten crore rupees;

(g) In other cases (including sections 92CE, 115-O, 115QA, 115R, 115TA or 115TD), the surcharge shall be levied at the rate of twelve percent.

(4) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(5) Education Cess—

For assessment year 2022-23, “Health and Education Cess” is to be levied at the rate of four per cent. on the amount of income tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

II. Rates for deduction of income-tax at source during the financial year (FY) 2022-23 from certain incomes other than “Salaries”.

The rates for deduction of income-tax at source during the FY 2022-23 under the provisions of section 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC and 195 have been specified in Part II of the First Schedule to the Bill. The rates will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2021, for the purposes of deduction of income-tax at source during the FY 2021-22. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of these sections.

Surcharge—

The amount of tax so deducted shall be increased by a surcharge,—

(a) in the case of every individual or HUF or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act, being a non-resident, calculated, —

(i) at the rate of ten per cent. of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds fifty lakh rupees but does not exceed one crore rupees;

(ii) at the rate of fifteen per cent. of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of sections 111A, 112and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed two crore rupees;

(iii) at the rate of twenty-five per cent. of such tax, where the income or aggregate of income (excluding the income by way of dividend or income under the provisions of sections 111A,112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds two crore rupees but does not exceed five crore rupees;

(iv) at the rate of thirty-seven per cent. of such tax, where the income or aggregate of income (excluding the income by way of dividend or income under the provisions of sections 111A,112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds five crore rupees;

(v) at the rate of fifteen per cent. Of such tax, where the income or aggregate of income (including the income by way of dividend or income under the provisions of section 111A,112 and 112A of the Act) paid or likely to be paid and subject to the deduction exceeds two crore rupees, but is not covered under (iii) and (iv) above

Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A, 112 and section 112A of the Act, the rate of surcharge on the amount of income-tax

deducted in respect of that part of income shall not exceed fifteen per cent.

(b) in the case of every co-operative society, being a non-resident, calculated ,—

(i) at the rate of seven per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed ten crore rupees;

(ii) at the rate of twelve per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten crore rupees.

(c) in the case of every firm, being a non-resident at the rate of twelve per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees;

(d) in the case of every company, other than a domestic company, calculated,—

(i) at the rate of two per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees but does not exceed ten crore rupees;

(ii) at the rate of five per cent. of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds ten crore rupees.

No surcharge will be levied on deductions in other cases.

(2) Education Cess—

"Health and Education Cess" shall continue to be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

III. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the FY2022-23.

The rates for deduction of income-tax at source from "Salaries" or under section

194P of the Act during the FY 2022-23 and also for computation of “advance tax” payable during the said year in the case of all categories of assessee have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2022-23 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. There is no change in the tax rates from last year. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-III of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part III applies) are as under:—

Upto Rs.2,50,000	Nil.
Rs. 2,50,001 to Rs.5,00,000	5 percent.
Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs10,00,000	30 percent.

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

Upto Rs.3,00,000	Nil.
Rs. 3,00,001 to Rs.5,00,000	5 percent.

Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs10,00,000	30 percent.

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Upto Rs.5,00,000	Nil.
Rs. 5,00,001 to Rs.10,00,000	20 percent.
Above Rs10,00,000	30 percent.

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A) as well as income tax computed under section 115BAC, shall be increased by a surcharge at the rate of,—

(a) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of ten per cent. of such income-tax;

(b) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding one crore rupees, at the rate of fifteen per cent. of such income-tax;

(c) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of twenty-five per cent. of such income-tax;

(d) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees, at the rate of thirty-seven per cent. of such income-tax;

(e) having a total income (including the income by way of dividend or income under the provisions of section 111A, 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of fifteen per cent. of such income-tax:

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..

Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed fifteen per cent. .

Marginal relief is provided in cases of surcharge.

On satisfaction of certain conditions as per the provisions of section 115BAC, an individual or HUF has the option to pay tax in respect of the total income at following rates:

Total Income (Rs)	Rate
Upto 2,50,000	Nil
From 2,50,001 to 5,00,000	5 per cent.
From 5,00,001 to 7,50,000	10 per cent.
From 7,50,001 to 10,00,000	15 per cent.
From 10,00,001 to 12,50,000	20 per cent.
From 12,50,001 to 15,00,000	25 per cent.
Above 15,00,000	30 per cent.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2021-22. However, there is 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 co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of twelve per cent. of shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

Marginal relief is provided in cases of surcharge.

On satisfaction of certain conditions, a co-operative society resident in India have the option to pay tax at 22 per cent. as per the provisions of section 115BAD. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2021-22. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2021-22. The amount of income-tax shall be increased by a surcharge at the rate of twelve per cent. of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. 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. However, domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfillment of conditions contained therein. The tax rate is 15 per cent. in section 115BAB and 22

per cent. in section 115BAA. Surcharge is 10 per cent. in both cases.

In the case of company other than domestic company, the rates of tax are the same as those specified for the FY 2021-22.

Surcharge at the rate of seven per cent. shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of twelve per cent shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ten crore rupees.

In case of companies other than domestic companies, the existing surcharge of two per cent shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of five per cent shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

Marginal relief is provided in surcharge in all cases.

In other cases [including sub-section (2A) of section 92CE, sections 115-O, 115QA, 115R, 115TA or 115TD], the surcharge shall be levied at the rate of twelve per cent.

For FY 2022-23, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of four per cent on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

For two newly inserted provisions 115BBH and 115BBI tax rate is provided in the respective sections and surcharge shall be levied based on status of the taxpayer as is otherwise applicable to such taxpayer.

[Clause 2 & the First Schedule]

B. Promoting Voluntary Tax Compliance and Reducing Litigation

Provisions for filing of updated return

Section 139 of the Act is related to the provisions for filing of Income Tax Return by taxpayers.

2. Sub-section (1) of section 139 of the Act casts responsibility on the taxpayer to furnish a return within a definite time period or up to a particular date, that is, the due date which as per this section means:

(a) for an assessee who is a company or a person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force, it is 31st day of October of the assessment year;

(b) for an assessee who is required to furnish a report under section 92E, it is 30th day of November of the assessment year; and

(c) for any other assessee, it is 31st day of July of the assessment year.

Alternatively, sub-section (4) of section 139 of the Act facilitates filing of a belated return after the expiry of due date, if such return is furnished before 3 months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier. Similarly, sub-section (5) of section 139 of the Act provides the taxpayer an opportunity to revise the return filed under sub-section (1) or sub-section (4) in case of any omission or wrong statement, after due date, which is to be filed 3 months before the end of the assessment year or before the completion of assessment, whichever is earlier. Hence, the object of section 139 of the Act is to give reasonable time to the taxpayer to file a correct statement of his income within the duration specified under the Act.

3. This provision provides an additional time of approximately 5 months to an individual assessee, 2 months to a company/auditable case and 1 month to an assessee who enters into an international transaction or specified domestic transaction respectively, in a financial year to file belated or revised return. This additional timeline for filing a revised/belated return may not be adequate when we factor in utilization of huge information and data available coupled with the “nudge approach” that motivates the taxpayer towards the desired objective of voluntary tax compliance, starting with filing of correct tax returns.

4. Hence, it is proposed to introduce a new provision in section 139 of the Act for filing an updated return of income by any person, whether he has filed a return previously for the relevant assessment year, or not. The proposal for updated return over a period longer than that is provided in the existing provisions of Income-tax Act would on the one hand bring use of huge data with the IT Department to a logical conclusion resulting in additional revenue realization and on the other hand, it will facilitate ease of compliance to the taxpayer in a litigation free environment.

5. Hence, it is proposed that the taxpayers may be given some more time under the Act to file particulars of their income for a previous year in an updated return. A payment of additional tax by persons opting to furnish their returns in the newly provided timelines is also required. It is proposed that an amount equal to twenty five percent or fifty percent as additional tax on the tax and interest due on the additional income furnished would be required to be paid. The following amendments to the Act are proposed for incorporating the above provisions: -

I) A new sub-section (8A) in section 139 is proposed to be introduced to provide for furnishing of updated return under the new provisions.

in section 139, —

(a) It is proposed to insert sub-section (8A) in section 139 of the Act to provide that:

(i) Any person, whether or not he has furnished a return under sub-section (1), sub-section (4) or sub-section (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 the Act, for the previous year relevant to such assessment year, within twenty four months from the end of the assessment year. Such return shall be furnished in the prescribed form and manner and shall contain prescribed particulars.

(ii) The proposed sub-section (8A) of section 139 shall not apply, if the updated return, is a return of a loss or has the effect of decreasing the total tax liability determined on the basis of return furnished under sub-section (1), sub-section (4) or sub-section (5) or results in refund or increases the refund due on

the basis of return furnished under sub-section (1), sub-section (4) or sub-section (5), of such person under the Act for the relevant assessment year.

(iii) A person shall not be eligible to furnish an updated return under the proposed sub-section (8A) of section 139, if: —

(a) search has been initiated under section 132 or books of account, other documents or any assets are requisitioned under section 132A in the case of such person, or

(b) a survey has been conducted under section 133A, other than sub-section (2A) of that section, in the case such person, or

(c) a notice has been issued to the effect that any money, bullion, jewellery or valuable article or thing, seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person, or

(d) a notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person.

This provision is for the assessment year relevant to the previous year in which such search is initiated or survey is conducted or requisition is made and two assessment years preceding such assessment year.

(iv) Also, no updated return shall be furnished by any person for the relevant assessment year, where,

(a) an updated return has been furnished by him under the proposed sub-section (8A) of section 139 of the Act for the relevant assessment year, or

(b) any proceeding for assessment or reassessment or recomputation or revision of income under the Act is pending or has been completed for the relevant assessment year in his case, or

(c) the Assessing Officer has information in respect of such person for the relevant assessment year in his possession under the Prevention of Money Laundering Act, 2002 or the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 or the Prohibition of Benami Property Transactions Act, 1988 or The Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976 and the same has been communicated to him, prior to the date of his filing of return under the proposed sub-section (8A) of section 139 of the Act, or

(d) information for the relevant assessment has been received under an agreement referred to in sections 90 or 90A of the Act in respect of such person and the same has been communicated to him, prior to the date of his filing of return under the proposed sub-section (8A) of section 139 of the Act, or

(e) any prosecution proceedings under Chapter XXII have been initiated for the relevant assessment year in respect of such person, prior to the date of his filing of return under the proposed sub-section(8A) of section 139 of the Act, or

(f) he is a person or belongs to a class of persons, as maybe notified by the Board in this regard.

b) It has also been proposed to amend sub-section (9) of section 139 to provide that a return filed under the proposed sub-section (8A) of the said section 139 shall be defective unless such return is accompanied by the proof of payment of tax as required under the proposed section 140B.

II) A new section 140B has been proposed to provide for the tax required to be paid for opting to file a return under the proposed provisions i.e. sub-section (8A) of section 139 of the Act.

I. Where no return furnished earlier: where no return of income under sub-section (1) or sub-section (4) of section 139 has been furnished by an assessee, he shall before furnishing the return under sub-section (8A) of section 139, be liable to pay the tax due together with interest and fee payable under any provision of the Act for any delay in furnishing the return or any default or delay in payment of advance tax, along with the payment of additional tax. The tax payable shall be computed after taking into account the following:-

(i) the amount of tax, if any, already paid as advance tax;

(ii) any tax deducted or collected at source;

(iii) any relief of tax claimed under section 89;

(iv) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India;

(v) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section; and

(vi) any tax credit claimed to be set off in accordance with the provisions of section 115JAA or section 115JD.

Such updated return shall also be accompanied by proof of payment of such tax, additional tax, interest and fee.

II. In the case of an assessee, where, return of income under sub-section (1) or sub-section (4) or sub-section (5) of section 139 (referred to as earlier return) has been furnished by an assessee, he shall before furnishing the return under sub-section (8A) of section 139, be liable to pay the tax due together with interest and fee payable under any provision of this Act for any delay in furnishing the return or any default or delay in payment of advance tax, along with the payment of additional tax, as reduced by the amount of interest paid under the provisions o the Act in the earlier return,. The tax payable shall be computed after taking into account the following:-

(i) the amount of relief or tax, referred to in sub-section (1) of section 140A, the credit for which has been taken in the earlier return;

(ii) tax deducted or collected at source, in accordance with the provisions of Chapter XVII-B, on any income which is subject to such deduction or collection and which is taken into account in computing total income and which has not been claimed in the earlier return;

(iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India on such income which has not been claimed in the earlier return;

(iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been claimed in the earlier return;

(v) any tax credit claimed, to be set off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return.

The aforesaid tax shall be increased by the amount of refund, if any, issued in respect of such earlier return.

The updated return, furnished under sub-section (8A) of section 139, shall be accompanied by proof of payment of such tax, additional tax, interest and fee.

III) The additional tax, payable at the time of furnishing the return under sub-section (8A) of section 139, shall be equal to twenty-five per cent of aggregate of tax and

interest payable, as determined in sub- paragraphs I or II above, if such return is furnished after expiry of the time available under sub-section (4) or sub-section (5) of section 139 and before completion of period of twelve months from the end of the relevant assessment year. However, if such return is furnished after the expiry of twelve months from the end of the relevant assessment year but before completion of the period of twenty-four months from the end of the relevant assessment year, the additional tax payable shall be fifty per cent of aggregate of tax and interest payable, as determined in sub- paragraphs I or II above.

It is also clarified that for the purposes of computation of “additional income-tax”, tax shall include surcharge and cess, by whatever name called, on such tax.

IV) It is further provided that notwithstanding anything contained in the Explanation 1 to section 234B, in the cases where an earlier return has been furnished, interest payable under section 234B shall be computed on an amount equal to the assessed tax or, as the case may be, on the amount by which the advance tax paid falls short of the assessed tax, where, "assessed tax" means the tax on the total income as declared in the return to be furnished under sub-section (8A) of section 139, after taking into account the following:

(i) the amount of relief or tax, referred to in sub-section (1) of section 140A, the credit for which has been taken in the earlier return;

(ii) tax deducted or collected at source, in accordance with the provisions of Chapter XVII-B, on any income which is subject to such deduction or collection and which is taken into account in computing such total income and which has not been claimed in the earlier return;

(iii) any relief of tax or deduction of tax claimed under section 90 or section 91 on account of tax paid in a country outside India on such income which has not been claimed in the earlier return;

(iv) any relief of tax claimed under section 90A on account of tax paid in any specified territory outside India referred to in that section on such income which has not been claimed in the earlier return;

(v) any tax credit claimed, to be set off in accordance with the provisions of section 115JAA or section 115JD, which has not been claimed in the earlier return. The aforesaid tax shall be increased by the amount of refund, if any, issued in respect of such earlier return.

V. where no earlier return has been furnished, the interest payable under section 234A shall be computed on the amount of the tax on the total income as declared in the return under sub-section (8A) of section 139. Further, interest payable under section 234C, where an earlier return has not been furnished, shall be computed after taking into account the income furnished in the return under sub-section (8A) of section 139 as the returned income. At the same time, for the computation of additional tax above, the interest payable shall be interest chargeable under any provision of the Income-tax Act, on the income as per return furnished under sub-section (8A) of section 139, as reduced by interest paid in the earlier return, if any. However, the interest paid in the earlier return shall be considered to be nil if no earlier return has been furnished.

VI. In view of the proposed sub-section (8A) of section 139 and new section 140B, consequential amendments in section 144, section 153, section 234A and section 234B and 276CC have also been made.

These amendments will take effect from 1st April, 2022.

[Clauses 38, 39,41, 48, 64, 65 and 81]

Litigation management when in an appeal by revenue an identical question of law is pending before jurisdictional High Court or Supreme Court.

Section 158AA of the Act provides that where the Commissioner or Principal Commissioner is of the opinion that any question of law arising in the case of an assessee (relevant case) is identical with a question of law arising in his case for another assessment year (other case) which is pending in appeal before the Supreme Court against an order of High Court which was in favour of assessee, he may direct the Assessing Officer to make an application to the Appellate Tribunal stating that an appeal on the question of law in the relevant case may be filed when the decision on the question of law becomes final in the other case, subject to the acceptance of the same by the assessee.

2. If such a principle could be applied to cases where a question of law is common and where a decision of the jurisdictional High Court, on the same question of law is available, the filing of appeal in such cases can be avoided to reduce the amount of litigation.

3. Therefore, to provide a procedure when an appeal by revenue is pending on an identical question of law, it is proposed to insert a new section 158AB in the Act, to provide that where the collegium is of the opinion that any question of law arising in the case of an assessee for any assessment year ("relevant case") is identical with a question of law already raised in his case or in the case of any other assessee for an assessment year, which is pending before the jurisdictional High Court under section 260A or the Supreme Court in an appeal under section 261 or in a special leave petition under article 136 of the Constitution, against the order of the Appellate Tribunal or the jurisdictional High Court, as the case may be, in favour of such assessee ("other case"), it may, decide and intimate the Commissioner or Principal Commissioner not to file any appeal, at this stage, to the Appellate Tribunal under sub-section (2) of section 253 or to the High Court under sub-section (2) of section 260A against the order of the Commissioner (appeals) or the Appellate Tribunal, as the case may be.

4. Further, the Commissioner or Principal Commissioner shall, on receipt of a communication from the collegium, direct the Assessing Officer to make an application to the Appellate Tribunal or jurisdictional High Court, as the case may be, in the prescribed form within sixty days from the date of receipt of the order of the Commissioner (Appeals) or within one hundred and twenty days from the date of receipt of the order of the Appellate Tribunal, as the case may be, stating that an appeal on the question of law arising in the relevant case may be filed when the decision on the question of law becomes final in the other case. The Commissioner or Principal Commissioner shall direct the Assessing Officer to make such an application only if an acceptance is received from the assessee to the effect that the question of law in the other case is identical to that arising in the relevant case, and in case no such acceptance is received, the Commissioner or Principal Commissioner shall proceed in accordance with the provisions contained in sub-section (2) of section 253 or in sub-section (2) of section 260A.

5. Furthermore, where the order of the Commissioner (Appeals) or the order of the Appellate Tribunal, as the case may be, in the relevant case is not in conformity with the final decision on the question of law in the other case as and when such order is received, the Commissioner or Principal Commissioner may direct the Assessing Officer to appeal to the Appellate Tribunal or the jurisdictional High Court, as the case may be, against such order.

6. It is also proposed that for the purposes of the proposed section, "collegium" shall comprise of two or more Chief Commissioners or Principal Commissioners or Commissioners of Income-tax, as specified by the Board in this regard.

7. In order to illustrate the point, it may be supposed that a question of law $(Q1)_{A1}$ has arisen in case of an assessee (A1) and the A1 has received a favourable decision on $Q1_{A1}$ from the Commissioner (Appeals). Further, in case of another assessee (A2), where Department's appeal on identical question of law $(Q1)_{A2}$ is pending before the jurisdictional High Court or the Supreme Court and the collegium is of the opinion that $Q1_{A1}$ and $Q1_{A2}$ are identical questions of law. Then in this situation, provisions of proposed section 158AB can be invoked by Revenue to defer filing of appeal for decision on $Q1_{A1}$ to the higher appellate authority in ITAT till a decision on $Q1_{A2}$ is communicated to Assessing Officer having jurisdiction over the assessee, A1. Such a decision on deferment will be subject to acceptance by the assessee A1 that question of law in his case $Q1_{A1}$ is identical to $Q1_{A2}$ in the case of the assessee A2.

8. With the introduction of section 158AB, a sunset clause is proposed to be inserted in sub-section (1) of section 158AA to provide that no direction shall be given under the said sub-section on or after 1st April, 2022.

This amendment will take effect from 1st April, 2022.

[Clauses 51 and 52]

Amendment in section 245MA of the Act related to Dispute Resolution Committee

Finance Act, 2021 introduced a new chapter XIX-AA in the Act consisting of section 245MA for constituting Dispute Resolution Committee ("DRC") for specified persons who may opt for dispute resolution under the said section and who fulfil specified conditions mentioned in the said section.

2. After the resolution of the dispute by the DRC the assessed income of the person who had applied to DRC has to be determined, which will be followed by, *inter alia*, initiation of penalty proceedings, if any and issuance of demand notice under section 156 of the Act. However, the existing provisions of the said section do not contain any provision which will enable the Assessing Officer to pass an order giving effect to the order or directions of the Dispute Resolution Committee under the said section.

3. Therefore, it is proposed to insert a new sub-section to this section to enable the Assessing Officer to pass an order giving effect to the resolution of dispute by the DRC. However, since DRC is an alternate dispute resolution mechanism itself, a taxpayer may opt for approaching either the Dispute Resolution Panel under section 144C of the Act or the DRC under section 245MA of the Act, and the AO shall pass the final order in conformity with the order by the DRC even in the case of an eligible assessee.

This amendment will take effect from 1st April, 2022.

[Clause 67]

Clarification regarding treatment of cess and surcharge

Section 40 of the Act specifies the amounts which shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". Sub-clause (ii) of clause (a) of section 40 of the Act provides that any sum paid on account of any rate or tax levied on the profits or gains of any business or profession or assessed at a proportion of, or otherwise on the basis of, any such profits

or gains shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession".

2. However, certain taxpayers are claiming deduction on account of 'cess' or 'surcharge' under section 40 of the Act claiming that 'cess' has not been specifically mentioned in the aforesaid provisions of section 40(a)(ii) and, therefore, cess is an allowable expenditure. This view has been upheld by Courts in a few judgments. Further, Courts are also relying upon the CBDT Circular No. 91/58/66-ITJ(19) dated 18-05-1967.

3. The assessees rely upon the decision of the Hon'ble Bombay High Court in the case of "Sesa Goa Limited Vs. JCIT" (2020) 117 taxmann.com and further on the decision of the Hon'ble Rajasthan High Court in the case of "Chambal Fertilizers & Chemicals Ltd Vs. JCIT": D.B Income-tax Appeal No. 52/2018 decided on 31-07-2018, wherein, the Hon'ble High Courts relied upon the aforesaid CBDT Circular Dt. 18-05-1967 and in view of the interpretation made by the CBDT have held that 'education cess' can be claimed as an allowable deduction while computing the income chargeable under the heads "profits and gains of business or profession". Based on these decisions ITAT in various judgments have followed the same reasoning and have allowed deduction on account of payment of "Cess".

4. However, one of the latest judgments of ITAT Kolkata has discussed the two High Court judgments as well as other judgments vide order dated 26-10-2021 in the case of *M/s. Kanoria Chemicals & Industries Ltd ITA No. 2184/Kol/2018 (TS-1129-ITAT2021 Kol)* and has held that the "Cess" is not to be allowed as deduction. The relevant portion of the judgment is produced below:

> *"19. However, with due respect to the decisions of the Hon'ble Bombay High Court and Hon'ble Rajasthan High Court and of co-ordinate Benches of this Tribunal, we find that the issue is squarely covered by the decision of the Hon'ble Apex Court of the country in the case of "CIT Vs. K. Srinivasan" (1972) 83 ITR 346, wherein the following questions came for adjudication before the Hon'ble Apex Court:- " Whether the words "Income tax" in the Finance Act of 1964 in sub-s (2) and sub-s.(2)(b) of s. 2 would include surcharge and additional surcharge."*

20. The Hon'ble Supreme Court answered the question in favour of revenue observing as under:- "In our judgment it is unnecessary to express any opinion in the matter because the essential point for determination is whether surcharge is an additional mode or rate for charging income tax. The meaning of the word "surcharge" as given in the Webster's New International Dictionary includes among others "to charge (one) too much or in addition" also "additional tax". Thus the meaning of surcharge is to charge in addition or to subject to an additional or extra charge. If that meaning is applied to s. 2 of the Finance Act 1963 it would lead to the result that income tax and super tax were to be charged in four different ways or at four different rates which may be described as (i) the basic charge or rate (In part I of the First Schedule); (ii) Sur- charge; (iii) special surcharge and (iv) additional surcharge calculated in the manner provided in the Schedule. Read in this way the additional charges form a part of the income tax and super tax"

21. The Hon'ble Supreme Court, therefore, has decided the issue in favour of the revenue and held that surcharge and additional surcharge are part of the income-tax. At this stage, it is pertinent to mention here that 'education cess' was brought in for the first time by the Finance Act, 2004, wherein it was mentioned as under:- " An additional surcharge, to be called the Education Cess to finance the Government's commitment to universalise quality basic education, is proposed to be levied at the rate of two per cent on the amount of tax deducted or advance tax paid, inclusive of surcharge."

22. The provisions of the Finance Act 2011 relevant to the Assessment Year under consideration i.e. 2012-13 are also relevant. For the sake of ready reference, the same is reproduced hereunder:- 2(11) The amount of income-tax as specified in sub-sections (1) to (10) and as increased by a surcharge for purposes of the Union calculated in the manner provided therein, shall be further increased by an additional surcharge for purposes of the Union, to be called the "Education Cess on income-tax", calculated at the rate of two per cent. of such income-tax and surcharge, so as to fulfil the commitment of the Government to provide and finance universalised quality basic education.

23. A perusal of the aforesaid provisions of the Finance Act 2004 and Finance Act 2011 would show that it has been specifically provided that 'education cess' is an additional surcharge levied on the income-tax. Therefore, in the light of the decision of the Hon'ble Supreme Court in the case of "CIT Vs. K. Srinivasan" (supra) the additional surcharge is part of the income-tax. The aforesaid decision of the Hon'ble Apex Court and the provisions of Finance Act, 2004 and the relevant provisions of section 2(11) & (12) of the subsequent Finance Acts have not been brought into the knowledge of the Hon'ble High Courts in the cases of "Sesa Goa Ltd" & "Chambal Fertilisers" (supra). Since the decision of the Hon'ble Supreme Court prevails over that of the Hon'ble High Courts, therefore, respectfully following the decision of the Hon'ble Supreme Court in the case of "CIT Vs. K. Srinivasan" (supra), this issue is decided against the assessee. The additional ground of assessee's appeal is accordingly dismissed."

5. Rajasthan High Court has also relied upon the circular dated 18.05.1967 issued by CBDT, which is being reproduced as under:

"Interpretation of provision of s.40(a)(ii) of IT Act, 1961-Clarification regarding 18/05/1967 BUSINESS EXPENDITURE SECTION 40(a)(ii),

Recently a case has come to the notice of the Board where the ITO has disallowed the 'cess' paid by the assessee on the ground that there has been no material change in the provisions of s.10(4) of the old Act and s.40(a)(ii) of the new Act.

2. The view of the ITO is not correct. Clause 40(a)(ii) of the IT Bill, 1961 as introduced in the Parliament stood as under:

"(ii) any sum paid on account of any cess, rate or tax levied on the profits or gains of any business or profession or assessed at a proportion of, or otherwise on the basis of, any such profits or gains".

When the matter came up before the Select Committee, it was decided to omit the word 'cess' from the clause. The effect of the omission of the word 'cess' is that only taxes paid are to be disallowed in the assessments for the year 1962-63 and onwards.

3. The Board desire that the changed position may please be brought to the notice of all the ITOs so that further litigation on this account may be avoided."

6. In the above referred Circular issued by CBDT, 'Cess' is to be allowed under sub-clause (ii) of clause (a) of section 40 of the Act. However, it is to be noted that 'Cess' is imposed not only by the Central Government through Finance Act for a financial year, but also by various State Governments. It is pertinent to mention that in the above referred Circular of CBDT, there is no reference to the 'Cess' imposed by the Central Government through Finance Act for a particular year. This CBDT circular needs to be seen from the perspective that "Education Cess" imposed by Finance Act 2004 and subsequent Acts and then designated as "Education and Health Cess" are actually tax in the form of additional surcharge, as stated clearly in each of the relevant Finance Act imposing such "Cess". It is only called "Cess" since they were imposed for a particular purpose of fulfilling the commitment of the Government to provide and finance quality health services and universalized quality basic education and secondary and higher education.

7. This circular was in reference to "Cess" imposed by State Government which is actually of the nature of "Cess" and not of the nature of "Additional Surcharge" being termed as "Cess" in the relevant Finance Act. When an additional surcharge is imposed by the Central Government and it is named as "Cess", then its allowability needs to be examined whether an additional surcharge is allowed to be a deduction or not. Hon'ble Supreme Court in the case of *K Srinivasan* has held that "surcharge" and "additional surcharge" are tax. Hence, the additional surcharge named as "Cess"and imposed by the Central Government through the Finance Act is nothing but a tax and hence, needs to be disallowed under sub-clause (ii) of clause (a) of section 40 of the Act. The relevant part of Hon'ble Supreme Court judgment is as under:

7. The above legislative history of the Finance Acts, as also the practice, would appear to indicate that the term "Income tax" as employed in Section 2 includes surcharge as also the special and the additional surcharge whenever provided which are also surcharges within the meaning of Article 271 of the Constitution. The phraseology employed in the Finance Acts of 1940 and 1941 showed that only the rates of income tax and supertax were to be increased by a surcharge for the purpose of the Central Government. In the

Finance Act of 1958 the language used showed that income tax which was to be charged was to be increased by a surcharge for the purpose of the Union. The word "surcharge" has thus been used to either increase the rates of income tax and super tax or to increase these taxes. The scheme of the Finance Act of 1971 appears to leave no room for doubt that the term Income tax" as used in Section 2 includes surcharge."

8. Since the judgments of Rajasthan High Court and Bombay High Court did not consider the judgment of Hon'ble Supreme Court discussed above, the judgments of these two High Courts appear to be *per incuriam*. It may be mentioned that in paragraph 578 at page 297 of Halsbury's Laws of England, Fourth Edition, the rule of *per incuriam* is stated as follows:

"A decision is given per incuriam when the court has acted in ignorance of a previous decision of its own or of a court of co-ordinate jurisdiction which covered the case before it, in which case it must be decided which case to follow; or when it has acted in ignorance of a House of Lords decision, in which case it must follow that decision; or when the decision is given in ignorance of the terms of a statute or rule having statutory force."

9. From the above discussion it may be seen that the interpretations of two High courts and various ITATs are against the intention of legislature and not in line with the judgment of Hon'ble Supreme Court. Hence, in order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to include an *Explanation* retrospectively in the Act itself to clarify that for the purposes of this sub-clause, the term "tax" includes and shall be deemed to have always included any surcharge or cess, by whatever name called, on such tax. Amendment is made retrospectively to make clear the position irrespective of the circular of the CBDT.

10. This amendment will take effect retrospectively from 1st April, 2005 and will accordingly apply in relation to the assessment year 2005-06 and subsequent assessment years.

[Clause 13]

Amendments related to successor entity subsequent to business reorganization

Chapter XV of the Act refers to liability in certain special cases. Section 170*,* *inter-alia*, governs the procedure of taxation in case of succession to business in the event of reorganization or restructuring of the business which is discussed as under.

2. Though section 170 provides for assessment in cases of succession otherwise than by death, in practice once an entity starts the process of reorganization by filing an application with the adjudicating authority or any High Court, the period of time involved in coming to a conclusion with respect to such reorganization is found to be a long-drawn process and is not time-bound. The reorganization often is from a preceding date. During the pendency of the court proceedings the income tax proceedings and assessments are carried on and often completed on the predecessor entities only. Courts have held such proceedings and consequent assessments illegal as the predecessor assessee ceases to exist in the midst of a perfectly valid and legal proceeding.

3. Hence, till the decision of the court is received, the proceedings of the Act have to be continued in the case of the predecessor only and such proceedings once completed, cannot become illegal as a result of subsequent order of any court. Therefore, with a view to clarify that such proceedings under the Act are valid, it is proposed to insert a sub-section (2A) to section 170, to provide that the assessment or other proceedings pending or completed on the predecessor in the event of a business reorganization, shall be deemed to have been made on the successor.

4. Further, it is seen that post such reorganization, the affairs of the successor entity go through a complete change with effect from the date from which such reorganization takes place. However, due to the indefinite timeline involved in issuing such orders, there is a gap between the effectivity of such order and the date on which such order is issued by the competent authority. This also affects the final accounts of such entities as they are unable to modify their already filed returns in accordance with the reorganization. Hence, in order to remove this anomaly, it is proposed to insert a new section 170A to the Act, to enable for the entities going through such business reorganization, for filing of modified returns for the period between the date of

effectivity of the order and the date of issuance of final order of the competent authority.

5. Further, it has been noted that in the cases of business reorganisation, instances have been found where the Court or Tribunal or an Adjudicating Authority, as defined in clause (1) of section (5) of the Insolvency and Bankruptcy Code, 2016, as the case may be, as a part of the restructuring process, recast the entire liability to ensure future viability of such sick entities and in the process, modify the demand created vide various proceedings in the past, by the Income Tax department as well, amongst other things.

6. However, it is observed that there is no procedure or mechanism provided in the Act to reduce such demands from the outstanding demand register. Hence, in order to remove this anomaly, it is proposed to insert a new section 156A to the Act to give effect to the orders of the competent authority and to modify such demands in accordance with such directions.

These amendments will take effect from 1st April, 2022.

[Clauses 50, 53 and 54]

Clarification in respect of disallowance under section 14A in absence of any exempt income during an assessment year

Section 14A of the Act provides that no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income that does not form part of the total income as per the provisions of the Act (exempt income).

2. Over the years, disputes have arisen in respect of the issue whether disallowance under section 14A of the Act can be made in cases where no exempt income has accrued, arisen or received by the assessee during an assessment year.

3. CBDT issued Circular No. 5/2014, dated 11/02/2014, clarifying that Rule 8D read with section 14A of the Act provides for disallowance of the expenditure even where tax payer in a particular year has not earned any exempt income. However, still some courts have taken a view that if there is no exempt income during a year, no

disallowance under section 14A of the Act can be made for that year. Such an interpretation is not in line with the intention of the legislature. To illustrate, if during a previous year, an assessee incurs an expense of ₹1 lakh to earn non-exempt income of ₹1.5 lakh and also incurs an expense of ₹20,000/- to earn exempt income which may or may not have accrued/received during the year. By holding that provisions of section 14A of the Act does not apply in this year as the exempt income was not accrued/received during the year, it amounts to holding that ₹20,000/- would be allowed as deduction against non-exempt income of ₹1.5 Lakh even though this expense was not incurred wholly and exclusively for the purpose of earning non-exempt income. Such an interpretation defeats the legislative intent of both section 14A as well as section 37 of the Act.

4. In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to insert an Explanation to section 14A of the Act to clarify that notwithstanding anything to the contrary contained in this Act, the provisions of this section shall apply and shall be deemed to have always applied in a case where exempt income has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such exempt income.

5. This amendment will take effect from 1st April, 2022.

6. It is also proposed to amend sub-section (1) of the said section, so as to include a non-obstante clause in respect of other provisions of the Income-tax Act and provide that no deduction shall be allowed in relation to exempt income, notwithstanding anything to the contrary contained in this Act.

7. This amendment will take effect from 1st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

[Clause 9]

Clarifications on allowability of expenditure under section 37

Section 37 of the Act provides for allowability of revenue and non-personal expenditure (other than those failing under sections 30 to 36) laid out or expended

wholly and exclusively for the purposes of business or profession. Explanation 1 of sub-section (1) of section 37 of the Act provides that if any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.

2. However, it is seen that certain taxpayers are claiming deductions on expenditure incurred in offering certain benefits or perquisite to a person which are not intended to be allowed under this section, like meeting his expenditure related to travel, hospitality, conference etc. In these cases acceptance of such benefit or perquisite by such person is in violation of a law or rule or regulation or guidelines, as the case may be, governing the conduct of such person.

3. CBDT, vide circular No. 5/2012 dated 1.8.2012, noted that the Indian Medical Council in exercise of its statutory powers amended the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 (the regulations) on 10.12.2009 imposing a prohibition on the medical practitioner and their professional associations from taking any Gift, Travel facility, Hospitality, Cash or monetary grant from the pharmaceutical and allied health sector Industries. Accordingly, CBDT clarified that the claim of any expense incurred in providing above mentioned or similar benefits in violation of the provisions of Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 shall be inadmissible under section sub-section (1) of section 37 of Act being an expense prohibited by the law. This disallowance was directed to be made in the hands of such pharmaceutical or allied health sector Industries or other assessee which has provided aforesaid benefits and claimed it as a deductible expense in its accounts against income.

