

India Union Budget 2024

July 2024



Preface

Hon'ble Finance Minister Nirmala Sitharaman presented the Union Budget for Financial Year 2024-25 on 23rd July 2024. In continuation of the Interim Budget presented by her earlier this year, focus on the 4 important constituents of the population was reiterated, namely the Poor, Women, Farmer & Youth. In pursuit of a 'Developed India', the Budget laid a roadmap which rests on the following 9 priorities of the Government:



Productivity and resilience in Agriculture

Employment & Skilling

Inclusive Human Resource Development & Social Justice

Manufacturing & Services

Urban Development

Energy Security

Infrastructure

Innovation, Research & Development

Next Generation Reforms

The target is to reach a deficit of below 4.5% next year & overcome the risks to growth caused by elevated asset prices, global political uncertainties & shipping disruptions.

Preface

On **Direct Taxes** front, proposals have been made to reduce the corporate tax rate for foreign companies, increase standard deduction for salaried taxpayers in the new tax regime, promote domestic cruise ship operations by non-residents, rationalize time limit for filing appeal with Tribunal, change capital gains tax rates, reduce withholding tax rates on payment to residents, increase limit of tax-deductible remuneration paid by partnership firms / limited liability partnerships to partners, clarify applicability of withholding tax on purchase of immovable property, etc. In addition, the Government has proposed to release phase 2 of the 'Direct Tax Vivad se Vishwas Scheme, 2024' for settlement of pending disputes with taxpayers. Some old provisions such as indexation benefit on long term capital gains, equalization levy & angel tax have been done away with. Further, time limit has been prescribed for filing revised withholding tax returns, scope of transfer pricing officer's power has been widened to investigate specified domestic transactions which have not been referred by assessing officer or which have not been reported by the taxpayer.

From an **Indirect Taxes** perspective, proposals have been made to exempt extra neutral alcohol from purview of Goods & Services tax (GST), empower Government to prescribe conditions for revocation of cancellation of GST registration & also for issue of self-invoice by taxpayer for supplies taxable on reverse charge basis, streamline refund on export of goods subject to export duty, provide common time limit for issue of notice & order irrespective of whether the matter involves fraud, suppression etc. or not, relax & align input tax credit claims, reduce monetary limit of pre-deposit for filing of appeals, allow additional time for filing appeals till necessary infrastructure is in place & give relief for initial years of GST implementation due to lack of clarity. On customs front, Government intends to continue with digitization of records. Duration for re-import of goods exported out of India under warranty has been proposed to be increased from 3 years to 5 years.

Abbreviations

ALP	Arm's Length Price
AO	Assessing Officer
AY	Assessment Year
CBDT	Central Board of Direct Taxes
CGST	Central Goods & Services Tax
CIT	Commissioner of Income-tax
CSR	Corporate Social Responsibility
DPI	Digital Public Infrastructure
EPFO	Employees Provident Fund Organisation
FDI	Foreign Direct Investment
FPO	Farmer Producer Organization
FY	Financial Year
GDP	Gross Domestic Product
GIFT	Gujarat International Finance Tec-City
GST	Goods & Services Tax
GSTAT	Goods & Services Tax Appellate Tribunal
HR	Human Resource
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
IGST	Integrated Goods & Services Tax
INR	Indian Rupees
ISD	Input Service Distributor

ITAT	Income-tax Appellate Tribunal
ITC	Input Tax Credit
IT Act	Income-tax Act, 1961
ITR	Income Tax Return
MSME	Micro, Small & Medium Enterprises
NABARD	National Bank for Agriculture & Rural Development
NBFCs	Non- Banking Financial Companies
PAN	Permanent Account Number
PE	Permanent Establishment
RCM	Reverse Charge Mechanism
RBI	Reserve Bank of India
SCN	Show Cause Notice
SDT	Specified Domestic Transaction
SFT	Statement of Financial Transactions
SGST	State Goods & Services Tax
STT	Securities Transaction Tax
TCS	Tax Collection at Source
TDS	Tax Deduction at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TReDS	Trade Receivables Discounting System
VCF	Venture Capital Fund
VGF	Viability Gap Funding



