



UNION BUDGET 2022



Budget 2022

INDIRECT TAX PROPOSALS - INTERNATIONAL

01.

TAX RATES

The Finance Bill, 2022 (Bill) has not proposed any changes in the broad GST rate slabs; but on the Customs side, rate and tariff rationalisation has been undertaken across multiple product categories – broadly reflecting the policy objective of encouraging 'Make in India'. The broad trend of this rate movement can be gleaned from the table below:

Customs Duty Rate Movements

Commodity	Movement
Edible products	↑
Mineral products & Fuels	↑
Chemicals	↑
Textile and clothing	↓
Gems & Jewelry	↓
IT, Electronics and Renewable	↑
Machinery & tools	↑
Solar	↑
MSME	↓
Projects	↑

02.

FURTHER TIGHTENING OF PROVISIONS PERTAINING TO INPUT TAX CREDITS UNDER GST

Many of the proposed legislative changes in the Goods and Services Tax laws are in furtherance of the changes agreed to be recommended in the 43rd GST Council Meeting held on 28 May 2021.

– KCO | Indirect Tax Team

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A key theme running through most of these proposed amendments pertains to further tightening of provisions pertaining to availing of Input Tax Credits under GST by adding new conditions and parameters which may restrict credit availed by recipients of goods/services.

These new conditions and parameters carry forward the theme of restricting credit availed by recipients of goods/services for acts/omissions of the suppliers of such goods/services. Similar conditions/restrictions in the past have been challenged in multiple High Courts in India and it is likely that once implemented, these newly proposed conditions and parameters will also be subjected to judicial review.

03.

RETROSPECTIVE AMENDMENT IN CUSTOMS TO OVERCOME A PRO-TAXPAYER JUDGMENT OF THE SUPREME COURT OF INDIA

The key legislative changes proposed under customs law aim at overturning the landmark decision of the Supreme Court of India in *Canon India Private Limited vis-à-vis* issuance of notices for re-assessment of customs duties by the officers of the investigating wing, i.e., Department of Revenue Intelligence (DRI). The proposed changes are directed at retrospectively validating such actions by DRI officers which were held to be illegal in the Supreme Court judgment.

04.

OTHER PROCEDURAL CHANGES IN GST

- Time limit to avail input tax credit in relation to any invoice or debit note, rectifications *vis-à-vis* returns, factoring adjustments for credit notes etc., have been slightly extended; and
- In a welcome move, the interest-related provision is proposed to be retrospectively amended (i.e. with effect from 1 July 2017), in order to levy interest on taxpayers only when the input tax credit is wrongly availed and utilised by taxpayers as opposed to a case of mere availment.



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