4. This circular was challenged in Himachal Pradesh High Court in the case of *Confederation of Indian Pharmaceutical Industry Vs Central Board of Direct Taxes [(2013) 335 ITR 388 (HP)],* in which the Hon'ble High Court rejected the petition and held that -

"The regulation of the Medical Council prohibiting medical practitioners from availing of freebies is a very salutary regulation which is in the interest of the patients and the public. This Court is not oblivious to the increasing complaints that the medical

practitioners do not prescribe generic medicines and prescribe branded medicines only in lieu of the gifts and other freebies granted to them by some particular pharmaceutical industries. Once this has been prohibited by the Medical Council under the powers vested in it, s. 37(1) comes into play. The Petitioner's contention that the circular goes beyond the section is not acceptable. In case the assessing authorities are not properly understanding the circular then the remedy lies for each individual assessee to file an appeal but the circular which is totally in line with s. 37(1) cannot be said to be illegal. If the assessee satisfies the assessing authority that the expenditure is not in violation of the regulations framed by the medical council then it may legitimately claim a deduction, but it is for the assessee to satisfy the AO that the expense is not in violation of the Medical Council Regulations."

5. After this there have been various judgments of Income-tax Appellate Tribunals. Some of these judgments have held that these expenses to be not allowable under sub-section (1) of section 37 the Act, while others holding it to be allowable. The latest judgment on this issue is from ITAT Mumbai in the case of *Macleods Pharmaceuticals* delivered on 14th October 2021 in ITA Nos. 5168 & 5169/Mum/2018. In this judgment ITAT held that the action of the assessing officer in disallowing the expenditure deserves to succeed and then explained as to why it is a fit case for the constitution of a special bench of three or more members. ITAT arrived at its recommendations based, *inter-alia,* on the followings:-

i. Honble Supreme Court, in the case of Keshavji Ravji& Co *Vs CIT [(1990) 183 ITR 1 (SC)]* has held that the burden that the Act itself through a correct interpretation of law envisages is equal to or higher than the burden envisaged by the CBDT circular, that burden of law cannot be negated because the circular also so states. Hence, the circular no 5 of 2012 is to be held as valid.
ii. Once a judicial forum higher than this Tribunal, (i.e Himachal Pradesh High Court in the case of *Confederation of Indian Pharmaceutical Industry)* holds that the interpretation to the scope of Explanation to sub-section (1) of section 37, as given in the circular, is a correct legal interpretation, it cannot be open to us to discard the interpretation so approved to be correct legal interpretation.
iii. In the case *Kap Scan and Diagnostic Centre (P) Ltd. [(2012) 344 ITR 476 (P&H)]*, the Hon'ble High Court of Punjab & Haryana held that payments which are opposed to public policy being in the nature of unlawful consideration cannot

equally be recognized. It cannot be held that businessmen are entitled to conduct their business even contrary to law and claim deductions of payments as business expenditure, notwithstanding that such payments are illegal or opposed to public policy or have pernicious consequences to the society as a whole. The Court further held that if demanding of such commission was bad, paying it was equally bad. Both were privies to a wrong. Therefore, such commission paid to private doctors was opposed to the public policy and should be discouraged. The payment of commission by the assessee for referring patients to it cannot by any stretch of imagination be accepted to be legal or as per public policy. Undoubtedly, it is not fair practice and has to be termed as against the public policy.

iv. ITAT noted earlier coordinate bench judgment in the case of *DCIT Vs PHL Pharma Pvt Ltd (2017) 163 ITD 10 (Mum),* where it was held that the disallowance could not be sustained as the MCI guidelines bind only the medical professionals and not the pharmaceutical companies. ITAT noted that this judgment was not in line with earlier co-ordinate bench judgment In the case of *Liva Healthcare Ltd, (2016) 161 ITD 63 (Mum)* where the Hon'ble Mumbai ITAT has held that the CBDT circular dated 01.08.2012 is merely a clarification in nature and creates a bar on such illegal payments being against public policy, the said bar always existed in the statute by virtue of the existence of Explanation of Section 37 of the Act which was inserted by Finance Act, 1998 w.e.f. 01-04-1962. It was also noted that in Hon'ble AP High Court's full bench decision in the case of *CIT Vs B R Constructions* (1993) *202 ITR 222 (AP- FC)* their Lordships have observed that a "precedent ceases to be a binding precedent ... (iii) when it is inconsistent with the earlier decisions of the same rank; and (iv) when it is rendered per incuriam". Clearly, therefore, the decisions which disregard earlier binding decisions on the same issue, "cease to be a binding judicial precedent".

v. ITAT also noted that Hon'ble Delhi High Court in the case of *Max Hospital Vs Medical Council of India* (WP No. 1334 of 2013; judgment dated 10th January 2014), in which it was held that the provisions of Medical Council of India only bind the medical professionals and not others, such as hospitals and pharmaceutical companies. ITAT explained that it was a case in which Ethics Committee of the Medical Council of India, upon a complaint alleging death of a patient due to medical negligence, passed an order punishing the erring doctors but this order also had certain adverse remarks against the Max Hospital as well.

Aggrieved by these observations, Max Hospital filed a writ petition contending that since the Medical Council of India (Professional Conduct, Etiquette and Ethics) Regulations, have been framed in exercise of the power conferred under Section 20-A read with Section 33 (m) of the Indian Medical Council Act, 1956, these regulations do not govern or have any concern with the facilities, infrastructure or running of the Hospitals and secondly, that the Ethics Committee of the MCI acting under the Regulations had no jurisdiction to pass any direction or judgment on the infrastructure of any hospital which power rests solely with the concerned State Govt. It was also contended that the Petitioner was not provided an opportunity of being heard and thus the principles of natural justice were violated. While dealing with these grievances, Hon'ble Delhi High Court has held, in its operative portion of the judgment- which was reproduced by the ITAT in entirety, as follows:

> *"8. It is clearly admitted by the Respondent that it has no jurisdiction to pass any order against the Petitioner hospital under the 2002 Regulations. In fact, it is stated that it has not passed any order against the Petitioner hospital. Thus, I need not go into the question whether the adequate infrastructure facilities for appropriate post-operative care were in fact in existence or not in the Petitioner hospital and whether the principles of natural justice had been followed or not while passing the impugned order. Suffice it to say that the observations dated 27.10.2012 made by the Ethics Committee do reflect upon the infrastructure facilities available in the Petitioner hospital and since it had no jurisdiction to go into the same, the observations were uncalled for and cannot be sustained.*
>
> *9. Since the MCI had no jurisdiction to go into the infrastructure facilities, I need not also go into the aspect that in the year 2011, the facilities available in the hospital were inspected and were found to be in order.*
>
> *10. The petition therefore has to succeed. I hereby issue a writ of certiorari quashing the adverse observations passed by the MCI against the Petitioner hospital highlighted in Para 1 above."*

ITAT thus held that in their humble understanding, the judgment of Delhi High Court does not negate, dilute, or even deal with, ratio decidendi of, or even casual observations in, Hon'ble HP High Court's judgment in the case of *Confederation*

of Indian Pharmaceutical Industry (discussed earlier). These judgments are in altogether in different field.

vi. ITAT thus noted that while Hon'ble HP High Court dealt with the interpretation of *Explanation* to sub-section (1) of section 37, Hon'ble Delhi High Court dealt with the powers of the MCI to pass an order against a Hospital in Delhi on the question of adequacy regarding infrastructure facilities by Hospitals in Delhi, and that too without affording an opportunity of hearing to the said hospital. Hon'ble Delhi High Court judgment in *Max Hospitals case* has no bearing on the question as to whether giving benefits to the medical professionals is in violation of law or not. ITAT further noted that it is also well settled in law, including by Hon'ble jurisdictional High Court in the case of *CIT v. Sudhir Jayantilal Mulji (1995) 214 ITR 154 (Bom),*that a judicial precedent is only "an authority for what it actually decides and not what may come to follow from some observations which find place therein".

vii. On the coordinate bench judgment in the case of *DCIT Vs PHL Pharma Pvt Ltd (2017),* ITAT noted the following:-

> *"The more we ponder about the rationale of PHL Pharma decision (supra), the more convinced we are that this decision calls for reconsideration by a larger bench. In our humble understanding, conclusions arrived in the said decision do not reflect the correct legal position, and the same is the position with respect to a large number of other coordinate bench decisions following the said decision or following the line of reasoning in the said decision- as discussed above. However, in all fairness, while we may or may not agree with a coordinate bench decision, it cannot be open to us to disregard the same, lest such judicial inconsistency should shake public confidence in the administration of justice and lest one of the fundamental legitimate expectations of the stakeholders, i.e. those exercising judicial functions will follow the reason or ground of the judicial decision in the earlier cases on identical matters, will stand declined. "It is, however, equally true", to borrow the words of Hon'ble Supreme Courts as articulated in the case of Union of India Vs Paras Laminates Pvt Ltd [(1990) 186 ITR 722 (SC)], "that it is vital to the administration of justice that those exercising judicial power must have the necessary freedom to doubt the correctness of an earlier decision if and when subsequent proceedings being to light*

what is perceived by them as an erroneous decision in the earlier case" and that "in such circumstances, it is but natural and reasonable and indeed efficacious that the case is referred to a larger bench". Taking a cue from the path so guided by Hon'ble Supreme Court in the case of Paras Laminates (supra), we recommend constitution of a bench of three or more Members to consider the question as to whether or not an item of expenditure on account of freebies to medical professionals, which is hit by rule 6.8.1 of Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002- as amended from time to time, read with section 20A of the Indian Medical Council Act 1956, can be allowed as a deduction under section 37(1) of the Income Tax Act, 1961 read with Explanation thereto, in the hands of the pharmaceutical companies.

6. Thus, the legal position is clear that the claim of any expense incurred in providing various benefits in violation of the provisions of Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 shall be inadmissible under section sub-section (1) of section 37 of Act being an expense prohibited by the law. Delhi High Court decision which was relied upon by ITAT in some decisions was in completely different context as discussed by ITAT Mumbai in their judgment in the case of *Macleods Pharmaceuticals.* These ITAT decisions allowing such expenditure are clearly not in line with the intention of the legislation.

7. Further, some taxpayers are seen to be claiming deduction on expenses incurred for a purpose which is an offence under foreign law or for compounding of an offence for violation of foreign law, claiming that provisions of *Explanation 1* to sub-section (1) of section 37 of the Act applies only to offences which are prohibited by the domestic law of the country. In some case this view has also been accepted by the tribunal. These judgments are also against the intention of the legislation as the legislation does not say that the Explanation 1 applies only to the violation of domestic law.

8. In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to insert another *Explanation* to sub-section (1) of section 37 to further clarify that the expression "expenditure incurred by an assessee

for any purpose which is an offence or which is prohibited by law", under *Explanation 1*, shall include and shall be deemed to have always included the expenditure incurred by an assessee, —

i. for any purpose which is an offence under, or which is prohibited by, any law for the time being in force, in India or outside India; or
ii. to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guidelines, as the case may be, for the time being in force, governing the conduct of such person; or
iii. to compound an offence under any law for the time being in force, in India or outside India.

9. This amendment will take effect from 1st April, 2022.

[Clause 12]

Clarification regarding deduction on payment of interest only on actual payment

Section 43B of the Act provides for certain deductions to be allowed only on actual payment. Explanation 3C, 3CA and 3D of this section provides that a deduction of any sum, being interest payable on loan or borrowing from specified financial institution/NBFC/scheduled bank or a co-operative bank under clause (d), clause (da), and clause (e) of this section respectively, shall be allowed if such interest has been actually paid and any interest referred to in these clauses which has been converted into a loan or borrowing or advance shall not be deemed to have been actually paid.

2. However, certain taxpayers are claiming deduction under section 43B on account of conversion of interest payable on an existing loan into a debenture on the ground that such conversion is a constructive discharge of interest liability and, therefore, amounted to actual payment which has been upheld by several Courts.

3. Such interpretation is against the intent of legislation. The section was introduced to curb the mischief of claiming deduction by the assessee, without paying interest to financial institutions/NBFC/scheduled bank or a co-operative bank. Section 43B makes a departure from other sections in the Act, as indicated by its non-obstante

clause. Under the provisions of this section conversion of the outstanding interest liability into debentures is not an actual payment and cannot be claimed as deduction. In other words, a mercantile system of accounting cannot be looked at when a deduction is claimed under this section, as actual payment would have to be made.

4. In view of the above, it is proposed to amend Explanation 3C, Explanation 3CA and Explanation 3D of section 43B to provide that conversion of interest payable under clause (d), clause (da), and clause (e) of section 43B, into debenture or any other instrument by which liability to pay is deferred to a future date, shall also not be deemed to have been actually paid.

5. 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.

[Clause 14]

Consequence for failure to deduct/collect or payment of tax – Computation of interest

Section 201 of the of the Act deals with the consequences of persons who fail to deduct tax or after deducting, fail to deposit the same to the credit of the Central Government. Sub-section (1A) of the said section provides that if any person who is liable to deduct tax at source does not deduct it or after so deducting fails to pay the same to the credit of the Central Government, then he shall be liable to pay simple interest at the rates specified therein. Similarly, sub-section (7) of section 206C of the Act provides that if any person who is liable to collect tax at source does not collect it or after so collecting fails to pay the same to the credit of the Central Government, then he shall be liable to pay interest at rates specified therein.

2. It has been observed that computation of interest under the said provisions in case where the default for deduction/collection of tax or payment of tax continues is subject matter of frequent litigation.

3. In order to make the intention of the legislation clear and to make it free from any misinterpretation, it is proposed to:

(i) amend sub-section (1A) of section 201 to provide that where any order is made by the Assessing Officer for the default under sub-section (1) of the said section, the interest shall be paid by the person in accordance with the order made by the Assessing Officer in this regard;
(ii) amend sub-section (7) of section 206C to provide that where any order is made by the Assessing Officer for the default under sub-section (6A) of the said section, the interest shall be paid by the person in accordance with the order made by the Assessing Officer in this regard.

4. These amendments will take effect from 1st April, 2022.

[Clauses 60 and 62]

C. Socio-economic welfare measures

Extension of the last date for commencement of manufacturing or production, under section 115BAB, from 31.03.2023 to 31.03.2024

Section 115BAB of the Income-tax Act provides for an option of concessional rate of taxation @ 15 % for new domestic manufacturing companies provided that they do not avail of any specified incentives or deductions and fulfil certain other conditions.

2. Sub-section (2) of section 115BAB of the Act contains the conditions required to be fulfilled by such companies. Clause (a) of said sub-section (2) provides that the new domestic manufacturing company is required to be set up and registered on or after 01.10.2019, and is required to commence manufacturing or production of an article or thing on or before 31st March, 2023.

3. 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.

4. 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.

5. This amendment will take effect from 1st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

[Clause 26]

Extension of date of incorporation for eligible start up for exemption

The existing provisions of the section 80-IAC of the Act *inter alia*, provide for a deduction of an amount equal to one hundred percent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of ten years, beginning from the year of incorporation, at the option of the assesses subject to the condition that,-

(i) the total turnover of its business does not exceed one hundred crore rupees,

(ii) it is holding a certificate of eligible business from the Inter-Ministerial Board of Certification, and

(iii) it is incorporated on or after 1st day of April, 2016 but before 1st day of April 2022.

2. Due to COVID pandemic there have been delays in setting up of such units. In order to factor in such delays and promote such eligible start-ups, it is proposed to amend the provisions of section 80-IAC of the Act to extend the period of incorporation of eligible start-ups to 31st March, 2023.

3. This amendment will take effect from 1st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

[Clause 22]

Rationalization of provisions of the Act to promote the growth of co-operative societies

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”.

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

[Clauses 29 and 30]

Tax Incentives to International Financial Services Centre (IFSC)

Over the past few years several tax concessions have been provided to units located in International Financial Services Centre (IFSC) under the Act to make it a global hub of financial services sector.

2. In order to further incentivise operations from IFSC, it is proposed to provide the following additional incentives:

(i) It is proposed to amend clause (4E) of section 10 of the Act to extend the exemption under the said clause to the income accrued or arisen to or received by a non-resident as a result of transfer of offshore derivative instruments or over-the-counter derivatives entered into with an Offshore Banking Unit of an International Financial Services Centre, referred to in sub-section (1A) of section 80LA.

(ii) It is proposed to amend clause (4F) of section 10 to extend the exemption under the said clause to the income of a non-resident by way of royalty or interest, on account of lease of a ship in a previous year, paid by a unit of an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, if the unit has commenced its operations on or before the 31st March, 2024.

It is also proposed to define “ship” to mean a ship or an ocean vessel, an engine of a ship or an ocean vessel, or any part thereof.

(iii) It is proposed to insert clause (4G) in section 10 to provide exemption to any income received by a non-resident from portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such non-resident, in an account maintained with an Offshore

Banking Unit, in any International Financial Services Centre, referred to in sub-section (1A) of section 80LA, to the extent such income accrues or arises outside India and is not deemed to accrue or arise in India.

It is also proposed to provide that "portfolio manager" shall have the same meaning as assigned to it in clause (z) of sub-regulation (1) of regulation (2) of International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021 made under the International Financial Services Centres Authority Act, 2019;

(iv) It is proposed to amend the Explanation to clause (viib) of section 56 of the Act to provide that specified fund shall also include Category I or a Category II Alternative Investment Fund which is regulated under the International Financial Services Centres Authority Act, 2019.

(v) It is proposed to amend clause (d) of sub-section (2) of section 80LA of the Act to provide that in addition to the income arising from the transfer of an asset being an aircraft, the income arising from the transfer of an asset, being a ship, which was leased by a unit of the International Financial Services Centre to any person shall also be eligible for deduction under section (1A) of the said section, subject to the condition that the unit has commenced operation on or before the 31st day of March, 2024.

It is also proposed to provide that ship shall have the same meaning as provided under clause (4F) of section 10.

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

[Clauses 4, 16 and 23]

Incentives to National Pension System (NPS) subscribers for state government employees

Under the existing provisions of the Act, any contribution by the Central Government or any other employer to the account referred to in section 80CCD of the Act (NPS account), shall be allowed as a deduction to the assesses in the computation of his total income, if it does not exceed 14% of his salary where such contribution is made by the Central Government. This limit is presently 10% of his salary where such contribution is made by any other employer. The State Governments were given an

option to raise the contribution to 14% w.e.f 01.04.2019 on their own volition, based on their own internal approvals and notifications, without seeking the approval of the Pension Fund Regulatory and Development Authority

2. In order to ensure that the State Government employees also get full deduction of the enhanced contribution by the State Government, it is proposed to increase the limit of deduction under section 80CCD of the Act from the existing ten per cent to fourteen per cent in respect of contribution made by the State Government to the account of its employee.

3. This amendment will take effect retrospectively from 1st April, 2020 and will accordingly apply in relation to the assessment year 2020-21 and subsequent assessment years; so as to ensure no additional tax liability arises on any contribution made in excess of 10% during such time.

[Clause 20]

Condition of releasing of annuity to a disabled person

The existing provision of section 80DD, inter alia, provide for a deduction to an individual or HUF, who is a resident in India, in respect of (a) expenditure for the medical treatment (including nursing), training and rehabilitation of a dependant, being a person with disability; or (b) amount paid to LIC or any other insurer or administrator or specified company in respect of a scheme for the maintenance of a disabled dependant.

2. Sub-section (2) of the aforesaid section provides that the deduction shall be allowed only if the payment of annuity or lump sum amount is made to the benefit of the dependant, in the event of the death of the individual or the member of the HUF in whose name subscription to the scheme has been made.

3. Sub-section (3) of the aforesaid section provides that if the dependant with disability, predeceases the individual or the member of the HUF, the amount deposited in such scheme shall be deemed to be the income of the assessee of the previous

year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

4. In the Writ Petition No. 1107 of 2017 Ravi Agrawal versus Union of India and Another, Justice A.K. Sikri observed that that there could be harsh cases where handicapped dependants may need payment of annuity or lump sum basis even during lifetime of their parents/guardians. It was further observed that the Centre may take into consideration all the aspects, including those where a disabled dependant might need payment on annuity or lump sum basis even during the lifetime of the parents or guardians.

5. Therefore, in order to remove this genuine hardship, it is proposed to allow the deduction under the said section also during the lifetime, i.e., upon attaining age of sixty years or more of the individual or the member of the HUF in whose name subscription to the scheme has been made and where payment or deposit has been discontinued. Further, it is proposed that the provisions of sub-section (3) shall not apply to the amount received by the dependant, before his death, by way of annuity or lump sum by application of the condition referred to in the proposed amendment.

6. 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.

[Clause 21]

Exemption of amount received for medical treatment and on account of death due to COVID-19

Clause (x) of sub-section (2) of section 56 of the Income-tax Act, 1961 (the Act) inter alia, provides that where any person receives, in any previous year, from any person or persons any sum of money, without consideration, the aggregate value of which exceeds fifty thousand rupees, the whole of the aggregate value of such sum shall be the income of the person receiving such sum. However, certain exceptions have been provided in the clause for transaction specified therein.

2. Clause (2) of section 17 of the Act, inter alia, provides the definition of “perquisite”. However, certain exceptions have been provided which shall not include as perquisites.

3. The Finance Ministry has released a press statement dated: 25.06.2021 where it was announced that income-tax shall not be charged on the amount received by a taxpayer for medical treatment from employer or from any person for treatment of COVID-19 during FY 2019-20 and subsequent years. It was further announced that in order to provide relief to the family members of such taxpayer, income-tax exemption shall be provided to ex-gratia payment received by family members of a person from the employer of such person or from other person on the death of the person on account of COVID-19 during FY 2019-20 and subsequent years. Also, it was stated that the exemption shall be allowed without any limit for the amount received from the employer and the exemption shall be limited to Rs. 10 lakh in aggregate for the amount received from any other persons.

4. In order to provide the relief as stated in the press statement, it is proposed to amend clause (2) of section 17 and to insert a new sub-clause in the proviso to state that any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to COVID-19 subject to such conditions, as may be notified by the Central Government, shall not be forming part of “perquisite”.

5. Further, it is proposed to amend the proviso to Clause (x) of sub-section (2) of section 56 and insert two new clauses in the proviso so as to provide that-

(i) any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family, in respect of any illness related to COVID-19 subject to such conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person;

(ii) any sum of money received by a member of the family of a deceased person, from the employer of the deceased person (without limit), or from any other person or persons to the extent that such sum or aggregate of such sums does not exceed ten lakh rupees, where the cause of death of such person is illness

relating to COVID-19 and the payment is, received within twelve months from the date of death of such person, and subject to such other conditions, as may be notified by the Central Government in this behalf, shall not be the income of such person.

6. Further, it is proposed to provide that for the purpose of both of the said clauses, "family" in relation to an individual shall have the same meaning as assigned to in the Explanation 1 to clause (5) of section 10.

7. These amendments will take effect retrospectively from 1st April, 2020 and will accordingly apply in relation to the assessment year 2020-21 and subsequent assessment years.

[Clauses 10 and 16]

Facilitating strategic disinvestment of public sector companies

Section 79 of the Act provides for carry forward and set-off of losses in case of certain companies. Sub-section (1) of the said section, *inter-alia*, provides that where a change in shareholding has taken place during the previous year in the case of a company, not being a company in which the public are substantially interested, no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year, unless on the last day of the previous year, the shares of the company carrying not less than fifty-one per cent of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than fifty-one per cent of the voting power on the last day of year or years in which the loss was incurred. Sub-section (2) of the said section provides certain circumstances in which the provisions of sub-section (1) shall not apply.

2. It order to facilitate the strategic disinvestment of public sector companies, it is proposed to amend section 79 of the Act to provide that the provisions of sub-section (1) of section 79 shall not apply to an erstwhile public sector company subject to the condition that the ultimate holding company of such erstwhile public sector company, immediately after the completion of strategic disinvestment, continues to hold, directly or through its subsidiary or subsidiaries, at least fifty one per cent of the voting power of the erstwhile public sector company in aggregate.

2.1 It is further proposed to provide that if the above condition is not complied with in any previous year after the completion of strategic disinvestment, the provisions of sub-section (1) shall apply for such previous year and subsequent previous years.

2.2 The terms “erstwhile public sector company” and “strategic disinvestment” shall have the meaning assigned to in clause (ii) and (iii) of the *Explanation* to clause (d) of sub-section (1) of Section 72A respectively.

3. This amendment will take effect from 1st day April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

[Clause 18]

D. Widening and deepening of tax base

Rationalization of provisions of section 206AB and 206CCA to widen and deepen tax-base

In order to widen and deepen the tax-base and to nudge taxpayers to furnish their return of income, Finance Act, 2021 inserted sections 206AB and 206CCA in the Act. The said sections provide for special provision for deduction and collection of tax at source respectively, in case of specified persons at higher rates specified therein.

2. “Specified person” has been defined to mean a person who has not filed the returns of income for both the two assessment years relevant to the two previous years immediately preceding the financial year in which tax is required to be deducted or collected, for which the time limit for filing return of income under sub-section (1) of section 139 has expired; and the aggregate of tax deducted at source and tax collected at source in his case is rupees fifty thousand or more in each of these two previous years. Government has provided online utility to taxpayers to check whether the person is specified person or not.

3. Further, the provisions of section 206AB are not applicable in relation to transactions on which tax is to be deducted under sections 192, 192A, 194B, 194BB, 194LBC or 194N of the Act.

4. In order to ensure that all the persons in whose case significant amount of tax has been deducted do furnish their return of income, it is proposed to reduce two years requirement to one year by amending sections 206AB and 206CCA of the Act to provide that “specified person” to mean as a person who has not filed its return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is to be deducted or collected, as the case may be, and the amount of tax collected and deducted at source is Rs. 50,000 or more in the said previous year.

5. However, in order to reduce the additional burden on individual and Hindu undivided family (HUF) taxpayers covered under section 194-IA, 194-IB and 194M of the Act for whom simplified tax deduction system has been provided without requirement of TAN, it is proposed that the provisions of section 206AB will not apply in relation to transactions on which tax is to be deducted under the said sections of the Act.

6. In addition to above, it is also proposed to rectify a drafting error in sections 206AB and 206CCA wherein the terms “deductor” and “collectee” respectively were used incorrectly. Further, since the returns are now being furnished electronically, it is also proposed that in place of ‘filing’ of return, the term ‘furnishing’ of return may be substituted.

7. Further, as a consequential amendment in section 194-IB it is also proposed to omit the reference of section 206AB from sub-section (4) of the said section.

8. These amendments will take effect from 1st April, 2022.

[Clauses 57, 61 and 63]

Rationalization of provisions of TDS on sale of immovable property

Section 194-IA of the Act provides for deduction of tax on payment on transfer of certain immovable property other than agricultural land. Sub-section (1) of the said section provides for deduction of tax by any person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property (other than

agricultural land) at the time of credit or payment of such sum to the resident at the rate of one per cent. of such sum as income-tax thereon. Sub-section (2) provides that no deduction of tax shall be made where the consideration for the transfer of an immovable property is less than fifty lakh rupees.

2. As per the provisions of the said section, TDS is to be deducted on the amount of consideration paid by the transferee to the transferor. This section does not take into account the stamp duty value of the immovable property, whereas, as the provisions of section per 43CA and 50C of the Act, for the computation of income under the head “Profits and gains from business or profession” and “capital gains” respectively, the stamp duty value is also to be considered. Thus there is inconsistency in the provisions of section 194-IA and sections 43CA and 50C of the Act.

3. In order to remove inconsistency, it is proposed to amend section 194-IA of the Act to provide that in case of transfer of an immovable property (other than agricultural land), TDS is to be deducted at the rate of one per cent. of such sum paid or credited to the resident or the stamp duty value of such property, whichever is higher. In case the consideration paid for the transfer of immovable property and the stamp duty value of such property are both less than fifty lakh rupees, then no tax is to be deducted under section 194-IA.

3.1 Stamp duty value shall have the meaning assigned to it in clause (f) of the Explanation to clause (vii) of sub-section (2) of section 56.

4. This amendment will take effect from 1st April, 2022.

[Clause 56]

TDS on benefit or perquisite of a business or profession

As per clause (iv) of section 28 of the Act, the value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of profession is to be charged as business income in the hands of the recipient of such benefit or perquisite. However, in many cases, such recipient does not report the receipt of benefits in their return of income, leading to furnishing of incorrect particulars of income.

2. Accordingly, in order to widen and deepen the tax base, it is proposed to insert a new section 194R to the Act to provide that the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, arising from carrying out of a business or exercising of a profession by such resident, shall, before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite at the rate of ten per cent of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression 'person responsible for providing' has been proposed to mean a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.

2.1 Further, in a case where the benefit or perquisite, as the case may be, is wholly in kind or partly in cash and partly in kind but such part in cash is not sufficient to meet the liability of deduction of tax in respect of whole of such benefit or perquisite, the person responsible for providing such benefit of perquisite shall, before releasing the benefit or perquisite, ensure that tax has been paid in respect of the benefit or perquisite.

2.2 No tax is to be deducted if the value or aggregate value of the benefit or perquisite paid or likely to be paid to a resident does not exceed twenty thousand rupees during the financial year.

2.3 Further, the provisions of the said section shall not apply to an individual or a Hindu undivided family, whose total sales, gross receipts or turnover does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession during the financial year immediately preceding the financial year in which such benefit or perquisite, as the case may be, is provided.

3. This amendment will take effect from 1st July, 2022.

[Clause 58]

Widening the scope of reporting by producers of cinematograph films or persons engaged in specified activities

Under section 285B, the producer of cinematographic films is obliged to furnish within 30 days from the end of the financial year or from the date of completion of the film, whichever is earlier, a statement containing particulars of all payments over Rs. 50,000/- in the aggregate made by him or due from him to each person engaged by him.

2. It is proposed to widen the scope of section 285B to include persons engaged in specified activities to expand the reporting requirements in Form 52A. “Specified Activities” would mean event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as the Central Government may, by notification in the Official Gazette, specify in this behalf.

3. This amendment will take effect from 1st April 2022.

[Clause 84]

Provisions pertaining to bonus stripping and dividend stripping to be made applicable to securities and units

Section 94 of the Act contains anti avoidance provisions to deal with transactions in securities and units of mutual fund which, inter-alia, include dividend stripping and bonus stripping.

2. However, the current provisions of sub-section (8) of section 94 of the Act do not apply to bonus stripping undertaken in case of securities. It is also not applicable to units of Infrastructure Investment Trust (InvIT) or Real Estate Investment Trust (REIT) or Alternative Investment Funds (AIFs) as the definition of the term “unit” has not been modified subsequent to introduction of provisions relating to RETIs, InvITs etc. Further, the current provisions of sub-section (7) of section 94 of the Act, i.e. provisions pertaining to dividend stripping, are not applicable to the units of new pooled investment vehicles such as InvIT or REIT or AIFs.

3. In view of the above, it is proposed to amend sub-section (8) of section 94, pertaining to the prevention of tax evasion through bonus stripping, so as to make the said provision applicable to securities as well.

4. It is also proposed to amend the Explanation to the said section to modify the definition of unit, so as to include units of business trusts such as InvIT, REIT and AIF, within the definition of units.

5. 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.

[Clause 25]

E. Revenue Mobilization

Scheme for taxation of virtual digital assets

Virtual digital assets have gained tremendous popularity in recent times and the volumes of trading in such digital assets has increased substantially. Further, a market is emerging where payment for the transfer of a virtual digital asset can be made through another such asset. Accordingly a new scheme to provide for taxation of such virtual digital assets has been proposed in the Bill.

2. The proposed section 115BBH seeks to provide that where the total income of an assessee includes any income from transfer of any virtual digital asset, the income-tax payable shall be the aggregate of the amount of income-tax calculated on income of transfer of any virtual digital asset at the rate of 30% and the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the aggregate of the income from transfer of virtual digital asset.

2.1 However, 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 the Act while computing income from transfer of such asset.

2.2 Further, no set off of any loss arising from transfer of virtual digital asset shall be allowed against any income computed under any other provision of the Act and such loss shall not be allowed to be carried forward to subsequent assessment years.

2.3 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.

3. Further, in order to widen the tax base from the transactions so carried out in relation to these assets, it is proposed to insert section 194S to the Act to provide for deduction of tax on payment for transfer of virtual digital asset to a resident at the rate of one per cent of such sum. However, in case the payment for such transfer is–

(i) wholly in kind or in exchange of another virtual digital asset where there is no part in cash; or

(ii) 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 before making the payment shall ensure that the tax has been paid in respect of such consideration.

3.1 In case of specified persons, the provisions of section 203A and 206AB will not be applicable. Further, no tax is to be deducted in case the payer is the specified person and the value or the aggregate of such value of consideration to a resident is less than Rs. 50,000 during the financial year. In any other case, the said limit is proposed to be Rs. 10,000 during the financial year.

3.2 It is also proposed to provide that if tax has been deducted under section 194S, then no tax is to be collected or deducted in respect of the said transaction under any other provision of Chapter XVII of the Act.

3.3 Furthermore, in any sum paid for transfer of virtual digital asset is credited to any account, whether called “Suspense Account” or by any other name, in the books of account of the person liable to pay such sum, such credit of the sum shall be deemed to be the credit of such sum to the account of the payee and the provisions of section 194S shall apply accordingly.

3.4 It is proposed to empower the Board to issue guidelines, with the prior approval of the Central Government, to remove any difficulty arising in giving effect to the provisions of the said section and every such guideline issued by the Board shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the person responsible for paying the consideration on transfer of such virtual digital assets.

3.5 It is also proposed to provide that in case of a transaction where tax is deductible under section 194-O along with the proposed section 194S, then the tax shall be deducted under section 194S and not section 194-O.

3.6 For the purposes of the said section, it is proposed to provide that 'specified person' means a person:—

(i) being an individual or Hindu undivided family whose total sales, gross receipts or turnover from the business carried on by him or profession exercised by him does not exceed one crore rupees in case of business or fifty lakh rupees in case of profession, during the financial year immediately preceding the financial year in which such virtual digital asset is transferred;

(ii) being an individual or Hindu undivided family having income under any head other than the head 'Profits and gains of business or profession'.

3.7 This amendment will take effect from 1st of July, 2022.

4. 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.

4.1 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.

5. To define the term "virtual digital asset", a new clause (47A) is proposed to be inserted to section 2 of the Act. As per the proposed new clause, a virtual digital asset is proposed to mean any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is 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 and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and; any other token of similar nature are included in the definition.

5.1 Central Government may notify any other virtual digital asset as virtual digital asset by way of notification in the Official Gazette. The Non-fungible tokens means such digital assets as notified by the Central Government. Further, Central Government can notify such assets which shall not be considered as virtual digital assets for the purposes of the proposed section.

5.2 These amendments will take effect from 1st April, 2022.

[Clauses 3, 16, 28 and 59]

Withdrawal of concessional rate of taxation on dividend income under section 115BBD

Section 115BBD of the Act provides for a concessional rate of tax of 15 % on the dividend income received by an Indian company from a foreign company in which the said Indian company holds 26 % or more in nominal value of equity shares (specified foreign company). This rate was aligned to the rate of tax provided under section 115-O of the Act.

2. Finance Act, 2020 abolished the dividend distribution tax provided in section 115-O to, *inter-alia*, provide that dividend shall be taxed in the hands of the shareholder at applicable rates plus surcharge and cess.

3. In order to provide parity in the tax treatment in case of dividends received by Indian companies from specified foreign companies vis a vis dividend received from domestic companies, it is proposed to amend section 115BBD of the Act to provide that the provisions of this section shall not apply to any assessment year beginning on or after the 1st day of April, 2023.

4. 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.

[Clause27]

F. Phasing out exemptions

Withdrawal of exemption under clauses (8), (8A), (8B) and (9) of section 10 of the Income-tax Act, 1961- reg

Clause (8) of the section 10 of the Act provides for exemption to the income of an individual who is assigned duties in India in connection with any co-operative technical assistance programmes and projects. Such co-operative technical assistance programmes and projects are required to be in accordance with an agreement entered by the Central Government and the Government of a foreign state (the terms thereof provide for the exemption given by this clause).

2. Exemption is provided to both (i) the remuneration received by the individual from the foreign state for such duties and (ii) any other income accruing or arising outside India (which is not deemed to accrue or arise in India), in respect of which the individual is required to pay any income or social security tax to the Government of the foreign state.

3. Clause (8A) of the said section provides for exemption on the remuneration or fee received by a consultant, directly or indirectly out of the funds made available to an international organisation (agency) under a technical assistance grant agreement between the agency and the Government of a foreign state. The said clause also provides exemption to such consultant in respect of any income accruing or arising outside India (which is not deemed to accrue or arise in India), in respect of which the consultant is required to pay income or social security tax to the Government of the country of his or its origin.

