TAX GUIDE 2022-23

Tax Guide 2022- 2023

A complete guide on the latest tax reforms, income tax structure and things to do to make 2022-2023 a successful financial year for you.

Income tax related changes were announced in the Budget 2022 on 1st of February 2022.

Foreword

Income tax is the unfortunate reality of income. If given a choice, most of us wouldn't want to pay tax on the income we earn. But we should, because the income tax we pay is an important source of revenue for the government. As citizens of India, we are also consumers of the country's public infrastructure and facilities. When we want these facilities and infrastructure to improve, it is also our duty and responsibility to contribute towards building and maintaining it. Paying income tax and filing income tax returns is one way of doing that.

PART 1

All you Need to Know About Income Tax

About Income Tax

What is Income Tax?
Income tax is a tax levied directly on the income of an individual/organization/business by the government for the purpose of financing its various operations.

What are the types of Income Tax?
There are two types of income tax - direct tax and the Goods and Services Tax (GST) which subsumed all other indirect taxes such as VAT, service tax, excise etc

Income tax collected by government is not only used for various government schemes but also acts as a fiscal stabilizer that aid in distributing wealth evenly among the population.

According to the Income Tax Act of India, income from the following sources is considered taxable:

Income from:
- Salary
- House Property
- Profit and gains of business or profession
- Capital gains
- Other sources

The sum of income from all the sources above is calculated according to the provisions of Income Tax Act. The tax rates in India vary according to the earnings of an individual and are referred to as Income Tax slabs. These Income Tax rates are revised every year during the budget.
Income tax is calculated on an annual basis. It is levied on the income earned in the previous year which is also known as the Assessment Year. In the eyes of the law, the Financial Year begins on the 1st of April in a given year and ends on the 31st of March of the following year.

How to Save Income Tax?

While the government expects you to pay income tax, it also allows you to legally save on income tax. You don't have to pay income tax if you earn less than Rs.2.5 lakh in a year. Income more than that is taxed as per different slabs, with the tax rates going up with increase in income. No matter how much taxable income you earn, there are certain exemptions and deductions available to all individual and HUF taxpayers that can be used to pay less income tax.

Tax saving options in India
The most popular tax-saving options available to individuals and HUFs in India are under Section 80C of the Income Tax
Act. Section 80C includes various investments and expenses that can be used to claim deductions. The Section 80C limit is Rs.1.5 lakh in a financial year, which means that you can use this entire amount to reduce your taxable income.

Saving tax beyond Section 80C
Apart from the deductions available under Section 80C, there are various other Section 80 deductions that can also be claimed to save on income tax. These deductions include health insurance premiums, tax benefits on home loans, another way to save tax is by creating a Hindu Undivided Family (HUF). An HUF can be created by married Hindu individuals. An HUF would include the creator, who is called Karta, and his or her family members. The advantage of an HUF is that you can split your income between two entities–yourself as an individual taxpayer and the HUF. This way, you can avail the same tax-saving deductions twice.

How to plan your tax-saving investments for the year?
The best time to start planning your tax-saving investments is at the beginning of the financial year. Most taxpayers procrastinate till the last quarter of the year and end up taking hurried decisions. Instead, if you plan at the start of the year, you can make investments that can also help you fulfill your long-term goals. Tax-saving investments should be used to build wealth as well, not only to just save tax.

Use the following pointers to plan your tax-saving for the year:

- Check the tax-saving expenses that you're already making that you can claim. This includes expenses like insurance premium, children's tuition fees, etc.
- Deduct this amount from 1.5 lakh to figure out how much to invest. The entire amount doesn't need to be invested if expenses are covering it
- Choose tax-saving investments based on your goals and profile. ELSS funds, PPF, NPS and fixed deposits are some of the popular options

This way, you can figure out how much you need to invest to save taxes. It is best to begin investing in the first quarter of the financial year so that you can spread the investments over the year. Doing this won't burden you at the end of the year and will also allow you to make informed investment decisions.

Income tax filing:

Know which ITR form is right for you
ITR 1 Sahaj: This form is for individuals being a resident (other than not ordinarily resident) having total income upto Rs 50 lakh, having Income from salaries, one house property, other sources (Interest etc.), and agricultural income up to Rs 5000 (Not for an individual who is either a director in a company or has invested in unlisted equity shares).

- ITR 2:
  This form is for individuals and HUFs not having income from profits and gains of business or profession.

- ITR 3: For individuals and HUFs having income from profits and gains of business or profession.

- ITR 4 Sugam: For individuals, HUFs and Firms (other than LLP) being a resident having a total income upto Rs 50 lakh and having income from business and profession which is computed under sections 44AD, 44ADA or 44AE.

