

Amendments to personal taxation in Budget 2022

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In news- Recently, the Finance Minister proposed some amendments to personal taxation in Budget 2022.

Key amendments-

Following are some of the amendments proposed by the finance Minister to personal taxation:



Filing of Updated Returns:

- The Finance Minister has proposed to introduce **a new provision to enable the taxpayer to file an updated return** which will give an **opportunity to report additional income** which he may have missed to report inadvertently in the original tax return.
- While all taxpayers have the avenue of revising their tax returns in a limited window of five months from the due date of filing of tax return, **the updated return can be filed within a period of two years from end of relevant assessment year.**
- **When reporting such additional income, the taxpayer would also be required to pay additional tax at the rate of 25%** if the updated return is filed between one to 12 months or 50% on the additional tax if the updated return is filed between 13 to 24 months from the end of

relevant assessment year but before the commencement of proceedings.

- **The updated return cannot be filed to report additional loss or decrease in the tax liability.**
- The tax is required to be paid before the filing of the updated tax return and the proof to that extent is required to be attached while filing the updated return.
- **This is a step towards affirmative and voluntary reporting by taxpayers** and provides relief against penal provisions and can reduce litigation.

Taxation of Virtual Digital Assets (VDA):

- As per the new provision, **any income from transfer of virtual digital assets would be taxed at the rate of 30%. No deductions for any expenditure** is permitted except the cost of acquisition.
- Further, **loss from such transactions cannot be set off against any other income.**
- **Gift of digital assets would be taxable in the hands of recipients.**
- In order to track transactions of digital assets, **TDS at 1% on sale considerations would be applicable on payments subject to a certain threshold.**

Reduction of surcharge on long term capital gains:

- **The rate of surcharge on long term capital gain** from any long term capital assets has now been **capped at 15%.**
- The capping was earlier applicable only on long term capital gains from listed securities.
- This will help the taxpayer whose taxable income is above Rs 2 crore to save some taxes.

Tax relief for the parents and guardians of the person with disability:

- **Currently, the deduction to resident individuals and HUF under Section 80DD is allowed only with regard to any**

amount paid under a scheme issued by LIC or any other insurer and the scheme provides for payment of annuity or lump sum only in case of death of the subscriber (Parent/Guardian) to the dependent.

- However, in some cases the person with disability may need payment of annuity or lump sum during the lifetime of the parent and guardians also.
- Hence, in order to remove such genuine hardship, **it is proposed to allow deduction during the lifetime of the parent/guardian upon attaining the age of 60 years.**

Exemption of amounts received as Covid aid:

In a press release in June 2021, the Finance Ministry announced exemption of amounts received for Covid medical treatment by individuals. **It is proposed to incorporate these exemptions in Section 17(2) as follows:**

- Exemption up to Rs 10 lakh in aggregate for assistance received from any other person for medical treatment or for ex gratia received for the deceased.
- Amounts received from employers for medical treatment or as ex gratia for the deceased are exempt.
- It has been clarified through provisions that such payment has to be received within 12 months from the date of death to qualify for exemption.

Rationalization of NPS provisions:

- To bring parity with central government employees, the benefit of deduction u/s 80C for **employer's contribution to NPS up to 14% of salary has been extended to state government employees as well.**
- The exemption limit for employer contribution to NPS in case of employees in the private sector remains at 10%.

Litigation Management:

- In an **attempt to reduce pendency of cases**, where the

commissioner believes that a question of law in a case is similar to the question of law arising in his case for another year, then such appeal filing could be deferred till the decision on the earlier ruling becomes final, subject to the acceptance of the assessee.

- This would help in avoiding increased litigation on the same question of law.