4. For the purposes of this clause, if the consultant is an individual he must be a foreign citizen or in case he is an Indian citizen he should be not ordinarily resident in India. In case the consultant is not an individual, such person is required to be non-resident.

5. Consultant should be engaged by the agency for rendering technical services in India in connection with any technical assistance programme or project. Such technical assistance programme or projects are required to be in accordance with an

agreement entered into by the Central Government and the agency and the agreement relating to the engagement of the consultant is required to be approved by the prescribed authority.

6. Clause (8B) of the said section provides for exemption to an individual who is an employee of the consultant as referred to in clause (8A) of section 10 . Such individuals are those who are assigned duties in India in connection with any technical assistance programme and project. These technical assistance programmes and projects are required to be in accordance with an agreement entered into by the Central Government and the agency.

7. The exemption is provided to the remuneration received by such individual, directly or indirectly, for such duties from any consultant referred to in clause (8A) of section 10. Exemption is also provided to any income accruing or arising outside India (which is not deemed to accrue or arise in India), in respect of which the individual is required to pay income or social security tax to the country of his origin.

8. The individual must be the employee of the consultant. He may be a foreign citizen or if he is an Indian citizen, he is not ordinarily resident in India. It is also required that the contract of service of the employee is approved by the prescribed authority before the commencement of his service.

9. Clause (9) of the said section provides for exemption to the income of the family members of any individual or consultant as referred in clause (8), clause (8A) and clause (8B), who accompanies such individual or consultant to India. The exemption is provided to income accruing or arising outside India (which is not deemed to accrue or arise in India), in respect of which such member is required to pay any income or social security tax to the Government of that foreign state or country of origin of such member.

10. The exemptions as provided under the above-mentioned clauses have outlived their utility in the era of simplification of tax laws and where exemptions and tax incentives are being phased out as a matter of stated policy of the Government. Further, if under a tax treaty, India gets a right to tax a particular income and the other

country is expected to then relieve double taxation by exemption or credit method, providing exemption by India amounts to surrender of right of taxation by India in favour of the other country.

11. Accordingly, it is proposed to amend clauses (8), (8A), (8B) and (9) of section 10 of the Act to provide that the provisions of the said clauses shall not apply to remuneration, fee or income of the previous year relevant to the assessment year beginning on or after the 1st day of April, 2023.

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

[Clause4]

G. Rationalization Measures

Amendment in the provisions of section 248 of Income-tax Act and insertion of new section 239A

Section 248 of the Act provides that in a case where, under an agreement or other arrangement, a person who has deducted tax on any income paid to a non-resident, other than interest, under section 195 of the Act, he may appeal to the Commissioner (Appeals) for a declaration that no tax was deductible on such income, if he claims that such tax is to be borne by him since no tax was required to be deducted on such income. Such appeal can be filed after making payment of tax so deducted to the credit of the Government account. Further, section 249 of the Act lays down that an appeal under section 248 of the Act should be filed within 30 days of making payment of such tax to the Government account.

2. To obtain a refund of the tax deducted and paid by a person, where it was not deductible, as per the provisions of section 248 of the Act, a taxpayer has no recourse to approach the Assessing Officer with such request. He has to necessarily enter the appellate process by filing an appeal before the Commissioner (Appeals). At the same time, the agreement or arrangement, under which the tax has been deducted and paid, is not brought on the record of the Assessing Officer or examined by him.

3. In view of the above, it is proposed that a new section 239A may be inserted in the Act to provide that such a person, who has made the deduction of tax under such an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the Assessing Officer.

4. Such person can, if he is not satisfied with the order of the Assessing Officer, go into appeal against such order before the Commissioner (Appeals), under section 246A of the Act. Accordingly, the provisions of section 248 of the Act will not apply in cases where the date of tax payment, to the credit of Central Government is on or after 01.04.2022.

5. These amendments will take effect from 1st April, 2022.

[Clauses 66, 68 and 69]

Cash credits under section 68 of the Act

Section 68 of the Act provides that where any sum is found to be credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year.

2. The onus of satisfactorily explaining such credits remains on the person in whose books such sum is credited. If such person fails to offer an explanation or the explanation is not found to be satisfactory then the sum is added to the total income of the person. Certain judicial pronouncements have created doubts about the onus of proof and the requirements of this section, particularly, in cases where the sum which is credited as loan or borrowing.

3. It is noticed that there is a pernicious practice of conversion of unaccounted money by crediting it to the books of assesses through a masquerade of loan or borrowing.

4. Vide Finance Act, 2012, it was provided that the nature and source of any sum, in the nature of share application money, share capital, share premium or any such amount by whatever name called, credited in the books of a closely held company shall be treated as explained only if the source of funds is also explained in the hands of the shareholder. However, in case of loan or borrowing, the judicial decisions have held that only identity and creditworthiness of creditor and genuineness of transactions for explaining the credit in the books of account is sufficient, and the onus does not extend to explaining the source of funds in the hands of the creditor.

5. It is proposed to amend the provisions of section 68 of the Act so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider. However, this additional onus of proof of satisfactorily explaining the source in the hands of the creditor, would not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund, Venture Capital Company registered with SEBI.

6. 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.

[Clause 17]

Alignment of the provisions relating to Offences and Prosecutions under Chapter XXII of the Act

Sections 269UC/UE/UL along with other provisions of Chapter XX-C have been made inapplicable with effect from 01.07.2002. *Vide* Finance Act, 2002, section 269UP was introduced providing that the provisions of the Chapter shall not apply to, or in relation to, the transfer of any immovable property effected on or after 01.07.2002. Consequently, prosecution provisions u/s 276AB are not relevant, as launching prosecution against offences committed more than twenty years ago, that is prior to 2002 would be beyond reasonable time.

2. Since such cases involve transfer of immovable property, it is not improbable that prosecution cases launched previously while the relevant provisions were still in

effect might be ongoing. Therefore, in order to take those cases to logical conclusion without any interpretational issue arising on applicability of the section or otherwise, it is proposed to amend section 276AB to align it with the provisions of the Act that have been made inapplicable, by providing a sunset clause. Hence, it is proposed that no fresh prosecution proceeding shall be initiated under this section on or after 1st April, 2022.

3. Section 276B provides for prosecution for a term ranging from three months to seven years with fine for failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B. Under this section, a person shall be punishable for failure to

a) deduct the tax as required under the provisions of Chapter XVII-B which deals with deduction of tax at source, or

b) to pay the tax, as required by or under—

(i) sub-section (2) of section 115-O or

(ii) *the second proviso to section 194B*.

Section 194B was amended *vide* Finance Act 1999 w.e.f. 01.04.2000 by which the first proviso to the section was omitted and the section currently has only one proviso. Therefore, to avoid ambiguity among the sections 276B and 194B, it is proposed to substitute the sub-clause (ii) of clause (b) of section 276B with “proviso to section 194B”.

Similar amendment is proposed in Section 271C.

4. Sections 278A and 278AA are related to punishment with prosecution against persons for failure to pay tax to the credit of Central Government under Chapter XVII-B for tax deducted at source. However, similar provisions for offence with respect to tax collected at source under Chapter XVII-BB, providing for punishment with prosecution against persons failing to pay tax collected at source is not there under sections 278A and 278AA.Therefore, it is proposed to include section 276BB under sections 278A and 278AA owing to the similar nature of offences that are punishable under section 276B and section 276BB.

5. These amendments will take effect from 1stApril, 2022.

[Clauses 77,79, 80,, 82 and 83]

Faceless Schemes under the Act

The Central Government has undertaken a number of measures to make the processes under the Act, electronic, by eliminating person to person interface between the taxpayer and the Department to the extent technologically feasible, and provide for optimal utilisation of resources and a team-based assessment with dynamic jurisdiction. A series of futuristic reforms have been introduced in the domain of Direct Tax administration for the benefit of taxpayers and economy. This started with faceless assessment in electronic mode involving no human interface between taxpayers and tax officials. The faceless procedures are being introduced in a phased manner in the Act.

2. As part of this process of making the tax administration transparent and efficient, provisions for notifying faceless schemes under sections 92CA, 144C, 253 and 264A were introduced in the Act through Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from 01.11.2020 and under section 255, was inserted through Finance Act, 2021 with effect from 01.04.2021:

S.No.	Section	Scheme	Date of Limitation
1.	92CA	Faceless determination of arm's length price	31st day of March, 2022
2.	144C	Faceless Dispute Resolution Panel	31st day of March, 2022
3.	253	Faceless appeal to Appellate Tribunal	31st day of March, 2022
4.	255	Faceless procedure of Appellate Tribunal	31st day of March, 2023

3. Section 92CA and section 144C are principally related to the transfer pricing functions and international taxation which are presently out of the regime of faceless assessment. New schemes for these two functions are a part of the assessment function and should follow the faceless assessment procedure, wherein certain modifications are proposed which will have an impact on the information technology structure. Therefore, notification at this time shall result in delay in stabilization of the systems.

4. As for notification of scheme under section 255, the Appellate Tribunal is deemed to be a civil court for all the purposes of section 195 of the Act and Chapter XXXV of the Code of Criminal Procedure, 1898. Therefore, a scheme governing the procedures to be followed by such a body needs to be formulated after due consultations with Ministry of Law & Justice. Similarly, the scheme under section 253 have to follow the scheme under section 255.

5. In light of the above limitations it is proposed to extend the date for issuing directions for the purposes of these sections 92CA, 144C, 253 and 255 till 31st March, 2024.

6. These amendments will take effect from 1st April, 2022.

[clause 24, 43, 70 and 71]

Amendment in Faceless Assessment under section 144B of the Act

The Central Government has undertaken a number of measures to make the processes under the Act electronic, by eliminating person to person interface between the taxpayer and the Department to the extent technologically feasible, and provide for optimal utilisation of resources and a team-based assessment with dynamic jurisdiction. As part of this policy, vide Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020, section 144B was inserted in the Act to provide the procedure for faceless assessment with effect from 01.04.2021 and the Faceless Assessment Scheme, 2019 ceased to operate from that date.

2. However, various difficulties are being faced by the administration and the taxpayers in the operation of the faceless assessment procedure. In view of the above, it is proposed that the existing provisions of the section 144B of the Act may be amended to streamline the process of faceless assessment in order to address the various legal and procedural problems being faced in the implementation of the said section.

3. Therefore, it is proposed to substitute section 144B of the Act so as to provide that—

(a) the provisions of the proposed section shall apply for faceless assessment, reassessment or recomputation under sub-section (3) of section 143 or under section 144 or under section 147 of the Act, as the case may be, in the cases specified therein.

(b) the National Faceless Assessment Centre (NaFAC) shall assign the case selected for the purposes of faceless assessment to a specific Assessment Unit (AU) and intimate the assessee that assessment in his case shall be completed in accordance with the procedure laid down in the proposed section.

(c) the assessee shall be served a notice under sub-section (2) of section 143 or under sub-section (1) of section 142 of the Act, through the NaFAC. The assessee may file his response to the aforementioned notice under sub-section (3) of section 143, within the date specified in such notice in this regard, to the NaFAC, which shall forward the reply to the AU.

(d) Thereafter, the AU may make a request, through the NaFAC, for obtaining such further information, documents or evidence from the assessee or any other person, as it may specify and the NaFAC shall serve appropriate notice or requisition on the assessee or any other person for obtaining such information, documents or evidence. The AU may also make a request, through the NaFAC, for conducting enquiry or verification by Verification Unit (VU) and the request shall be assigned by the NaFAC to a VU through an automated allocation system. The AU may also similarly make a request in respect of determination of arm's length price, valuation of property, withdrawal of registration, approval, exemption or any other technical matter by referring to the technical unit and the request shall be assigned by the NaFAC to a Technical Unit (TU) through an automated allocation system.

(e) The assessee or any other person, as the case may be, shall file his response in compliance to the said notice served by NaFAC, at the request of AU, to the NaFAC which shall forward the reply to the AU. If the assessee fails to comply with the said notice seeking information served by NaFAC, or the earlier notice under sub-section (2) of section 143 or under sub-section (1) of section 142, the NaFAC shall intimate the same to the AU. The AU shall serve upon the assessee, through NaFAC, a show cause notice under section 144 giving him the opportunity to explain as to why the assessment in his case should not be

completed to the best of its judgement. Further any report received by the NaFAC, from the VU or TU shall also be forwarded to the AU.

(f) The assessee shall file his response to the show-cause notice under section 144 of the Act, within the time specified in such notice, to the NaFAC which shall forward the same to the AU. If the assessee fails to respond, the NaFAC shall intimate the same to the AU.

(g) The AU shall, after taking into account all the relevant material available on the record, prepare in writing, an income or loss determination proposal where no variation prejudicial to assessee is proposed and send the same to the NaFAC. If a variation is being proposed then a show cause notice is served on the assessee stating the variations proposed to be made to the income of the assessee and calling upon him to submit as to why the proposed variation should not be made, through the NaFAC.

(h) The assessee shall file his reply to the show cause notice to the NaFAC, on date and time as specified, which shall forward the reply to the AU. If the assessee fails to respond within the specified time, the NaFAC shall intimate the same to the AU. After considering the response of the assessee or the intimation of failure of the assessee to file a response received from NaFAC and all relevant material available on the record, the AU shall prepare an income or loss determination proposal, in writing, and send the same to the NaFAC.

(i) Upon receipt of the income or loss determination proposal, with or without any variations proposed to the income of the assessee, as the case may be, the NaFAC may, on the basis of guidelines issued by the Board, convey to the AU to prepare draft order in accordance with such income or loss determination proposal, which shall thereafter prepare a draft order, or assign the income or loss determination proposal to a Review Unit (RU) through an automated allocation system, which shall conduct a review of such order, prepare a review report and send it to NaFAC.

(j) The NaFAC shall forward the review report received from the RU to the AU which had proposed the income or loss determination proposal. The AU may accept or reject some or all of the modifications proposed in such review report, prepare a draft order accordingly, and send it to NaFAC. The AU shall record reasons in writing if it is rejecting the modifications proposed by the RU.

(k) The NaFAC shall, upon receiving draft order in a case of eligible assessee, where there is a proposal to make any variation which is prejudicial to the interest of such assessee under sub-section (1) of section 144C for reference to Dispute Resolution Panel, serve such draft order on the assessee. In any case, other than that of eligible assessee under section 144C, the NaFAC shall convey to the AU to complete the assessment in accordance with such draft order, which shall thereafter pass the final assessment order and initiate penalty proceedings, if any, and send it to the NaFAC. The NaFAC shall serve a copy of such final assessment order, notice for initiating penalty proceedings, if any and the demand notice, specifying the sum payable by, or refund of any amount due to the assessee on the basis of such assessment, to the assessee.

(l) An eligible assessee, as referred to in section 144C, shall, upon receiving the draft order as served on him above, shall file his acceptance of the variations proposed in such draft order or file objections, if any, to such variations, with the Dispute Resolution Panel, under section 144C and the NaFAC, within the period specified in sub-section (2) of section 144C.

(m) In case the variations proposed in the draft order are accepted by the assessee or not objected to within the time given in sub-section (2) of section 144C, the NaFAC shall intimate the AU of the same, which shall complete the assessment, on the basis of the draft order, within the time allowed under sub-section (4) of section 144C and initiate penalty proceedings, if any, and send the order to the NaFAC.

(n) Where the eligible assessee files objections with the Dispute Resolution Panel, against the variations proposed in the draft order in his case, the NaFAC shall send such intimation along with a copy of such objections to the AU. Upon receipt of the directions issued by the Dispute Resolution Panel in the case of an eligible assessee under section 144C, the NaFAC shall forward such directions to the AU. The AU shall complete the assessment within the time allowed in sub-section (13) of section 144C and initiate penalty proceedings, if any, in conformity with the directions issued by the Dispute Resolution Panel under sub-section (5) of section 144C, and send a copy of such order to the NaFAC.

(o) The NaFAC shall, upon receipt of final assessment order, in the case of an eligible assessee under section 144C or in other cases, serve a copy of such order and notice for initiating penalty proceedings, if any, on the assessee, along

with the demand notice, specifying the sum payable by, or the amount of refund due to, the assessee on the basis of such assessment. The NaFACshall, after completion of assessment, transfer all the electronic records of the case to the Assessing Officer having jurisdiction over the said case for such action as may be required under the Income-tax Act.

(p) The proposed section also provides that faceless assessment shall be made in respect of persons or class of persons, or incomes or class of incomes, or cases or class of cases or such territorial area, as may be specified by the Board.

(q) The proposed section also provides that Board may, for the purposes of faceless assessment, set up the following Centre and units and specify their functions and jurisdiction, namely:—

(i) a National Faceless Assessment Centre to facilitate the conduct of faceless assessment proceedings in a centralised manner;

(ii) assessment units (referred to as AU), as it may deem necessary to conduct the faceless assessment, to perform the function of making assessment, which includes identification of points or issues material for the determination of any liability (including refund) under the Act, seeking information or clarification on points or issues so identified, analysis of the material furnished by the assessee or any other person, and such other functions as may be required for the purposes of making faceless assessment and the term “assessment unit”, wherever used in this section, shall refer to an Assessing Officer having powers to the extent so assigned by the Board; ;

(iii) verification units (referred to as VU), as it may deem necessary to facilitate the conduct of faceless assessment, to perform the function of verification, which includes enquiry, cross verification, examination of books of account, examination of witnesses and recording of statements, and such other functions as may be required for the purposes of verification and the term “verification unit”, wherever used in this section, shall refer to an Assessing Officer having powers so assigned by the Board;:

Further, the function of verification unit under this section may also be performed by a verification unit located in any other faceless centre set up under the provisions of this Act or under any scheme notified under the provisions of

the Act and the request for verification may also be assigned through the National Faceless Assessment Centre to such verification unit.;

(iv) technical units (referred to as TU), as it may deem necessary to facilitate the conduct of faceless assessment, to perform the function of providing technical assistance which includes any assistance or advice on legal, accounting, forensic, information technology, valuation, transfer pricing, data analytics, management or any other technical matter under this Act or an agreement entered into under sections 90 or 90A, which may be required in a particular case or a class of cases and the term "technical unit", wherever used in this section, shall refer to an Assessing Officer having powers so assigned by the Board;

(v) review units (referred to as RU), as it may deem necessary to facilitate the conduct of faceless assessment, to perform the function of review of the income determination proposal assigned under sub-clause (b) of clause (xix) of sub-section (1), which includes checking whether the relevant and material evidence has been brought on record, relevant points of fact and law have been duly incorporated, the issues on which addition or disallowance should be made have been incorporated and such other functions as may be required for the purposes of review and the term "review unit", wherever used in this section, shall refer to an Assessing Officer having powers so assigned by the Board.

(r) It is also proposed that the AU, VU, TU and the RU shall have the following authorities, namely:—

(i) Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, as the case may be;

(ii) Deputy Commissioner or Deputy Director or Assistant Commissioner or Assistant Director, or Income-tax Officer, as the case may be;

(iii) such other income-tax authority, ministerial staff, executive or consultant, as considered necessary by the Board.

(s) The proposed section also provides that all communication, among the AU, RU, VU or TU or with the assessee or any other person with respect to the information or documents or evidence or any other details, as may be necessary for the purposes of making a faceless assessment shall be through the NaFAC, between the NaFAC and the assessee, or his authorised representative, or any other person and all internal communications between the NaFAC and various

units shall be exchanged exclusively by electronic mode. However, this provision shall not apply to the enquiry or verification conducted by the verification unit in the circumstances as may be specified by the Board in this regard.

(t) It is further proposed that for the purposes of faceless assessment, an electronic record shall be authenticated by the NaFAC by way of an electronic communication, by the AU or VU or TU or RU, as the case may be, by affixing digital signature and by the assessee or any other person, by affixing his digital signature or under electronic verification code, or by logging into his registered account in the designated portal. It is also proposed that every notice or order or any other electronic communication shall be delivered to the addressee, being the assessee, by way of placing an authenticated copy thereof in the registered account of the assessee or by sending an authenticated copy thereof to the registered email address of the assessee or his authorised representative or by uploading an authenticated copy on the assessee's Mobile App, and followed by a real time alert.

(u) The proposed section further seeks to provide that the assessee shall file his response to any notice or order or any other electronic communication, through his registered account, and once an acknowledgement is sent by the NaFAC containing the hash result generated upon successful submission of response, the response shall be deemed to be authenticated. The time and place of dispatch and receipt of electronic record shall be determined in accordance with the provisions of section 13 of the Information Technology Act, 2000.

(v) A person shall not be required to appear either personally or through authorised representative in connection with any proceedings before any unit set up under the proposed section.

(w) Further, it is proposed that in a case where a variation is proposed in the income or loss determination proposal or the draft order, and an opportunity is provided to the assessee by serving a notice calling upon him to show cause as to why the assessment should not be completed as per such income or loss determination proposal, the assessee or his authorised representative, as the case may be, may request for personal hearing so as to make his oral submissions or present his case before the income-tax authority of the relevant unit. Where the request for personal hearing has been received, the income-tax authority of relevant unit shall allow such hearing, through NaFAC, which shall

be conducted exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony, to the extent technologically feasible, in accordance with the procedure laid down by the Board. Any examination or recording of the statement of the assessee or any other person (other than the statement recorded in the course of survey under section 133A) shall be conducted by an income-tax authority in the relevant unit, exclusively through video conferencing or video telephony, including use of any telecommunication application software which supports video conferencing or video telephony, to the extent technologically feasible, in accordance with the procedure laid down by the Board.

(x) It is proposed that the Board shall establish suitable facilities for video conferencing or video telephony including telecommunication application software which supports video conferencing or video telephony at such locations as may be necessary, so as to ensure that the assessee, or his authorised representative, or any other person is not denied the benefit of faceless assessment merely on the consideration that such assessee or his authorised representative, or any other person does not have access to video conferencing or video telephony at his end. The Principal Chief Commissioner or the Principal Director General, as the case may be, in charge of the NaFAC shall, with the prior approval of the Board, lay down the standards, procedures and processes in the specified manner for effective functioning of the NaFAC and the units set up, in an automated and mechanised environment.

(y) The proposed section also seeks to provide that if at any stage of the proceedings before it, the AU having regard to the nature and complexity of the accounts, volume of the accounts, doubts about the correctness of accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee, and the interests of the revenue, is of the opinion that it is necessary to do so, it may, upon recording its reasons in writing, refer the case to the NaFAC stating that the provisions of sub-section (2A) of section 142 may be invoked in the case. The Principal Chief Commissioner or the Principal Director General, as the case may be, in charge of the NaFAC shall, in accordance with the procedure laid down by the Board in this regard, if he

considers appropriate that the provisions of sub-section (2A) of section 142 may be invoked in the case, forward the reference received from the AU to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner having jurisdiction over such case, and inform the AU accordingly. Such case shall also be taken up for transfer to the jurisdictional Assessing Officer with the approval of the Board. Where a reference has been received the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, having jurisdiction over such case, he shall direct the Assessing Officer having jurisdiction over such case to invoke the provisions of sub-section (2A) of section 142. However, where a reference has not been forwarded to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, having jurisdiction over such case, the AU shall proceed to complete the assessment in accordance with the procedure laid down in the proposed section.

(z) It is also proposed to provide that the Principal Chief Commissioner or the Principal Director General, as the case may be, in charge of National Faceless Assessment Centre may, at any stage of the assessment, if considered necessary, transfer the case, in addition to a case referred to in (y) to the Assessing Officer having jurisdiction over such case, with the prior approval of the Board. It is also proposed to define the terms such as electronic verification code, assessment unit, technical unit, verification unit, review unit etc used in the proposed section.

This amendment will take effect from 1st April, 2022.

(II) Sub-section (9) of section 144B of the Act provides that the assessment proceedings shall be void if the procedure mentioned in the section was not followed. The said sub-section refers to violation of the procedure laid down by the law whereas a large number of disputes have been raised under this sub-section involving technical issues arising due to use of information technology, leading to unnecessary litigation. It is, therefore, proposed to omit this sub-section i.e., sub-section (9) of section 144B from its date of inception.

This amendment will take effect retrospectively from 1st April, 2021.

[Clause 42]

Set off of loss in search cases - Amendment in the provisions of section 79A of the Act

Chapter VI of the Act deals with aggregation of income and set off or carry forward of loss. In Sections 70-80 of the Act there are specific provisions relating to set off or carry forward and set off of losses while computing the income under various heads and with respect to different classes of persons.

2. It is noticed that in some cases, assessees claim set off of losses or unabsorbed depreciation, against undisclosed income corresponding to difference in stock, undervaluation of stock, unaccounted cash payment etc. which is detected during the course of search or survey proceedings. Currently there is no provision in the Act to disallow such set-off and no distinction is made between undisclosed income which was detected owing to search & seizure or survey or requisition proceedings and income assessed in scrutiny assessment in the regular course of assessment though for incomes falling in section 68, section 69, section 69B etc., such restriction is there.

3. Allowing the adjustment of undisclosed income detected as a result of search or requisition or survey against the loss or unabsorbed depreciation is resulting in short levy of tax. The provision of non-adjustment of loss or unabsorbed depreciation against undisclosed income detected as a result of search or requisition or survey would help in ensuring that proper tax is paid on income detected due to a search or survey and also result in increased deterrence against tax evasion.

4. Therefore, it is proposed to insert a new section 79A in the Act to provide that notwithstanding anything contained in the Act, where consequent to a search initiated under section 132 or a requisition made under section 132A or a survey conducted under section 133A, other than under sub-section (2A) of section 133A, the total income of any previous year of an assessee includes any undisclosed income, no set off, against such undisclosed income, of any loss, whether brought forward or otherwise, or unabsorbed depreciation under sub-section (2) of section 32 shall be allowed to the assessee under any provision of this Act in computing his total income for such previous year.

5. Further, the term “undisclosed income” is proposed to be defined for the above purpose as—

(i) any income of the previous year represented, either wholly or partly, by any money, bullion, jewellery or other valuable article or thing or any entry in the books of account or other documents or transactions found in the course of a search under section 132 or a requisition made under section 132A or a survey conducted under section 133A, other than that conducted under sub-section (2A) of section 133A, which has—

(a) not been recorded on or before the date of search or requisition or survey, in the books of account or other documents maintained in the normal course relating to such previous year; or

(b) not been disclosed to the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner before the date of search or requisition or survey, or

(ii) any income of the previous year represented, either wholly or partly, by any entry in respect of an expense recorded in the books of account or other documents maintained in the normal course relating to the previous year which is found to be false and would not have been found to be so, had the search not been initiated or the survey not been conducted or the requisition not been made.

6. This amendment will take effect from 1st April, 2022 and will accordingly apply in relation to the assessment year 2022-23 and subsequent assessment years.

[Clause 19]

Rationalization of provisions relating to assessment and reassessment

The Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from the 1st April, 2021. The said amendment modified, *inter alia*, sections 147, section 148, section 149 and also introduced a new section 148A in the Act. In cases where search is initiated under section 132 of the Act or books of account, other documents or any assets are requisitioned under section 132A of the Act, on or after 1st April, 2021, assessment or reassessment is now made under sections 143 or 144 or 147 of the Act after the Finance Act, 2021.

2. As part of the government's policy related to simplification of procedures under the Act, it is proposed to—

(i) insert a new proviso to the effect that requirement for approval to issue notice under section 148 shall not be required to be taken by the Assessing Officer if he has passed an order under 148A(d) with prior approval in that case stating that the income is escaping assessment.

(ii) to omit the requirement of approval of specified authority in clause (b) of section 148A.

These amendments will take effect from 1st April, 2022.

3. To correct the inadvertent drafting errors and align the provisions with the intent of the section, following amendments are proposed,

(i) in section 148 to omit the word flagged from clause (i) of Explanation 1,

(ii) in clause (ii) of Explanation 2 to section 148 to omit the reference of sub-section (5) of section 133A made therein.

These amendments will take effect from 1st April, 2022.

(iii) in Explanation 2 of section 148 to omit the reference to three assessment years preceding the assessment year relevant to the year of search;

(iv) in section 153B by inserting sub-section (4) to provide that nothing contained in the said section shall apply to any search initiated under section 132 or requisition made under section 132A on or after the 1st day of April, 2021.

(v) in the first proviso of sub-section (1) of section 149 to provide that no notice under section 148 shall be issued at any time in a case for the relevant assessment year beginning on or before 1st day of April, 2021, if a notice under section 148 or section 153A or section 153C could not have been issued at that time on account of being beyond the time limit specified under the provisions of clause (b) of sub-section (1) of section 149 or section 153A or section 153C, as the case may be, as they stood immediately before the commencement of the Finance Act, 2021.

These amendments will take effect retrospectively from 1st April, 2021.

4. In order to align the scheme of search assessments with the intent of the Act, it is proposed to—

(i) amend sub-section (8) of section 132 to make the provisions of that section also applicable to assessment or reassessment or recomputation under sub-section (3) of 143 or section 144 or section 147, as the case may be,

(ii) amend clause (i) of sub-section (1) and sub-section (4) of section 132B to provide that these provisions shall also apply to assessment or reassessment or recomputation.

These amendments will take effect from 1st April, 2022.

(iii) insert a new section 148B to provide that no order of assessment or reassessment or recomputation under the Act shall be passed by an Assessing Officer below the rank of Joint Commissioner, except with the prior approval of the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director, in respect of assessments consequent to search, survey and requisition to reduce avoidable inaccuracies.

This amendment will take effect from 1st April, 2022.

(iv) amend section 153, by inserting a new clause to provide for exclusion of the period of limitation for the purpose of assessment, reassessment or recomputation, (not exceeding one hundred eighty days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A and ending on the date on which the books of account or other documents, or any money, bullion, jewellery or other valuable article or thing seized under section 132 or requisitioned under section 132A, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, in whose case such search is initiated or such requisition is made or to whom any money, bullion, jewellery or other valuable article or thing seized or requisitioned belongs to or to whom any books of account or documents seized or requisitioned, pertains or pertain to, or any information contained therein, relates to ;

(v) amend section 153B, by inserting a new clause to provide for exclusion of the period (not exceeding one hundred eighty days) commencing from the date on which a search is initiated under section 132 or a requisition is made under section 132A and ending on the date on which the books of account or other documents, or any money, bullion , jewellery or other valuable article or thing seized under section 132 or requisitioned under section 132A, as the case may be, are handed over to the Assessing Officer having jurisdiction over the assessee, in whose case such search is initiated under section 132 or such requisition is made under section 132A.

These amendments will take effect retrospectively from Ist April, 2021.

(vi) amend the definition of "specified date" in clause (a) Explanation to section 271AAB to make it also applicable to a notice issued under section 148 in case where search is initiated on or after 1st April, 2021.

This amendment will take effect from Ist April, 2022.

5. In order to bring clarification in the existing provisions and to align them with the intent of the Act, it is proposed to—

(i) clarify what constitutes information under Explanation 1 to section 148 so as to include any audit objection, or any information received from a foreign jurisdiction under an agreement or directions contained in a court order, or information received under a scheme notified under section 135A etc.

(ii) to amend the clause (b) of sub-section (1) of the section 149 to provide that a notice under section 148 shall be issued only for the relevant assessment year after three years but prior to ten years from the end of the relevant assessment year where the Assessing Officer has in his possession books of account or other documents or evidence which reveal that the income chargeable to tax, represented,

(a) in the form of an asset; or

(b) expenditure in respect of a transaction or in relation to an event or occasion; or

(c) an entry or entries in the books of account,

which has escaped assessment amounts to or likely to amount to fifty lakh rupees or more.

(iii) insert a new sub-section (1A) in section 149 to provide that notwithstanding anything contained in sub-section (1) of the said section, where the income chargeable to tax represented in the form of an asset or expenditure in relation to an event or occasion of the value referred to in clause (b) of sub-section (1) of the said section, has escaped assessment and the investment in such asset or expenditure in relation to such event or occasion has been made or incurred, in more than one previous years relevant to the assessment years within the period referred to in clause (b) of sub-section (1) of the said section, notice under section 148 shall be issued for every such assessment year for assessment, reassessment or recomputation, as the case may be.

(iv) to provide that the provisions of the section 148A shall not apply in cases where the Assessing Officer has received any information regarding the scheme notified under section 135A, pertaining to income chargeable to tax escaping assessment for any assessment year in the case of the assessee.

These amendments will take effect from Ist April, 2022.

[Clauses 35, 36, 44, 45, 46, 47, 48, 49 and 73]

Rationalization of the provisions of sections 271AAB, 271AAC and 271AAD of the Act

Sections 271AAB, 271AAC and 271AAD of the Act under Chapter XXI contain provisions which give powers to the Assessing Officer to levy penalty in cases involving undisclosed income in cases where search has been initiated u/s 132 or otherwise, or for false entry etc. in books of account.

2. Under Chapter XXI of the Act which deals with penalties, Commissioner (Appeals) has concomitant powers with Assessing Officer to levy penalty in eligible cases under section 270A, section 271, section 271A, section 271AA, section 271G,

section 271J which deal with deliberate concealment, non-disclosure and omission by an assessee to evade tax.

3. Similarly, sections 271AAB, 271AAC, 271AAD penalise actions pertaining to undisclosed income, unexplained credits or expenditures, or deliberate falsification or omission in books of accounts. Therefore, in order to improve deterrence against non-compliance among tax payers, it is proposed to amend the sections 271AAB, 271AAC and 271AAD by enabling the Commissioner (Appeals) to levy penalty under these sections to the along with Assessing Officer.

4. These amendments will take effect from 1st April, 2022.

[Clauses73, 74 and 75]

Amendment in the provisions of section 272A of the Act

Section 272A of the Act provides for penalty for failure to answer questions, sign statements, furnish information, returns or statements, allow inspections etc. At present, the amount of penalty for failures listed under sub-section (2) of section 272A is one hundred rupees for every day during which the failure continues.

2. Section 272A ensures compliance with various obligations under the Income-tax Act by penalising non-compliance and acting as a deterrent.

3. However, the penalty of one hundred rupees had been commented upon by the CAG in their report on the entertainment sector as being too low. The penalty had not been increased since the section was introduced in 1999 and does not have an adequate deterrence value.

4. Therefore, it is proposed to increase the amount of penalty for failures listed under sub-section (2) of section 272A to five hundred rupees from the existing sum of one hundred rupees.

5. This amendments will take effect from 1st April, 2022.

[Clause 78]

Amendment in the provisions of section 179 of the Act

Section 179 of the Act contains provisions which enables Income tax authorities to recover tax due from a private company from its directors, under certain circumstances where such tax cannot be recovered from the company itself. The section makes each director of the private company jointly and severally liable for the payment of such tax with certain conditions. However, the title of the section inadvertently refers to the liability of directors of private company in liquidation.

2. The liability of directors of a private company under this section is not conditional upon the company being in liquidation and the section makes no reference to liquidation. Therefore, to make the title of the section uniform with its provisions, it is proposed to amend the title of the section to "*Liability of directors of private company*".

3. Further, Explanation to the section clarifies that the expression "tax due" in the section includes penalty, interest of any other sum payable under the Act. In order to avoid unnecessary litigation and to provide further clarity, it is also proposed to insert the word "fees" in the scope of the expression "tax due" under Explanation to the section.

4. This amendment will take effect from 1st April, 2022.

[Clause 55]

Rationalisation of the provision of Charitable Trust and Institutions

Income of any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 or any trust or institution registered u/s 12AA or 12AB of the Act is exempt subject to the fulfilment of the conditions provided under various sections. The exemption to these trusts or institutions is available under the two regimes

(i) Regime for any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause

(via) of clause (23C) of section 10 (hereinafter referred to as trust or institution under first regime); and

(ii) Regime for the trusts registered under section 12AA/12AB (hereinafter referred to as trust or institution under the second regime).

In the Finance Bill, it is proposed to rationalise the provisions of both the exemption regimes by-

(I) ensuring their effective monitoring and implementation;

(II) bringing consistency in the provisions of the two exemption regimes; and

(III) providing clarity on taxation in certain circumstances.