- ITR 5: For persons other than (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7.

- ITR 6: For Companies other than companies claiming exemption under section 11.
- ITR 7: For persons including companies required to furnish return under sections 139(4A) or 139(4B) or 139(4C) or 139(4D) only.

PART 2

Guide for e-Filing ITR Online

Who Should e-File the ITR

- Online filing of tax returns is easy and can be done by most assessees
- Assessee with a total income of Rs. 5 Lakhs and above
- Individual/HUF resident with assets located outside India
- An assesse required to furnish a report of audit specified under sections 10(23C) (IV), 10(23C) (v), 10(23C) (VI), 10(23C) (via), 10A, 12A (1) (b), 44AB, 80IA, 80IB, 80IC, 80ID, 80JJAA, 80LA, 92E or 115JB of the Act
- Assesse is required to give a notice under Section 11(2) (a) to the assessing officer
- A firm (which does not come under the provisions of section 44AB), AOP, BOI, Artificial Juridical Person, Cooperative Society and Local Authority (ITR 5)
- An assesse required to furnish returns U/S 139 (4B) (ITR 7)
- A resident who has signing authority in any account located outside India
- A person who claims relief under sections 90 or 90A or deductions under section 91
- All companies

Types of e-Filing

- Use Digital Signature Certificate (DSC) to e-file. It is mandatory to file IT forms using Digital Signature Certificate (DSC) by a chartered accountant
- If you e-file without DSC, ITR V form is generated, which should then be printed, signed and submitted to CPC, Bangalore by ordinary post or speed post within 120 days from the date of e-filing
- You can file e-file IT returns through an E-return Intermediary (ERI) with or without DSC
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Steps to Follow to File Income Tax Returns

- Filing your income tax returns online doesn't have to be a complicated process. Simply follow the below steps.
- First, log on to IncomeTaxIndiaeFiling.gov.in And register on the website.
- Your Permanent Account Number (PAN) is your user ID
- View your tax credit statement or Form 26AS. The TDS as per your Form 16 must tally with the figures in Form 26AS
- Click on the income tax return forms and choose the financial year
- Download the ITR form applicable to you. If you're exempt income exceeds Rs. 5,000, the appropriate form will be ITR-2 (If the applicable form is ITR-1 or ITR 4S, you can complete the process on the portal itself, by using the 'Quick e-file ITR' link - this has been explained below)
- Open excel utility (the downloaded return preparation software) and fill out the form by entering all details using your Form 16
- Check the tax payable amount by clicking the 'calculate tax' tab
- Pay tax (if applicable) and fill in the challan details
- Confirm all the data provided in the worksheet by clicking the 'validate' tab
- Generate an XML file and save it on your desktop
- - Go to 'upload return' on the portal's panel and upload the saved XML file

- A pop-up will be displayed asking you to digitally sign the file. In case you have obtained a digital signature, select 'Yes'. If you have not got digital signature, choose 'No'
- The acknowledgment form, ITR Verification (ITR-V) will be generated which can be downloaded by you
- Take a printout of the form ITR-V and sign it in blue ink
- Send the form by ordinary or speed post to the Income-Tax Department-CPC, Post Bag No. 1, Electronic City Post Office, Bangalore, 560 100, Karnataka within 120 days of filing your returns online

Things to Watch Out For

- If the same mobile number or email address is used for more than four taxpayers, you cannot file returns on the website, unless the required change is done. For instance, in some cases, more than five returns may be filed yours, wife, mother, mother-in-law and the Hindu undivided family (HUF) of which you are the Karta, the executor of a will
- If your name mentioned in your bank documents or official statements is even slightly different from the one given in the PAN card, the portal will consider you a different individual. In certain instances, some individuals give their father's name as their 'middle' name in their PAN card, but do not use it for their bank accounts
- If a non-resident Indian must file income tax returns, he will need both an India number and a foreign number

PART 3

10 changes in income tax laws that come into effect from February 1, 2022.

The Finance Minister announced a new tax rule for taxpayers where a taxpayer can file an updated return on payment of taxes within two years from the end of the relevant assessment year.

Here are the main changes in tax laws that will come into effect from February 1, 2022.

1. **New updated return:**
   A new provision is introduced to allow taxpayers to update the return and include any omitted income on payment of additional tax. The updated return needs to be filed within two years from the end of the relevant assessment year.

2. **Surcharge:**
   Corporate surcharge to be reduced from 12% to 7%.

3. **Relief for Start-ups :**
   The eligible startups under Section 80-IAC benefits are now extended to the eligible start-ups incorporated until March 31, 2023.

4. **Minimum Alternative Tax:**
   MAT to be reduced to 15% for co-operative societies.