Policy / Sectoral Announcements

Roadmap for pursuit of Developed India

Focus Areas

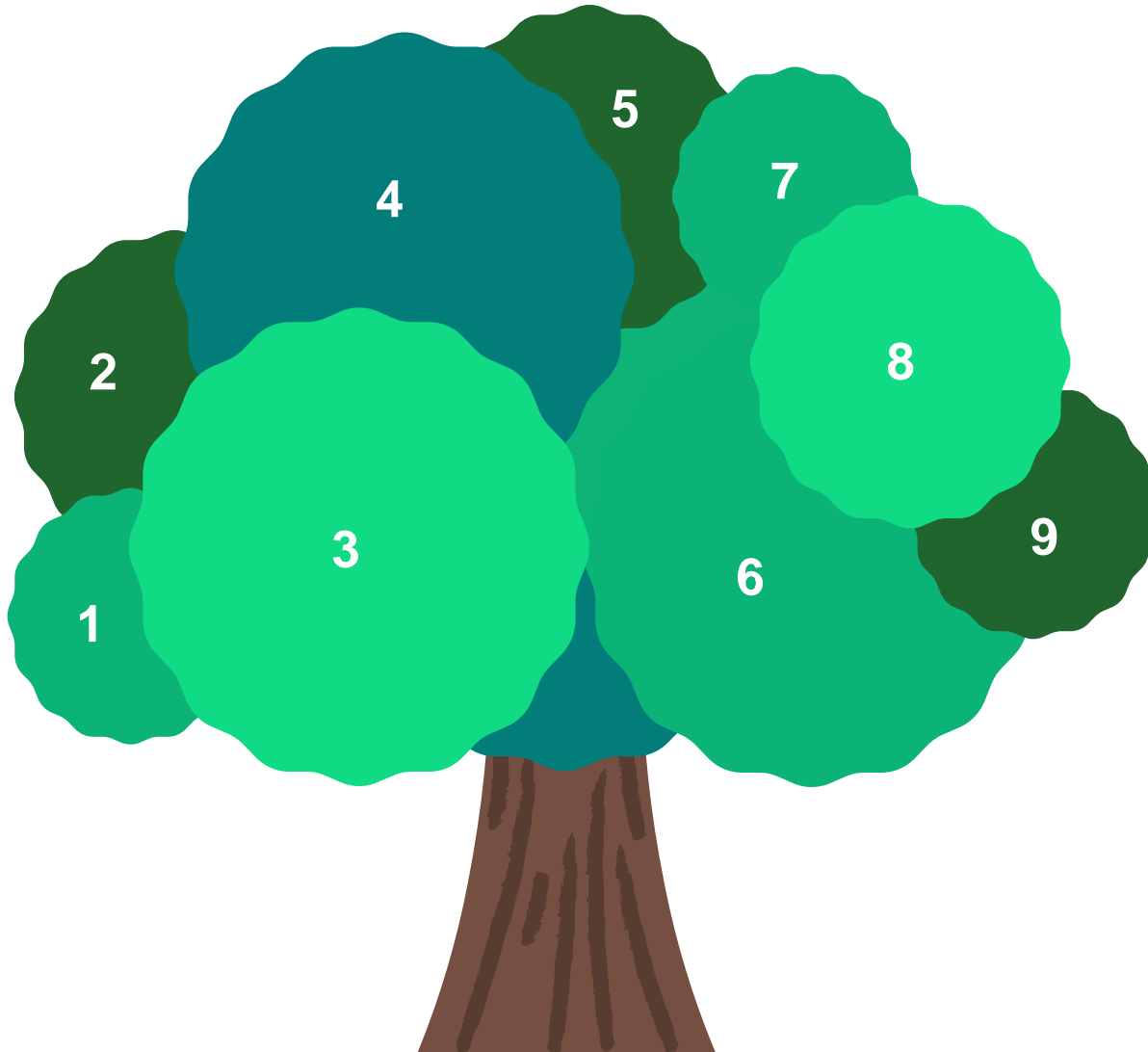


Roadmap for pursuit of Developed India

Budget Theme



Priorities for Developed India



- 1 Productivity & resilience in Agriculture
- 2 Employment & Skilling
- 3 Inclusive Human Resource Development & Social Justice
- 4 Manufacturing & Services
- 5 Urban Development
- 6 Energy Security
- 7 Infrastructure
- 8 Innovation, Research & Development
- 9 Next Generation Reforms

Productivity & Resilience in Agriculture

- Transforming Agriculture Research - Comprehensive review of the agriculture research setup to bring focus on raising productivity & development of climate resilient varieties
- National Cooperation Policy - For systematic, orderly & all-round development of the cooperative sector
- Self dependance - For oil seeds such as mustard, groundnut, sesame, soyabean & sunflower
- Vegetable production & supply chain - Promotion of FPOs, cooperatives & start-ups for vegetable supply chains for collection, storage, & marketing
- Release of new varieties - 109 new high-yielding & climate resilient varieties of 32 field & horticulture crops will be released for cultivation by farmers

Natural Farming

- 1 crore farmers across the country to be initiated into natural farming, supported by certification and branding in next 2 years
- 10,000 need-based bio-input resource centres to be established

Shrimp Production & Export

Financing for Shrimp farming, processing & export to be facilitated through NABARD

Digital Public Infrastructure

- DPI for coverage of farmers & their lands in 3 years
- Digital crop survey in 400 districts
- Issue of Jan Samarth based farmers credit cards