2. Some consequential amendments are also proposed following the amendments of past few years. All the proposals are discussed below:-

3. Ensuring effective monitoring and Implementation of two exemption regimes

3.1. Books of account to be maintained by the trusts or institutions under both the regimes

a) Where the total income of any trust or institution under the second regime, as computed under this Act without giving effect to the provisions of section 11 and section 12 of the Act, exceeds the maximum amount which is not chargeable to income-tax in any previous year, it is required to get its accounts audited. Similar provision exists for the trusts or institutions under the first regime in the tenth proviso to clause (23C) of section 10 of the Act.

b) However, there is no specific provision under the Act providing for the books of accounts to be maintained by such trusts or institutions. In order to ensure proper implementation of both the exemption regimes, it is proposed to amend clause (b) of sub-section (1) of section 12A of the Act and tenth proviso to clause (23C) of section 10 of the Act to provide that where the total income of the trust or institution under both regimes, without giving effect to the provisions of clause (23C) of section 10 or section 11 and 12, exceeds the maximum amount which is not chargeable to tax, such trust

or institution shall keep and maintain books of account and other documents in such form and manner and at such place, as may be prescribed.

c) These amendments will take effect from 1st April, 2023 and will accordingly apply to the assessment year 2023-24 and subsequent assessment years.

[Clauses 4 and 6]

3.2 Penalty for passing on unreasonable benefits to trustee or specified persons

a) Under section 13 of the Act, trusts or institution under the second regime are required not to pass on any unreasonable benefit to the trustee or any other specified person. In order to discourage such misuse of the funds of the trust or institution by specified persons, it is proposed to insert a new section 271AAE in the Act to provide for penalty on trusts or institution under both the regimes which is equal to amount of income applied by such trust or institution for the benefit of specified person where the violation is noticed for the first time during any previous year and twice the amount of such income where the violation is notice again in any subsequent year. The proposed section seeks to operate without prejudice to any other provision of chapter XXI. Thus, if any penalty is leviable under any of the other provisions of this chapter, in addition to the proposed penalty, that penalty would also be applicable.

b) The proposed new section seeks to provide that, if during any proceeding under the Act, it is found that a person, being any trust or institution under the first or the second regime, has violated the provisions of twenty-first proviso to clause (23C) of section 10 (proposed to be inserted by the Finance Bill and discussed in subsequent paragraphs) or clause (c) of sub-section (1) of section 13, as the case may be, the Assessing Officer may direct that such person shall pay by way of penalty,

i) a sum equal to the aggregate amount of income applied, directly or indirectly, by such person, for the benefit of any person referred to in sub-section (3) of section 13 where the violation is noticed for the first time during any previous year; and
ii) a sum equal to two hundred percent of the aggregate amount of income of such person applied, directly or indirectly, by such person, for the benefit of any

person referred to in sub-section (3) of section 13, where violation is noticed again in any subsequent previous year.

c) These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

[Clause 76]

3.3 Reference to the Principal Commissioner or Commissioner (PCIT/CIT) for the cancellation of registration/approval:

a) The following issues related to the process of approval or registration, or cancellation or withdrawal thereof, have been noticed, namely:-

i) Registration or approval of non-genuine trusts or institution under automated approval system:

First and second provisos to clause (23C) of section 10 of the Act were substituted by new provisos by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 w.e.f. 01.04.2021. These provisos provided that the application for the approval of any trust or institution under the first regime, shall be made to the jurisdictional Principal Commissioner or Commissioner and such Principal Commissioner or Commissioner shall grant approval after examination of the application. Earlier such applications were required to be filed before the prescribed authority. Similarly, provisions of clause (ac) of sub-section (1) of section 12A provide that application for the trusts or institution under the second regime shall be made to the principal Commissioner or Commissioner. The provisional registrations or provisional approval or re-registrations or approvals in certain cases, under these clauses, are granted in an automated manner and the respective rules have been amended accordingly. It is essential to ensure that non-genuine trusts or institutions do not get exemption provided by these provisions.

ii) Differences in the provisions related to reference for the cancellation of trusts under the both the regimes:

Provisions of sub-section (3) of section 143 provide that no order under this sub-section shall be made, denying the benefits of clause (23C) of section 10, unless the Assessing Officer has intimated the Central Government or prescribed authority the contravention of the provisions of sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10 and approval granted to such trust or institution has been rescinded. There is no such provision in cases of trusts or institutions under second regime.

iii) No time limit prescribed for the PCIT/CIT to decide on references for the withdrawal of approval:

For the trusts or institutions under the first regime, the provisions for making reference by the Assessing Officer to the Principal Commissioner or Commissioner are contained in the first proviso to sub-section (3) of section 143 and the time limitation for the completion of assessment is extended as per the provisions of clause (iii) of Explanation 1 to section 153. Presently, there is no time limit for such Principal Commissioner or Commissioner to decide on such reference.

b) In order to address the above issues, it is proposed to amend the provisions of section 12AB and fifteenth proviso to clause (23C) of section 10 of the Act as follows:

(I) Sub-section (4) of section 12AB of the Act is proposed to be substituted with a new sub-section (4) to provide that where registration or provisional registration of a trust or an institution has been granted under clause (a) or clause (b) or clause (c) of sub-section (1) of section 12AB or clause (b) of sub-section (1) of section 12AA, as the case may be, and subsequently,

(a) the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year;

(b) the Principal Commissioner or Commissioner has received a reference from the Assessing Officer under the second proviso to sub-section (3) of section 143 for any previous year, or

(c) such case has been selected in accordance with the risk management strategy, formulated by the Board from time to time, for any previous year,

the Principal Commissioner or Commissioner shall—

(i) call for such documents or information from the trust or institution or make such inquiry as he thinks necessary in order to satisfy himself about the occurrence or otherwise of any specified violation;

(ii) pass an order in writing cancelling the registration of such trust or institution, after affording a reasonable opportunity of being heard, for such previous year and all subsequent previous years, if he is satisfied that one or more specified violation have taken place;

(iii) pass an order in writing refusing to cancel the registration of such trust or institution, if he is not satisfied about the occurrence of one or more specified violation;

(iv) forward a copy of the order under clause (ii) or (iii), as the case may be, to the Assessing Officer and such trust or institution.

(II) The term "specified violation" is proposed to be defined by inserting an *Explanation* to sub-section (4) of section 12AB of the Act to mean the following violation :-

(a) where any income of the trust or institution under the second regime has been applied other than for the objects for which it is established; or

(b) the trust of institution under the second regime has income from profits and gains of business whichis not incidental to the attainment of its objectives or separate books of account are not maintained by it in respect of the business which is incidental to the attainment of its objectives; or

(c) the trust or the institution under the second regime has applied any part of its income from the property held under a trust for private religious purposes which does not enure for the benefit of the public; or

(d) the trust or institution under the second regime established for charitable purpose created or established after the commencement of this Act, has applied any part of its income for the benefit of any particular religious community or caste;

(e) any activity being carried outby the trust or the institution under the second regime,

(i) is not genuine; or

(ii) is not being carried out in accordance with all or any of the conditions subject to which it was registered; or

(f) the trust or the institution under the second regime has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of clause (b) of sub-section (1) of section 12AB, and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality.

III) Sub-section (5) of section 12AB of the Act is proposed to be substituted with a new sub-section (5) to provide that that the order under clause (ii) or (iii) of sub-section (4) shall be passed before expiry of the period of six months, calculated from the end of the quarter in which the first notice is issued by the Principal Commissioner or Commissioner, on or after the 1st day of April, 2022, calling for any document or information, or for making any inquiry, under clause (i) of sub-section (4);

IV) Similarly, the fifteenth proviso to clause (23C) of section 10 of the Act is proposed to be substituted to provide that where the fund or institution referred to in sub-clause (iv) or trust or institution referred to in sub-clause (v) or any university or other educational institution referred to in sub-clause (vi) or any hospital or other medical institution referred to in sub-clause (via) of clause (23C) of the said section 10 is approved under said clause and subsequently—

(a) the Principal Commissioner or Commissioner has noticed occurrence of one or more specified violations during any previous year;

(b) the Principal Commissioner or Commissioner has received a reference from the Assessing Officer under the second proviso to sub-section (3) of section 143 for any previous year; or

(c) such case has been selected in accordance with the risk management strategy, formulated by the Board from time to time, for any previous year,

the Principal Commissioner or Commissioner shall—

(i) call for such documents or information from the fund or trust or institution or any university or other educational institution or any hospital or other medical institution or make such inquiry as he thinks necessary in order to satisfy himself about the occurrence of any specified violation;

(ii) pass an order in writing cancelling the approval of such fund or trust or institution or any university or other educational institution or any hospital or

other medical institution, on or before the specified date, after affording a reasonable opportunity of being heard, for such previous year and all subsequent previous years if he is satisfied that one or more specified violation has taken place;

(iii) pass an order in writing refusing to cancel the approval of such fund or trust or institution or any university or other educational institution or any hospital or other medical institution, on or before the specified date, if he is not satisfied about the occurrence of one or more specified violations;

(iv) forward a copy of the order under clause (ii) or (iii), as the case may be, to the Assessing Officer and such fund or trust or institution or any university or other educational institution or any hospital or other medical institution;

V) It is also proposed to insert an *Explanation 1* to the fifteenth proviso to clause (23C) of section 10 of the Act to provide that for the purposes of this proviso, "specified date" shall mean the day on which the period of six months, calculated from the end of the quarter in which the first notice is issued by the Principal Commissioner or Commissioner, on or after the 1st day of April, 2022, calling for any document or information, or for making any inquiry, under clause (i) expires.

VI) The term "specified violation" is also proposed to be defined by inserting an Explanation (*Explanation 2)* to the fifteenth proviso to clause (23C) of section 10 of the Act to mean the following: -

(a) where any income of trust or institution under the first regime has been applied other than for the objects for which it is established; or

(b) the trust or institution under the first regime has income from profits and gains of business is not incidental to the attainment of its objectives or separate books of account are not maintained by it in respect of the business which is incidental to the attainment of its objectives; or

(c) any activity being carried out by the trust or institution under the first regime—

(A) is not genuine; or

(B) is not being carried out in accordance with all or any of the conditions subject to which it was notified or approved; or

(d) the trust or institution under the first regime has not complied with the requirement of any other law for the time being in force, and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality.

Consequentially sub-section (3) of section 143 of the Act is proposed to be amended by deleting the reference to trusts or institution under the first regime in the first proviso and delete the existing third proviso.

It is also proposed to provide by inserting an Explanation (Explanation 3) to the fifteenth proviso to clause (23C) of section 10 of the Act that where a reference, under the first proviso to sub-section (3) of section 143, has been made on or before the 31st March, 2022 by the Assessing Officer for the contravention of certain provisions of clause (23C) of section 10 of the Act, such references shall be dealt with in the manner provided under the said Explanation.

VII) It is proposed to insert another proviso in sub-section (3) of section 143 of the Act providing that where the Assessing Officer is satisfied that any trust or institution under first or second regime has committed any specified violation, as defined in the *Explanation 2* to fifteenth proviso to clause (23C) of section 10 or *Explanation* to sub-section (4) of section 12AB, as the case may be, he shall,

(a) send a reference to the Principal Commissioner or Commissioner to withdraw the approval or registration, as the case may be; and

(b) no order making an assessment of the total income or loss of such fund or institution or trust or any university or other educational institution or any hospital or other medical institution shall be made by him without giving effect to the order passed by the Principal Commissioner or Commissioner under clause (ii) or (iii) of the fifteenth proviso to clause (23C) of section 10 or clause (ii) or (iii) of sub-section (4) of section 12AB

Consequentially, it is also proposed to amend the provisions of clause (iii) of Explanation to section 153 by deleting the reference to trusts or institution under the first regime and to insert a new clause (xiii) to provide that the period commencing from the date on which the Assessing Officer makes a reference to the Principal Commissioner or Commissioner under the second proviso to sub-

section (3) of section 143 or is deemed to have been made under *Explanation 3* to the fifteenth proviso to clause (23C) of section 10, and ending with the date on which the copy of the order under clause (ii) or (iii) of fifteenth proviso to clause (23C) of section 10 or clause (ii) or (iii) of sub-section (4) of section 12AB, as the case may be, is received by the Assessing Officer shall be excluded in computing the period of limitation.

These amendments will take effect from 1st April, 2022.

[Clauses 4, 7, 40 and 48]

4. Bringing consistency in the provisions of two exemption the regimes

As mentioned earlier, there is a requirement for alignment of certain provisions of the two regimes as they both intend to grant similar benefit.

4.1 Accumulation provisions

i) Under the existing provisions of the Act, a trust or institution is required to apply 85% of its income during any previous year. However, if it is not able to apply 85% of its income during the previous year, it is allowed to accumulate such income for a period not exceeding 5 years as per the following provisions, namely:

(I) sub-section (2) of section 11 of the Act for the trusts or institution under the second regime; and
(II) third proviso to clause (23C) of section 10 of the Act for trusts or institution under the first regime.

ii) However, the accumulation of income, as per the provisions of sub-section (2) of section 11 of the Act is allowed subject to the fulfilment of certain conditions while there are no such conditions specifically provided under the third proviso to clause (23C) of section 10 of the Act;

iii) Similarly, sub-section (3) of section 11 of the Act provides for the specific previous year in which the accumulated income will be subjected to tax in case of different types of violations. It, *inter alia*, provides that if the accumulated income is not applied within

5 years, it shall be taxed in the 6th year. While, on the other hand, there are no such specific provisions under clause (23C) of section 10 of the Act and therefore, if the accumulated income is not applied within 5 years, the same shall be taxed in the 5th year itself.

iv) In order to bring consistency in the two regimes, the following are proposed:-

A) It is proposed to amend the provisions of sub-section (3) of section 11 of the Act to provide that any income referred to in sub-section (2) which is not utilised for the purpose for which it is so accumulated or set apart shall be deemed to be the income of such person of the previous year being the last previous year of the period, for which the income is accumulated or set apart under clause (a) of sub-section (2) of section 11, but not utilised for the purpose for which it is so accumulated or set apart.

B) It is proposed to insert Explanation 3 to the third proviso to clause (23C) of section 10 of the Act to provide that for the purposes of determining the amount of application under this proviso, where eighty-five per cent of the income referred to in clause (a) of the third proviso, is not applied, wholly and exclusively to the objects for which the trust or institution under the first regime is established, during the previous year but is accumulated or set apart, either in whole or in part, for application to such objects, such income so accumulated or set apart shall not be included in the total income of the previous year of the person in receipt of the income, provided the following conditions are complied with, namely:—

(a) such person furnishes a statement in the prescribed form and in the prescribed manner to the Assessing Officer, stating the purpose for which the income is being accumulated or set apart and the period for which the income is to be accumulated or set apart, which shall in no case exceed five years;
(b) the money so accumulated or set apart is invested or deposited in the forms or modes specified in sub-section (5) of section 11; and
(c) the statement referred to in clause (a) of Explanation 3 is furnished on or before the due date specified under sub-section (1) of section 139 for furnishing the return of income for the previous year;

C) It is proposed to insert a proviso to the proposed Explanation 3 to the third proviso to clause (23C) of section 10 of the Act to provide that in computing the period of five years referred to in sub-clause (a), the period during which the income could not be applied for the purpose for which it is so accumulated or set apart, due to an order or injunction of any court, shall be excluded.

D) It is also proposed to insert an Explanation (Explanation 4) to third proviso to clause (23C) of section 10 to provide that any income referred to in the proposed Explanation 3 shall be deemed to be the income of the previous year in which the following takes place—

(a) the income is applied for purposes other than wholly and exclusively to the objects for which the trust or institution under the first regime is established or ceases to be accumulated or set apart for application thereto, or

(b) the income ceases to remain invested or deposited in any of the forms or modes specified in sub-section (5) of section 11, or

(c) the income is not utilised for the purpose for which it is so accumulated or set apart during the period referred to in clause (a) of the proposed Explanation 3,

(d) the income is credited or paid to any trust or institution under the first or second regime.

For the circumstances referred to in clause (c), it is proposed that the income shall be deemed to be the income of previous year which is the last previous year of the period, for which the income is accumulated or set apart under sub-clause (a) of clause (iii) of the proposed Explanation 3, but not utilised for the purpose for which it is so accumulated or set apart.

E) It is proposed to insert an Explanation (Explanation 5) to third proviso to clause (23C) of section 10 of the Act to enable the Assessing Officer to allow trusts or institutions under the first regime in circumstances beyond their control to apply such accumulated income for such other purpose in India as is specified in the application by such person subsequent to fulfilment of specified conditions. These other purposes are required to be in conformity with the objects for which the trust

or institution under the first regime is established. If it is done, the provisions of Explanation 4 to third proviso to clause (23C) of section 10 shall apply as if the purpose specified by such person in the application under this Explanation were a purpose specified in the notice given to the Assessing Officer under clause (a) of the proposed Explanation 3 of the third proviso to clause (23C) of section 10.

F) It is proposed to insert a proviso to proposed Explanation 5 to third proviso to clause (23C) of section 10 of the Act to provide that the Assessing Officer shall not allow the application of any accumulated income, as referred to in the proposed Explanation 3, to be credited or paid to any trust or institution under the first or second regime, as referred to in clause (d) of proposed Explanation 4 to the third proviso to clause (23C) of section 10.

v) These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

[Clauses 4 and 5]

4.2 Bringing consistency in the provisions relating to payment to specified person

i) Under section 13 of the Act, trusts or institutions under the second regime are required not to pass on any unreasonable benefit to the trustee or any other specified person. It is proposed to insert twenty first proviso in clause (23C) of section 10 of the Act to provide that where the income or part of income or property of any trust or institution under the first regime, has been applied directly or indirectly for the benefit of any person referred to in sub-section (3) of section 13, such income or part of income or property shall be deemed to be the income of such person of the previous year in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 of the Act shall also apply to trust or institution under the first regime.

ii) 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.

[Clause 4]

4.3 The provisions of section 115TD to apply to any trust or institution under the first regime.

i) Chapter XII-EB was introduced by the Finance Act, 2016. It provides for the taxation of accreted income of the trust in certain cases. A society or a company or a trust or an institution carrying on charitable activity may voluntarily wind up its activities and dissolve or may also merge with any other charitable or non-charitable institution, or it may convert into a non-charitable organization. In order to ensure that the intended purpose of exemption availed by trust or institution is achieved, a specific provision in the Act was brought about for imposing a levy in the nature of an exit tax which is attracted when the organisation is converted into a non-charitable organisation or gets merged with a non-charitable organisation or a charitable organisation with dissimilar objects or does not transfer the assets to another charitable organisation. Accordingly, a new Chapter XII-EB consisting of Sections 115TD, 115TE and 115TF was inserted in the Act.

ii) The provisions of the Chapter XII-EB have been made applicable to only the trusts or institutions under the second regime. However, the provisions are not applicable to any trust or institution under the first regime.

iii) Hence, it is proposed to amend the provisions of section 115TD, 115TE and 115TF of the Act to make them applicable to any trust or institution under the first regime as well.

iv) These amendments will take effect from 1st April, 2023 and will accordingly apply in relation to the assessment year 2023-24 and subsequent assessment years.

[Clauses 31, 32 and 33]

4.4 Filing of return by person claiming exemption under clause (23C) of section 10 of the Act

i) According to clause (ba) of sub-section (1) of section 12A of the Act, If a trust or institution under the second regime does not furnish return of income in accordance with the provisions of sub-section (4A) of section 139, within the time allowed under

that section, then provisions of sections 11 and 12 are not applicable. There is no similar provision in the other regime.

ii) Hence, it is proposed to insert twentieth proviso to clause (23C) of section 10 of the Act to provide that for the purpose of exemption under this clause, any trust or institution under the first regime is required to furnish the return of income for the previous year in accordance with the provisions of sub-section (4C) of section 139 of the Act, within the time allowed under that section.

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

[Clause 4]

5. Providing clarity on taxation in certain circumstances

There are various conditions prescribed for availing exemption under the two regimes. There is a need for clear provisions in the Act listing out how income is to be computed in case of non-compliance. Hence, it is proposed to provide for the same so that there is no dispute and the law is applied consistently.

5.1 Allowing certain expenditure in case of denial of exemption

i) Different provisions mandate denial of exemption to the trusts or institutions under both the regimes. Some of the provisions under which exemption is not available for its violation are as follows:

(a) Having commercial receipts in excess of 20% of the annual receipts in violation of the provisions of proviso to section 2(15);

(b) Not getting the books of account audited;

(c) Not filing the return of income presently specifically provided under the second regime only;

ii) There is presently lack of clarity on computation of taxable income in case of non-availability of exemption in these cases. For example, if the exemption is denied to the

trust or institution for the late submission of the audit report, its entire receipts may be subjected to taxation and no deduction for any application may be allowed.

iii) In order to bring clarity in the computation of the income chargeable to tax in such cases, the following amendments are proposed: -

(a) It is proposed to insert sub-section (10) in section 13 of the Act to provide that where the provisions of sub-section (8) are applicable to any trust or institution under the second regime or such trust or institution violates the conditions prescribed under clause (b) or clause (ba) of sub-section (1) of section 12A, its income chargeable to tax shall be computed after allowing deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of the trust or institution, subject to fulfilment of the following conditions, namely :-

(i) such expenditure is not from the corpus standing to the credit of such trust or institution as on the last day of the financial year immediately preceding the previous year relevant to the assessment year for which the income is being computed;

(ii) such expenditure is not from any loan or borrowing;

(iii) claim of depreciation is not in respect of an asset, acquisition of which has been claimed as application of income in the same or any other previous year; and

(iv) such expenditure is not in the form of any contribution or donation to any person.

(b) It is also proposed to insert an *Explanation* to sub-section (10) to section 13 of the Act to provide that for the purposes of determining the amount of expenditure under this sub-section, the provisions of sub-clause (ia) of clause (a) of section 40 and sub-sections (3) and (3A) of section 40A, shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

(c) It is also proposed to insert sub-section (11) to section 13 of the Act to provide that for the purposes of computing income chargeable to tax, under sub-section

(10), no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any other provision of the Act.

(d) Similarly, it is proposed to insert twenty second proviso to clause (23C) of section 10 of the Act to provide that where any trust or institution under the first regime violates the provisions of the eighteenth proviso or violates the conditions prescribed under tenth or twentieth proviso, its income chargeable to tax shall be computed after allowing deduction for the expenditure (other than capital expenditure) incurred in India, for the objects of such trust or institution, subject to fulfilment of the following conditions:

(i) such expenditure is not from the corpus standing to the credit of such trust or institution as on the last day of the financial year immediately preceding the previous year relevant to the assessment year for which the income is being computed ;

(ii) such expenditure is not from any loan or borrowing;

(iii) claim of depreciation is not in respect of an asset, acquisition of which has been claimed as application of income in the same or any other previous year; and

(iv) such expenditure is not in the form of any contribution or donation to any person.

(e) It is also proposed to insert an *Explanation* in the twenty second proviso to clause (23C) of section 10 of the Act to provide that for the purposes of determining the amount of expenditure under this proviso, the provisions of sub-clause (ia) of clause (a) of section 40 and sub-sections (3) and (3A) of section 40A, shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head "Profits and gains of business or profession".

(f) It is also proposed to insert twenty third proviso in clause (23C) of section 10 of the Act to provide that for the purposes of computing income chargeable to tax under twenty second proviso, no deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed to the assessee under any other provision of the Act.

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

[Clauses 4 and 8]

5.2 Taxation of certain income of the trusts or institutions under both the regimes at special rate

Following incomes of the trusts or institutions are chargeable to tax, under different provisions of the Act:-

(a) The trusts or institutions under the first or second regime are required not to pass on any unreasonable benefit to the trustee or any other specified person. For the trusts or institutions under the second regime, clause (c) of sub-section (1) of section 13 of the Act provides that the entire exemption shall be denied to the trust irrespective of the amount of benefit passed on. For trusts or institutions under the first regime similar provisions is proposed by way of insertion of twentieth proviso to clause (23C) of section 10 of the Act.

(b) It is mandatory for any trust or institution under the first regime, to keep their funds in the specified modes. Third proviso of clause (23C) of section 10 of the Act specifically provides that the funds of such trusts or institutions shall be maintained in these specified modes. For the trusts or institutions under the second regime, clause (d) of sub-section (1) of section 13 of the Act provides that the exemption shall be denied to the trust irrespective of the amount of investment in non-specified modes.

(c) Further, the trusts or institutions under both the regimes are required to apply at least 85% of their income during the year. Where the trust is not able to apply 85% of the income, it may accumulate such income for maximum 5 years. Sub-section (3) of section 11 of the Act specifically provides for the trusts or institutions under the second regime that such accumulated income, which could not be applied within the period of accumulation (maximum 5 years), shall be deemed to be the income of the trust. Similarly, for the trusts or institutions under the second regime, there is a specific provision under clause (2) of *Explanation 1* to sub-section (1) of section 11 of the Act providing for the accumulation of income for a period of one year. Sub-

section (1B) of section 11 of the Act provides that if the income accumulated under clause (2) of *Explanation 1* to sub-section (1) of section 11 of the Act could not be applied within the time allowed; it shall be deemed to be the income of the trust.

(d) The trusts or institutions under thefirst regime are also required to apply at least 85% of their income during the year. Where such trust is not able to apply 85% of its income during the year and does not accumulate such income, entire income of such trust shall be subjected to tax where the trust is approved under the second proviso to clause (23C) of section 10 of the Act since third proviso to clause (23C) of section 10 of the Act mandates minimum 85% application of income unless such income is accumulated.

Denying exemption to the trust, for small amount of income applied in violation to the provisions referred in clause (a) and (b) above creates difficulties to the trusts or institutions under both the regimes as there is ambiguity about the manner of taxation of such income. Further, there is need for special provision to ensure that the income applied in violation is taxed at special rate without deduction. Accordingly, in order to rationalise the provisions, the following amendments are proposed:-

(a) It is proposed to amend clause (c) of sub-section (1) of section 13 of the Act to provide that only that part of income which has been applied in violation to the provisions of the said clause shall be liable to be included in total income.
(b) It is also proposed to insert twenty first proviso in clause (23C) of section 10 to specifically provide that where the income of any trust under the first regime, or any part of the such income or property, has been applied directly or indirectly for the benefit of any person referred to in sub-section (3) of section 13, such income or part of income or property shall be deemed to be income of such person of the previous year in which it is so applied. The provisions of sub-section (2), (4) and (6) of section 13 of the Act shall also apply to it.
(c) It is proposed to amend clause (d) of sub-section (1) of section 13 of the Act to provide that only the that part of income which has been invested in violation to the provisions of the said clause shall be liable to be included in total income.
(d) It is proposed to insert *Explanation 4* in third proviso to clause (23C) of section 10 of the Act to specifically provide that income accumulated which is not utilised

for the purpose for which it is so accumulated or set apart shall be deemed to be the income of such person of the previous year being the last previous year of the period, for which the income is accumulated or set apart.

(e) All the above income are also required to be taxed at special rate. Hence, it is proposed to insert new section 115BBI in the Act providing that where the total income of any assessee being a trust under the first or second regime, includes any income by way of any specified income, the income-tax payable shall be the aggregate of—

(i) the amount of income-tax calculated at the rate of thirty per cent on the aggregate of specified income; and

(ii) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the aggregate of specified income referred to in clause (i).

(f) The sub-section (2) of this new section seeks to provide that no deduction in respect of any expenditure or allowance or set off of any loss shall be allowed to the assessee under any provision of the Act in computing specified income.

(g) *Explanation* to the proposed section defines "specified income" to mean:-

(i) income accumulated or set apart in excess of fifteen percent of the income where such accumulation is not allowed under any specific provisions of the Act; or

(ii) deemed income referred to in *Explanation 4* to third proviso to clause (23C) of section 10 or sub-section (3) of section 11 or sub-section (1B) of section 11;or

(iii) any income which is not exempt under clause (23C) of section 10 on account of violation of the provisions of clause (b) of third proviso of clause (23C) of section 10 or not to be excluded from total income under the provisions of clause (d) of sub-section (1) of section 13; or

(iv) any income which is deemed to be income under the twenty first proviso to clause (23C) of section 10 or which is not excluded from total income under clause (c) of sub-section (1) of section 13; or

(v) any income which is not excluded from total income under clause (c) of sub-section (1) of section 11.

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

[Clauses 4 , 8 and 28]

5.3 Voluntary Contributions for the renovation and repair of temples, mosques, gurudwaras, churches etc notified under clause (b) of sub-section (2) of section 80G

i) Donations for the renovation and repair of temples, mosques, gurudwaras, churches etc notified under clause (b) of sub-section (2) of section 80G of the Act are received for specific purposes. However, it is not clear if such donations are treated as corpus donations or are required to be applied or can be accumulated for a maximum period of 5 years.

ii) In order to provide clarity, it is proposed to insert *Explanation 3A* in sub-section (1) of section 11 of the Act to provide that where the property held under a trust or institution includes any temple, mosque, gurdwara, church or other place notified under clause (b) of sub-section (2) of section 80G, any sum received by such trust or institution as a voluntary contribution for the purpose of renovation or repair of such temple, mosque, gurdwara, church or other place, may, at its option, be treated by such trust or institution as forming part of the corpus of the trust or the institution, subject to the condition that the trust or the institution,

(a) applies such corpus only for the purpose for which the voluntary contribution was made;
(b) does not apply such corpus for making contribution or donation to any person; and
(c) maintains such corpus as separately identifiable;
(d) invests or deposits such corpus in the forms and modes specified under sub-section (5) of section 11.

iii) It is also proposed to insert Explanation 3B in sub-section (1) of section 11 of the Act to provide that for the purposes of Explanation 3A, where any trust or institution has treated any sum received by it as forming part of the corpus and subsequently any of the conditions specified in clause (a), (b), (c) or clause (d) thereof are violated, such

sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.

iv) It is also proposed to insert Explanation 1A in the third proviso to clause (23C) of section 10 of the Act to provide that where the property held under a trust or institution referred to in sub-clause (v), includes any temple, mosque, gurdwara, church or other place notified under clause (b) of sub-section (2) of section 80G of the Act, any sum received by such trust or institution as a voluntary contribution for the purpose of renovation or repair of such temple, mosque, gurdwara, church or other place, may be treated by such trust or institution, at its option, as forming part of corpus of the trust or institution, subject to the condition that the trust or institution,

(a) applies such corpus only for the specific purpose for which the voluntary donation was made;
(b) does not apply such corpus for making contribution or donation to any person;
(c) maintains such corpus as separately identifiable; and
(d) invests or deposits such corpus in the forms and modes specified under sub-section (5) of section 11.

v) It is also proposed to insert *Explanation 1B* in the third proviso to clause (23C) of section 10 of the Act providing that for the purposes of Explanation 1A, where any trust or institution referred to in sub-clause (v) has treated any sum received by it as forming part of the corpus and subsequently any of the conditions specified in clause (a), (b), (c) or clause (d) thereof are violated, such sum shall be deemed to be the income of such trust or institution of the previous year during which the violation takes place.

vi) These amendments will take effect retrospectively from 1st April, 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clauses 4 and 5]

5.4 Clarifying that application will be allowed only when its actually paid

Trust or institution under both the regimes are required to apply 85% of their income for the purposes specified. As is evident from the word " application", it means actually paid. This is the position which has been held by different courts also. Accordingly it is being clarified by inserting Explanations "[Explanation 3 to clause (23C) of section 10 and Explanation to section 11] to provide that any sum payable by any trust under the first or second regime shall be considered as application of income in the previous year in which such sum is actually paid by it irrespective of the previous year in which the liability to pay such sum was incurred by such trust according to the method of accounting regularly employed by it. It is further proposed to insert proviso to the proposed Explanations [Explanation 3 to clause (23C) of section 10 and Explanation to section 11] to provide that where during any previous year, any sum has been claimed to have been applied by such trust, such sum shall not be allowed as application in any subsequent previous year.

These amendments will take effect from 1st April, 2022 and will accordingly apply to the assessment year 2022-23 and subsequent assessment years.

[Clauses 4 and 5]

6. Consequential Amendments

6.1 Reference to prescribed authority under clause (23C) of section 10

i) First and second proviso to clause (23C) of section 10 of the Act were substituted by new provisos by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from the 1st April, 2021. These provisos provided that the application for the approval of any trust under the first regime, shall be filed before the jurisdictional Principal Commissioner or Commissioner and such Principal Commissioner or Commissioner shall grant approval after examination of the application. Earlier such applications were required to be filed before the prescribed authority. Accordingly necessary amendments were carried out. However, the reference to prescribed authority continues at certain places in the clause (23C) of section 10 of the Act.

ii) It is, therefore, proposed to substitute the reference to prescribed authority with Principal Commissioner or Commissioner in sub-clause (iv), (v), (vi) and (via) and nineteenth proviso to clause (23C) of section 10 of the Act

iii) This amendment will take effect from 1st April, 2022.

[Clause 4]

6.2 Amendment to sub-section (1A) of section 35

i) Sub-section (1A) to section 35 of the Act was inserted by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from the 1st April, 2021. It mandated the research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) of sub-section (1) of section 35 of the Act to file the statement of donations received by these entities from the donors. However, an inadvertent drafting error has crept in in the sub-section. The present language reads that no deduction shall be allowed to the research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) of sub-section (1) of section 35, if such statement of donations is not filed. However, that was not the intention of the law. The deduction claimed by the donor needs to be dis-allowed in such cases. In section 80G of the Act similar provisions were introduced by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 with effect from the 1st April, 2021, whereby the deduction claimed by the donor under this section was disallowed in case the donee fails to furnish the statement of donations.

ii) Hence, it is proposed to amend sub-section (1A) of section 35 of the Act to provide that the deduction claimed by the donor with respect to the donation given to any research association, university, college or other institution referred to in clause (ii) or clause (iii) or the company referred to in clause (iia) of sub-section (1) of section 35 of the Act shall be disallowed unless such research association, university, college or other institution or company files the statement of donations.

iii) This amendment will take effect retrospectively from 1st April, 2021.

[Clause 11]

Amendment in the provisions of section 263 of the Act

Section 263 of the Act contains the provision for revision of order which is erroneous in so far as it is prejudicial to the interests of revenue. An order under section 263 of the Act can be passed within two years from the end of the financial year in which the order sought to be revised was passed.

2. As per provisions of section 92CA, if the Assessing Officer considers it necessary or expedient, he may, with the approval of the Principal Commissioner or Commissioner refer the computation of arm's length price (ALP or specified domestic transaction entered into by an assessee, to the Transfer Pricing Officer (TPO). The TPO passes an order determining the ALP in an international transaction or specified domestic transaction under the provisions of section 92CA and send it to the Assessing Officer for final income determination. However, it is not clear as to who has the power under section 263 to revise the order of the TPO passed under section 92CA.

3. Therefore, it is proposed to amend the provisions of section 263 of the Act so as to provide that the Principal Chief Commissioner or the Chief Commissioner or the Principal Commissioner or Commissioner who is assigned the jurisdiction of transfer pricing may call for and examine the record of any proceeding under this Act, and if he considers that any order passed by the TPO, working under his jurisdiction, to be erroneous in so far as it is prejudicial to the interests of revenue, he may pass an order directing revision of the order of TPO. Consequential changes are also be made in the provisions of section 153 of the Act *inter alia* to provide two months' time to the Assessing Officer to give effect to the order of TPO consequent to the directions in the revision order.

4. Further, in section 153 of the Act, it is proposed to

(i) provide that the provisions of sub-sections (3) and (5) of that section shall also be applicable to order passed by Transfer Pricing Officer under section 92CA,

(ii) to insert sub-section (5A) to provide that where the Transfer Pricing Officer gives effect to an order or direction under section 263 by means of an order under section 92CA and forwards such order to the Assessing Officer, the

Assessing Officer shall proceed to modify the order of assessment or reassessment or recomputation, in conformity with such order of the Transfer Pricing Officer, within two months from the end of the month in which such order of the Transfer Pricing Officer is received by him,

(iii) provide that the said provisions of the sub-section (6) shall also be applicable to orders referred to in the sub-section (5A) inserted in the Act.

5. These amendments will take effect from 1st of April, 2022.

[Clause 48 and 72]

Amendment in the provisions of section 119 of Income-tax Act

Section 119 of the Act empowers the Board to issue orders, instructions and directions to other income-tax authorities for proper administration of the Act. Clause (a) of sub-section (2) of the said section gives powers to the Board to provide relaxation of provisions of certain sections of the Act such as 115P, 115S, 115WD, , 139, 1211, 234A, 234B, 234C, 234E, etc.by way of general or special orders, in respect of any class of incomes or class of cases, for the purpose of proper administration of the work of assessment or collection of revenue or initiation of proceedings for the imposition of penalties and such other issues, in public interest.

2. Section 234F of the Act which falls under Chapter XVII-F provides that in case a person fails to furnish return of income under section 139 within the prescribed time, he shall be liable to pay a fee of five thousand rupees. Currently this section is not expressly mentioned in clause (a) of sub-section (2) of section 119 of the Act.

