

## Twitter Thread by Deepak Shenoy

Deepak Shenoy

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**#Budget2023 thread starts here. Follow this and [@capitalmind](#) in for more. We'll live tweet it, and we'll have some fun!**



Note: <https://t.co/XDPaLzv6Ki>

Budget day today. Please note: Drink lots of water. Ignore most of the budget until the tax things come. Prepare for extreme disappointment, or extreme boredom, or both. Anything exciting is likely to be out of syllabus. You've been warned.

— Deepak Shenoy (@deepakshenoy) [February 1, 2023](#)

Some 1 minute left. Here it goes. Last real budget for this version of the government. Elections next year so only a vote on account in Feb 2024. So, whatever bad has to happen (or good), this is the opportunity.

And it begins. They all clap. First budget in Amritkaal, it seems. (Note to self: what is this?)

Meanwhile, markets are up roughly 0.8%. USDINR flat at 81.87 and the 10y at 7.35%

Heckling in the background as people want the tax things first, but it's not to be, you have to listen to the whole thing first.

Free foodgrain scheme to continue for another year. This is a terrible way to spend 200,000 cr. I already don't like this, but at least I knew this one before.

Per capita income at 197,000 rupees. That's not bad at all, actually.

Ok we did blah, and we did bluh, and all that. This is going to last a while. Every year we build X crore toilets and Y crore LPG and all that, so yeah.

11.4 cr. farmers get money directly in their accounts, not sure if this includes Amitabh Bachchan so don't ask.

Startups growing into unicorns have been mentioned in budget. Whatay.

There is a lot of stuff going on with the word "green". I will omit this part.

Maybe it's an ever-green budget. Sorry.

Priority: Inclusive development. Farmers, women, all the castes, Economically weaker, underprivileged, ladakh, north east, J\*K.

Interesting - an agri accelerator fund for agri startups in rural areas. Could be big but don't expect too much input from government on this front.

We are big on millets. She names all sorts of things that are probably very anti-keto, but pro-alternate-other-diets.

India-institute-of-sri-anna is about millets, people. Not about research into Ravi Shankar and Rajnikanth. Just saying.

Fisheries and dairy societies to be promoted. We'll see.. I like this ecosystem for the next decade.

ICMR labs to be made available to both educational and private research initiatives.

National digital library for children and adolescents. Probably will entirely have to be "shorts" cos they have no patience whatsoever.

National book trust etc. will provide regional languages/English books to physical libraries. Question: where are physical libraries?

Financial literacy: age-appropriate fin literacy stuff needed. YEESSSSS. Please do.

Ekalavya model residential schools: Hazaar teachers to be recruited. I'm guessing a "thumbs up" would be inappropriate given the name.

PM Awas yojana: 79,000 cr. (66% up). My goodness. But what's been the earlier spend? We'll see.

Now for infra and investment: Capital outlay is up 33% to 10 lakh crore. Holy moly. This is actually a brilliant way to spend.

Now she also stops for water. See? Get some, peoples.

Govt capex is 13 lakh crore. Railways is 2.4 lakh crore. Nice. Bigger than I thought.

Last mile/first mile to core sectors at 75,000 cr. (60K cr govt, 15K private)

Muni bonds: cities to be encouraged to build proper balance sheets. Yes, I can also dream.

Markets at 0.73% mostly because nothing has happened.

We will get a center of excellence for AI. No decentralized AI, people.

I'm not sure why this shouldn't just be part of a defence budget :) We want to create an AI ecosystem it seems. I'm skeptical

KYC process to be simplified !!!!! (Oh man. Thank you. )

Fully digital, and one stop address updating. This I would be really really thankful for. Please make it happen!

PAN will be used as id for all govt digital systems with a legal mandate. I know this sucks for privacy but we do need an id in finance. So yeah, good.

For arbitration by government which is in court, there's going to be a standard settlement format that says boss lets just agree for a smaller amount (I think) and get rid of this arbitration crap. My words, not hers.

Digilocker = more expansion.

5G = 100 labs in engineering institutes. No, certain sites are still illegal, don't get ideas, people.

We will have net zero carbon emissions by 2070. Meaning, stop eating rajma by then.

Energy transition: 35000 cr. for capex in transitioning out of coal etc. Or so I think. She didn't say transition from what.

20,700 cr. for renewable energy from Ladakh.

Markets are not (yet) complaining. 7.39% on the 10year because bond markets are like paisa humse hi loge

Coastal shipping: we will promote it it seems. Heard this for five years, including "viability gap funding".

Vehicles to be replaced. The old "political", uh no, "polluting" vehicles must be scrapped.

They're now versioning PM yojanas. Something's at 4.0. Skill building. for Industry 4.0. All VC level buzzwords, including drones and AI and all that.

Tourism development in an app. I don't know what this means but it won't work after 5pm.

Financial sector reforms now. I'm waiting.

Credit guarantee for MSMEs. 9000 cr. more in the corpus. I keep hearing this - collateral free guaranteed credit of 2 lakh cr and cost reduced by 1% for MSMEs. Hope this is useful.

