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# FINANCE ACT 2023 – INCOME TAX

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## New Section/amendment introduced in Finance Act:

The below is a detailed document of all the items which were amended as against the original proposal in the Finance Bill 2023. Also Included below are certain amendments which were not proposed in the finance Bill 2023.

Sl.No	As per Finance Bill	As per Finance Act
1	Not amended in Bill	<p>In section 80LA of the Income-tax Act, in sub-section (1), after clause (b), the following proviso shall be inserted, namely:</p> <p>"Provided that for the assessment year commencing on or after the 1st day of April, 2023, the deduction under this clause shall be one hundred per cent of such income."</p>
	<p><b>Suri View:</b></p> <p>Currently, section 80LA provides that where gross total income of a scheduled bank or any bank incorporated by or under the laws of a country outside India and having an OBU in a Special Economic Zone (SEZ), includes certain specified income, then it would be allowed deduction of:</p> <ul style="list-style-type: none"><li>▶ 100% of such income for five consecutive years beginning with the AY relevant to PY in which relevant approval is obtained; and</li><li>▶ 50% of such income thereafter, for five consecutive AYs.</li></ul> <p>Now it is amended to provide deduction of 100% instead of 50% of the second set of five consecutive AYs which begin on or after 1 April 2023.</p>	
2	Not amended in Bill	<p>In section 115A of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 2024,—</p> <p>(i) in clause (a), in sub-clause (A), the following proviso shall be inserted, namely:—</p> <p>"Provided that the amount of income-tax calculated on the amount of income by way of dividend received from a unit in an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA, shall be ten per cent;";</p> <p>(ii) in clause (b), in sub-clauses (A) and (B), for the word "ten", the word "twenty" shall be substituted.</p>
	<p><b>Suri View:</b></p> <p>The following amendment is introduced to section 115A of the Act with effect from 1st April 2024 in respect of tax on non-resident:</p> <ul style="list-style-type: none"><li>▶ To provide a concessional rate of tax in case of dividend income received from a unit in an IFSC at 10% instead of 20%.</li><li>▶ Income by way of royalty and fees for technical services to be taxed at the rate of 20% instead of earlier rate of 10%.</li></ul>	

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3	Not amended in Bill	<p><b>Proviso to Sub-section (1) of Section 194LC:</b></p> <p>Provided further that in case of income by way of interest referred to in clause (ic) of sub-section (2), the income-tax shall be deducted at the rate of nine per cent.</p> <p><b>Introduced Clause (ic) to Sub-section (2) of Section 194LC:</b></p> <p>in respect of money borrowed by it from a source outside India by way of issuance of any long-term bond or rupee denominated bond on or after the 1st day of July, 2023, which is listed only on a recognised stock exchange located in an International Financial Services Centre; and</p> <p><b>Suri View:</b> Income from long term bonds or rupee denominated bonds received after 01st July 2023 will be liable to TDS @ 9% in hands of NRI.</p>
4	Not amended in Bill	<p><b>Introduced Proviso Sub-section (1) of Section 206CC:</b></p> <p>Provided that the rate of tax collection at source under this section shall not exceed twenty per cent.</p>
		<p><b>Suri View:</b> Maximum rate of tax collection at source shall not exceed 20% in case of failure to furnish Permanent Account number.</p>