3. While this section acts as a deterrent against those who do not comply with obligations imposed under the Act, it also leads to an unintended consequence of levying fee on persons who face genuine difficulties in filing return of income within the specified time, like members of the armed forces stationed in remote regions with no access to the requisite infrastructure.

4. Therefore, considering the genuine hardships faced by certain classes of persons in filing return of income and not to impose a fee for a default which is beyond their control, it is proposed to insert section 234F and include it in the list of sections

mentioned in clause (a) of sub-section (2) of section 119 of the Act, so as to enable the Board to issue such orders or instructions, as deemed fit.

5. This amendment will take effect from 1st April, 2022.

[Clause 34]

Income-tax authorities for the purposes of section 133A of the Act

Section 133A of the Act enables an income-tax authority to enter any place of business or profession or charitable activity within his jurisdiction to verify the books of account or other documents, cash, stock or other valuable article or thing, which may be useful for or relevant to any proceeding under this Act. Explanation to section 133A provides the definition of an income tax authority for the purposes of this section.

2. Through Taxation and Other Laws (Amendment and Relaxation of Certain Provisions) Act, 2020, the Explanation was amended to provide that any the income-tax authority who is subordinate to the Principal Director General of Income-tax (Investigation) or the Director General of Income-tax (Investigation) or the Principal Chief Commissioner of Income-tax (TDS) or the Chief Commissioner of Income-tax (TDS), as the case may be shall only be considered as Income-tax authorities for the purposes of section 133A.

3. It is proposed to amend the Explanation to section 133A of the Act to provided that income tax authority shall be sub-ordinate to Principal Director General or Director General or Principal Chief Commissioner or Chief Commissioner, as the case may be, specified by the Board..

5. This amendment will take effect from 1st April, 2022.

[Clause 37]

Reduction of Goodwill from block of assets to be considered as 'transfer'

From the assessment year 2021-2022, goodwill of a business or profession is not considered as a depreciable asset and there would not be any depreciation on goodwill of a business or profession in any situation. In case where goodwill is purchased by an assessee, the purchase price of the goodwill will continue to be

considered as cost of acquisition for the purpose of computation of capital gains under section 48 of the Act subject to the condition that in case depreciation was obtained by the assessee in relation to such goodwill prior to the assessment year 2021-22, then the depreciation so obtained by the assessee shall be reduced from the amount of the purchase price of the goodwill.

2. When the amendment was carried out through the Finance Act 2021, consequential amendment was carried out in section 50 of the Act by insertion of a proviso to clause (2) of that section. A further consequential amendment required is being proposed now.

3. Accordingly, it is proposed to clarify that for the purposes of section 50 of the Act, reduction of the amount of goodwill of a business or profession, from the block of asset in accordance with sub item (B) of item (ii) of sub-clause (c) of clause (6) of section 43, shall be deemed to be transfer

4. Since the amendment to the effect that goodwill of a business or profession is not a depreciable asset has been made applicable from assessment year 2021-2022 the above amendment will take effect retrospectively from 1st April 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 15]

Definition of the term "slump sale":

Slump sale is defined in clause (42C) of section 2 of the Act, as the transfer of one or more undertaking, by any means, for a lump sum consideration without values being assigned to individual assets and liabilities in such sales. Vide the Finance Act, 2021, the definition of "slump sale" was amended to expand its scope to cover all forms of transfer under slump sale. However, inadvertently, in the last sentence there is reference to the word "sales" instead of "transfer".

2. Therefore, it is proposed to carry out consequential amendment by amending the provision of clause (42C) of section 2 of the Act, to substitute the word "sales" with the word "transfer".

3. This amendment will take effect retrospectively from the 1st April, 2021 and will accordingly apply in relation to the assessment year 2021-22 and subsequent assessment years.

[Clause 3]

EXPLANATORY MEMORANDUM TO THE FINANCE BILL, 2022

CUSTOMS

Note:

(a) "Basic Customs Duty" means the customs duty levied under the Customs Act, 1962.
(b) "Agriculture Infrastructure and Development Cess" means a duty of customs that is levied under Section 124 of the Finance Act, 2021.
(c) "Road and Infrastructure Cess" means an additional duty of customs that is levied under Section 111 of the Finance Act, 2018 respectively.
(d) "Health Cess" means a duty of customs that is levied under Section 141 of the Finance Act, 2020.
(e) "Social Welfare Surcharge" means a duty of customs that is levied under Section 110 of the Finance Act, 2018.
(f) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2022.
(g) Amendments carried out through the Finance Bill, 2022, will come into effect on the date of its enactment, unless otherwise specified.

I. AMENDMENTS IN THE CUSTOMS ACT, 1962

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	**Clause (34) of section 2** contains definition of "proper officer". This section is being modified to specifically state that assignment of functions to an officer of Customs by the Board or the Principal Commissioner of Customs or the Commissioner of Customs shall be done under the newly inserted sub-sections (1A) and (1B) of Section 5 in the Customs Act, 1962 (52 of 1962).	[85]
2.	**Section 3** is being amended to specifically include the officers of DRI, Audit and Preventive formation in the class of Officers. This amendment has been made to remove any ambiguity as regards the class of officers of Customs.	[86]
3.	**Sub-Section (1A) and 1(B) to Section 5:** Sub-section (1A) and (1B) have been inserted in section 5 of the Act to explicitly provide power of assignment of function to officers of customs by the Board or as the case may be by the Principal Commissioner of Customs or Commissioner of Customs. This amendment has been necessitated to correct the infirmity	[87]

	observed by the Courts in recent judgments that the Act required explicit provision conferring powers for assignment of function to officers of Customs as "proper officers" for the purposes of the Act, besides the definition clause (34) in section 2 of the Customs Act	
4.	**Sub-section (4) to Section 5 is being inserted to** delineate the criteria which the Board may adopt while imposing limitations or conditions under sub-section (1) or while assigning functions under sub-section (1A) to the officer of Customs. For instance, one of the limitations/ conditions that the Board currently imposes on "officers of Customs" is that they are required to operate within a specified territorial jurisdiction. However, with the launch of faceless assessments and other trade facilitation initiatives wherein, for instance, a need is felt for the development of industry-specific expertise in assessments the Board may need to confine jurisdiction to certain goods or class of goods.	[87]
5.	**Sub-section (5) to Section 5** is being inserted to ensure that wherever necessary, for the proper management of work, two or more officers of customs, can concurrently exercise powers and functions (for example in the case of faceless assessment)	[87]
6.	**Section 14** is being amended to include provisions for rules enabling the Board to specify the additional obligations of the importer in respect of a class of imported goods whose value is not being declared correctly, the criteria of selection of such goods, and the checks in respect of such goods. This amendment is a measure to address the issue of undervaluation in imports.	[88]
7.	**Section 28E** is being amended to omit the Explanation under clause (c) and omit clause (h).	[89]
8.	**Section 28H** is being amended to make provisions for prescribing appropriate fees by Board relating to application for advance Ruling and also give flexibility to the applicant to withdraw his application at any time before a ruling is pronounced from the current 30 days' time period. Consequently, the sub-section (3) is being omitted.	[90]
9.	**Sub-section (7) under section 28I** is being substituted so as to remove the word "Members" and also make changes accordingly.	[91]
10.	**Sub-section (2) under Section 28J** is being substituted so that advance ruling under sub-section (1) of Section 28J is now valid for a period of three years or till there is a change in law or facts on the basis of which the advance ruling has been pronounced, whichever is earlier. A proviso is also being inserted to provide that the advance rulings in force on the date on which the Finance Bill, 2022 receives assent of the President, the said period of three years shall be reckoned from the date	[92]

	on which the Finance Bill receives assent of the President.	
11.	**Section 110AA** is being inserted with a view to affirm the principle that, wherever, an original function duly exercised by an officer of competent jurisdiction, is the subject matter of a subsequent inquiry, investigation , audit or any other specified purpose by any other officer of customs, then, notwithstanding, such inquiry, investigation, audit or any other purpose, the officer, who originally exercised such jurisdiction shall have the sole authority to exercise jurisdiction for further action like re-assessment, adjudications, etc. consequent to the completion of such inquiry, investigation, audit or any other purpose.	[93]
12.	**Section 135AA** is being inserted to protect the import and export data submitted to Customs by importers or exporters in their declarations by making the publishing of such information unless provided by the law, as an offence under Customs Act.	[94]

II. OTHER LEGISLATIVE AMENDMENTS PERTAINING TO CUSTOMS

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	A clause [] has been inserted in the Finance Bill, 2022. This clause seeks to give validation to any action taken or functions performed before the date of commencement of the Finance Act, 2022, under certain Chapters of the Customs Act by any officer of Customs, as specified in Section 3 of the Customs Act, as amended, where such action was in pursuance of their appointment and assigning of functions by the Central government or the Board under the Customs Act.	[96]

III. AMENDMENTS IN THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

	AMENDMENTS			
A.	**Tariff rate changes for Basic Customs Duty [to be effective from 02.02.2022, unless otherwise specified] * [Clause [97(a)] of the Finance Bill, 2022]** **Will come into effect immediately owing to a declaration under the Provisional Collection of Taxes Act, 1931.*		**Rate of Duty**	
S. No.	**Heading, sub-heading or tariff item**	**Commodity**	**From**	**To**
		Edible Oils		
1.	1516 30 00	Microbial fats and oils and their fractions	30%	100%
		MSME sector		
2.	6601	Umbrellas	10%	20%
		Gems and Jewellery Sector		
3.	7117	Imitation Jewellery	20%	20% or Rs. 400/kg., **whichever** is higher
		Electrical and electronic items		
4.	8518 21 , 8518 22 , 8518 29	Single or multiple loudspeakers, whether or not mounted in their enclosures *Note: Effective BCD rate on these goods, other than hearable devices would continue to be '15%'. BCD rates on hearable devices will be governed by the Phased Manufacturing Program[PMP] as mentioned at V below.*	15%	20%
5.	8518 30	Headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers *Note: Effective BCD rate on these goods, other than hearable devices would continue to be '15%'. BCD rates on hearable devices will be governed by the Phased Manufacturing*	15%	20%

		Program[PMP] as mentioned at V below.		
6.	9028 30 10	Smart Meters *Note: Effective BCD rate on these goods would continue to be '15%' till 31.03.2022*	15%	25%
7.	9028 90 10	Printed Circuit Board Assembly of Smart Meters *Note: Effective BCD rate on these goods would continue to be '7.5%' till 31.03.2022*	10%	20%
		Solar Energy Sector		
8.	8541 42 00	Solar Cells (other than those exclusively used with ITA-1 items) *Note: Effective BCD rate on these goods would continue to be 'Nil' till 31.03.2022.*	20%	25%
9.	8541 43 00	Solar Modules (other than those exclusively used with ITA-1 items) *Note: Effective BCD rate on these goods would continue to be 'Nil' till 31.03.2022.*	20%	40%
B.	**Tariff rate changes (without any change in the effective rates of Basic Customs Duty) [to be effective from 01.05.2022, unless otherwise specified] * [Clause [97(b)] of the Finance Bill, 2022]** **Note**: 1. The current applied rate of Basic Customs Duty on these commodities operates through their respective exemption/concessional notification(s). Such corresponding entries would be omitted from the concerned notification(s) with effect from the 1st day of May, 2022, as the same would operate through the Customs Tariff Act, 1975, in the manner as detailed below *[except S. No. 38 of the list below]*. It is an exercise for simplification of the Customs tariff structure and Effective basic customs duty rate (and applicable cesses) of these items would remain unchanged. 2. Heading and sub-heading referred in column (2) shall include all tariff items under such heading or sub-heading.		**Rate of Duty**	
S. No.	**Chapter, heading, sub-heading, or tariff item**	**Commodity**	**From**	**To**
1.	0101 21 00	Pure-bred breeding horses	30%	Free
2.	0508 00 10	Coral, unworked or simply prepared but not otherwise worked	30%	Free

3.	0511 10 00	Bovine semen	30%	5%
4.	0801 31 00	Cashew nuts, in shell	30%	2.5%
5.	0802 51 00, 0802 52 00	Pistachios, in shell and shelled	30%	10%
6.	0804 10 20, 0804 10 30	Soft dates (khayzur or wet dates), hard dates (chhohara or kharek dates)	30%	20%
7.	0805 10 00, 0805 50 00,	Oranges, Lemon and limes	40%	30%
8.	0806 10 00	Fresh grapes	35%	30%
9.	0808 30 00, 0808 40 00	Fresh pears, Fresh quinces	35%	30%
10.	0904 11 10	Pepper, long	70%	30%
11.	0907	Cloves (whole fruit, cloves and stem)	70%	35%
12.	1001 19 00, 1001 99 10	Wheat, other than seed quality	100%	40%
13.	1005	Maize (corn)	70%/60%	50%
14.	1007	Grain sorghum	80%	50%
15.	1008 21, 1008 29	Millet (Jawar, Bajra, Ragi)	70%	50%
16.	1104 22 00	Other worked grains of oats	30%	15%
17.	1107 10 00	Malt, not roasted	40%	30%
18.	1108 12 00	Maize (corn) starch	50%	30%
19.	1207 91 00	Poppy seeds	70%	20%
20.	1209 91, 1209 99	Vegetable seeds, fruit seeds for planting or sowing	10%	5%
21.	1401 10 00	Bamboos	30%	25%
22.	1702 11, 1702 19	Lactose and lactose syrup	30%	25%
23.	1905 31 00, 1905 32	Sweet Biscuits, Waffles and wafers	45%	30%
24.	2207 20 00	Ethyl alcohol and other spirits, denatured	30%	5%
25.	2309 10 00	Dog or cat food, put up for retail sale	30%	20%
26.	Chapter 23 (except 2309 10 00)	Residues and waste from the food industries; prepared animal fodder	30%	15%

27.	25 (except 2515, 2516, 2523, 2524 and items at S. No. 28, 29, 30, 31 and 32 below)	Salt, Sulphur, Earth and stone, lime etc.	10%	5%
28.	2503 00 10	Crude or unrefined sulphur	10%	2.5%
29.	2510	Rock phosphate	5%	2.5%
30.	2520 10 10, 2520 10 20, 2520 10 90	Gypsum	10%	2.5%
31.	2523 29	Portland Cement (other than white Portland cement)	10%	Free
32.	2528	Boron Ores and concentrates	10%	2.5%
33.	2601 to 2617 [except items at S. No. 34 and 35 below]	Ores and concentrates	5%/10%	2.5%
34.	2604 00 00	Nickel Ore and Concentrate	5%	Free
35.	2612 10 00	Uranium Ore and Concentrates	5%	Free
36.	2620 11 00, 2620 19	Zinc slag, ash or residue	10%	5%
37.	2620 30	Copper slag, ash or residue	10%	5%
38.	2701, 2702, 2703	Coal, Lignite, Peat *[These items would continue to attract Basic Customs Duty at the rate of 1% through notification No. 50/2017-Cus]*	10%	5%
39.	2704, 2705, 2706	Coke, coal gas and Tar	10%	5%
40.	2707	Oils etc. from coal tar distillation	10%	2.5%
41.	2708	Pitch and pitch coke	10%	5%
42.	2709 00 90	Oil (other than crude petroleum) obtained from Bituminous Crude	5%	Free

43.	2710 12 50	Aviation gasoline confirming to standard IS 1604	10%	Free
44.	2710, 2711, 2712, 2713, 2714 or 2715	Petroleum oils and oils obtained from bituminous minerals (excluding Naphtha), petroleum gases, petroleum jelly, petroleum bitumen and other residues of petroleum oil, asphalt.	10%	5%
45.	2710 12 21, 2710 12 22, 2710 12 29	Light Naphtha, Heavy Naphtha, Full range Naphtha	10%	2.5%
46.	2710 12 41, 2710 12 42, 2710 12 49	Motor Spirit commonly known as petrol	10%	2.5%
47.	2710 19 44, 2710 19 49, 2710 20 10, 2710 20 20	High speed diesel (HSD)	10%	2.5%
48.	2710 19 39	Aviation Turbine Fuel (ATF)	10%	5%
49.	2711 11 00	Liquefied natural gas (LNG)	10%	2.5%
50.	2711 12 00	Propane	10%	2.5%
51.	2711 13 00	Butanes	10%	2.5%
52.	2711 19 10, 2711 19 20	Liquefied petroleum gases (LPG)	10%	5%
53.	2711 21 00, 2711 29 00	Natural Gas in gaseous state	10%	5%
54.	2713 12 10, 2713 12 90	Calcined Petroleum Coke	10%	7.5%
55.	28 (except 2801, 2802, 2803, 2804, 2805, 2809 20 10, 2810 00 20, 2814, 2823 00 10, 2837 11 00, 2843 and items at S. No. 56 to 58	Inorganic Chemicals (other than Chemical Elements, Phosphoric Acid, Boric Acids, Ammonia, Titanium Dioxide etc.)	10%	7.5%

	below)			
56.	2801 20 00	Iodine	5%	2.5%
57.	2825 40 00	Nickel oxide and hydroxide	10%	Free
58.	2844 20 00	All goods	10%	Free
59.	29 (except 2905 43 00, 2905 44 00, 2933 71 00, and items at S. No. 60 to 73 below)	Organic Chemicals (except Mannitol, D-glucitol (Sorbitol) and 6- Hexanelactum)	10%	7.5%
60.	2901, 2902 (except items listed at S. Nos. 61, 62, and 63 below)	Cyclic and Acyclic Hydrocarbons (other than o-xylene, p-xylene and styrene)	10%	2.5%
61.	2902 41 00	o-xylene	10%	Free
62.	2902 43 00	p-xylene	10%	Free
63.	2902 50 00	Styrene	10%	2%
64.	2903 or 2904 (except items at S. No. 65 and 66 below)	Halogenated, Sulphonated, nitrated or nitrosated derivatives of hydrocarbons (other than methyl chloride, methylene chloride, chloroform and trichloroethylene)	10%	5%
65.	2903 15 00	Ethylene Dichloride (EDC)	10%	Free
66.	2903 21 00	Vinyl chloride monomer (VCM)	10%	2%
67.	2905 31 00	Mono ethylene glycol (MEG)	10%	5%
68.	2910 20 00	Methyl oxirane (propylene oxide)	10%	5%
69.	2917 36 00	Purified Terephthalic Acid (PTA), Medium Quality Terephthalic Acid (MTA) and Qualified Terephthalic Acid (QTA)	10%	5%
70.	2917 37 00	Dimethyl terephthalate (DMT)	10%	5%
71.	2926 10 00	Acrylonitrile	10%	2.5%
72.	2933 71 00	Caprolactam	10%	5%

73.	2905 43 00, 2905 44 00,	Mannitol, Sorbitol	30%	20%
74.	31 (except 3102 21 00, 3102 30 00, 3102 50 00, 3104 30 00, 3105 20 00, 3105 30 00, 3105 40 00, 3105 51 00, 3105 59 00, 3105 60 00, 3105 90 10, 3105 90 90)	Fertilizers (other than Ammonium Sulphate, Ammonium Nitrate, Sodium nitrate, Potassium Sulphate, Minerals or Chemical fertilizers of NPK)	10%	7.5%
75.	3201, 3202, 3203, 3204, 3205 00 00, 3206 , 3207 (except 3201 20 00, 3206 11, and 3206 19 00)	Tanning agents, colouring materials, colour lakes, prepared pigments etc.	10%	7.5%
76.	3201 20 00	Wattle extract	10%	2.5%
77.	3301	Essential Oils	30%	20%
78.	3403	Lubricating preparations etc.	10%	7.5%
79.	3501, 3502, 3503, 3504, 3505,	Casein, albumin, gelatin, peptones, dextrin	30%/50%	20%
80.	3801, 3802, 3803 00 00, 3804, 3805, 3806, 3807, 3809 (except 3809 10 00), 3810, 3812, 3815, 3816 00 00, 3817,	Miscellaneous Chemical Products like artificial graphite, activated carbon, tall oil, rosin, wood tar etc.	10%	7.5%

	3821 00 00			
81.	3809 10 00	Finishing agents with a basis of amylaceous substances	30%	20%
82.	3823 11 00, 3823 12 00, 3823 13 00, 3823 19 00 or 3823 70	Industrial monocarboxylic fatty acids and fatty alcohols	30%	7.5%
83.	3824 (except 3824 60 and 3824 99 00) and 3827	Prepared binders for foundry moulds, Mixtures containing halogenated derivatives of methane, ethane or propane, not elsewhere specified or included	10%	7.5%
84.	3901 to 3915 (except 3904, 3906 90 70, and 3908)	Plastics in primary forms (except polymers of vinyl chloride , polyamides)	10%	7.5%
85.	3906 90 70	Sodium polyacrylate	10%	5%
86.	4001 21, 4001 22, 4001 29	Natural rubber in forms other than latex	25%	25% or Rs. 30/- per kg, whichever is lower
87.	5002	Raw Silk, (not thrown)	30%	15%
88.	5003 to 5006	Silk Waste and Silk Yarn	25%	15%
89.	5007	Woven fabrics of silk or of silk waste	25%	20%
90.	5101	Wool, not carded or combed	25%/30%	2.5%
91.	5102	Fine or coarse animal hair	25%	5%
92.	5103 10 10, 5103 20 10, 5103 20 20, 5103 20 90	Wool waste	25%	5%
93.	5103 10 90, 5103 30 00	Waste of coarse animal hair	25%	10%
94.	5104	Garnetted stock of wool or of fine or coarse animal hair	20%	10%
95.	5105 10 00,	Wool and fine or coarse animal hair, carded or	20%	10%

	5105 21 00, 5105 29 90, 5105 31 00, 5105 39 00, 5105 40 00	combed		
96.	5105 29 10	Wool tops	20%	2.5%
97.	5106, 5107, 5108	Wool yarn, not put up for retail sale	20%	10%
98.	5109, 5110	Wool yarn, put up for retail sale	25%	10%
99.	5111 11	Woven fabrics of carded wool or of carded fine animal hair, of weight, not exceeding 300g/sq. m.	25% or Rs. 135 per sq. m., whichever is higher	10% or Rs. 115 per sq. m., whichever is higher
100.	5111 19	Woven fabrics of carded wool or of carded fine animal hair, of weight, exceeding 300g/sq. m.	25% or Rs. 150 per sq. m., whichever is higher	10% or Rs. 125 per sq. m., whichever is higher
101.	5111 20	Woven fabrics of carded wool or of carded fine animal hair, mixed mainly or solely with man-made filaments	25% or Rs. 80 per sq. m., whichever is higher	10% or Rs. 65 per sq. m., whichever is higher
102.	5111 30	Woven fabrics of carded wool or of carded fine animal hair, mixed mainly or solely with man-made staple fibres	25% or Rs. 75 per sq. m., whichever is higher	10% or Rs. 65 per sq. m., whichever is higher
103.	5111 90	Other woven fabrics of carded wool or of carded fine animal hair	25% or Rs. 90 per sq. m., whichever is higher	10% or Rs. 75 per sq. m., whichever is higher
104.	5112 11	Woven fabrics of combed wool or of combed fine animal hair, of weight, not exceeding 300g/sq. m.	25% or Rs. 125 per sq. m., whichever is higher	10% or Rs. 105 per sq. m., whichever is higher
105.	5112 19	Woven fabrics of combed wool or of combed fine animal hair, of weight, exceeding 300g/sq. m.	25% or Rs. 155 per sq. m., whichever is higher	10% or Rs. 130 per sq. m., whichever is higher

106.	5112 20	Woven fabrics of combed wool or of combed fine animal hair, mixed mainly or solely with man-made filaments	25% or Rs. 85 per sq. m., whichever is higher	10% or Rs. 70 per sq. m., whichever is higher
107.	5112 30	Woven fabrics of carded wool or of carded fine animal hair, mixed mainly or solely with man-made staple fibres	25% or Rs. 110 per sq. m., whichever is higher	10% or Rs. 90 per sq. m., whichever is higher
108.	5112 90	Other woven fabrics of carded wool or of carded fine animal hair	25% or Rs. 135 per sq. m., whichever is higher	10% or Rs. 115 per sq. m., whichever is higher
109.	5113	Woven fabrics of coarse animal hair or of horse hair	25% or Rs. 60 per sq. m., whichever is higher	10% or Rs. 60 per sq. m., whichever is higher
110.	5201	Cotton, not carded or combed	25%	5%
111.	5202	Cotton waste	25%	10%
112.	5204, 5205, 5206	Cotton sewing thread, Cotton yarn (not put up for retail sale)	20%	10%
113.	5207	Cotton yarn (put up for retail sale)	25%	10%
114.	5208 11, 5208 12, 5208 13, 5208 19, 5208 21, 5208 22, 5208 23, 5208 29, 5208 31, 5208 32, 5208 33	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m.	25%	10%
115.	5208 41	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m., of yarn of different colours	25% or Rs. 9 per sq. m., whichever is higher	10% or Rs. 9 per sq. m., whichever is higher
116.	5208 43	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m., 3-thread or 4-thread twill, including cross twill	25%	10%

117.	5208 51	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m., plain weave, weighing not more than 100g/sq. m.	25% or Rs. 27 per sq. m., whichever is higher	10% or Rs. 27 per sq. m., whichever is higher
118.	5209 11, 5209 12, 5209 21, 5209 22, 5209 29, 5209 19 00	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m.	25%	10%
119.	5209 42 00	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., Denim	25% or Rs. 25 per sq. m., whichever is higher	10% or Rs. 25 per sq. m., whichever is higher
120.	5210 11, 5210 21, 5210 29, 5210 31, 5210 32	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/sq. m.	25%	10%
121.	5210 41	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200g/sq. m., of yarns of different colours	25% or Rs. 15 per sq. m., whichever is higher	10% or Rs. 15 per sq. m., whichever is higher
122.	5211 11, 5211 12, 5211 19 00, 5211 20	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m.	25%	10%
123.	5211 42 00	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., Denim	25% or Rs. 18 per sq. m., whichever is higher	10% or Rs. 18 per sq. m., whichever is higher
124.	5212 11 00, 5212 12 00, 5212 13 00, 5212 14 00	Other woven fabrics of cotton, weighing not more than 200g/sq. m., unbleached, bleached, dyed, of yarns of different colours	25%	10%
125.	5212 15 00	Other woven fabrics of cotton, printed	25% or Rs. 165 per kg., whichever is higher	10% or Rs. 165 per kg., whichever is higher
126.	5212 21 00, 5212 22 00,	Other woven fabrics of cotton, weighing more	25%	10%

	5212 23 00	than 200g/sq. m., unbleached, bleached, dyed		
127.	5212 24 00	Other woven fabrics of cotton, weighing more than 200g/sq. m., of yarns of different colours	25% or Rs. 20 per sq. m., whichever is higher	10% or Rs. 20 per sq. m., whichever is higher
128.	5212 25 00	Other woven fabrics of cotton, weighing more than 200g/sq. m., printed	25% or Rs. 165 per kg., whichever is higher	10% or Rs. 165 per kg., whichever is higher
129.	5301	Flax, raw or processed, but not spun; flax tow and waste	25%/30%	Free
130.	5303 10 10	Raw jute	25%	5%
131.	5303 10 90, 5303 90 10, 5303 90 90	Jute and other textile bast fibres	25%	10%
132.	5305, 5306, 5307, 5308, 5309	Coconut, Abaca, Ramie and other vegetable textile fibres, Flax yarn, Jute yarn, paper yarn, flax fabric	25%	10%
133.	5310 10, 5310 90	Woven fabrics of jute or of other textile bast fibres	25%	10%
134.	5311	Woven fabrics of other vegetable textile fibres or paper yarn	25%	10%
135.	5401	Sewing thread of man-made filaments, whether or not put up for retail sale	20%	5%
136.	5402	Synthetic filament yarn, not put up for retail sale, including synthetic monofilament of less than 67 decitex	20%	5%
137.	5403	Artificial filament yarn, not put up for retail sale, including artificial monofilament of less than 67 decitex	20%	5%
138.	5404	Synthetic monofilament of 67 decitex or more	20%	5%
139.	5405	Artificial monofilament of 67 decitex or more	20%	5%
140.	5406	Man-made filament yarn	20%	5%
141.	5407 10 11, 5407 10 12, 5407 10 13, 5407 10 14, 5407 10 15, 5407 10 16, 5407 10 19, 5407 10 22,	Woven fabrics of synthetic filament yarn	25% or Rs. 115 per kg., whichever is higher	20% or Rs. 115 per kg., whichever is higher

	5407 10 23, 5407 10 24, 5407 10 25, 5407 10 29, 5407 10 31, 5407 10 33, 5407 10 34, 5407 10 35, 5407 10 36, 5407 10 39, 5407 10 43, 5407 10 44, 5407 10 45, 5407 10 46, 5407 10 49, 5407 10 91, 5407 10 92, 5407 10 93, 5407 10 94, 5407 10 95, 5407 10 96, 5407 10 99			
142.	5407 10 21, 5407 10 26, 5407 10 32, 5407 10 41, 5407 10 42	Parachute fabrics, polyester suitings, Tent Fabrics	25% or Rs. 115 per kg., whichever is higher	10% or Rs. 115 per kg., whichever is higher
143.	5407 20, 5407 30	Woven fabrics obtained from strip or the like	25%	20%
144.	5407 41 11, 5407 41 13, 5407 41 19, 5407 41 23, 5407 41 29	Nylon brasso, Nylon taffeta, Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides	25% or Rs. 30 per sq. m., whichever is higher	20% or Rs. 20 per sq. m., whichever is higher
145.	5407 41 12, 5407 41 14, 5407 41 21, 5407 41 22, 5407 41 24	Nylon georgette, Nylon sarees, bleached Nylon brasso	25% or Rs. 30 per sq. m., whichever is higher	10% or Rs. 20 per sq. m., whichever is higher
146.	5407 51	Other woven fabrics, containing 85% or more by weight of textured polyester filaments, unbleached or bleached	25% or Rs. 11 per sq. m., whichever is higher	20% or Rs. 11 per sq. m., whichever is higher
147.	5407 54	Other woven fabrics, containing 85% or more by weight of textured polyester filaments, printed	25% or Rs. 20 per sq. m.,	20% or Rs. 20 per sq. m.,

			whichever is higher	whichever is higher
148.	5407 71	Other woven fabrics, containing 85% or more by weight of synthetic filaments, unbleached or bleached	25% or Rs. 10 per sq. m., whichever is higher	20% or Rs. 10 per sq. m., whichever is higher
149.	5407 72 00	Other woven fabrics, containing 85% or more by weight of synthetic filaments, dyed	25% or Rs. 24 per sq. m., whichever is higher	20% or Rs. 24 per sq. m., whichever is higher
150.	5407 81 11, 5407 81 12, 5407 81 13, 5407 81 14, 5407 81 19, 5407 81 22, 5407 81 23, 5407 81 29	Nylon georgette, Nylon sarees, Polyester shirtings, Polyester suitings (unbleached), Other woven fabrics, containing 85% or more by weight of synthetic filaments mixed mainly or solely with cotton	25% or Rs. 10 per sq. m., whichever is higher	20% or Rs. 10 per sq. m., whichever is higher
151.	5407 81 15, 5407 81 16, 5407 81 21, 5407 81 24, 5407 81 25, 5407 81 26	Terylene and dacron sarees, Polyester dhoti, bleached nylon georgette, Polyester suitings (bleached)	25% or Rs. 10 per sq. m., whichever is higher	10% or Rs. 10 per sq. m., whichever is higher
152.	5407 91	Other woven fabrics, unbleached or bleached	25% or Rs. 15 per sq. m., whichever is higher	20% or Rs. 15 per sq. m., whichever is higher
153.	5408 10 00, 5408 21	Woven fabrics obtained from high tenacity yarn of viscose rayon, containing 85% or more by weight of artificial filament or strip or the like, unbleached or bleached	25%	20%
154.	5408 31	Other woven fabrics, unbleached or bleached	25% or Rs. 25 per sq. m., whichever is higher	20% or Rs. 25 per sq. m., whichever is higher
155.	5408 32	Dyed fabrics of rayon	25% or Rs. 44 per sq. m., whichever is higher	20% or Rs. 44 per sq. m., whichever is higher

156.	5408 33 00	Dyed fabrics of rayon, of yarns of different colours	25% or Rs. 10 per sq. m., whichever is higher	20% or Rs. 10 per sq. m., whichever is higher
157.	5408 34	Printed fabrics of rayon	25% or Rs. 11 per sq. m., whichever is higher	20% or Rs. 11 per sq. m., whichever is higher
158.	5501, 5502	Synthetic and artificial filament tow	20%	5%
159.	5503 20 00	Synthetic staple fibres, not carded, combed or otherwise processed for spinning, of polyesters	20%	5%
160.	5503 40 00, 5503 90 10, 5503 90 20, 5503 90 90	Synthetic staple fibres, not carded, combed or otherwise processed for spinning, of polypropylene and others	20%	5%
161.	5504 90 10, 5504 90 20, 5504 90 30, 5504 90 90	Other artificial staple fibres, not carded, combed or otherwise processed for spinning	20%	5%
162.	5505, 5506, 5507, 5508, 5509, 5510	Man-made fibre waste, synthetic staple fibres, artificial staple fibres, sewing thread of man-made staple fibres, yarn of synthetic staple fibres, yarn of artificial staple fibres	20%	5%
163.	5511	Yarn of man-made staple fibres, put up for retail sale	25% or Rs. 31 per kg., whichever is higher/ 25% or Rs. 30 per kg., whichever is higher	10%
164.	5512 11, 5512 21, 5512 91	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres (unbleached or bleached), containing 85% or more by weight of acrylic or modacrylic staple fibres (unbleached or bleached), other	25%	20%
165.	5513 11, 5513 12, 5513 13, 5513 19	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of synthetic staple fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/sq. m. (of polyester staple fibres, plain weave; 3 thread or 4	25%	20%

		thread twill; other woven fabric of polyester staple fibres; other woven fabrics)		
166.	5513 29 00	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of synthetic staple fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/sq. m.	25% or Rs. 185 per kg., whichever is higher	20% or Rs. 185 per kg., whichever is higher
167.	5513 31 00	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of synthetic staple fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/sq. m., of yarns of different colours	25% or Rs. 21 per sq. m., whichever is higher	20% or Rs. 21 per sq. m., whichever is higher
168.	5513 49 00	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of synthetic staple fibres, mixed mainly or solely with cotton, of a weight not exceeding 170g/sq. m., printed	25% or Rs. 185 per kg., whichever is higher	20% or Rs. 185 per kg., whichever is higher
169.	5514 11, 5514 12, 5514 19	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cottons, of a weight exceeding 170g/sq. m. (of polyester staple fibres, plain weave; ; 3 thread or 4 thread twill; other woven fabric of polyester staple fibres; other woven fabrics)	25%	20%
170.	5514 30 13	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cottons, of a weight exceeding 170g/sq. m., of polyester staple fibres	25% or Rs. 180 per kg., whichever is higher	20% or Rs. 180 per kg., whichever is higher
171.	5514 30 19	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cottons, of a weight exceeding 170g/sq. m.	25% or Rs. 31 per sq. m., whichever is higher	20% or Rs. 31 per sq. m., whichever is higher
172.	5514 41 00	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cottons, of a weight exceeding 170g/sq. m., printed	25% or Rs. 26 per sq. m., whichever is higher	20% or Rs. 26 per sq. m., whichever is higher
173.	5514 42 00	Other Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cottons, of a weight exceeding 170g/sq. m., 3 thread or 4 thread twill	25% or Rs. 140 per kg., whichever is higher	20% or Rs. 140 per kg., whichever is higher
174.	5514 43 00	Other woven fabrics of polyester staple fibres	25% or Rs. 31 per	20% or Rs. 31 per

			sq. m., whichever is higher	sq. m., whichever is higher
175.	5515 11	Other woven fabrics of synthetic staple fibres, of polyester staple fibres, mixed mainly or solely with viscose rayon staple fibres	25% or Rs. 40 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
176.	5515 12	Other woven fabrics of synthetic staple fibres, of polyester staple fibres, mixed mainly or solely with	25% or Rs. 95 per kg., whichever is higher	20% or Rs. 95 per kg., whichever is higher
177.	5515 13	Other woven fabrics of synthetic staple fibres, of polyester staple fibres, mixed mainly or solely with viscose rayon staple fibres	25% or Rs. 75 per sq. m., whichever is higher	20% or Rs. 75 per sq. m., whichever is higher
178.	5515 19	Other woven fabrics of synthetic staple fibres, of polyester staple fibres	25% or Rs. 45 per sq. m., whichever is higher	20% or Rs. 45 per sq. m., whichever is higher
179.	5515 22 10, 5515 22 20	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, bleached or unbleached	25% or Rs. 140 per kg., whichever is higher	10% or Rs. 140 per kg., whichever is higher
180.	5515 22 30	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, dyed	25% or Rs. 140 per kg., whichever is higher	20% or Rs. 140 per kg., whichever is higher
181.	5515 22 40	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, printed	25% or Rs. 140 per kg., whichever is higher	10% or Rs. 140 per kg., whichever is higher
182.	5515 22 90	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, mixed mainly or solely with wool or fine animal hair, other	25% or Rs. 140 per kg., whichever is higher	20% or Rs. 140 per kg., whichever is higher
183.	5515 29 10, 5515 29 20	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, other,	25% or Rs. 30 per sq. m.,	10% or Rs. 30 per sq. m.,

		bleached or unbleached	whichever is higher	whichever is higher
184.	5515 29 30, 5515 29 40, 5515 29 90	Other woven fabrics of synthetic staple fibres, of acrylic or modacrylic staple fibres, other, dyed, printed or other	25% or Rs. 30 per sq. m., whichever is higher	20% or Rs. 30 per sq. m., whichever is higher
185.	5515 99	Other woven fabrics of synthetic staple fibres, mixed mainly or solely with man-made filaments	25% or Rs. 35 per sq. m., whichever is higher	20% or Rs. 35 per sq. m., whichever is higher
186.	5516 11	Woven fabrics of artificial staple fibres, containing 85% or more by weight of artificial staple fibres, unbleached or bleached	25%	20%
187.	5516 12 00	Woven fabrics of artificial staple fibres, containing 85% or more by weight of artificial staple fibres, dyed	25% or Rs. 35 per sq. m., whichever is higher	20% or Rs. 35 per sq. m., whichever is higher
188.	5516 13 00	Woven fabrics of artificial staple fibres, containing 85% or more by weight of artificial staple fibres, of yarns of different colours	25% or Rs. 40 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
189.	5516 14	Woven fabrics of artificial staple fibres, containing 85% or more by weight of artificial staple fibres, printed	25% or Rs. 12 per sq. m., whichever is higher	20% or Rs. 12 per sq. m., whichever is higher
190.	5516 21	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, unbleached or bleached	25%	20%
191.	5516 24 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, printed	25% or Rs. 12 per sq. m., whichever is higher	20% or Rs. 12 per sq. m., whichever is higher
192.	5516 31 10	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with wool or fine animal hair, unbleached	25%	20%
193.	5516 31 20	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with wool	25%	10%

		or fine animal hair, bleached		
194.	5516 32 00, 5516 33 00, 5516 34 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with wool or fine animal hair, dyed, of yarns of different colours, printed	25%	20%
195.	5516 41, 5516 42 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with cotton, unbleached, bleached or dyed	25%	20%
196.	5516 43 00, 5516 44 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with cotton, of yarns of different colours, printed	25% or Rs. 12 per sq. m., whichever is higher	20% or Rs. 12 per sq. m., whichever is higher
197.	5516 91 10, 5516 91 20, 5516 92 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, other, unbleached, bleached or dyed	25%	20%
198.	5516 93 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, other, of yarns of different colours	25% or Rs. 21 per sq. m., whichever is higher	20% or Rs. 21 per sq. m., whichever is higher
199.	5516 94 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, other, printed	25% or Rs. 40 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
200.	5601 21, 5601 22 00, 5601 29 00	Wadding of textile materials and articles thereof, of cotton	25%	10%
201.	5601 30 00	Textile flock and dust and mill neps	25%	20%
202.	5602	Felt, whether or not impregnated, coated, covered or laminated	25%	10%
203.	5603 11 00, 5603 22 00	Nonwovens of man-made filaments, weighing upto 70g/sq. m.	25%	20%
204.	5603 13 00	Nonwovens of man-made filaments, weighing more than 70g/sq. m. and less than 150g/sq. m.	25%	10%
205.	5603 14 00	Nonwovens of man-made filaments, weighing more than 70g/sq. m.	25%	20%
206.	5603 91 00	Other Nonwovens, weighing not more than 25g/sq. m.	25%	10%