Public consultation for various regulatory thingsies. Uhm, okay. Nothing happens when public comments anyhow.

To improve bank governance: some changes in Banking acts. We won't tell you what.

Reclaiming of shares and dividends - will make a better portal. Yes! I hope this happens, currently horrendous.

SCSS is doubled to 30 lakh! Very good. retired people get 60 lakh per couple at the higher FD rates. Excellent!

State fisc deficit at 3.5% and 0.5% of that is purely for discom.

42 lakh crore expense for the government. Fisc deficit 6.4% of GDP. Bledy hell, that's pretty big.

Ok now below 4.5% of GDP by 2025-26

Now, net market borrowings at 11.8 lakh cr. (rest from small savings and other)

This is not very much at all.

NOW IS PART B. Drink more water.

Indirect taxes first. Ominous I say.

Customs duty cut a little. Won't know exactly what till later.

Electronics: we made 275,000 cr. worth mobiles here. So now, cut in customs duty on batteries and camera parts etc.

Denatured Ethyl Alcohol - cut customs duty on it. Not good for the sugar fellows?

inputs for shrimp feed: cut in duty. watch those fellows.

Increase in silver import duty too. Jeez.

Now for direct taxes.

6.5 cr. returns processed this year. average period is 16 days. 45% within 24 hours.

MSMEs upto 3 cr. (up from 2 cr) turnover and individuals upto 50 lakh (same) at presumptive taxation.

7.29% on the 10 year. Bond fellows heave sigh of relief?

Some incentives for cooperative societies - Agri and others.

More selective in scrutiny this year.

Capital gains in houses limited to 10 cr. Insurance also will be cut! Oh, gotta see.

Taxation on income in MLDs coming! Details soon.

Rebate: Income upto 7 lakh with no tax (earlier 5 lakh) in new regime only. (No deductions)

New tax slabs

0-3l: nil

3-6: 5%

6-9: 10%

9-12: 15%

12-15: 20%

More: 30%

Only in the new regime. (I'll have to revise this later on details)

Standard deduction in new tax regime has a change- don't see this yet.

Reducing highest income surcharge from 37% to 25% !!!

Highest tax rate down from 42.74% down to 39% (and all AIFs benefit!)

Leave encashment upto 25 lakh will be exempt (?)

New regime will be default. You can choose old if you like. We will find out details soon.

No capital gains changes!!! (yet)

That's it, folks.

Now, we wait for docs. I'm sure there's more in there.

Nifty up 1.1%. 7.31% on the 10y, Rupee up 10p at 81.78

Pretty good budget. My feeling is the budget docs will spring some surprises.

Where are the budget docs? [@FinMinIndia](#)

Apologies, here they are: New tax regime slabs:

2. With effect from assessment year 2024-25, it is proposed that the following rates provided under the proposed sub-section (1A) of section 115BAC of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2:—

<i>Sl. No.</i>	<i>Total income</i>	<i>Rate of tax</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
<b>1.</b>	Upto Rs. 3,00,000	Nil
<b>2.</b>	From Rs. 3,00,001 to Rs. 6,00,000	5 per cent.
<b>3.</b>	From Rs. 6,00,001 to Rs.9,00,000	10 per cent.
<b>4.</b>	From Rs. 9,00,001 to Rs. 12,00,000	15 per cent.
<b>5.</b>	From Rs. 12,00,001 to Rs. 15,00,000	20 per cent.
<b>6.</b>	Above Rs. 15,00,000	30 per cent.

These will make sense only if you don't have a large HRA deduction or if you're borderline on the earning. Have to calculate this a little.

New twist: the 37% surcharge (for incomes above Rs. 5 cr.) will still apply if you choose the old regime. it's only if you choose the new regime that the surcharge is restricted to 25%. (Means: must let go some depreciation, housing loan interest and other deductions)

Interesting: "news agencies" were tax exempt (I had no idea). Now they are not:

## **Removal of exemption of news agency under clause (22B) of section 10**

Clause (22B) of section 10 of the Act, *inter-alia*, provides exemption to any income of a notified news agency which is set up in India solely for collection and distribution of news. This is subject to condition that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members.

2. In accordance with the stated policy of the Government of phasing out of exemptions and deductions under the Act, the exemption available to news agencies under clause (22B) of section 10 of the Act is proposed to be withdrawn from the assessment year 2024-25.

3. In view of the above, it is proposed to insert fourth proviso to clause (22B) of section 10 of the Act so as to provide that nothing contained in clause (22B) of section 10 of the Act shall apply to any income of the news agency, of the previous year relevant to the assessment year beginning on or after the 1st day of April, 2024.

4. This amendment will take effect from 1<sup>st</sup> April, 2024 and will accordingly apply to assessment year 2024-25 and subsequent assessment years.

New twist: REITs and INVITs were paying distributions partly as "redemption of debt" which was not taxable. From next year they will be fully taxable no matter what the heading.