**Amended Section in Finance Act**

SI.No	As per Finance Bill	As per Finance Act
1	<p>In section 48 of the Income-tax Act, in clause (ii), the following proviso shall be inserted with effect from the 1st day of April, 2024, namely:--</p> <p>“Provided that the cost of acquisition of the asset or the cost of improvement thereto shall not include the deductions claimed on the amount of interest under clause (b) of section 24 or under the provisions of Chapter VIA;”.</p>	<p>In section 48 of the Income-tax Act, in clause (ii), the following proviso shall be inserted with effect from the 1st day of April, 2024, namely:--</p> <p>“Provided that the cost of acquisition of the asset or the cost of improvement thereto shall not include the deductions claimed on the amount of interest under clause (b) of section 24 or under the provisions of Chapter VIA;”.</p> <p><i>Explanation 1.—For the removal of doubt, it is hereby clarified that the cost of acquisition of a unit of a business trust shall be reduced and shall be deemed to have always been reduced by any sum received by a unit holder from the business trust with respect to such unit, which is not in the nature of income as referred to in clause (23FC) or clause (23FCA) of section 10 and which is not chargeable to tax under clause (xii) of sub-section (2) of section 56 and under sub-section (2) of section 115UA.</i></p> <p><i>Explanation 2.—For the purposes of Explanation 1, it is clarified that where transaction of transfer of a unit is not considered as transfer under section 47 and cost of acquisition of such unit is determined under section 49, sum received with respect to such unit before such transaction as well as after such transaction shall be reduced from the cost of acquisition under the said Explanation.”</i></p>
	<p><b>Suri View:</b></p> <p>Explanation to section 48 is inserted to provide that the cost of acquisition of a unit of a business trust shall be reduced by and shall be deemed to always have been reduced by any sum received by a unit holder from business trust with respect to such unit:</p> <ul style="list-style-type: none"> <li>▶ Which is not in the nature of income referred to in section 10(23FC) or 10(23FCA) and</li> <li>▶ is not chargeable to tax under section 56(2)(xii) and section 115UA(2) of the Act.</li> </ul> <p>Further, it is clarified that where the transaction is not considered as ‘transfer’ for the purposes of capital gains and cost of acquisition of such units is as determined under section 49, then, the sum received with respect to such unit before as well as after such transaction shall also be reduced from the cost of acquisition mentioned above.</p>	

SI.No	As per Finance Bill	As per Finance Act
2	<p>In section 49 of the Income-tax Act, after sub-section (9), the following sub-section shall be inserted with effect from the 1st day of April, 2024, namely:--</p> <p>“(10) Where the capital asset, being--</p> <p>(i) an Electronic Gold Receipt issued by a Vault Manager, became the property of the person as consideration of a transfer, referred to in clause (viid) of section 47, the cost of acquisition of the asset for the purposes of the said transfer, shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued;</p> <p>(ii) gold released against an Electronic Gold Receipt, which became the property of the person as consideration for a transfer, referred to in clause (viid) of section 47, the cost of acquisition of the asset for the purposes of the said transfer shall be deemed to be the cost of the Electronic Gold Receipt in the hands of such person.”.</p>	<p>In section 49 of the Income-tax Act,—</p> <p>(a) after sub-section (2AH), the following sub-section shall be inserted, namely:—</p> <p>“(2AI) Where the capital asset, being shares as referred to in clause (xx) of section 47, became the property of the assessee, the cost of acquisition of such asset shall be deemed to be the cost of acquisition to it of the interest in the joint venture referred to in the said clause.”;</p> <p>(b) after sub-section (9), the following sub-section shall be inserted with effect from the 1st day of April, 2024, namely:—</p> <p>“(10) Where the capital asset, being—</p> <p>(i) an Electronic Gold Receipt issued by a Vault Manager, became the property of the person as consideration of a transfer, referred to in clause (viid) of section 47, the cost of acquisition of the asset for the purposes of the said transfer, shall be deemed to be the cost of gold in the hands of the person in whose name Electronic Gold Receipt is issued;</p> <p>(ii) gold released against an Electronic Gold Receipt, which became the property of the person as consideration for a transfer, referred to in clause (viid) of section 47, the cost of acquisition of the asset for the purposes of the said transfer shall be deemed to be the cost of the Electronic Gold Receipt in the hands of such person.”.</p>
	<p><b>Suri View:</b></p> <p>In line with insertion of section 47(xx) to exempt transfer of a capital asset, being an interest in a joint venture (JV), held by a public sector company in exchange of shares of a company incorporated outside India by the foreign government, subject to certain conditions new section 49(2AI) is inserted to deem the cost of acquisition of above-mentioned shares to be the cost of acquisition to it of the interest in the aforesaid Joint Venture.</p>	