207.	5603 92 00	Other Nonwovens, weighing more than 25g/sq. m. and less than 70g/sq. m.	25%	20%
208.	5603 93	Other Nonwovens, weighing more than 70g/sq. m. and less than 150g/sq. m.	25%	10%
209.	5603 94	Other Nonwovens, weighing more than 150g/sq. m.	25%	20%
210.	5604, 5605, 5606, 5607	Rubber thread and cord, metallized yarn, Gimped yarn, Twine, cordage, ropes etc.	20%	10%
211.	5608, 5609	Knotted netting of twine, cordage , rope etc., articles of yarn, strip or the like of heading 5404 or 5405 of the First Schedule of the Customs Tariff Act, 1975	25%	10%
212.	5701	Carpets and other textile floor coverings, knotted, whether or not made up	25%	20%
213.	5702 10 00, 5702 20 10, 5702 20 20, 5702 20 90, 5702 31	Kelem, Schumacks, Karamanie; floor coverings of coconut fibres (coir); others, of pile construction, not made up, of wool or fine animal hair	25%	20%
214.	5702 32	Others, of pile construction, not made up, of man-made textile material	25% or Rs. 105 per sq. m., whichever is higher	20% or Rs. 105 per sq. m., whichever is higher
215.	5702 39, 5702 41	Others, of pile construction, not made up, of other textile material; Others, of pile construction, made up, of wool or fine animal hair	25%	20%
216.	5702 42	Others, of pile construction, made up, of man-made textile materials	25% or Rs. 80 per sq. m., whichever is higher	20% or Rs. 80 per sq. m., whichever is higher
217.	5702 49	Others, of pile construction, made up, of other textile materials	25%	20%
218.	5702 50 21, 5702 50 22, 5702 50 29	Others, not of pile construction, not made up, of man-made textile materials	25% or Rs. 105 per sq. m., whichever is higher	20% or Rs. 105 per sq. m., whichever is higher
219.	5702 50 31, 5702 50 32, 5702 50 33, 5702 50 39	Others, not of pile construction, not made up, of other textile materials	25%	20%

220.	5702 91 10	Others, not of pile construction, made up, of wool or fine animal hair (carpets)	25%	20%
221.	5702 91 20	Others, not of pile construction, made up, of wool or fine animal hair (druggets)	25%	10%
222.	5702 91 30, 5702 91 90	Others, not of pile construction, made up, of wool or fine animal hair (mats and mattings and others)	25%	20%
223.	5702 92	Others, not of pile construction, made up, of man-made textile materials	25% or Rs. 110 per sq. m., whichever is higher	20% or Rs. 110 per sq. m., whichever is higher
224.	5702 99	Others, not of pile construction, made up, of other textile materials	25%	20%
225.	5703 10	Carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	25%	20%
226.	5703 21 00, 5703 29 10, 5703 29 20, 5703 29 90	Carpets and other textile floor coverings, tufted, whether or not made up, of nylon or other polyamides or others	25% or Rs. 70 per sq. m., whichever is higher	20% or Rs. 70 per sq. m., whichever is higher
227.	5703 31 00, 5703 39 10, 5703 39 20, 5703 39 90	Carpets and other textile floor coverings, tufted, whether or not made up, of other man-made textile materials or others	25% or Rs. 55 per sq. m., whichever is higher	20% or Rs. 55 per sq. m., whichever is higher
228.	5703 90	Carpets and other textile floor coverings, tufted, whether or not made up, of other textile materials	25%	20%
229.	5704 10 00, 5704 20 10	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up (Tiles)	25%	20%
230.	5704 20 20	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up (Woolen Tiles)	25%	10%
231.	5704 20 90	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up, other tiles	25%	20%
232.	5704 90	Other Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up	25% or Rs. 35 per sq. m., whichever is higher	20% or Rs. 35 per sq. m., whichever is higher

233.	5705	Other Carpets and other textile floor coverings, whether or not made up	25%	20%
234.	5801 10 00	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, of wool or fine animal hair	25% or Rs. 210 per sq. m., whichever is higher	10% or Rs. 210 per sq. m., whichever is higher
235.	5801 21 00	Woolen pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, of cotton, uncut weft pile fabrics	25% or Rs. 80 per sq. m., whichever is higher	10% or Rs. 80 per sq. m., whichever is higher
236.	5801 23 00	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, other weft pile fabrics	25% or Rs. 80 per sq. m., whichever is higher	10% or Rs. 80 per sq. m., whichever is higher
237.	5801 26 00	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, chennile fabrics	25% or Rs. 180 per sq. m., whichever is higher	10% or Rs. 180 per sq. m., whichever is higher
238.	5801 27 10	Warp pile fabrics, ‘epingle’, (uncut)	25% or Rs. 135 per sq. m., whichever is higher	10% or Rs. 135 per sq. m., whichever is higher
239.	5801 27 20	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, warp pile fabrics, cut	25% or Rs. 120 per sq. m., whichever is higher	10% or Rs. 120 per sq. m., whichever is higher
240.	5801 27 90	Other Warp pile fabrics	25% or Rs. 135 per sq. m., whichever is higher	10% or Rs. 135 per sq. m., whichever is higher
241.	5801 31 00	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, of man-made fibres, uncut weft pile fabrics	25% or Rs. 75 per sq. m., whichever is higher	20% or Rs. 75 per sq. m., whichever is higher
242.	5801 32 00	Cut corduroy of man-made fibres	25% or Rs. 180 per sq. m., whichever	20% or Rs. 180 per sq. m., whichever

			is higher	is higher
243.	5801 33 00	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, of man-made fibres, other weft pile fabrics	25% or Rs. 150 per sq. m., whichever is higher	20% or Rs. 150 per sq. m., whichever is higher
244.	5801 36	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of the First Schedule of the Customs Tariff Act, 1975, of man-made fibres, chennile fabrics	25% or Rs. 130 per sq. m., whichever is higher	20% or Rs. 130 per sq. m., whichever is higher
245.	5801 37 10	Warp pile fabrics, uncut	25% or Rs. 140 per sq. m., whichever is higher	20% or Rs. 140 per sq. m., whichever is higher
246.	5801 37 20	Warp pile fabrics, cut	25% or Rs. 68 per sq. m., whichever is higher	20% or Rs. 68 per sq. m., whichever is higher
247.	5801 37 90	Other Warp pile fabrics	25% or Rs. 140 per sq. m., whichever is higher	20% or Rs. 140 per sq. m., whichever is higher
248.	5801 90	Warp pile fabrics, of other textile materials	25% or Rs. 35 per sq. m., whichever is higher	10% or Rs. 35 per sq. m., whichever is higher
249.	5802 10 10	Unbleached terry toweling and similar woven terry fabrics, of cotton	25%	10%
250.	5802 10 20, 5802 10 30, 5802 10 40, 5802 10 50, 5802 10 60, 5802 10 90	Terry toweling and similar woven terry fabrics, of cotton, bleached, piece dyed, yarn dyed, printed, of handloom and others	25% or Rs. 60 per sq. m., whichever is higher	10% or Rs. 60 per sq. m., whichever is higher
251.	5802 20 00	Terry toweling and similar woven terry fabrics, of other textile materials	25%	10%
252.	5802 30 00	Tufted textile fabrics	25% or Rs. 150 per kg., whichever	10% or Rs. 150 per kg., whichever

			is higher	is higher
253.	5803	Gauze, other than narrow fabrics of heading 5806 of the First Schedule of the Customs Tariff Act, 1975	25%	10%
254.	5804 10, 5804 29 10, 5804 29 90 5804 30 00	Tulles and other net fabrics (of cotton); Mechanically made lace of other textile materials	25% or Rs. 200 per kg., whichever is higher	10% or Rs. 200 per kg., whichever is higher
255.	5804 21 00	Mechanically made lace, of man-made fibres	25% or Rs. 200 per kg., whichever is higher	20% or Rs. 200 per kg., whichever is higher
256.	5805	Hand-woven tapestries, flanders etc.	25%	10%
257.	5806 10 00, 5806 20 00, 5806 31 10, 5806 31 20, 5806 31 90, 5806 39 10, 5806 39 20, 5806 39 30, 5806 39 90, 5806 40 00	Narrow woven fabrics other than goods of Heading 5807 of the First Schedule of the Customs Tariff Act, 1975	25%	10%
258.	5806 32 00	Other woven fabrics, of man-made fibres	25%	20%
259.	5807, 5808, 5809, 5810, 5811	Labels, badges, braids, Woven fabrics of metal threads etc.	25%	10%
260.	5901	Textile fabrics, coated with gum or amylaceous substances	25%	10%
261.	5902, 5903	Tyre cord fabric, Textile fabrics etc.	25%	20%
262.	5904, 5905, 5906, 5907, 5908, 5909	Linoleum, Textile wall coverings, rubberized textile fabrics etc.	25%	10%
263.	5910	Transmission or conveyor belts or belting etc.	25%	20%
264.	5911	Textile products and articles for technical use	25%	10%
265.	6001 10 10, 6001 10 20, 6001 10 90, 6001 21 00, 6001 29 00, 6001 91 00,	Pile fabrics	25%	10%

	6001 99			
266.	6001 22 00	Looped pile fabrics of man-made fibres	25%	20%
267.	6002	Knitted or crocheted fabrics of a width not exceeding 30cm, containing by weight 5% or more elastomeric yarn or rubber thread	25%	10%
268.	6003 10 00, 6003 20 00, 6003 90 00	Knitted or crocheted fabrics of a width not exceeding 30cm, other than those of heading 6001 or 6002 of the First Schedule of the Customs Tariff Act, 1975, of wool or cotton or others	25%	10%
269.	6003 30 00, 6003 40 00	Knitted or crocheted fabrics of a width not exceeding 30cm, other than those of heading 6001 or 6002 of the First Schedule of the Customs Tariff Act, 1975, of synthetic or artificial fibres	25%	20%
270.	6004	Knitted or crocheted fabrics of a width exceeding 30cm, containing by weight 5% or more elastomeric yarn or rubber thread, other than those of heading 6001 of the First Schedule of the Customs Tariff Act, 1975	25%	20%
271.	6005	Warp knit fabrics	25%	20%
272.	6006 10 00, 6006 21 00, 6006 22 00, 6006 23 00, 6006 24 00, 6006 90 00	Other knitted or crocheted fabrics, of wool, cotton or others	25%	10%
273.	6006 31 00, 6006 32 00, 6006 33 00, 6006 34 00, 6006 41 00, 6006 42 00, 6006 43 00, 6006 44 00	Other knitted or crocheted fabrics, of synthetic or artificial fibres	25%	20%
274.	6101 90	Men's or boy's overcoats etc. of other textile materials	25%	20%
275.	6102 90	Women's or girl's overcoats etc. of other textile materials	25%	20%
276.	6103 (except 6103 29 10, 6103 29 20)	Men's or boy's suits, ensembles etc.	25%	20%
277.	6104 13 00,	Suits of synthetic fibres, Ensembles, Jackets and	25%	20%

	6104 22 00, 6104 23 00, 6104 29 10, 6104 29 20, 6104 29 90, 6104 31 00, 6104 32 00, 6104 33 00, 6104 39 10, 6104 39 20, 6104 39 90	blazers of women's		
278.	6104 41 00, 6104 43 00, 6104 44 00	Women's dresses of wool, synthetic fibre or artificial fibre	25% or Rs. 255 per piece, whichever is higher	20% or Rs. 255 per piece, whichever is higher
279.	6104 42 00	Women's dresses of cotton	25%	20%
280.	6104 49	Women's dresses of other textile materials	25% or Rs. 220 per piece, whichever is higher	20% or Rs. 220 per piece, whichever is higher
281.	6104 51 00, 6104 52 00, 6104 53 00, 6104 59 10, 6104 59 20, 6104 59 90	Skirts and divided skirts	25% or Rs. 110 per piece, whichever is higher	20% or Rs. 110 per piece, whichever is higher
282.	6104 61 00, 6104 69	Trousers, bib and brace overalls, breeches and shorts, of wool or fine animal hair or other textile materials	25%	20%
283.	6105 10, 6105 20	Men's or boy's shirts, knitted or crocheted, of cotton or man-made fibres	25% or Rs. 83 per piece, whichever is higher	20% or Rs. 83 per piece, whichever is higher
284.	6105 90 10, 6105 90 90, 6106 10 00	Men's or boy's shirts, knitted or crocheted, of other textile materials; Women's or girls blouses, shirts and shirt blouses, knitted or crocheted, of cotton	25% or Rs. 90 per piece, whichever is higher	20% or Rs. 90 per piece, whichever is higher
285.	6106 20	Women's or girls blouses, shirts and shirt blouses, knitted or crocheted, of man-made fibres	25% or Rs. 25 per piece, whichever is	20% or Rs. 25 per piece, whichever is higher

			higher20 % or Rs. 25 per piece, whichever is higher	
286.	6106 90	Women's or girls blouses, shirts and shirt blouses, knitted or crocheted, of other textile materials	25% or Rs. 135 per piece, whichever is higher	20% or Rs. 135 per piece, whichever is higher
287.	6107 11 00	Men's or boy's underpants, briefs, of cotton	25% or Rs. 24 per piece, whichever is higher	20% or Rs. 24 per piece, whichever is higher
288.	6107 12	Men's or boy's underpants, briefs, nightshirts, pyjamas etc., of man-made fibres	25% or Rs. 30 per piece, whichever is higher	20% or Rs. 30 per piece, whichever is higher
289.	6107 19, 6107 21 00, 6107 22, 6107 29, 6107 91, 6107 99, 6108 11, 6108 19	Men's or boy's underpants, briefs, of other textile materials; Night shirts and pyjamas of cotton; of man-made fibres, of other textile materials; Men's or boy's bathrobes, dressing gowns etc., of cotton or other textile materials; Women's or girl's slips and petticoats, of man-made fibres or other textile materials	25%	20%
290.	6108 21 00, 6108 22 10, 6108 22 20	Women's or girl's briefs and panties, of cotton or man-made fibres	25% or Rs. 25 per piece, whichever is higher	20% or Rs. 25 per piece, whichever is higher
291.	6108 29 10, 6108 29 90, 6108 31 00, 6108 32 10, 6108 32 20	Women's or girl's briefs and panties, of other textile materials; Women's or girl's night dresses and pyjamas, of cotton or man-made fibres	25%	20%
292.	6108 39 10	Women's or girl's night dresses and pyjamas, of silk	25%	10%
293.	6108 39 90	Women's or girl's night dresses and pyjamas, of other textile materials	25%	20%
294.	6108 91 00	Women's or girl's bathrobes, dressing gowns etc., of cotton	25% or Rs. 65 per piece,	20% or Rs. 65 per piece,

			whichever is higher	whichever is higher
295.	6108 92	Women's or girl's bathrobes, dressing gowns etc., of man-made fibres	25% or Rs. 60 per piece, whichever is higher	20% or Rs. 60 per piece, whichever is higher
296.	6108 99 10, 6108 99 90	Women's or girl's bathrobes, dressing gowns etc., of silk or other textile materials	25%	20%
297.	6108 99 20	Women's or girl's bathrobes, dressing gowns etc., of wool or fine animal hair	25%	10%
298.	6109 10 00	T-shirts, singlets and others vests, knitted or crocheted, of cotton	25%	20%
299.	6109 90	T-shirts, singlets and others vests, knitted or crocheted, of other textile materials	25% or Rs. 50 per piece, whichever is higher	20% or Rs. 50 per piece, whichever is higher
300.	6110 11, 6110 12 00, 6110 19 00	Jersey's, pullovers, cardigans etc., of wool or fine animal hair or of cashmere goats	25% or Rs. 275 per piece, whichever is higher	20% or Rs. 275 per piece, whichever is higher
301.	6110 20 00	Jersey's, pullovers, cardigans etc., of cotton	25% or Rs. 85 per piece, whichever is higher	20% or Rs. 85 per piece, whichever is higher
302.	6110 30	Jersey's, pullovers, cardigans etc., of man-made fibres	25% or Rs. 110 per piece, whichever is higher	20% or Rs. 110 per piece, whichever is higher
303.	6110 90 00	Jersey's, pullovers, cardigans etc., of other textile materials	25% or Rs. 105 per piece, whichever is higher	20% or Rs. 105 per piece, whichever is higher
304.	6111	Babies garments and clothing accessories	25%	20%
305.	6112 11 00, 6112 12 00, 6112 19 20, 6112 19 30, 6112 19 90, 6112 20,	Track suits, ski suits and swimwear, knitted or crocheted	25%	20%

	6112 31 00, 6112 39, 6112 41 00, 6112 49 20, 6112 49 90			
306.	6112 19 10, 6112 20 10, 6112 49 10	Track suits, of silk; Ski suits, of silk; Women's or girl's swimwear, of silk	25%	10%
307.	6113 00 00, 6114, 6115, 6116, 6117	Pantyhose, tights, other garments etc.	25%	20%
308.	6201 20 10	Men's or boy's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of wool and fine animal hair	25% or Rs. 385 per piece, whichever is higher	20% or Rs. 385 per piece, whichever is higher
309.	6201 20 90	Other than men's or boy's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of wool and fine animal hair	25% or Rs. 220 per piece, whichever is higher	20% or Rs. 220 per piece, whichever is higher
310.	6201 90	Men's or boy's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of other textile materials	25%	20%
311.	6202 20 10	Women's or girl's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of wool and fine animal hair	25% or Rs. 385 per piece, whichever is higher	20% or Rs. 385 per piece, whichever is higher
312.	6202 20 90	Other than women's or girl's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of wool and fine animal hair	25% or Rs. 220 per piece, whichever is higher	20% or Rs. 220 per piece, whichever is higher
313.	6202 90	Women's or girl's overcoats, car-coats, raincoats, capes, cloaks and other similar articles, of other textile materials	25%	20%
314.	6203 22 00	Men's ensemble of cotton	25% or Rs. 145 per piece, whichever is higher	20% or Rs. 145 per piece, whichever is higher
315.	6203 23 00	Men's ensemble of synthetic fibres	25% or Rs. 145 per piece,	20% or Rs. 145 per piece,

			whichever is higher	whichever is higher
316.	6203 29	Men's ensemble of other textile materials	25% or Rs. 145 per piece, whichever is higher	20% or Rs. 145 per piece, whichever is higher
317.	6203 41 00	Men's trousers, bib and brace overalls, breeches and shorts, of wool and fine animal hair	25% or Rs. 285 per piece, whichever is higher	20% or Rs. 285 per piece, whichever is higher
318.	6203 42	Men's trousers, bib and brace overalls, breeches and shorts, of cotton	25% or Rs. 135 per piece, whichever is higher	20% or Rs. 135 per piece, whichever is higher
319.	6204 21 00, 6204 22, 6204 29	Women's Ensembles	25%	20%
320.	6204 41	Women's dresses of wool or fine animal hair	25% or Rs. 350 per piece, whichever is higher	20% or Rs. 350 per piece, whichever is higher
321.	6204 42	Women's dresses of cotton	25% or Rs. 116 per piece, whichever is higher	20% or Rs. 116 per piece, whichever is higher
322.	6204 43	Women's dresses of synthetic fibres	25% or Rs. 145 per piece, whichever is higher	20% or Rs. 145 per piece, whichever is higher
323.	6204 49	Women's dresses of other textile materials	25% or Rs. 145 per piece, whichever is higher	20% or Rs. 145 per piece, whichever is higher
324.	6204 51 00	Skirts and divided skirts of wool or of fine animal hair	25% or Rs. 485 per piece, whichever is higher	20% or Rs. 485 per piece, whichever is higher

325.	6204 52 00, 6204 53 00, 6204 59	Skirts and divided skirts of cotton, synthetic fibres, other textile materials	25%	20%
326.	6204 61	Women's trousers, bib and brace, overalls, breeches and shorts, of wool and fine animal hair	25% or Rs. 285 per piece, whichever is higher	20% or Rs. 285 per piece, whichever is higher
327.	6204 62	Women's trousers, bib and brace, overalls, breeches and shorts, of cotton	25% or Rs. 135 per piece, whichever is higher	20% or Rs. 135 per piece, whichever is higher
328.	6204 63 00	Women's trousers, bib and brace, overalls, breeches and shorts, of synthetic fibres	25%	20%
329.	6205 20	Men's or boy's shirts, of cotton	25% or Rs. 85 per piece, whichever is higher	20% or Rs. 85 per piece, whichever is higher
330.	6205 90	Men's or boy's shirts, of other textile materials	25% or Rs. 95 per piece, whichever is higher	20% or Rs. 95 per piece, whichever is higher
331.	6206 10	Women's or girl's blouses, shirts and shirt blouses, of silk or silk waste	25%	20%
332.	6206 20 00	Women's or girl's blouses, shirts and shirt blouses, of wool or fine animal hair	25% or Rs. 135 per piece, whichever is higher	20% or Rs. 135 per piece, whichever is higher
333.	6206 30	Women's or girl's blouses, shirts and shirt blouses, of cotton	25% or Rs. 95 per piece, whichever is higher	20% or Rs. 95 per piece, whichever is higher
334.	6206 40 00	Women's or girl's blouses, shirts and shirt blouses, of man-made fibres	25% or Rs. 120 per piece, whichever is higher	20% or Rs. 120 per piece, whichever is higher
335.	6206 90 00	Women's or girl's blouses, shirts and shirt blouses, of other textile materials	25%	20%

336.	6207 11 00	Men's underpants or briefs, of cotton	25% or Rs. 28 per piece, whichever is higher	20% or Rs. 28 per piece, whichever is higher
337.	6207 19 10, 6207 19 20, 6207 19 90	Men's underpants or briefs, of synthetic fibres or wool, or other textile material	25% or Rs. 30 per piece, whichever is higher	20% or Rs. 30 per piece, whichever is higher
338.	6207 19 30	Men's underpants or briefs, of silk	25% or Rs. 30 per piece, whichever is higher	10% or Rs. 30 per piece, whichever is higher
339.	6207 21 10, 6207 21 90, 6207 22 00, 6207 29 00, 6207 91 10, 6207 91 20, 6207 91 90	Men's night shirts and pyjamas, of cotton; Dressing gowns etc.	25%	20%
340.	6207 99	Other Men's articles, of other textile materials	25% or Rs. 70 per piece, whichever is higher	20% or Rs. 70 per piece, whichever is higher
341.	6208 11 00	Slips and petticoats, of man-made fibres	25% or Rs. 80 per piece, whichever is higher	20% or Rs. 80 per piece, whichever is higher
342.	6208 19	Slips and petticoats, of other textile materials	25% or Rs. 60 per piece, whichever is higher	20% or Rs. 60 per piece, whichever is higher
343.	6208 21 10, 6208 21 90, 6208 22 00, 6208 29 10, 6207 29 20, 6208 29 90	Women's night dresses and pyjamas, of cotton or other textile materials	25%	20%
344.	6208 91	Other women's articles, of cotton	25% or Rs. 95 per piece,	20% or Rs. 95 per piece,

			whichever is higher	whichever is higher
345.	6208 92	Other women's articles, of man-made fibres	25% or Rs. 65 per piece, whichever is higher	20% or Rs. 65 per piece, whichever is higher
346.	6208 99 10, 6208 99 20, 6208 99 90, 6209 20 10, 6209 20 90, 6209 30 00, 6209 90 10, 6209 90 90	Other women's articles, of other textile materials; Babies garments and clothing accessories	25%	20%
347.	6210 20	Other garments of the type described in CTSH 6201	25% or Rs. 365 per piece, whichever is higher	20% or Rs. 365 per piece, whichever is higher
348.	6210 30	Other garments of the type described in CTSH 6202	25% or Rs. 305 per piece, whichever is higher	20% or Rs. 305 per piece, whichever is higher
349.	6210 40 10	Other men's or boy's garments, bullet proof jackets etc	25% or Rs. 65 per piece, whichever is higher	20% or Rs. 65 per piece, whichever is higher
350.	6210 40 90, 6210 50 00	Other men's or boy's garments; Other women's or girl's garments	25% or Rs. 65 per piece, whichever is higher	20% or Rs. 65 per piece, whichever is higher
351.	6211 11 00, 6211 12 00, 6211 20 00	Swim-wear; ski suits	25%	20%
352.	6211 32 00, 6211 33 00	Other garments, men's or boy's, of cotton or of man-made fibres	25% or Rs. 135 per piece, whichever is higher	20% or Rs. 135 per piece, whichever is higher
353.	6211 39	Other garments, men's or boy's, of other textile materials	25%	20%

354.	6212	Brassieres, Girdles, Corsettes etc	25% or Rs. 30 per piece, whichever is higher	20% or Rs. 30 per piece, whichever is higher
355.	6213	Handkerchiefs	25%	20%
356.	6214 10 10, 6214 10 20	Scarves of silk measuring 60 cms or less; Shawls, scarves exceeding 60 cms and the likes, of silk or silk waste	25% or Rs. 390 per piece, whichever is higher	20% or Rs. 390 per piece, whichever is higher
357.	6214 10 30	Shawls, scarves etc. of silk or silk waste, handloom	25% or Rs. 390 per piece, whichever is higher	10% or Rs. 390 per piece, whichever is higher
358.	6214 10 90	Others, of silk or silk waste	25% or Rs. 390 per piece, whichever is higher	25% or Rs. 390 per piece, whichever is higher
359.	6214 20	Shawls, scarves etc. of wool or fine animal hair	25% or Rs. 180 per piece, whichever is higher	20% or Rs. 180 per piece, whichever is higher
360.	6214 90 10	Shawls, scarves etc., Abrabroomal, cotton	25% or Rs. 75 per piece, whichever is higher	20% or Rs. 75 per piece, whichever is higher
361.	6214 90 21, 6214 90 22	Chadars, cotton, grey, white bleached	25% or Rs. 75 per piece, whichever is higher	10% or Rs. 75 per piece, whichever is higher
362.	6214 90 29	Chadars, cotton, others	25% or Rs. 75 per piece, whichever is higher	20% or Rs. 75 per piece, whichever is higher
363.	6214 90 31, 6214 90 32	Odhani, cotton, grey, white bleached	25% or Rs. 75 per piece, whichever	10% or Rs. 75 per piece, whichever

			is higher	is higher
364.	6214 90 39	Odhani, cotton, others	25% or Rs. 75 per piece, whichever is higher	20% or Rs. 75 per piece, whichever is higher
365.	6215	Ties, Bow Ties and cravats	25% or Rs. 55 per piece, whichever is higher	20% or Rs. 55 per piece, whichever is higher
366.	6216, 6217	Gloves, Mittens, Mitts; Other made up clothing accessories	25%	20%
367.	6301 10 00	Electric Blankets	25%	10%
368.	6301 20 00	Blankets (other than electric blankets), travelling rugs, of wool or fine animal hair	25% or Rs. 275 per piece, whichever is higher	10% or Rs. 275 per piece, whichever is higher
369.	6301 30 00	Blankets (other than electric blankets), travelling rugs, of cotton	25%	10%
370.	6301 40 00, 6301 90	Blankets (other than electric blankets), travelling rugs, of synthetic fibres; other blankets and travelling rugs	25%	20%
371.	6302 10	Bed linen, knitted or crocheted	25%	10%
372.	6302 21	Other bed linen, printed, of cotton	25% or Rs. 108 per kg., whichever is higher	10% or Rs. 108 per kg., whichever is higher
373.	6302 22 00, 6302 29 00	Other bed linen, printed, of man-made fibres or of other textile materials	25%	10%
374.	6302 31 00	Other bed linen, of cotton	25% or Rs. 96 per kg., whichever is higher	10% or Rs. 96 per kg., whichever is higher
375.	6302 32 00, 6302 39 00, 6302 40, 6302 51, 6302 53 00, 6302 59 00, 6302 60,	Other bed linen, table linen etc. of different textile materials	25%	10%

	6302 91, 6302 93 00, 6302 99 00			
376.	6303, 6304, 6305, 6306, 6307, 6308, 6309	Curtains, other furnishing articles, sacks and bags etc.	25%	10%
377.	6310	Used or new rags, scrap, twine etc.	25%	20%
378.	6815 91 00,	Articles of stone containing magnesite, magnesia etc.	10%	7.5%
379.	6901, 6902, or 6903	Bricks of siliceous fossil meals, refractory bricks or other refectory ceramic goods	10%	7.5%
380.	7001 00 10	Cullet and other waste and scrap of glass	10%	5%
381.	7015 10 10	Rough ophthalmic blanks, for manufacture of optical lenses	10%	5%
382.	7101 10 10	Unworked natural pearls	10%	5%
383.	7101 21 00	Unworked cultured pearls	10%	5%
384.	7110 31 00, 7110 39 00	Rhodium	12.5%	2.5%
385.	7201, 7202, 7203, 7205	Pig iron, Ferro Alloys, Ferrous Products, etc.	15%	5%
386.	7202 60 00	Ferro-nickel	15%	2.5%
387.	7404	Copper waste and scrap	5%	2.5%
388.	7411 or 7412	Copper tubes and pipes, or fittings	10%	7.5%
389.	75	Nickel and articles thereof	5%	Free
390.	7602	Aluminium scrap	5%	2.5%
391.	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%
392.	8110 10 00, 8110 20 00	Unwrought antimony, powders, waste and scrap	5%	2.5%
393.	8407 21 00	Outboard motors	15%	5%
394.	8419 19 20	Specified non-electric instantaneous or storage water heaters	10%	7.5%
395.	8421 39 20, 8421 39 90	Air separators, purifiers, cleaners, etc.	15%	7.5%

396.	8502 (except 8502 11 00, 8502 20 10, 8502 40 00)	Specified electrical generating sets and rotary convertors	10%	7.5%
397.	8503 00 10, 8503 00 21 or 8503 00 29	Parts of electric motors or generators	10%	7.5%
398.	8504 10 10, 8504 10 20 or 8504 10 90	Ballasts for discharge lamps or tubes	10%	7.5%
399.	8546	Electrical insulators of any material	10%	7.5%
400.	8547	Insulating fittings for electrical machines etc.	10%	7.5%
401.	8802 11 00, 8802 12 00	Helicopters	10%	2.5%
402.	8807 10 00, 8807 20 00, 8807 30 00	Parts of balloons, gliders, manned or unmanned aircraft etc.	3%	2.5%
403.	8902 00 10	Trawlers and other fishing vessels	10%	Free
404.	8905 10 00	Dredgers	10%	Free
405.	8907 10 00	Inflatable Rafts	10%	Free
406.	8908 00 00	Vessels and other floating structures for break up	10%	2.5%
407.	9018 32 30, 9018 50 20, 9018 90 21, 9018 90 24, 9018 90 43, 9018 90 95, 9018 90 96, 9018 90 97, 9018 90 98	Specific instruments and appliances used in medical, surgical, dental or veterinary sciences like tonometer, tubular needles for medical sutures etc.	10%	5%
408.	9018 (other than items in entry at Sr. No. 407. above and 9018 90 99)	Other medical equipment and medical related goods used in medical, surgical, dental or veterinary sciences like catheters, cannulae, defibrillator etc.	10%	7.5%

409.	9019 (except 9019 10 20)	Mechano-therapy appliances such as massage apparatus, psychological aptitude testing apparatus etc.	10%	7.5%
410.	9020	Breathing appliance other than protective masks not having replaceable filters or mechanical parts	10%	7.5%
411.	9021	Orthopedic appliances like crutches, surgical belts and trusses, splints etc.	10%	7.5%
412.	9030 31 00, 9030 90 10	Multimeters with/without recording device	10%	7.5%
413.	9108, 9110 or 9114 30 10	Watch dials and watch movements	10%	5%
414.	9506 91	Articles and equipment for general physical exercise, gymnastics or athletics	20%	10%
C.	**Tariff rate changes (with change in the effective rates of Basic Customs Duty w.e.f. 02.02.2022, unless otherwise specified) [Clause [97(b)] of the Finance Bill, 2022, and relevant notifications]** *Note:* *1. The Basic Customs Duty rates are being rationalized on the following items.* *2. These changes are being incorporated in the First Schedule of the Customs Tariff Act, 1975.The changes in the tariff schedule shall commence from 01.05.2022.* *3. Therefore, during the period from 02.02.2022 till 30.04.2022, these rates shall operate through notifications as mentioned below.* *4. Note specific to items at S. Nos. 1 to 6: -* *(i) Applicable BCD rates for items at S. No. 1 to 6 would operate vide relevant entries in notification No. 50/2017 – Customs, for the period 02.02.2022 till 30.04.2022;* *(ii) With effect from 01.05.2022, the relevant entries in notification No. 50/2017-Customs shall be omitted and the Basic Customs Duty rates on these items would operate through the First Schedule of the Customs Tariff Act, 1975.*		**Rate of duty**	