TDS on listed debentures: If you buy bonds on the exchange (or otherwise) there was no TDS. Now there will be, from 1 April 2023: Tax will be deducted at source.

## **Removal of exemption from TDS on payment of interest on listed debentures to a resident**

Section 193 of the Act provides for TDS on payment of any income to a resident by way of interest on securities.

2. The proviso to section 193 of the Act provides exemption from TDS in respect of payment of interest on certain securities. Clause (ix) of the proviso to the aforesaid section provides that no tax is to be deducted in the case of any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (32 of 1956) and the rules made thereunder.

3. It is seen that there is under reporting of interest income by the recipient due to above TDS exemption. Hence, it is proposed to omit clause (ix) of the proviso to section 193 of the Act.

4. This amendment will take effect from 1<sup>st</sup> April, 2023.

All overseas remittances (including buying of US stocks, and debit card spends like Niyu abroad) will now have 20% TDS without a limit (was 5% above 7 lakh)

3. The current and proposed TCS rates are tabulated as under:

S.No	Type of remittance	Present rate*	Proposed rate*
(i)	For the purpose of any education, if the amount being remitted out is a loan obtained from any financial institution as defined in section 80E.	0.5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	No change.
(ii)	For the purpose of education, other than (i) or for the purpose of medical treatment.	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	No change.

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(iii)	Overseas tour package	5% without any threshold limit.	20% without any threshold limit.
(iv)	Any other case	5% of the amount or the aggregate of the amounts in excess of Rs. 7 lakh.	20% without any threshold limit.

This is huge. Means if you buy \$1000 worth of stocks or spend \$1000 abroad on Niyo, you have to pay 20% of that to the govt extra. (And claim it as tax paid later)

Huge: You can only invest capital gains of upto 10 cr. in a house. More than that, pay tax on the excess. This applies to even startup founders who invest LARGE amounts in houses after exits. And also if you sell houses of >10cr only 10 cr. is allowed to be tax-free reinvested.

2. The primary objective of the sections 54 and section 54F of the Act was to mitigate the acute shortage of housing, and to give impetus to house building activity. However, it has been observed that claims of huge deductions by high-net-worth assesseees are being made under these provisions, by purchasing very expensive residential houses. It is defeating the very purpose of these sections.

3. In order to prevent this, it is proposed to impose a limit on the maximum deduction that can be claimed by the assessee under section 54 and 54F to rupees ten crore. It has been provided that if the cost of the new asset purchased is more than rupees ten crore, the cost of such asset shall be deemed to be ten crores. This will limit the deduction under the two sections to ten crore rupees.

4. Consequentially, the provisions of sub-section (2) of section 54 and sub-section (4) of section 54F that deals with the deposit in the Capital Gains Account Scheme have also been amended. It is proposed to insert a proviso to provide that the provisions of sub-section (2) of section 54 and sub-section (4) of section 54F, for the purpose of deposit in the Capital Gains Account Scheme, shall apply only to capital gains or net consideration, as the case may be, upto rupees 10 Crores.

5. These amendments will take effect from the 1st day of April, 2024 and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

MLD industry is now dead. All MLDs are classified as debt and any income (regardless of redemption, maturity or sale) will be short-term gain only i.e. added to income, taxed at marginal rates.

3. In order to tax the capital gains arising from the transfer or redemption or maturity of these securities as short-term capital gains at the applicable rates, it is proposed to insert a new section 50AA in the Act to treat the full value of the consideration received or accruing as a result of the transfer or redemption or maturity of the “Market Linked Debentures” as reduced by the cost of acquisition of the debenture and the expenditure incurred wholly or exclusively in connection with transfer or redemption of such debenture, as capital gains arising from the transfer of a short term capital asset.

4. Further, it is also proposed to define the ‘Market linked Debenture’ as 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 securities classified or regulated as a Market Linked Debenture by Securities and Exchange Board of India.

5. This amendment will take effect from the 1st day of April, 2024 and shall accordingly, apply in relation to the assessment year 2024-25 and subsequent assessment years.

Insurance policies - even non ULIP- where premium is > 5 lakh pa, will see full tax on income above premium paid. Not as cap gain, but as income (marginal rate of tax)

Only if you die, does the money not get taxed. Policies issues after 1 Apr 2023 only.

5. In order to curb such misuse, it is proposed to tax income from insurance policies (other than ULIP for which provisions already exists) having premium or aggregate of premium above Rs 5,00,000 in a year. Income is proposed to be exempt if received on the death of the insured person. This income shall be taxable under the head “income from other sources”. Deduction shall be allowed for premium paid, if such premium has not been claimed as deduction earlier. The proposed provision shall apply for policies issued on or after 1<sup>st</sup> April, 2023. There will not be any change in taxation for polices issued before this date. Hence, it is proposed to amend the Act so as to-

Another small thing: If you've been claiming interest on housing loan as a deduction every year, and then when selling, you want to include the interest in the cost of acquisition (currently allowed) you can't do both. One or the other.