5. **Crypto Taxation:**
   Income from transfer of digital assets such as crypto to be taxed at 30%. No deductions will be allowed except the cost of acquisition of digital assets. Loss on sale of digital assets cannot be set off against any other income. TDS at 1% will be levied if income is over the threshold. Gifting of digital assets will be taxable in the hands of the recipient.

6. **NPS for Government Staff:**
   The Finance Ministry has proposed to increase the deduction limit of employer's contribution to the National Pension Scheme (NPS) Tier-I account for state government employees from 10% to 14%.

7. **Section 80DDB:**
   The parent/guardian of the differently-abled can take a tax deduction for payment to the insurance scheme that provides for the payment of the annuity or lump sum to the differently-abled dependent during the lifetime of the parent and guardians on attaining their age of sixty years or more, and the payment or deposit to such scheme has been discontinued.

8. **Eligible Business Deductions:**
   Any surcharge and cess levied on income are not allowed as business expenditure.

9. **Losses Set off Rules:**
   Brought forward loss cannot be set off against undisclosed income detected during any survey or search.

10. **Corporate Tax:**
    The corporate tax rate has been kept at the same level. However, concessional corporate tax rate of 15 per cent would be available for one more year till March 2024 for newly incorporated manufacturing companies.

PART 4
Union Budget Highlights

Finance minister Nirmala Sitharaman presented the Union Budget 2022, the fourth budget of Modi 2.0, on Tuesday.

There were a host of measures for a number of sectors, aimed at boosting growth amid high & rising inflation and continuing Covid uncertainties. There, however, were remarkably few changes to the personal income tax structure in a year that had seen demands from various quarters for some sort of relief or another in times of a pandemic.

Among today's assortment of announcements, the decision to tax receivers of digital asset transfers at a high 30% caught some serious attention. Aside from that, the announcement of a digital rupee was another big news item in a budget that saw no major populist giveaways.
Here follows a sector-wise detailed reading of the various measures Finance Minister Sitharaman announced.

Economy
- Capex target expanded by 35.4 per cent — from Rs 5.54 lakh crore to Rs 7.50 lakh crore. FY23 effective capex seen at Rs 10.7 lakh crore
- India's growth highest among all major economies; we are now in a strong position to withstand challenges.
- The goal is complementing macro-growth with micro-all-inclusive welfare, digital economy and fintech, tech-enabled development, energy transition and climate action
- ECLGS cover expanded by Rs 50,000 to Rs 5 lakh crore
- Top focus of the budget this year are: PM Gati Shakti, Inclusive Development, Productivity Enhancement, Sunrise Opportunities, Energy Transition, Climate Action, Financing of investments

Taxes
- Govt vows a stable and predictable tax regime
- Govt to provide one-time window to correct omissions in ITRs filed, updated returns to be filed within 2 years
- Any cess or surcharge on income not allowed as business expenditure
- 1 per cent TDS on transfer of virtual assets above a threshold, gifts to be taxed
- Surcharge on long-term capital gains capped at 15 per cent.
- The government will tax income from digital asset transfers at 30%
- No deduction allowed while computing income except cost of acquisition
- Loss cannot be set off from any other income
- Gift of cryptocurrencies to be taxed at receiver's end
- A new provision to allow taxpayers to file an updated return
- Updated return can be filed within 2 years from the end of the relevant assessment year.

Alternate Minimum Tax for cooperative societies to be cut to 15%
- Proposal will reduce surcharge on cooperative societies to 7%, for those whose income is between Rs 1 crore and Rs 10 crore
- Tax deduction limit increased to 14% on employers contribution to NPS account of state govt employees

Finance & inclusion

- Rs 1 lakh crore financial assistance to states to be provided in 2022-23 to catalyse investments
- Proposed to introduce Digital Rupee by RBI using blockchain technology, starting 2022-23
- Measures will be taken to step up private capital in infra sector
- Digital Rupee to be rolled out by 2023
- 100% of 1.5 lakh post offices will come on the core banking system, enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts.
- This will be helpful especially for farmers and senior citizens in rural areas, enabling inter-operability, and financial inclusion.
- IBC amendments to enhance efficiency of resolution process
- Facilitate cross-border insolvency resolution
- 75 digital banks in 75 districts will be set up by scheduled commercial banks to encourage digital payments
- The use of surety bonds as a substitute for bank guarantee will be made acceptable in government procurements
- International arbitration centre will be set up in GIFT city to provide faster dispute resolution
- World-class university to be allowed in GIFT IFSC free from domestic regulation
- Payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardians attaining the age of sixty years