S. No.	Chapter, heading, sub-heading or tariff item	Commodity	From	To
(1)	(2)	(3)	(4)	(5)
1.	0307 32 00	Frozen Mussels	30%	15%
2.	0307 43 20	Frozen Squids	30%	15%
3.	1301 90 13	Asafoetida *[The current applicable Basic Customs Duty is 20% vide S. No. 51 of notification No. 50/2017-Customs]*	30%	5%
4.	1801 00 00	Cocoa Beans, whole or broken, raw or roasted	30%	15%
5.	2905 11 00	Methyl alcohol (methanol) *[The current applicable Basic Customs Duty is 5% vide S. No. 200 of notification No. 50/2017-Customs]*	10%	2.5%
6.	2915 21 00	Acetic acid *[The current applicable Basic Customs Duty is 7.5% vide S. No. 185 of notification No. 50/2017- Customs]*	10%	5%
Note for S. No. 7 to S. No. 95: *i. For S. Nos. 7 to 66, the current effective rate has been prescribed vide notification No. 14/2006-Customs, dated 1-3-2006.* *ii. For S. Nos. 67 to 95, the current effective rate has been prescribed vide notification No. 82/2017-Customs, dated 27-10-2017.* *iii. For the period 02-02-2022 to 30-04-2022, the effective rate for S. Nos. 7 to 95 is being prescribed vide notification No. 82/2017-Customs, dated 27-10-2017.* *iv. 1st May, 2022 onwards notification No. 82/2017-Customs, dated 27-10-2017 will be rescinded, and Basic Customs Duty rates on these items would operate through the Customs Tariff Act, 1975, in the manner as detailed below.*				
7.	5208 39	Other Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m.	25% or Rs. 150 per kg., whichever is higher	10% or Rs. 150 per kg., whichever is higher
8.	5208 42	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m., plain weave, weighing more than 100g/sq. m.	25% or Rs. 37 per sq. m., whichever is higher	10% or Rs. 22 per sq. m., whichever is higher

9.	5208 49	Other Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m.	25% or Rs. 200 per kg., whichever is higher	10% or Rs. 143 per kg., whichever is higher
10.	5208 52	Other Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m., plain weave, weighing not more than 100g/sq. m.	25% or Rs. 23 per sq. m., whichever is higher	10% or Rs. 14 per sq. m., whichever is higher
11.	5208 59	Other Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200g/sq. m.	25% or Rs. 50 per sq. m., whichever is higher	10% or Rs. 30 per sq. m., whichever is higher
12.	5209 31, 5209 32, 5209 39	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., dyed, plain weave, 3-thread or 4-thread twill, including cross twill, other fabrics	25% or Rs. 150 per kg., whichever is higher	10% or Rs. 150 per kg., whichever is higher
13.	5209 41	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., of yarns of different colours, plain weave	25% or Rs. 32 per sq. m., whichever is higher	10% or Rs. 30 per sq. m., whichever is higher
14.	5209 43	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., other fabrics of 3-thread or 4-thread twill, including cross-twill	25% or Rs. 30 per sq. m., whichever is higher	10% or Rs. 28 per sq. m., whichever is higher
15.	5209 49	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., other fabrics of yarns of different colours	25% or Rs.150 per kg., whichever is higher	10% or Rs.150 per kg., whichever is higher
16.	5209 51, 5209 52	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., printed plain weave or 3-thread or 4-thread twill, including cross-twill	25% or Rs. 30 per sq. m., whichever is higher	10% or Rs. 24 per sq. m., whichever is higher

17.	5209 59	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200g/sq. m., printed other fabrics	25% or Rs. 38 per sq. m., whichever is higher	10% or Rs. 30 per sq. m., whichever is higher
18.	5210 39	Woven fabrics of cotton, containing less than 85% by weight of cotton, weighing not more than 200g/sq. m., other dyed fabrics	25% or Rs. 150 per kg., whichever is higher	10% or Rs. 150 per kg., whichever is higher
19.	5210 49	Woven fabrics of cotton, containing less than 85% by weight of cotton, weighing not more than 200g/sq. m., other fabrics of yarns of different colours	25% or Rs. 185 per kg., whichever is higher	10% or Rs. 132 per kg., whichever is higher
20.	5210 51, 5210 59	Woven fabrics of cotton, containing less than 85% by weight of cotton, weighing not more than 200g/sq. m., printed plain weave or other printed fabrics	25% or Rs. 15 per sq. m., whichever is higher	10% or Rs. 12 per sq. m., whichever is higher
21.	5211 31, 5211 32, 5211 39	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., dyed plain weave, dyed 3-thread or 4-thread twill, including cross-twill, other dyed fabrics	25% or Rs. 150 per kg., whichever is higher	10% or Rs. 150 per kg., whichever is higher
22.	5211 41	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., of yarns of different colours, plain weave	25% or Rs. 44 per sq. m., whichever is higher	10% or Rs. 35 per sq. m., whichever is higher
23.	5211 43	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., other fabrics of yarns of different colours, 3-thread or 4-thread twill, including cross-twill	25% or Rs. 40 per sq. m., whichever is higher	10% or Rs. 32 per sq. m., whichever is higher
24.	5211 49	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., other fabrics of yarns of different	25% or Rs. 150 per kg., whichever	10% or Rs. 150 per kg., whichever

		colours	is higher	is higher
25.	5211 51, 5211 52 and 5211 59	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200g/sq. m., printed plain weave or 3-thread or 4-thread twill, including cross-twill or other fabrics	25% or Rs. 18 per sq. m., whichever is higher	10% or Rs. 12 per sq. m., whichever is higher
26.	5407 42	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides, dyed	25% or Rs. 60 per sq. m., whichever is higher	20% or Rs. 36 per sq. m., whichever is higher
27.	5407 43 00	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides, of yarn of different colours	25% or Rs. 67 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
28.	5407 44 10, 5407 44 30, 5407 44 40, 5407 44 90	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides, printed	25% or Rs. 58 per sq. m., whichever is higher	20% or Rs. 35 per sq. m., whichever is higher
29.	5407 44 20	Other woven fabrics, containing 85% or more by weight of filaments of nylon or other polyamides, printed Nylon georgette	25% or Rs. 58 per sq. m., whichever is higher	10% or Rs. 35 per sq. m., whichever is higher
30.	5407 52	Other woven fabrics, containing 85% or more by weight of textured polyester filaments, dyed	25% or Rs. 38 per sq. m., whichever is higher	20% or Rs. 23 per sq. m., whichever is higher
31.	5407 53 00	Other woven fabrics, containing 85% or more by weight of textured polyester filaments, of yarns of different colours	25% or Rs. 50 per sq. m., whichever is higher	20% or Rs. 30 per sq. m., whichever is higher
32.	5407 61	Other woven fabrics, containing 85% or more by weight of non-textured polyester filaments	25% or Rs. 150 per kg.,	20% or Rs. 150 per kg.,

			whichever is higher	whichever is higher
33.	5407 69 00	Other woven fabrics, containing 85% or more by weight of textured polyester filaments, other fabrics	25% or Rs. 60 per sq. m., whichever is higher	20% or Rs. 36 per sq. m., whichever is higher
34.	5407 73 00	Other woven fabrics, containing 85% or more by weight of synthetic filaments, of yarns of different colours	25% or Rs. 60 per sq. m., whichever is higher	20% or Rs. 36 per sq. m., whichever is higher
35.	5407 74 00	Other woven fabrics, containing 85% or more by weight of synthetic filaments, printed	25% or Rs. 38 per sq. m., whichever is higher	20% or Rs. 23 per sq. m., whichever is higher
36.	5407 82 10, 5407 82 20, 5407 82 30, 5407 82 40, 5407 82 60, 5407 82 90	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with Cotton, dyed	25% or Rs. 42 per sq. m., whichever is higher	20% or Rs. 25 per sq. m., whichever is higher
37.	5407 82 50	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with Cotton, dyed Terylene and dacron sarees	25% or Rs. 42 per sq. m., whichever is higher	10% or Rs. 25 per sq. m., whichever is higher
38.	5407 83 00	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with Cotton, of yarns of different colours	25% or Rs. 67 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
39.	5407 84 10, 5407 84 20, 5407 84 30, 5407 84 40, 407 84 60, 5407 84 70, 5407 84 90	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with Cotton, printed	25% or Rs. 38 per sq. m., whichever is higher	20% or Rs. 23 per sq. m., whichever is higher

40.	5407 84 50	Other woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with Cotton, printed Terylene and Dacron sarees	25% or Rs. 38 per sq. m., whichever is higher	10% or Rs. 23 per sq. m., whichever is higher
41.	5407 92 00	Other woven fabrics, dyed	25% or Rs. 67 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
42.	5407 93 00	Other woven fabrics, of yarns of different colours	25% or Rs. 45 per sq. m., whichever is higher	20% or Rs. 27 per sq. m., whichever is higher
43.	5407 94 00	Other woven fabrics, printed	25% or Rs. 67 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
44.	5408 22	Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like, dyed	25% or Rs. 45 per sq. m., whichever is higher	20% or Rs. 27 per sq. m., whichever is higher
45.	5408 23 00	Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like, of yarns of different colours	25% or Rs. 47 per sq. m., whichever is higher	20% or Rs. 28 per sq. m., whichever is higher
46.	5408 24 11, 5408 24 14, 5408 24 16, 5408 24 17, 5408 24 19, 5408 24 90	Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like, of rayon	25% or Rs. 87 per sq. m., whichever is higher	20% or Rs. 52 per sq. m., whichever is higher
47.	5408 24 12, 5408 24 13, 5408 24 15, 5408 24 18	Other woven fabrics, containing 85% or more by weight of artificial filament or strip or the like, of rayon	25% or Rs. 87 per sq. m., whichever	10% or Rs. 52 per sq. m., whichever

			is higher	is higher
48.	5512 19	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of polyester staple fibres, other	25% or Rs. 42 per sq. m., whichever is higher	20% or Rs. 25 per sq. m., whichever is higher
49.	5512 29	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of acrylic or modacrylic staple fibres, other	25% or Rs. 47 per sq. m., whichever is higher	20% or Rs. 28 per sq. m., whichever is higher
50.	5512 99	Other Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres	25% or Rs. 65 per kg., whichever is higher	20% or Rs. 54 per kg., whichever is higher
51.	5513 21 00	Woven fabrics of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/sq. m., dyed plain weave	25% or Rs. 150 per kg., whichever is higher	20% or Rs. 107 per kg., whichever is higher
52.	5513 23 00	Other Woven fabrics of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/sq. m., dyed	25% or Rs. 125 per kg. or Rs. 25 per sq. m., whichever is highest	20% or Rs. 125 per kg. or Rs. 25 per sq. m., whichever is highest
53.	5513 39 00	Other Woven fabrics of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/sq. m., other woven fabrics of yarns of different colours	25% or Rs. 125 per kg. or Rs. 25 per sq. m., whichever is highest	20% or Rs. 125 per kg. or Rs. 25 per sq. m., whichever is highest
54.	5513 41 00	Other Woven fabrics of polyester staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/sq. m., printed plain weave of polyester staple fibres	25% or Rs. 25 per sq. m., whichever is higher	20% or Rs. 15 per sq. m., whichever is higher

55.	5514 21 00	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., dyed plain weave of polyester staple fibre	25% or Rs. 100 per kg. or Rs. 30 per sq. m., whichever is highest	20% or Rs. 100 per kg. or Rs. 30 per sq. m., whichever is highest
56.	5514 22 00	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., 3-thread or 4-thread twill, including cross twill of polyester staple fibre, dyed	25% or Rs. 140 per kg., whichever is higher	20% or Rs. 100 per kg., whichever is higher
57.	5514 23 00	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., other woven fabrics of polyester staple fibre, dyed	25% or Rs. 160 per kg., whichever is higher	20% or Rs. 114 per kg., whichever is higher
58.	5514 29 00	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., other dyed woven fabrics	25% or Rs. 170 per kg., whichever is higher	20% or Rs. 121 per kg., whichever is higher
59.	5514 30 11	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., of yarns of different colours, of polyester staple fibres	25% or Rs. 64 per sq. m., whichever is higher	20% or Rs. 45 per sq. m., whichever is higher
60.	5514 30 12	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., of yarns of different colours, 3-thread or 4-thread twill, including cross twill	25% or Rs. 43 per sq. m., whichever is higher	20% or Rs. 26 per sq. m., whichever is higher
61.	5514 49 00	Other woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed mainly or solely with Cotton, of a weight exceeding 170g/sq. m., of yarns of different colours	25% or Rs. 160 per kg., whichever is higher	20% or Rs. 114 per kg., whichever is higher
62.	5515 21	Other woven fabrics of acrylic or modacrylic staple fibres, mixed mainly or solely with man-	25% or Rs. 79 per	20% or Rs. 55 per

		made filaments	sq. m., whichever is higher	sq. m., whichever is higher
63.	5515 91	Other woven fabrics, mixed mainly or solely with man-made filaments	25% or Rs. 57 per sq. m., whichever is higher	20% or Rs. 40 per sq. m., whichever is higher
64.	5516 22 00, 5516 23 00	Woven fabrics of artificial staple fibres, containing less than 85% by weight of artificial staple fibres, mixed mainly or solely with man-made filaments, dyed or of yarns of different colours	25% or Rs. 150 per kg., whichever is higher	20% or Rs. 150 per kg., whichever is higher
65.	5801 22	Woven pile fabrics and chennile fabrics, other than fabrics of Heading 5802 or 5806 of First Schedule of Customs Tariff Act, 1975, cut corduroy	25% or Rs. 75 per sq. m., whichever is higher	10% or Rs. 70 per sq. m., whichever is higher
66.	5802 30 00	Tufted textile fabrics	25% or Rs. 150 per kg., whichever is higher	10% or Rs. 150 per kg., whichever is higher
67.	6001 92 00	Pile fabrics, other than long-pile fabrics or looped pile fabrics, of man-made fibres	25% or Rs. 100 per kg., whichever is higher	20%
68.	6101 20 00	Men's or boys overcoats, car coats, capes etc., of cotton	25% or Rs. 540 per piece, whichever is higher	20%
69.	6101 30	Men's or boys overcoats, car coats, capes etc., of man-made fibres	25% or Rs. 530 per piece, whichever is higher	20%
70.	6103 29 10, 6103 29 20	Men's suits of silk or of artificial fibres	25%	20%

71.	6104 19	Women's suits of other textile materials	25% or Rs. 460 per piece, whichever is higher	20%
72.	6104 62 00, 6104 63 00	Women's trousers, bib and brace overalls, breeches and shorts, of cotton or of synthetic fibres	25% or Rs. 98 per piece, whichever is higher	20%
73.	6201 30 10	Men's or boys overcoats, car coats, raincoats etc., of cotton	25% or Rs. 385 per piece, whichever is higher	20%
74.	6201 30 90	Other than Men's or boys overcoats, car coats, raincoats etc., of cotton	25% or Rs. 210 per piece, whichever is higher	20%
75.	6201 40 10	Men's or boys overcoats, car coats, capes etc., of man-made fibres	25% or Rs. 320 per piece, whichever is higher	20%
76.	6201 40 90	Other than Men's or boys overcoats, car coats, capes etc., of man-made fibres	25% or Rs. 180 per piece, whichever is higher	20%
77.	6202 30 10	Women's or girls overcoats, car coats, raincoats etc., of cotton	25% or Rs. 210 per piece, whichever is higher	20%
78.	6202 30 90	Other than Women's or girls overcoats, car coats, raincoats etc., of cotton	25% or Rs. 160 per piece, whichever is higher	20%

79.	6202 40 10	Women's or girls overcoats, car coats, capes etc., of man-made fibres	25% or Rs. 385 per piece, whichever is higher	20%
80.	6202 40 90	Other than women's or girls overcoats, car coats, capes etc., of man-made fibres	25% or Rs. 220 per piece, whichever is higher	20%
81.	6203 11 00	Men's Suits of wool or fine animal hair	25% or Rs. 1100 per piece, whichever is higher	20%
82.	6203 12 00	Men's Suits of synthetic fibres	25% or Rs. 720 per piece, whichever is higher	20%
83.	6203 19	Men's Suits of other textile materials	25% or Rs. 1100 per piece, whichever is higher	20%
84.	6203 31	Men's jackets and blazers, of wool or fine animal hair	25% or Rs. 815 per piece, whichever is higher	20%
85.	6203 32 00	Men's jackets and blazers, of cotton	25% or Rs. 440 per piece, whichever is higher	20%
86.	6203 33 00	Men's jackets and blazers, of synthetic fibres	25% or Rs. 320 per piece, whichever is higher	20%

87.	6203 39	Men's jackets and blazers, of other textile materials	25% or Rs. 755 per piece, whichever is higher	20%
88.	6203 43 00, 6203 49	Men's trousers, bib and brace overalls, breeches and shorts, of synthetic fibres or of other textile materials	25% or Rs. 110 per piece, whichever is higher	20%
89.	6204 11 00, 6204 13 00	Women's suits of wool or of fine animal hair or synthetic fibre	25% or Rs. 550 per piece, whichever is higher	20%
90.	6204 19	Women's suits of other textile materials	25% or Rs. 500 per piece, whichever is higher	20%
91.	6204 31 10, 6204 31 90	Women's jackets and blazers, of wool or fine animal hair	25% or Rs. 370 per piece, whichever is higher	20%
92.	6204 32 00	Women's jackets and blazers, of cotton	25% or Rs. 650 per piece, whichever is higher	20%
93.	6204 33 00	Women's jackets and blazers, of synthetic fibres	25% or Rs. 390 per piece, whichever is higher	20%
94.	6204 39	Women's jackets and blazers, of other textile materials	25% or Rs. 350 per piece, whichever is higher	20%

95.	6204 69	Women's trousers, bib and brace overalls, breeches and shorts, of other textile materials	25% or Rs. 135 per piece, whichever is higher	20%
96.	7204	Ferrous waste and scrap [*This item will attract "nil" rate till 31.3.2023, vide S. No. 368 of notification No. 50/2017-Customs.*]	15%	2.5%
97.	9801	Project Imports **[***Effective BCD rate on these items would continue to be 'Nil / 2.5% / 5% (as applicable)' vide S. Nos. 597 to 606 of notification No. 50/2017- Customs till 30.09.2023 for the project imports registered till 30.09.2022. For other project imports 7.5% BCD rate will be applicable from 01.10.2022.All project imports will attract 7.5% BCD rate after 30.09.2023***]**	10%	7.5%
D.	**New entries added to the First Schedule (to be effective from 01-05-2022 unless otherwise specified) [Clause 97(b) of the Finance Bill, 2022]**			
1.	Amendments have been proposed in the Finance Bill, 2022, to align the Indian Tariff with the Complementary Amendments to the HS-2022 published by WCO, as signatory to HS Convention. These complementary amendments include minor changes across chapters in the Tariff, all aimed at bringing greater clarity to the HS. Further, New Tariff entries are being introduced by accommodating the requests from different Ministries and Departments. These new entries will help- • to identify new categories of Fuels being introduced in the Country; • to give a fillip to identification and exports of Handicrafts; • to clarify the manner of determination of Fe content in iron ore being exported; • to provide greater clarity on the goods being exempted through different notifications of the Government.			

IV. PRUNING AND REVIEW OF CUSTOMS DUTY CONCESSIONS/ EXEMPTIONS

A. Review of concessional rates of BCD prescribed to Capital Goods and Project Imports *vide* notification No. 50/2017 – Customs dated 30.6.2017:

The Customs duty rate structure on capital goods and project imports has been comprehensively reviewed and exemption on capital goods/ project imports are being phased out in a gradual manner. However, certain exemptions on capital goods would continue. Accordingly**,** the BCD exemption hitherto available on certain goods are being withdrawn by omitting the following entries of notification No. 50/2017-Customs dated 30.6.2017, from the dates mentioned against each entry.

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
Textile Sector		
1.	399 [exemption is being phased out as per details in column (3)]	Goods (other than old and used) for use in man-made or synthetic fiber or yarn industry (84 or any other Chapter) 1. Concessional BCD rate to be withdrawn for Spindles, Yarn guides, Ballon Control Rings and Travellers **[w.e.f 1.4.2022]** 2. Concessional BCD rate to be withdrawn for the remaining items such as Machinery for continuous polymerization plant, Machinery for synthetic fibre plant, Machinery for synthetic filament yarn plant, Machinery for Regular/HWM Viscose Staple Fibre Plant, Machinery for Lyocell Fiber Plant, in this entry **[w.e.f 1.4.2023]**
2.	400 **[w.e.f 1.4.2023]**	Goods such as Machinery for garment sector, Machinery for manufacture of technical textiles, Woollen machinery items, Machinery for manufacture of non-wovens textiles, Machinery for manufacture of denim fabrics, Machinery for use with shuttleless looms etc. as specified in List 12 to the notification No. 50/2017-Customs, and parts for their manufacture for use in textiles industry
3.	432 [exemption is being phased out as per details in column (3)]	Goods (other than old and used) for use in the textile industry **1.** Concessional BCD rate to be withdrawn for item no. 1, List 25: Effluent treatment unit with biopaq reactor, activate sludge process, activated carbon, ultrafiltration ozonisation facilities **[w.e.f 1.4.2022]** **2.** Concessional BCD rate to be withdrawn for item no. 3, List

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
		25: Effluent treatment unit with automatic sensing devices, automatic controlled chemical dosing, dissolved air floatation (DAF), reverse osmosis, sludge dewatering, decanters, ultrafilters, vacuum filters to deliver water for reuse **[w.e.f 1.4.2022]** 3. Concessional BCD rate to be withdrawn for the remaining items such as singeing machines, yarn drying machines, knitting machines etc., in this entry. **[w.e.f 1.4.2023]**
4.	433 **[w.e.f 1.4.2022]**	Machinery or equipment for effluent treatment plant for handloom sector or handicraft sector
5.	434 **[w.e.f 1.4.2023]**	Machinery for use in the silk textile industry
6.	460 **[w.e.f 1.4.2023]**	Shuttle less looms and parts for their manufacture for use in the textile industry
7.	461 [exemption is being phased out as per details in column (3)]	Machineries such as Knitting, weaving machines **1.** Concessional BCD rate to be withdrawn for Card Clothing (HS Code 8448 31 00) used in textile machinery i.e., Carding Machine **[w.e.f 1.4.2022]** 2. Concessional BCD rate to be withdrawn for the remaining items, such as machines for extruding, drawing, texturing, textiles machines, machines for preparing textile fibers, textile spinning machines, textile twisting machines, textile winding machines, weaving machines, knitting machines, auxiliary machines etc., in entry. **[w.e.f 1.4.2023]**
Power Sector		
8.	397 [exemption is being phased out as per details in column (3)]	Goods specified in List 10 required for use in high voltage power transmission project 1. Concessional BCD rate to be withdrawn for 13 items [List 10 in the notification] that include Transformers, Reactor, Circuit Breaker etc. **[w.e.f 1.4.2022]** 2. Concessional BCD rate to be withdrawn for the remaining items such as High Voltage DC Divider and CT, High Voltage DC Reactor, High TRV Circuit Breaker for High Voltage DC application, Optical Current Transformer etc. in this entry. **[w.e.f 1.4.2023]**

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
9.	405 [exemption is being phased out as per details in column (3)]	Wind operated electricity generators, its parts and raw material, thereof **1.** Concessional BCD rate to be withdrawn for item No. (1) & (3) of this entry that include wind operated electricity generators (WOEG) upto 30 kW, wind operated battery chargers upto 30kW and blades for the rotors of WOEG **[w.e.f 1.4.2022]** 2. Concessional BCD rate to be withdrawn for the remaining items, such as parts of wind operated electricity generators including special bearings, gear box, yaw components, wind turbine controllers etc. and parts thereof and parts of blades, raw materials of blades etc. in this entry. **[w.e.f 1.4.2023]**
10.	406 **[w.e.f 1.4.2023]**	Permanent magnets for manufacture of PM synchronous generators above 500KW for use in wind operated electricity generators
11.	413 **[w.e.f 1.4.2022]**	All goods, for renovation or modernization of a power generation plant (other than captive power generation plant)
12.	414 **[w.e.f 1.4.2022]**	All goods, imported by a manufacturer-supplier for the manufacture and supply of machinery and equipment to a power generation plant (other than captive power generation plant)
Petroleum Sector		
13.	403 **[w.e.f 1.4.2023]**	Parts and raw materials for manufacture of goods to be supplied in connection with the purposes of off- shore oil exploration or exploitation
14.	409 [exemption is being phased out as per details in column (3)]	Goods specified in List 13 required for setting up crude petroleum refinery 1. Concessional BCD rate to be withdrawn for 11 items of List 13 that include utility systems, water treatment systems, air handling systems, boilers etc. **[w.e.f 1.4.2022]** 2. Concessional BCD rate to be withdrawn for the remaining items such as all types of Refinery Process Units, All types of Hydrogen Generation, Recovery and Purification Plants, All types of Process Subsystems, All types of Effluent Solids/Liquids/Gaseous Processing etc. in this S. No. **[w.e.f 1.4.2023]**

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
15.	410 **[w.e.f 1.4.2022]**	Kits and its parts required for the conversion of motor- spirit or diesel driven vehicles into Compressed Natural Gas driven or Propane driven or Liquefied Petroleum Gas driven vehicles
Leather Sector		
16.	396 **[w.e.f 1.4.2022]**	Machinery or equipment for effluent treatment plant for leather industry
17.	439 **[w.e.f 1.4.2023]**	292 goods specified in List 27 to notification No. 50/2017-Customs, designed for use in the leather industry or the footwear industry, like Air blast dust removing machine, Automatic Drying machine etc.
Food Packaging Sector		
18.	455 **[w.e.f 1.4.2023]**	Machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers
19.	458 **[w.e.f 1.4.2023]**	Machinery for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils
Other Sectors		
20.	393 **[w.e.f 1.4.2023]**	(i) Cricket bat and hockey stick splice joining machine (ii) Rugby ball or soccer ball stitching Machine (iii) Moulds for soccer ball, basketball and volley ball
21.	394 **[w.e.f 1.4.2023]**	Bacteria removing clarifier
22.	395 **[w.e.f 1.4.2023]**	Marine seawater pumps with fibre impellers and Automatic fish/prawn feeder
23.	407 **[w.e.f 1.4.2023]**	Goods required for, - (a) the substitution of ozone depleting substances (ODS); (b) the setting up of new capacity with non – ODS technology.
24.	408 **[w.e.f 1.4.2023]**	Goods required for renovation, modernization or maintenance of a fertilizer plant
25.	436 **[w.e.f 1.4.2023]**	Spares, supplied with outboard motors for maintenance of such outboard motors

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
26.	440 **[w.e.f 1.4.2023]**	Fogging machines imported by a Municipal Committee, District Board etc.
27.	443 **[w.e.f 2.2.2022]**	Goods to be imported by or on behalf of security printing and minting corporation of India limited (SPMCIL) that include Plant or machinery or equipment, related spares and consumables for printing of banknotes, etc.
28.	444 **[w.e.f 1.4.2023]**	Geothermal ground source heat pumps
29.	445 **[w.e.f 1.4.2023]**	Goods for making of gem and jewellery – (1) Automatic Chain Making machine, (2) chain twisting machine, (3) Spiral making machine, (4) Rolling machine (combined Profile Groovers/Strip Making) (5) Automatic Investing Machine/casting Machine
30.	448 **[w.e.f 1.4.2023]**	Specific agricultural implements and parts used for their manufacture that include paddy transplanter, sugarcane harvester, cotton picker etc.
31.	469 **[w.e.f 1.4.2023]**	Atmospheric water generator
32.	470 **[w.e.f 1.4.2023]**	Machinery for making wooden fiberboards
Project Imports		
33.	597, 598, 599, 600, 601, 602, 603, 604, 605, 606	a. Project Imports for project such as (i) Power Projects, including Nuclear and Solar Power (ii) Coal Projects (iii) Gas Projects (iv) Iron Ore Projects (v) Water Supply Projects (vi) Mandi and Warehousing Projects for Food Grains (vii) Other Projects b. New projects registered after 30th September 2022 under project imports will attract 7.5% BCD rate with change in BCD Tariff rate to 7.5%. c. Existing projects registered till 30th September 2022 under

S. No.	S. No. of notification No. 50/2017	Description/ HS Code
(1)	(2)	(3)
		project imports will be grandfathered till 30th September 2023 attracting old BCD rates of 0%/2.5%/5% as applicable. d. After 30th September 2023, all projects registered under project imports will attract 7.5% BCD rate.

B. Review of concessional rates of BCD prescribed in notification No. 50/2017 – customs dated 30.06.2017: The BCD exemption hitherto available on certain goods are being withdrawn by omitting some of the entries of notification No. 50/2017-Customs dated 30.6.2017 as shown below. Additionally, modifications have also been made with respect to some of the entries of notification No. 50/2017-Customs dated 30.6.2017, wherein end-dates have been prescribed, and partial changes has been made to the exemptions. These changes are detailed below.

S. No.	S. No. of notification No. 50/ 2017	Description
Entries to be immediately omitted		
1.	4	Atlantic Salmon
2.	26	Hazelnuts or filberts, shelled and in-shell
3.	28	Other nuts, shelled and in-shell
4.	33	Durians, other fresh fruits like Pomegranates, Tamarind, Sapota, Custard- apple, Bore, Lichi, etc. other than currants and gooseberries
5.	50	Seed Lac
6.	52	Dammar Batu
7.	82	Crude glycerin for use in the manufacture of soaps
8.	96	Tapioca and substitutes therefor prepared from starch
9.	122	Silica Sands
10.	124	Marble, travertine, granite other than rough marble and travertine blocks and marble slabs
11.	151	Kerosene imported by the Indian IOCL. BPCL, HPCL and IBP Company Limited for ultimate sale through the Public Distribution System
12.	159	Bio-based asphalt sealer and preservation agent; Millings remover and crack filler; Asphalt remover and corrosion protectant; Sprayer system for bio-based Asphalt and

S. No.	S. No. of notification No. 50/ 2017	Description
		condition no. 14
13.	171	The goods specified in List 7, for the manufacture of laser and laser-based instrumentation and condition No. 17
14.	173	Goods used in manufacture of telecommunication grade impregnated glass reinforcement roving, namely: E-glass roving/ yarn, liquid absorbent polymer, polyurethane polymer and vinyl polymer
15.	175	Common Salt (including Rock salt, Sea salt and Table salt)
16.	187	Raw materials intermediates and consumables supplied by UNICEF for manufacture of DTP vaccines and condition No. 19
17.	233	Myrobalan fruit extract
18.	234	Triband Phosphor
19.	235	Ceramic Colours
20.	236	Glass frit and other glass, in the form of powder, granules or flakes
21.	241	Vinyl Polyethylene Glycol for use in manufacture of Poly Carboxylate Ether
22.	242	The following goods for use in the manufacture of Plasma Volume Expanders, namely: Hydroxyethyl starch and Dextran
23.	277	Mica glass tape for use in manufacture of insulated wire and cables
24.	293	Grape guard paper (paper used for packaging grapes)
25.	324	Monofilament long line system for tuna fishing and condition No. 34
26.	327	Samples of hand knotted carpets and condition No. 36
27.	328	Polyester Tyre Cord Fabric
28.	332	Parts of Umbrella
29.	216 & 481	Artificial Kidney (Dialyzer)
30.	216A & 481A	Parts for manufacture of Artificial Kidney
31.	402	Goods, for use in the manufacture of static converters of automatic data processing machines: PCBA, Transformer, Battery and Copper enameled wires
32.	424	Listed goods for paging goods and its parts
33.	425	Listed goods for Public Mobile Radio Trunked Service (PMRTS) and its parts
34.	431	Goods used for Research and development in Agro-

S. No.	S. No. of notification No. 50/ 2017	Description
		Chemical Sector Unit
35.	449	Goods for use in the manufacture of refrigerator compressor namely: - (i) C-Block compressor; (ii) Crankshafts.
36.	450	Over Load Protector (OLP) and positive thermal coefficient for use in the manufacture of refrigerator compressor
37.	501	Recorded magnetic tapes and floppy diskettes, imported by the University Grants Commission for use in Computers
38.	588	Synthetic tracks and equipment to lay synthetic tracks.
39.	589	(i)Asphalt resurfacer; (ii) Acrylic resurfacer; (iii) Cushion coat; (iv) Acrylic colour concentrate; (v) Acrylic marking paint; and (vi) Polytan in powder or granule form
40.	590	Requisites for games and sports
Entries where End-dates are prescribed		
41.	289	Wood in chips for use in manufacture of paper, paperboard & newsprint ***[End-date of 31.03.2023 is prescribed]***
42.	430	Goods used for Research and Development purpose in pharmaceutical and bio- technology sector. ***[End-date of 31.03.2023 is prescribed]***
43.	479	Mono or Bi polar Membrane electrolysers and parts; Membrane and parts; Parts, other than those for caustic soda unit or caustic potash unit ***[End-date of 31.03.2024 is prescribed]***
44.	594	Snow-skis and other snow-ski Equipment; Water-skis, surf-boards, sailboards and other water-sport equipment ***[End-date of 31.03.2023 is prescribed]***
Section 25 (4A) of the Customs Act, inserted *vide* Finance Act, 2021, prescribes that where any exemption is granted subject to any condition under sub-section (1), such exemption shall, unless otherwise specified or varied or rescinded, be valid up to 31st day of March falling immediately after two years from the date of such grant or variation. Accordingly, conditional exemptions will have validity in terms of this sub-section. Therefore, entry being impacted on account of this clause have been identified and an explanation has been inserted in the notification No. 50 /2017-Customs. *["Explanation: Under the provisions of sub-section (4A) of section 25 of the Customs Act,*		

S. No.	S. No. of notification No. 50/ 2017	Description
1962, it is hereby specified that the conditional exemptions granted under the S. Nos. of the Table to the notification, mentioned under column (2) of the Table below, for which period of validity is not specified otherwise, shall unless varied or rescinded, be valid up to the date mentioned in the corresponding entry in column (3) of the said Table. ....”]		
The following entries, unless varied, will have validity up to **31.03.2023.**		
45.	16, 90, 133, 139, 150, 155, 164, 165, 168, 183, 184, 188, 204, 213, 237, 238, 253, 254, 255, 258, 259, 260, 261, 269, 271, 276, 277A, 279, 280, 325, 333, 334, 339, 340, 341, 341A, 353, 364A, 374, 375, 378, 379, 380, 381, 387, 392, 415, 415A, 416, 417, 418, 419, 420, 421, 426, 428, 429, 441, 462, 463, 464, 471, 472, 475, 478, 482, 489B, 495, 497, 504, 509, 510, 511, 512, 512A, 516, 519, 534, 535, 535A, 536, 538, 540, 542, 543, 544, 546, 549, 550, 559, 565, 566, 567, 568, 570, 575, 577, 578A, 579, 580, 581, 583, 593, 612	
The following entries [having been reviewed in this exercise done this year], unless varied, will have validity up to **31.03.2024**.		
46.	17, 80A, 104, 172, 191, 257, 257A, 257B, 257C, 264A, 290, 292, 293A, 296A, 326, 329, 345A, 354, 355, 356, 357, 422, 423, 442, 446, 451, 465, 517, 591	
Entries omitted being in the nature of technical change		
47.	31	Dried Grapes (Raisins, Other)
48.	161	Electrical Energy originating from Nepal and Bhutan
49.	192	Alkyl esters of long chain fatty acids obtained from vegetable oils, commonly known as bio- diesels
50.	215	The Blood group sera, namely: -Anti C., anti E., anti c., anti e., anti M., anti N., anti Le., anti-Pl., anti S., antihuman globulin sera, anti F., anti kell, anti cellane, anti Jka., and anti I
51.	224	Potassium Nitrate, in a form indicative of its use for manurial purpose
52.	248	Dipping oil, Paclobutrazol (Cultar)
53.	466	Parts/ sub-parts, components or accessories for use in the manufacture of tablet computer.
54.	485	Deflection components for use in colour monitors for computers or for use in PCBs of colour monitors for computers
55.	496	Stepper Motors for use in the manufacture of goods falling under heading 8471
56.	505	Parts of Set-top box for use in its manufacture
57.	506	Parts/sub-parts, components for use in manufacture of broadband modem