SI.No	As per Finance Bill	As per Finance Act
3	<p>50AA. Notwithstanding anything contained in clause (42A) of section 2 or section 48, where the capital asset is a Market Linked Debenture, the full value of consideration received or accruing as a result of the transfer or redemption or maturity of such debenture as reduced by--</p> <p>(i) the cost of acquisition of the debenture; and</p> <p>(ii) the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity, shall be deemed to be the capital gains arising from the transfer of a short-term capital asset:</p> <p>Provided that no deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under the provisions of Chapter VII of the Finance (No. 2) Act, 2004.</p> <p>Explanation.-- For the purposes of this section "Market Linked Debenture" means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to the market returns on other underlying securities or indices, and includes any security classified or regulated as a market linked debenture by the Securities and Exchange Board of India.'</p>	<p>After section 50A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 2024, namely:--</p> <p>'50AA. Special provision for computation of capital gains in case of Market Linked Debenture.--Notwithstanding anything contained in clause (42A) of section 2 or section 48, where the capital asset is a unit of a Specified Mutual Fund acquired on or after the 1st day of April, 2023 or a Market Linked Debenture, the full value of consideration received or accruing as a result of the transfer or redemption or maturity of such debenture or unit as reduced by--</p> <p>(i) the cost of acquisition of the debenture or unit; and</p> <p>(ii) the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity, shall be deemed to be the capital gains arising from the transfer of a short-term capital asset:</p> <p>Provided that no deduction shall be allowed in computing the income chargeable under the head "Capital gains" in respect of any sum paid on account of securities transaction tax under the provisions of Chapter VII of the Finance (No. 2) Act, 2004 (23 of 2004).</p> <p>Explanation.-- For the purposes of this section--</p> <p>(i) "Market Linked Debenture" means a security by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices and include any security classified or regulated as a market linked debenture by the Securities and Exchange Board of India;</p> <p>(ii) "Specified Mutual Fund" means a Mutual Fund by whatever name called, where not more than thirty five per cent of its total proceeds is invested in the equity shares of domestic companies:</p> <p><i>Provided that the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.</i></p>
	<p><b>Suri View:</b></p> <p>Finance Bill 2023 proposed to insert new section 50AA providing that capital gains arising from transfer or redemption, or maturity of specified market linked debentures shall be deemed to be short-term capital gains (STCG) arising from transfer of a short-term capital asset.</p> <p>Now act is amended include, in addition to Market Linked Debenture, unit of a 'Specified Mutual Fund' acquired on or after 1 April 2023 under the ambit of above provisions of section 50AA of the Act</p> <p>Explanation to section 50AA is amended to provide the meaning of 'Specified Mutual Fund'</p>	