Infra & manufacturing

- Desh stack e-portal to be launched to promote digital infra
- Strategic transfer of ownership of Air India completed now
- Four multi-modal national parks contracts will be awarded in FY23
- PM Gatishakti masterplan for expressways will be formulated in next financial year 100 PM Gati Shakti terminals to be set up in next three years.
- Focus on public investment to modernise infrastructure over the medium term, leveraging tech platform of Gati Shakti via a multi-modal approach.
- PM Gati Shakti will pull forward the economy and will lead to more jobs and opportunities for the youth
- Concessional corporate tax rate of 15 pc would be available for 1 more year till March 2024 for newly incorporated manufacturing companies

Healthcare

- An open platform for the national digital health ecosystem will be rolled out
- It will consist of digital registries of health providers and health facilities, unique health identity and universal access to health facilities
- 95 per cent of 112 aspirational districts have made significant progress in health, infra
- For mental health counselling, a National Tele Mental Health Program will be launched

PART 5

Income Tax Slabs, Changes & Cess as per Union Budget 2022-23

Income Tax Slabs 2022– 2023 for Individuals & HUF below 60 Years of Age

Taxable income	Tax Rate (Existing Scheme)	Tax Rate (Existing Scheme)
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 7,50,000	20%	10%
Rs. 7,50,001 to Rs. 10,00,000	20%	15%
Rs. 10,00,001 to Rs. 12,50,000	30%	20%
Rs. 12,50,001 to Rs. 15,00,000	30%	25%
Above Rs. 15,00,000	30%	30%
Rebate of Rs 12,500 will be available for taxpayers with taxable income up to Rs 5 lakh available under Section 87A		

Income Tax Slabs 2022 – 2023 for Senior Citizens (Aged 60 Years but Less than 80 Years)

Taxable income	Tax Rate (Existing Scheme)	Tax Rate (Existing Scheme)
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 3,00,000	Nil	5%
Rs. 3,00,001 to Rs. 5,00,000	5%	5%
Rs. 5,00,001 to Rs. 7,50,000	20%	10%
Rs. 7,50,001 to Rs. 10,00,000	20%	15%
Rs. 10,00,001 to Rs. 12,50,000	30%	20%
Rs. 12,50,001 to Rs. 15,00,000	30%	25%
Above Rs. 15,00,000	30%	30%
Rebate of Rs 12,500 will be available for taxpayers with taxable income up to Rs 5 lakh available under Section 87A		

Income Tax Slabs 2022 – 2023 for Super Senior Citizens (Above 80 Years)

Taxable income	Tax Rate (Existing Scheme)	Tax Rate (Existing Scheme)
Up to Rs. 2,50,000	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	Nil	5%
Rs. 5,00,001 to Rs. 7,50,000	20%	10%
Rs. 7,50,001 to Rs. 10,00,000	20%	15%
Rs. 10,00,001 to Rs. 12,50,000	30%	20%
Rs. 12,50,001 to Rs. 15,00,000	30%	25%
Above Rs. 15,00,000	30%	30%
2. Surcharge to be levied for F.Y. 2021 - 22		

Taxable Income	Surcharge (%)	
Total income above Rs.50 Lakh but below Rs. 1 Crore	10%	
Total income above Rs.1 Crore but below :Rs. 2 Crore	15%	
Total income above Rs.2 Crore but below 5 Crore	25%	
Total income above Rs.5 Crore	37%	

A cess at the rate of 4 per cent is added on the income tax amount. Further, surcharge is levied at different income tax rates if the total income exceeds Rs. 50 lakh in a financial year.

PART 6

Frequently Asked Questions (FAQs)

Can a person change Tax Regime year on year?
The persons who have Income from sources of Salary, House Property, Capital Gain and from other sources are allowed to select tax regime year on year basis. However, those having Income from Business Profession are allowed to select tax regime only once in lifetime.

Is Standard Deduction of Rs. 50000 available under new tax regime to Individuals having Income from Salary?
The main condition of availing an option of paying tax at concessional rates on Income up to Rs. 15 Lacs is "to forego certain tax deductions and exemptions". Here Deductions includes Standard deduction which is otherwise available of Rs. 50000 to those having Income from Salary. It means that Standard Deduction is not available under new tax regime.

Can a person opting New Tax Regime avail benefit of Rebate u/s 87A?
The new tax regime only talks about foregoing most of the exemptions and deductions, and therefore Rebate u/s 87A is available under both Old as well as New Tax Regime.

If Employee does not give Intimation of going for new tax regime to the employer while deciding tax liability and later on wish to go for new regime while filing Income Tax Return, can he do so?
The CBDT via circular dtd. 13th April has clarified that an Employee can change the tax structure at the time of filing income tax and that the amount of TDS will be adjusted accordingly

Source: Economic Times, Financial Express, TaxGuru, IncomeTax India, HostBooks