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A Study Union Budget 2022-23 and Corporate Impact Analysis

[1]Dr. Priyanka Malhotra, [2]Pankit, [3]Meenakshi Tripathi, [4]Mukesh Sharma

[1]Asst. Professor,[2,3,4]MBA 2nd Year,
[1,2,3,4]Noida Institute of Engineering & Technology, Uttar Pradesh.

ABSTRACT

The Union Budget is a crucial policy instrument that outlines the government's fiscal priorities for the upcoming year. The budget has far-reaching implications for various stakeholders, including the corporate sector. This research paper aims to analyse the Union Budget 2022-23 and its impact on the corporate sector in India. The paper analyses the impact of the budget on corporate tax rates and its implications for small and medium-sized enterprises. It then looks at the budget's impact on the startup ecosystem, including measures aimed at promoting innovation and entrepreneurship. The paper also analyses the budget's proposed changes in customs duty and its potential impact on domestic manufacturing. Furthermore, the paper examines the budget's impact on the banking and insurance sectors, including the government's plan to privatize two public sector banks and one general insurance company. Finally, the paper analyses the budget's focus on infrastructure development and its implications for logistics and transportation networks.

Introduction

The Union Budget 2023 has been presented during an uncertain and decelerating economy with India arising as the fastest growing large economy. The geo- political developments and dynamic leadership in India has made India the most preferred global investment destination. The commercial duty collections have increased dramatically despite lowering of commercial duty rates. In this background, it's anticipated that the Union Budget will completely work this unknown occasion for India by measures which would boost growth, employment and new investment.

Objectives of the study

- To understand the impact of budget on Corporates.
- To get overview of the changes in Tax Law related to Corporates.
- To Analyse Tax as a tool to control and grow Economy by Govt.
- To understand the rationale of Govt. on making changes in Tax Laws.

Literature Review and Problem Formulation

a) Corporate Tax Rate

In general, the Corporate Income tax rate is a tax collected from companies and for profit organizations or institutions. Usually, the amount of Corporate Income tax rate is based on the net income companies obtain during one business year while exercising their business activity. For most countries, the metric we use refers to the top rate for Corporate Income.

b) Tax Evasion

When a person reduces his total income by making false claims or by withholding the information regarding his real income, so that his tax liability is reduced, is known as tax evasion. Tax evasion is not only illegal but it is also immoral, anti-social and anti-national practice. Therefore, under the direct tax laws provisions have been made for imposition of heavy penalty and institution of prosecution proceedings against tax evaders. The tax evader reduces his taxable income by one or more of the following steps:

(1) Unrecorded sales. 2) Claims bogus expenses, bad debts and losses. (3) Charging personal expenses as business expenses, e.g., car expenses, telephone expenses, travelling expenses. (4) Submission of bogus receipts for charitable donations for deductions u/s 80G (5) non-disclosure of capital gains on assets. (6) Non- disclosure of income from 'Benami transactions'.

In brief to evade tax he suppresses or omits receipt, inflates expenses and claims bogus deductions.

c) Tax Avoidance

Tax avoidance is an art of avoiding tax burden without breaking the law. It is a technique of decreasing or removing the tax burden by taking advantage of certain loopholes in the law. The Royal commission on taxation for Canada has explained the concept of 'avoidance of tax; as under: The expression "Tax Avoidance" will be used to describe every attempt by legal means to avoid or decrease tax liability which would otherwise be incurred, by availing of some provision or lack of provision in the law. It does not include fraud, concealment or other illegal practices.

Research Methodology

This project report is mainly based on Secondary data. The information collected from the Union Budget 2022-23, journals, magazines, records, newspaper, and taxation related articles. The database covers for domestic companies and foreign companies tax rate slabs, impacts of corporate tax rate, Tax evasion, and Tax avoidance.

Analysis and Interpretation of Data

In India, the Corporate Income tax rate refers to the highest effective rate for Corporate Income for domestic companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. Revenues from the Corporate Tax Rate are an important source of income for the government of India.

The Corporate Tax Rate in India stands at 34.94 percent

Following are the key points of Budget 2022-23 related to Corporate with analysis:

1. **Newly incorporated manufacturing entities will be incentivized under concessional tax regime:** New manufacturing companies have a concessional tax rate of 15% available to companies which commence manufacture extended by one year to 31 March 2024. This was on expected lines and would boost private investment in manufacturing.
2. **Health and education cess:** Any surcharge or cess on income and profits will not be allowed as business expenditure. This reverses various tribunal and high court judgements. This will add to litigation as many assesses would have made a claim for these in line with favourable decisions. Departments are precluded from filing appeals where there is a jurisdictional High Court ruling. This will no doubt reduce litigation which is the aim of the Government.
3. **Rationalising TDS benefits:** Benefits passed on to agents as business promotion strategy taxable in hands of agents. Tax deduction provided to person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.
4. **Relief Measures to incentivise Start-up ecosystem:** Extension of date of incorporation for eligible start-up for exemption – The sunset date for incorporation of start-up entity for eligibility for deduction under section 80-IAC of the IT Act extended from 1 April 2023 to 1 April 2024.
5. **Relief to start-ups in carrying forward and setting-off of losses:** Relaxation has been provided to eligible start-up entities under section 79 of the IT Act for carry forward of losses incurred during initial 7 years. The said period of 7 years has been extended to 10 years.

Conclusions and Suggestions

- Increase threshold of total emoluments for additional employees from INR 25,000 to INR 50,000 per month to qualify for deduction under S. 80JJAA.
- Increasing emolument threshold shall help in reducing the cost incurred by the company in hiring new employees and indirectly boost employment in India.
- Tax on ESOP granted by eligible start-ups should be levied only at the time of sale of shares.
- Make the benefit of deferment of tax on ESOP available to all DPIIT recognised start-ups (i.e., it should not be limited to eligible start-ups as defined in explanation to S.80-IAC of IT Act).
- Tax rate of 10% provided under S. 115BBF of IT Act should be applicable on net royalty income, i.e., expenses incurred should be allowed as deduction from royalty income.
- Grandfathering of allowability of depreciation on goodwill arising on transactions already consummated before 1st April, 2021.
- Suitable amendments should be brought in under S. 2(11), 32(1), 50(2) and 55(2) of IT Act to allow depreciation on goodwill arising on transactions which have already taken place before 1st April, 2021.

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