S. No.	S. No. of notification No. 50/ 2017	Description
		Other than PCBA, charger.
58.	507	Parts/ sub-parts, components and accessories for use in manufacture of routers other than PCBA, charger.
59.	508	Parts/ sub-parts, components and accessories for use in manufacture of set top boxes for gaining access to internet other than PCBA, charger.
Entries with partial changes		
60.	15	Frozen Semen and Frozen semen equipment **[*Exemption to continue only for bovine semen*]**
61.	104	List of specified goods used in the processing of sea-foods **[*Exemption to continue for selected items and accordingly, exemption has been continued for 16 items and 4 new items has been added to the list*]**
62.	132	**List A items:** 1. Aluminous cement 2. Silicon metal (99%) 3. Micro/fumed silica 4. Brown fused alumina 5. Sintered/tabular alumina 6. Fused zirconia 7. Sodium hexameta phosphate 8. Silicon carbide 9. Boron carbide 10. Reactive alumina 11. Fused silica; and List B items: Phenolic resin [***Exemption to continue for list A with end-date of 31.03.2023*** *and* ***discontinue for list B immediately***]
63.	166	(A) Drugs, medicines, diagnostic kits or equipment specified in List 3. (B) Bulk drugs used in the manufacture of drugs or medicines at (A) ***[Exemptions under List-3 is being rationalized]***

S. No.	S. No. of notification No. 50/ 2017	Description
		Note: *Items included in List 3 under S. No. 166 provides for a conditional concessional rate of 5% on the imports of drugs, medicines, diagnostic kits, etc. along with bulk drugs used in the manufacture of such drugs or medicines. The items in the said list has been reviewed. Accordingly, 35 items have been removed from the List and 1 item [influenza vaccine] in the List would be omitted after 18 months. For further details, please refer to notification No. 02/2022 – Customs dated the 1st February, 2022.*
64.	167	(A) Lifesaving drugs/medicines including their salts and esters and diagnostic test kits specified in List 4. (B) Bulk drugs used in the manufacture of drugs or medicines at (A). ***[Exemptions under List-4 is being rationalized in the manner as detailed in the Note at S. No. 63 above; Entry at S. No. 167 (C) has been omitted as a similar exemption is available under S. No. 607 (b) of notification No. 50/2017 – Customs]*** **Note**: *Items included in List 4 under S. No. 167 provides for customs duty exemption on the imports of Lifesaving drugs/medicines, diagnostic kits, etc. along with bulk drugs used in the manufacture of such goods. The items in the said list has been reviewed. Accordingly, 3 items in List 4 [Diagnostic agent for detection of Hepatitis B antigen, Diagnostic kits for detection of HIV antibodies, Enzyme Linked Immuno absorbent Assay kits (ELISA kits)] have been transferred to List 3, 2 bulk drugs [bulk drug substance for poliomyelitis vaccine (inactivated and live) and Monocomponent Insulin] that are currently included in List 4 would be transferred to List 3 after 2-3 years, and 36 items from List 4 have been omitted. For further details, please refer to notification No. 02/2022 – Customs dated the 1st February, 2022.*
65.	404	Goods required in connection with Petroleum operations. ***[Rationalization of the exemption provided for goods used in petroleum operations as specified in List 33 under S. No.***

S. No.	S. No. of notification No. 50/ 2017	Description
		404, and simplification of the associated condition no. 48 for availing such exemption and disposal of such goods] Note: *A definition has been provided for a licensee, lessee, contractor or sub-contractor for the purpose of this entry. Also, the requirement of producing a certificate from Directorate General of Hydrocarbons (DGH) for import or each transaction under this entry has been dispensed with. Further, the list of items falling under List 33 has been pruned down and have been made more specific by prescribing the concerned HS Codes.*
66.	513	Parts or components for use in manufacture of populated printed circuit board of various telecom and electronics related products, and its sub-parts. [*Exemption to continue for Digital Video Recorder(DVR)/Network Video Recorder(NVR) falling under tariff item 8521 90 90; CCTV Camera/IP Camera falling under tariff item 8525 20 80; Reception apparatus for television but not designed to incorporate a video display falling under tariff item 8528 71 00*]

C. Customs duty exemptions which have been granted through certain other stand-alone notifications, have also been reviewed:

S. No.	Notification No.	Amendment
I.	**The following notifications have been modified in the manner as detailed below:**	
1.	39/1996-Customs dated 23.07.1996	This notification prescribes concessional rate of customs duty on items relating to Defence and internal security forces. Upon review of exemption, entries under S. Nos. 14, 15, 17, 18, 19, 24, 29, 30, 31, 31A, 31B, 32, 33, 35, 36, 38, 39, 40, 41, 42, 43 have been omitted. *[**Sunset date of 31.03.2023** has been prescribed for the remaining entries as per Section 25(4A) of the Customs Act, 1962]*
2.	25/1999-Customs dated 28.02.1999	This notification prescribes concessional rate of customs duty on items relating to import of raw materials and parts for use in manufacture of electronic items. Upon review of exemption, it has been pruned to remove redundant exemption entries and exemptions related to obsolete items and accordingly, more than 125 entries

		have been omitted. *[**Sunset date of 31.03.2024** been applied for the remaining entries]*
3.	25/2002-Customs dated 01.03.2002	This notification prescribes concessional rate of customs duty on import of items relating to capital goods used in manufacture of electronic items. *[**Sunset date of 31.03.2024** been applied for the all entries]*
4.	27/2011-Customs dated 01.03.2011	This notification prescribes concessional rate of customs duty on export of goods. Upon review of the exemption, the entries under S. Nos. 20B, 63 and 64 have been omitted as these entries have become obsolete .
5.	37/2017-Customs dated 30.06.2017	This notification prescribes concessional rate of customs duty on import of items relating to internal security agencies. Upon review of exemption entries, the entries under S. Nos. 6 and 7 have been omitted as their validity has expired.
II. The following obsolete/expired notifications have been rescinded as detailed below:		
S. No.	**Notification No.**	**Description**
1.	190/1978-Customs dated 22.09.1978	These notification provides for additional duty of customs on import of transformer oil equivalent to such portion of the excise duty leviable on the raw material commonly known as transformer oil base stock or transformer oil feedstock .
2.	191/1978-Customs dated 22.09.1978	
3.	10/1995-Customs dated 7.3.1995	This notification prescribes concessional rate of customs duty on import inputs imported for manufacturing of Iron & Steel intermediates.
4.	26/1999-Customs dated 28.2.1999	This notification prescribes concessional rate of basic customs duty on import of kerosene imported by a manufacturer of linear alkyl benzene for extracting N-Paraffin.
5.	27/2004-Customs dated 23.01.2004	This notification prescribes concessional rate of customs duty on import of specified goods imported for use in manufacture of certain chemicals.
6.	14/2006-Customs dated 01.03.2006	This notification prescribes concessional rate of customs duty on import of specified varieties of woven fabrics falling under Chapters 52, 54, 55 and 58. The entries of this notification have been merged in notification No. 82/2017-Customs.
7.	48/2006-Customs dated 26.05.2006	This notification prescribes concessional rate of customs duty on import of woven fabrics of carded/combed wool

		or fine animal hair. The entries of this notification have been merged in notification No. 82/2017-Customs.
8.	90/2007-Customs dated 26.07.2007	This notification prescribes concessional rate of additional duty of customs on import of items related to Electronics and Information Technology goods.
9.	08/2011-Customs dated 14.02.2011	This notification prescribes exemption from the whole of the additional duty of customs, leviable thereon under sub-section (1) of section 3 of the said Customs Tariff Act, on jute products imported from Bangladesh or Nepal. The notification has been rescinded as post introduction of GST, the jute products attract integrated tax on imports.
10.	24/2011-Customs dated 1.03.2011	This notification exempts Basic Customs Duty on copper concentrate as is equivalent to the duty of customs leviable on the value of Gold and silver contained in such copper concentrate.
11.	49/2013-Customs dated 29.11.2013	This notification prescribed concessional rate of customs duty on import of Anti-Tuberculosis Drugs, Diagnostics and Equipment and had lapsed on 1st April, 2016.
12.	23/2014-Customs dated 11.07.2014	This notification prescribed concessional rate of customs duty on import of Drugs & equipment imported for National AIDS Control Programme and had lapsed on 1st April, 2015.
13.	37/2015-Customs dated 10.06.2015	This notification prescribed concessional rate of customs duty on import of Anti-Retroviral Drugs (ARV Drugs) and had lapsed on 1st April, 2016.
14.	11/2016-Customs dated 01.03.2016	This notification prescribes concessional rate of customs duty on import of software recorded media.
15.	20/2020-Customs dated 9.04.2020	This notification prescribes concessional rate of customs duty on import of Face Masks, Surgical Masks, Ventilators, COVID-19 Testing Kits, etc. and had lapsed on 30th September, 2020.
16.	40/2020-Customs dated 28.10.2020	This notification prescribes concessional rate of customs duty on import of Potatoes under Tariff Rate Quota (TRQ) and had lapsed on 31st January, 2021.

D. Inclusion of End-date as per Section 25(4A) of the Customs Act, 1962, in certain stand-alone notifications:

S. No.	Notification No./ Entry of the notification No.	Amendment
1.	146/94-Customs dated 13.07.1994	This notification prescribes concessional rate of customs duty on specified sports goods, equipment and requisites imported by National Sports Federation ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
2.	147/94-Customs dated 13.07.1994	This notification prescribes concessional rate of customs duty on exemption to Fire arms and ammunition for renowned shot ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
3.	50/96-Customs dated 23.07.1996	This notification prescribes concessional rate of customs duty on equipment, instrument, raw materials, components, pilot plants, computer software for R&D project ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
4.	30/2004-Customs dated 28.01.2004	This notification prescribes concessional rate of customs duty on import of second hand computers as donation ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
5.	81/2005-Customs dated 08.09.2005	This notification prescribes concessional rate of customs duty on machinery/components for initial setting up of power generation project ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
6.	5/2017-Customs dated 02.02.2017	This notification prescribes concessional rate of customs duty on machinery, equipment, apparatus, components and appliances for initial setting up of fuel cell based system for generation of power ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
7.	16/2017-Customs dated 20.04.2017	This notification prescribes concessional rate of customs duty on specified drugs and medicines supplied free of cost to patients ***[All the entries in the notification, unless varied or rescinded, will have validity up to 31.03.2023.]***
8.	Serial No. 2 of	This notification prescribes concessional rate of customs duty on art work created abroad by Indian artist and

	32/2017-Customs dated 30.06.2017	sculptures, antique books more than 100-year-old. ***[The entry, unless varied or rescinded, will have validity up to 31.03.2023.]***

V. PROPOSALS INVOLVING CHANGES IN EFFECTIVE BASIC CUSTOMS DUTY RATES IN RESPECT OF PHASED MANUFACTURING PROGRAM [PMP] WITH RESPECT TO SPECIFIC ELECTRONIC GOODS

S. No.	Chapter, heading, sub-heading, or tariff item	Commodity	From	To			
				2022-23	2023-24	2024-25	2025-26
PMP for Wrist Wearable Devices (Smart watches)							
Following parts [S. No. 1 to 7] for manufacture of wearable devices falling under tariff item 8517 62 90 of the Customs Tariff							
1.	8517 79 10	Printed Circuit Board Assembly (PCBA)	NIL	NIL	10%	15%	15%
2.	8544	Charging Cable	10%	NIL	5%	10%	15%
3.	39, 73, 85	Specified parts of wearable devices	As per CTH	NIL	5%	10%	15%
4.	8507 60 00/ 8507 80 00	Battery	15%	NIL	5%	10%	15%
5.	8517 79 90	Display Assembly	NIL	NIL	NIL	5%	10%
6.	8501	Vibrator Motor	10%	10%	10%	10%	10%
7.	Any Chapter	Parts, sub-parts, and raw materials for use in the manufacture of the S. Nos 1 to 6 above	As per CTH	NIL	NIL	NIL	NIL
8.	8517 62 90	Wrist Wearable Devices (Commonly known as Smart Watches)	20%	20%	20%	20%	20%
Note: IGCR conditions shall apply for the items in S. No. 1 to 7 above.							

PMP for Hearable Devices							
Following parts [S. No. 1 to 6] for manufacture of hearable devices falling under sub-headings 8518 21, 8518 22, 8518 29 or 8518 30 of the Customs Tariff							
1.	8518 90 00	PCBA for Hearable Device	10%	NIL	10%	15%	15%
2.	8544	USB Cable	10%	15%	15%	15%	15%
3.	73, 74, 85	Specified parts of hearable devices	As per CTH	NIL	5%	10%	15%
4.	8507 60 00/ 8507 80 00	Battery	15%	NIL	5%	10%	15%
5.	8518 90 00	Speaker Assembly (Pre-assembled speaker driver with protective mesh, but not including PCBA or battery)	10%	NIL	NIL	5%	10%
6.	Any Chapter	Parts, sub-parts, and raw materials for use in the manufacture of the S. Nos 1, 3, 4, and 5 above	As per CTH	NIL	NIL	NIL	NIL
7.	8518 21, 8518 22, 8518 29, 8518 30	Hearable Devices *Note - Hearable devices mean: -* *(i) true wireless stereo (TWS), headphones, earphones and similar devices like earbuds, neckbands, headsets, etc., whether or not combined with a microphone, being capable of connecting through a wireless medium; and* *(ii) portable bluetooth speakers*	15%	20%	20%	20%	20%

		comprising of an amplifier and loudspeaker(s) with maximum output power not exceeding 40 Watts, having battery as a source of power and capable of wireless connectivity through bluetooth.					
Note: IGCR conditions shall apply for the items in S. No. 1 to 6 above.							
PMP for Smart Meters							
Following parts [S. No. 1 to 6] for manufacture of smart meters falling under tariff item 9028 30 10 of the Customs Tariff							
1.	9028 90 10	Assembled / Populated PCB for Smart Meters	7.5%	20%	20%	20%	20%
2.	8517 69 90	Communication Module	10%	NIL	NIL	5%	10%
3.	8536 49 00	Relay	10%	5%	10%	10%	15%
4.	8517 71 00	Antenna	NIL	NIL	NIL	5%	10%
5.	8524 11 00/ 8524 91 00	LCD & Backlight for LCD	15%	NIL	5%	10%	10%
6.	8506 50 00	Battery	10%	NIL	5%	10%	10%
7.	Any Chapter	Parts, sub-parts, and raw materials for use in the manufacture of the S. Nos 1 to 6 above	As per CTH	NIL	NIL	NIL	NIL
8.	9028 30 10	Smart Meters	15%	25%	25%	25%	25%
Note: IGCR conditions shall apply for the items in S. No. 1 to 7 above.							

VI. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES/HEALTH CESS IN RESPECTIVE NOTIFICATIONS [with effect from 2.2.2022, unless specified otherwise]

S. No.	Chapter, heading, sub-heading, or tariff item	Commodity	From	To
		Agricultural Products and By Products		
1.	0306	Live Black tiger shrimp (*Penaeus monodon*)	30%	10%
2.	0306 19 00	Frozen Krill	30%	15%
3.	1518	Algal Oil for manufacturing of aquatic feed	30%	15%
		Fuels, Chemicals and Plastics		
4.	2710 19	Fuel oil	5%	2.5%
5.	2710 19	Straight run fuel oil	5%	2.5%
6.	2710 19	Low sulphur wax residue	5%	2.5%
7.	2710 19	Vacuum residue, Slurry	5%	2.5%
8.	2710 19	Vacuum gasoil	5%	2.5%
9.	2837 11 00	Sodium cyanide	7.5%	10%
		Paper		
10.	4707	Recovered (waste and scrap) paper or paperboard for use in manufacturing of paper, paperboard or newsprint	NIL	2.5%
		Gems and Jewellery Sector		
11.	7102 21 7102 31 00	Simply Sawn Natural Diamonds imported under Kimberley Process Certification Scheme (KPCS)	Applicable Rate	NIL
12.	71	Cut and Polished Diamonds	7.5%	5%
13.	71 (except 7104 99 00)	Cut and Polished Natural Gemstones	7.5%	5%
		Metals		
14.	7204	Iron and steel scrap, including stainless steel scrap [Exemption hitherto available till 31.3.2022 is being extended up to 31.03.2023]	NIL [upto 31.3.2022]	NIL [upto 31.3.2023]

		Electrical and Electronics Sector		
15.	3920 99 99, 9002 11 00	Camera lens for use in manufacture of Camera Module for Cellular Mobile Phone	10%/ 15%	2.5%
16.	Specific CTH	Specified parts for use in manufacture of transformers of chargers/adapters	10%/ 15%	5%
17.	74 or 76	Copper/Aluminium based Copper clad laminate for use in manufacture of PCB/MCPCB	5%/ 7.5%	NIL
18.	90	Following items used in manufacture of X-ray items: a) X-Ray grid b) Multi Leaf Collimator/ Iris c) Static User Interface	5%	10%
19.	90	X-Ray Machines	7.5%	10%
		Medical devices		
20.	9018 32 10	Surgical needles imported for manufacture of Surgical sutures	Health Cess @ 5%	Health Cess @ Nil
		Toys		
21.	9503	Parts of electronic toys for manufacture of electronic toys	15%	25%
		Capital Goods		
22.	7325 10 00	S. G. Ingot Castings used in manufacturing of Plastic Processing Machinery	10%	7.5%
23.	8483 40 00, 8477 90 00	Ball Screw and Linear Motion Guide used in manufacturing of Plastic Processing Machinery	7.5%	5%
24.	84	Bushing (made up of platinum and rhodium alloy, imported in exchange of worn-out bushing exported for refurbishment)	10%	7.5%
25.	8419	Coffee roasting, brewing or vending machineries for use in the manufacturing or processing of coffee	10%	7.5%

VII. DUTY CONCESSIONS ON SPECIFIED ITEMS WHEN IMPORTED BY BONAFIDE EXPORTERS:

1. A scheme for duty-free imports for the purpose of use in goods meant for export, based on end-use monitoring is being introduced for bonafide exporters subject to the requirement of exporting value added products manufactured using inputs imported under these exemptions, within a period of six months. Importer shall be required to follow the procedure under the Import of Goods at Concessional Rate (IGCR) Rules, 2017.
2. The following changes are being made to operationalize the scheme as detailed under:
   - Conditions required for availing exemptions *vide* S. No. 257 are being amended.
   - S. No. 257A is being inserted to provide for conditional exemptions for import of specified items like decorative papers, motifs, back of photo frames, etc. to be used in manufacture of *handicraft products* meant for exports.
   - S. No. 257B is being inserted to provide for conditional exemptions for import of specified items like fasteners, inlay cards, lining and inter-lining materials, wet blue chrome tanned leather, etc. to be used in manufacture of *textile or leather garments* meant for exports.
   - S. No. 257C is being inserted to provide for conditional exemptions for import of specified items like buckles, buttons, locks etc. to be used in manufacture of *leather or synthetic footwears, or other leather products* meant for exports.
   - S. No. 288, having been subsumed under new S. No. 257B, is being omitted.

VIII. REVIEW OF LEVY OF SOCIAL WELFARE SURCHARGE [SWS] ON VARIOUS ITEMS BY AMENDING NOTIFICATION NO. 11/2018- CUSTOMS DATED 02.02.2018

S. No.	Amendment
1.	All goods falling under tariff items 0802 91 00, 0802 92 00 and 0802 99 00 have been exempted from SWS.
2.	All goods falling under sub-headings 1509 90 and 1510 90 have been exempted from SWS.
3.	All goods falling under tariff items 2515 12 90, 2516 11 00, 2516 12 00 have been exempted from SWS.
4.	All goods falling under the sub-headings 5208 39, 5209 31, 5209 32, 5209 39, 5209 49, 5210 39, 5211 31, 5211 32, 5211 39, and 5211 49 have been exempted from SWS.
5.	All goods falling under the sub-heading 5407 61 have been exempted from SWS.
7.	All goods falling under tariff items 5516 22 00 and 5516 23 00 have been

	exempted from SWS.
8.	All goods falling under tariff item 5802 30 00 have been exempted from SWS.
9.	The current SWS exemption has been withdrawn for all goods falling under tariff item 6001 92 00.
10.	The current SWS exemption has been withdrawn for all the goods falling under tariff item 6101 20 00; goods falling under sub-heading 6101 30; goods falling under tariff items 6102 10 00 & 6102 20 00; goods falling under sub-heading 6102 30; goods falling under sub-heading 6104 19 (except of wool or fine animal hair or cotton); and goods falling under tariff items 6104 62 00 , 6104 63 00.
11.	SWS exemption has been withdrawn for all the goods falling under sub-headings 6201 30, 6201 40, 6202 30, 6202 40; falling under tariff items 6204 11 00, 6204 13 00; goods falling under sub-heading 6204 19, 6204 31; goods falling under tariff items 6204 32 00 & 6204 33 00; and goods falling under sub-headings 6204 39 & 6204 69.
12.	In the heading 6203, the exemption from SWS has been narrowed down to all the goods falling under tariff items 6203 22 00, 6203 23 00; goods falling under sub-heading 6203 29; goods falling under tariff item 6203 41 00; and goods falling under sub-heading 6203 42.
13.	SWS exemption has been withdrawn for all the goods falling under Sl. No. 3 [Men's or boy's overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 6103, of wool or fine animal hair, falling under tariff item 6101 90 90] and Sl. No.4 [Upholstery fabrics falling under the following headings or sub-headings - 5208 39, 5209 31, 5209 32, 5209 39, 5209 49, 5210 39, 5211 31, 5211 32, 5211 39, 5211 49, 5407 61, 5516 22 00, 5516 23 00, 5802 30 00] of the notification No. 11/2018 – Customs dated 02.02.2018.

IX. OTHER MISCELLANEOUS CHANGES IN VARIOUS NOTIFICATIONS PROVIDING CONCESSION ON IMPORTS:

S. No.	Notification No.	Amendment
1.	Notification 148/94-Customs dated 13.07.1994	The notification prescribes exemption from customs duty on imports of specified free gifts, donations, relief and rehabilitation material imported by Charitable organizations, Red Cross Society, CARE and Government of India. This notification has been amended to provide exemption from Health Cess, Agriculture Infrastructure and Development Cess (AIDC) and Road and Infrastructure Cess (RIC) for goods imported under this notification.
2.	Notification No.38/96-Customs dated 23.07.1996	The notification grants customs duty exemption on trans-shipment of goods either imported from foreign country for export to Bhutan/Nepal, all goods imported from Bhutan/Nepal for export to other countries and certain other specified goods. This notification has been amended to provide exemption from Health Cess, Agriculture Infrastructure and Development Cess (AIDC) and Road and Infrastructure Cess (RIC) for goods imported under this notification.
3.	Notification No. 104/10-Customs dated 01.10.2010	The notification prescribes exemption from customs duty on specified goods imported from Nepal. This notification has been amended to provide exemption from Agriculture Infrastructure and Development Cess (AIDC) for goods imported under this notification.
4.	Notification No. 60/2011-Customs dated 14.07.2011	The notification prescribes exemption from customs duty on imports of specified goods locally produced in border districts of Bangladesh. This notification has been amended to provide exemption from Agriculture Infrastructure and Development Cess (AIDC) for goods imported under this notification.
5.	Notification No. 40/2017-Cus.dated 30.06.2017	The notification prescribes exemption from customs duty on imports of the specified goods from Bhutan, Bangladesh and China. This notification has been amended to provide exemption from Health Cess, Agriculture Infrastructure and Development Cess (AIDC) and Road and Infrastructure Cess (RIC)for goods imported under this notification.
6.	Notification No. 50/2017 – Customs dated 30.06.2017	**Treatment of rare diseases:** A new entry at S. No. 167A is being introduced to exempt drugs or medicines, falling under Chapter 30 or Heading 9804 of the First Schedule to the Customs Tariff Act, 1975, which are used for the treatment of rare diseases, when imported by 8 Centre of Excellence (CoE) listed in the List 2 (inserted) or any other person/institution on their recommendation. This is in tune with the National Policy for Rare Diseases, 2021.

X. OTHER CHANGES (INCLUDING CERTAIN CLARIFICATIONS/ TECHNICAL CHANGES BY AMENDING NOTIFICATION NO. 50/2017-CUSTOMS DATED 30.06.2017

S. No.	S. No. of notification No. 50/2017	Description
1.	6	The condition of Specific Pathogen Free (SPF) for Live *L. Vannamei* Shrimp has been removed from the notification No. 50/2017 – Customs, as the same is being regulated by the Department of Fisheries.
2.	525, 526A and 531A	Certain clarificatory amendments have been made to entry no. 525, 526A and 531A of notification No. 50/2017 dated 30.06.2017, in order to bring clarity about the scope of exemptions in relation to imports of completely knocked down/semi knocked down forms (CKD/SKD) of electric vehicles (EV) (including commercial, passenger and two-wheeled electric vehicles). These amendments clarify that for an EV kit to be eligible for the duty benefits available to a CKD form of an EV, each individual component in the kit need not be in a dis-assembled form. Further, it has been clarified that even if some components are missing in the EV kit, the benefit of concessional rate of duty available to CKD/SKD kits would still be available provided that the kit as presented has the essential character of an EV.
3.	531A	This entry provides for concessional rate of Customs duty on imports of two-wheeled electrical vehicles. The words 'electric compressor' and 'contactor' have been deleted from this entry as these parts are not used in two-wheelers.

XI. ANTI-DUMPING DUTY (ADD)/ COUNTERVAILING DUTY (CVD)/ SAFEGUARD MEASURES

1.	Anti-Dumping duty is being permanently revoked, on imports of the following- a) Straight Length Bars and Rods of alloy-steel, originating in or exported from People's Republic of China, imposed *vide* notification No. 54/2018-Cus (ADD) dated 18.10.2018; b) High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People's Republic of China and Germany, imposed vide notification No. 38/2019-Cus (ADD) dated 25.09.2019; c) Flat rolled product of steel, plated or coated with alloy of Aluminum or Zinc, originating in or exported from People's Republic of China, Vietnam and Korea

	RP, imposed vide notification No. 16/2020-Cus (ADD) dated 23.06.2020.
2.	Countervailing duty is being permanently revoked on imports of Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China, imposed vide notification No. 1/2017-Cus (CVD) dated 07.09.2017.

XII. CHANGES IN EXPORT DUTY RATES IN NOTIFICATION NO. 27/2011 - CUSTOMS [with effect from 02.02.2022]:

S. No.	Chapter	Commodity	From	To
		Leather		
1.	41	Raw hides and skins of buffalo	40%	30%

CHANGES IN RULES UNDER THE CUSTOMS ACT, 1962

S. No.	Amendment(s)
1.	**Trade Facilitation- Amendment to IGCR rules, 2017** Customs (Import of goods at concessional rate of duty) Rules, 2017 are being amended to provide the following facilities: a) To introduce end to end automation in the entire process. Requirement of submitting all the necessary details electronically, through a common portal, is being brought out in the Rules itself. b) Standardizing and notifying the various forms in which details are to be submitted electronically. c) Leveraging the advantage of such submissions electronically, the need for any transaction based permissions and intimations are all being done away with. d) Consequently, the procedure to claim the notification benefit is being simplified and automated. e) For effective monitoring of the use of goods for the intended purposes, a Monthly Statement is being proposed which is to be submitted by the importer on the Common Portal. f) An option for voluntary payment of the necessary duties and interest, through the Common Portal is being provided to the importer.

EXCISE

EXCISE

Note:

(a) "Basic Excise Duty" means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.

(b) "Road and Infrastructure Cess" means the additional duty of central excise levied under section 112 of the Finance Act, 2018.

(c) "Special Additional Excise Duty" means a duty of excise levied under section 147 of the Finance Act, 2002.

(d) "NCCD" means National Calamity Contingency Duty levied under Finance Act, 2001, as a duty of excise on specified goods at rates specified in seventh schedule to Finance Act, 2001

(e) "Agriculture Infrastructure and Development Cess" means an additional duty of Excise that is levied under Section 125 of the Finance Act, 2021.

(f) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance Bill, 2022.

(g) Amendments carried out through the Finance Bill, 2022, come into effect on the date of its enactment, unless otherwise specified.

I. AMENDMENTS IN THE FOURTH SCHEDULE

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	Two new tariff items, that is, 2710 12 43 and 2710 12 44, falling under Chapter 27, have been inserted in the Fourth Schedule to the Central Excise Act, 1944, relating to E12 and E15 fuel blends, conforming to the new BIS specification [IS 17586] that has been issued for Ethanol Blended Petrol with percentage of ethanol up to twelve (E12) and fifteen (E15) percent respectively. This will align the Fourth Schedule to the Central Excise Act, 1944, with the similar proposed amendment in the sub-heading 2710 12 in the First Schedule to the Customs Tariff Act, 1975.	[98]

II. CHANGE IN EFFECTIVE RATE OF ADDITIONAL BASIC EXCISE DUTY ON UNBLENDED PETROL AND DIESEL

In order to promote blending of Motor Spirit (commonly known as Petrol) with ethanol/methanol and blending of High Speed Diesel with bio-diesel, an additional Basic Excise Duty of Rs. 2 per litre on Petrol and Diesel, intended to be sold to retail consumers without blending, would be levied with effect from the 1st day of October, 2022.

III. AMENDMENTS IN THE SCHEDULE VII OF THE FINANCE ACT, 2001 (NCCD SCHEDULE)

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	The Seventh Schedule of the Finance Act, 2001, is being amended by substituting Central Excise tariff item 2709 20 00 with 2709 00 10 [Petroleum Crude]	[125]

IV. OTHER CHANGES [INCLUDING CERTAIN CLARIFICATIONS/TECHNICAL CHANGES]

S. No.	Amendment
1.	Notification No. 49/2008-Central Excise (N.T.) dated 24.12.2008, provides for Retail Sale Price(RSP) based valuation for specified goods and prescribes an abatement as a percentage of retail sale price for such goods. This notification was issued under section 4A of the Central Excise Act, 1944. Since then statutory/legal position has changed. Accordingly, this notification has been superseded by notification No. 01/2022- Central Excise (N.T.) dated the 1st February, 2022, in order to align the notification No. 49/2008-Central Excise (N.T.) with the current legal position, post rollout of GST regime.

Goods and Service Tax

Note: (a) CGST Act means Central Goods and Services Tax Act, 2017

(b) IGST Act means Integrated Goods and Services Tax Act, 2017

(c) UTGST Act means Union Territory Goods and Services Tax Act, 2017

Amendments carried out in the Finance Bill, 2022, vide clause 99 to 113 will come into effect from a date to be notified, as far as possible, concurrently with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature. Amendments carried out in the Finance Bill, 2022, vide clause 114 to 123 will come into effect on the date of its enactment.

I. AMENDMENTS IN THE CGST ACT, 2017:

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	A new clause (ba) to sub-section (2) of section 16 of the CGST Act is being inserted to provide that input tax credit with respect to a supply can be availed only if such credit has not been restricted in the details communicated to the taxpayer under section 38. Further, sub-section (4) of section 16 of the CGST Act is being amended so as to provide for an extended time for availment of input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year upto thirtieth day of November of the following financial year.	[99]
2.	Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where - (i) a person paying tax under section 10 has not furnished the return for a financial year beyond three months from the due date of furnishing of the said return; (ii) a person, other than those paying tax under section 10, has not furnished returns for such continuous tax period as may be prescribed.	[100]
3.	Sub-section (2) of section 34 of the CGST Act is being amended so as to provide for an extended time for issuance of credit notes in respect of any supply made in a financial year upto thirtieth day of November of the following financial year.	[101]
4.	Section 37 of the CGST Act is being amended so as to: (i) provide for prescribing conditions and restrictions for furnishing the details of outward supply and for	[102]

	communication of the details of such outward supplies to concerned recipients; (ii) do away with two-way communication process in return filing; (iii) provide for an extended time upto thirtieth day of November of the following financial year for rectification of errors in respect of details of outward supplies furnished under sub-section (1); (iv) provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).	
5.	Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement and to do away with two-way communication process in return filing.	[103]
6.	Section 39 of the CGST Act is being amended so as to: (i) provide that the non-resident taxable person shall furnish the return for a month by thirteenth day of the following month; (ii) provide an option to the persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed; (iii) provide for an extended time upto thirtieth day of November of the following financial year, for rectification of errors in the return furnished under section 39; (iv) provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.	[104]
7.	Section 41 of the CGST Act is being substituted so as to do away with the concept of "claim" of eligible input tax credit on a "provisional" basis and to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed.	[105]
8.	Sections 42, 43 and 43A of the CGST Act are being omitted so as to do away with two-way communication process in return filing.	[106]

9.	Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of return under section 52. Further, reference to section 38 is being removed consequent to the amendment in section 38 of the CGST Act.	[107]
10.	Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 48 of the CGST Act is being amended so as to remove reference to section 38 therefrom.	[108]
11.	Section 49 of the CGST Act is being amended so as to: (i) provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger; (ii) allow transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person; (iii) provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger.	[109]
12.	Sub-section (3) of section 50 of the CGST Act is being substituted retrospectively, with effect from the 1st July, 2017, so as to provide for levy of interest on input tax credit wrongly availed and utilized.	[110]
13.	Sub-section (6) of section 52 of the CGST Act is being amended so as to provide for an extended time upto thirtieth day of November of the following financial year for rectification of errors in the statement furnished under sub-section (4).	[111]
14.	Section 54 of the CGST Act is being amended so as to: (i) explicitly provide that refund claim of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed; (ii) provide the time limit for claiming refund of tax paid on inward supplies of goods or services or both under section 55 as two years from the last day of the quarter in which the said supply was received; (iii) extend the scope of withholding of or recovery from refunds in respect of all types of refund; (iv) provide clarity regarding the relevant date for filing refund claim in respect of supplies made to a Special Economic Zone	[112]

	developer or a Special Economic Zone unit by way of insertion of a new sub-clause (ba) in clause (2) of Explanation thereto.	
15.	Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 168 of the CGST Act is being amended so as to remove reference to section 38 therefrom.	[113]
16.	Notification No. 9/2018 – Central Tax, dated the 23rd January, 2018, is being amended so as to notify www.gst.gov.in, retrospectively, with effect from 22nd June, 2017, as the Common Goods and Services Tax Electronic Portal, for all functions provided under Central Goods and Services Tax Rules, 2017, other than those provided for e-way bill and for generation of invoices under sub-rule (4) of rule 48 of the CGST Rules.	[114]
17.	Notification No. 13/2017 – Central Tax, dated the 28th June, 2017, is being amended retrospectively, with effect from the 1st day of July, 2017, so as to notify rate of interest under sub-section (3) of section 50 of the CGST Act as 18%.	[115]

II. AMENDMENTS IN THE IGST ACT, 2017:

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	Notification No. 6/2017 – Integrated Tax, dated the 28th June, 2017, is being amended retrospectively, with effect from the 1st day of July, 2017, so as to notify rate of interest under sub-section (3) of section 50 of the CGST Act as 18%.	[118]

III. AMENDMENTS IN THE UTGST ACT, 2017:

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	Notification number 10/2017 – Union Territory Tax, dated the 30th June, 2017, is being amended retrospectively, with effect from the 1st day of July, 2017, so as to notify rate of interest under sub-section (3) of section 50 of the CGST Act as 18%.	[121]

IV. RETROSPECTIVE AMENDMENTS OF GST RATE NOTIFICATIONS:

S. No.	Amendment	Clause of the Finance Bill, 2022
1.	Central Tax, Union Territory Tax and Integrated Tax on supply of unintended waste generated during the production of fish meal (falling under heading 2301), except fish oil, is being exempted during the period commencing from the 1st day of July, 2017, and ending with the 30th day of September, 2019 (both days inclusive), subject to the condition that if said tax has been collected, the same would not be eligible for refund.	[116,119,122]
2.	Service by way of grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name it is called by the State Governments, has been declared as an activity or transaction which shall be treated neither as a supply of goods nor a supply of service *vide* notification No. 25/2019- Central Tax (R) dated 30.09.2019, notification No. 24/2019- Integrated Tax (R) dated 30.09.2019 and notification No. 25/2019- Union Territory Tax (R) dated 30.09.2019. These notifications have been given retrospective effect from 01.07.2017. However, no refund shall be made of tax which has been collected, but which would not have been so collected, had the said notifications been in force at all material times.	[117,120,123]

******