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4	<p>In section 56 of the Income-tax Act, in sub-section (2),</p> <p>with effect from the 1st day of April, 2024,—</p> <p>(a) in clause (viib), the words "being a resident" shall be omitted;</p> <p>(b) after clause (xi), the following clauses shall be inserted, namely:—</p> <p>'(xii) any sum received by a unit holder from a business trust which—</p> <p>(a) is not in the nature of income referred to in clause (23FC) or clause (23FCA) of section 10; and</p> <p>(b) is not chargeable to tax under sub-section (2) of section 115UA:</p> <p>Provided that where the sum received by a unit holder from a business trust is for redemption of unit or units held by him, the sum so received shall be reduced by the cost of acquisition of the unit or units to the extent such cost does not exceed the sum received;</p> <p>(xiii) where any sum is received, including the amount allocated by way of bonus, at any time during a previous year, under a life insurance policy, other than the sum,—</p> <p>(a) received under a unit linked insurance policy;</p> <p>(b) being the income referred to in clause (iv), which is not to be excluded from the total income of the previous year in accordance with the provisions of clause (10D) of section 10, the sum so received as exceeds the aggregate of the premium paid, during the term of such life insurance policy, and not claimed as deduction under any other provision of this Act, computed in such manner as may be prescribed.</p>	<p>In section 56 of the Income-tax Act, in sub-section (2),—</p> <p>(a) in clause (viib),—</p> <p>(i) with effect from the 1st day of April, 2024, the words "being a resident" shall be omitted;</p> <p>(ii) in the Explanation, in clause (aa), after the words and figures "Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulated under the", the words, brackets and figures "International Financial Services Centre Authority (Fund Management) Regulations, 2022 made under the" shall be inserted;</p> <p>(b) after clause (xi), with effect from the 1st day of April, 2024, the following clauses shall be inserted, namely:—</p> <p>'(xii) any specified sum received by a unit holder from a business trust during the previous year, with respect to a unit held by him at any time during the previous year.</p> <p><i>Explanation.—For the purposes of this clause, "specified sum" shall be computed in accordance with the following formula, namely:—</i></p> <p><i>Specified sum=A-B-C (which shall be deemed to be zero if sum of B and C is greater than A), where—</i></p> <p><i>A=aggregate of sum distributed by the business trust with respect to such unit, during the previous year or during any earlier previous year or years, to such unit holder, who holds such unit on the date of distribution of sum or to any other unitholder who held such unit at any time prior to the date of such distribution, which is,—</i></p> <p>(a) not in the nature of income referred to in clause (23FC) or clause (23FCA) of section 10; and</p> <p>(b) not chargeable to tax under sub-section (2) of section 115UA;</p> <p><i>B=amount at which such unit was issued by the business trust; and</i></p> <p><i>C=amount charged to tax under this clause in any earlier previous year;</i></p> <p>(xiii) where any sum is received, including the amount allocated by way of bonus, at any time during a previous year, under a life insurance policy, other than the sum,—</p> <p>(a) received under a unit linked insurance policy;</p> <p>(b) being the income referred to in clause (iv), which is not to be excluded from the total income of the previous year in accordance with the provisions of clause (10D) of section 10, the sum so received as exceeds the aggregate of the premium paid, during the term of such life insurance policy, and not claimed as deduction under any other provision of this Act,</p>

SI.No	As per Finance Bill	As per Finance Act
4	Explanation.—For the purposes of this clause “unit linked insurance policy” shall have the meaning assigned to it in Explanation 3 to clause (10D) of section 10.’	Explanation.—For the purposes of this clause “unit linked insurance policy” shall have the meaning assigned to it in Explanation 3 to clause (10D) of section 10.’
	<p><b>Suri View:</b></p> <ul style="list-style-type: none"> <li>▶ New section 56(2)(xii) of the Act was inserted by Finance Bill 2023 to include as ‘income from other sources’ any sum received by a unit holder from a business trust which is not in the nature of income as referred to in section 10(23FC) or 10(23FCA) of the Act and is not chargeable to tax under section 115UA(2) of the ITA.</li> <li>▶ Now the Act is amended to revise the aforesaid clause to define ‘specified sum’ received in Previous Year by a unit holder from a business trust with respect to a unit held by him at any time during Previous Year and to provide a formula to compute such ‘specified sum’.</li> </ul> <p>‘Specified sum’ = A-B-C (if B+C is greater than A, then specified sum shall be deemed to be zero), where-</p> <p>A = aggregate of sum distributed by the business trust with respect to such unit, during the PY or during any earlier PYs to such unit holder, who holds such unit on the date of distribution of sum or to any other unit holder who held such unit at any time prior to the date of such distribution, which is-</p> <p style="padding-left: 20px;">not in the nature of income referred to in section 10(23FC) or 10(23FCA); and</p> <p style="padding-left: 20px;">not chargeable to tax under section 115UA(2)</p> <p>B = amount at which such unit was issued by the business trust; and</p> <p>C = amount charged to tax under this section in any earlier Previous Year</p>	