Employment & Skilling

Schemes for Employment Linked Incentive

Scheme A – 1 st Timers	Scheme B – Job creation in Manufacturing	Scheme C – Support to Employers
<ul style="list-style-type: none">• 1-month wage to new entrants in all formal sectors in 3 instalments up to INR 15,000• Expected to benefit 2.10 crore youth	<ul style="list-style-type: none">• Linked to 1st time employees• Incentive to both employee & employer for EPFO contributions in the specified scales for the 1st 4 years• Expected to benefit 30 lakh youth	<ul style="list-style-type: none">• Government to reimburse EPFO contributions of employers up to INR 3,000 per month for 2 years for all new hires• Expected to generate 50 lakh jobs

Scheme for Skilling Programme

- 20 lakh youth to be skilled over a 5-year period
 - 1,000 Industrial Training Institutes to be upgraded in hub & spoke arrangements with outcome orientation
 - Course content & design aligned as per skill needs of industry
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- Facilitate higher participation of women in the workforce through setting up of working women hostels in collaboration with industry & establishing creches
 - Loans up to INR 7.5 lakh with guarantee from a Government promoted fund. Expected to help 25,000 students every year
 - Financial support for loans upto INR 10 lakh for higher education in domestic institutions. Direct e-vouchers to 1 lakh students every year. Annual interest subvention of 3%

Inclusive HR Development & Social Justice

- Plan for endowment rich states in the eastern parts of India covering Bihar, Jharkhand, West Bengal, Odisha & Andhra Pradesh for generation of economic opportunities
- Amritsar Kolkata Industrial Corridor with development of an industrial node at Gaya
- Allocation of more than INR 3 lakh crore for schemes benefitting women & girls
- Improving socio-economic condition of tribal communities covering 63,000 villages benefitting 5 crore tribal people
- More than 100 branches of India Post Payment Bank to be set up in north-east region
- Andhra Pradesh Reorganization Act:
 - ✓ Financial support of INR 15,000 crore to be arranged in FY 2024-25
 - ✓ Completion of Polavaram Irrigation Project ensuring food security of the nation
 - ✓ Essential infrastructure development such as water, power, railways & roads in Koppaerthy node on the Vishakhapatnam-Chennai Industrial Corridor & Orvakal node on Hyderabad-Bengaluru Industrial Corridor

Manufacturing & Services

- Credit guarantee scheme for MSMEs in manufacturing sector. New assessment model for MSME credit
- Enhanced scope for mandatory onboarding in TReDS
- Mudra Loans - Limit enhanced to INR 20 lakh (from current INR 10 lakh under 'Tarun' category)
- MSME units for Food Irradiation, Quality & Safety Testing
- Credit support to MSMEs during stress period
- 12 industrial parks under the National Industrial Corridor Development Programme
- Rental housing with dormitory type accommodation for industrial workers in public private partnership mode with VGF support
- Critical Minerals Mission for domestic production, recycling & overseas acquisition
- Strengthening of the tribunal & appellate tribunals to speed up insolvency resolution & additional tribunals to be established

Scheme for Internship opportunities

- Scheme for providing internship opportunities in 500 top companies to 1 crore youth in 5 years
- Allowance of INR 5,000 per month along with a one-time assistance of INR 6,000 through CSR funds

Urban Development

Stamp Duty

Encouraging states to reduce stamp duties for properties purchased by women

Street Markets

Envisioning a scheme to develop 100 weekly street food hubs in select cities

Transit Oriented Development

Transit Oriented Development plans for 14 large cities with population > 30 lakh

Water Management

Promote water supply, sewage treatment & solid waste management projects & services for 100 large cities through bankable projects

Housing needs

- Needs of 1 crore urban poor & middle-class families to be addressed with an investment of INR 10 lakh crore
- Enabling policies & regulations for efficient & transparent rental housing markets with enhanced availability to be put in place

Energy Security

- Initiatives with private sector in Nuclear Energy
 - ✓ Setting up Bharat Small Reactors
 - ✓ Research & Development of Bharat Small Modular Reactor & newer technologies for nuclear energy
- Energy Audit
 - ✓ Financial support for shifting of micro & small industries to cleaner forms of energy
 - ✓ Facilitation of investment grade energy audit in 60 clusters, next phase expands to 100 clusters
- Pumped Storage Policy - For electricity storage & facilitation of smooth integration of the growing share of renewable energy
- Advanced Ultra Supercritical Thermal Power Plants – A joint venture between National Thermal Power Corporation & Bharat Heavy Electricals Limited will set up a full scale 800 megawatt commercial plant
- 1 crore households to obtain free electricity upto 300 units per month under Prime Minister Surya Ghar Muft Bijli Yojana. 1.28 crore registrations & 14 lakh applications have been received so far

Infrastructure

- Provision of INR 1,111,111 crore for infrastructure (3.4% of GDP)
- INR 1.5 lakh crore to states as long-term interest free loans to support resource allocation
- Phase IV of Pradhan Mantri Gram Sadak Yojana to be launched to provide all-weather connectivity to 25,000 rural habitations

Irrigation & Flood Mitigation

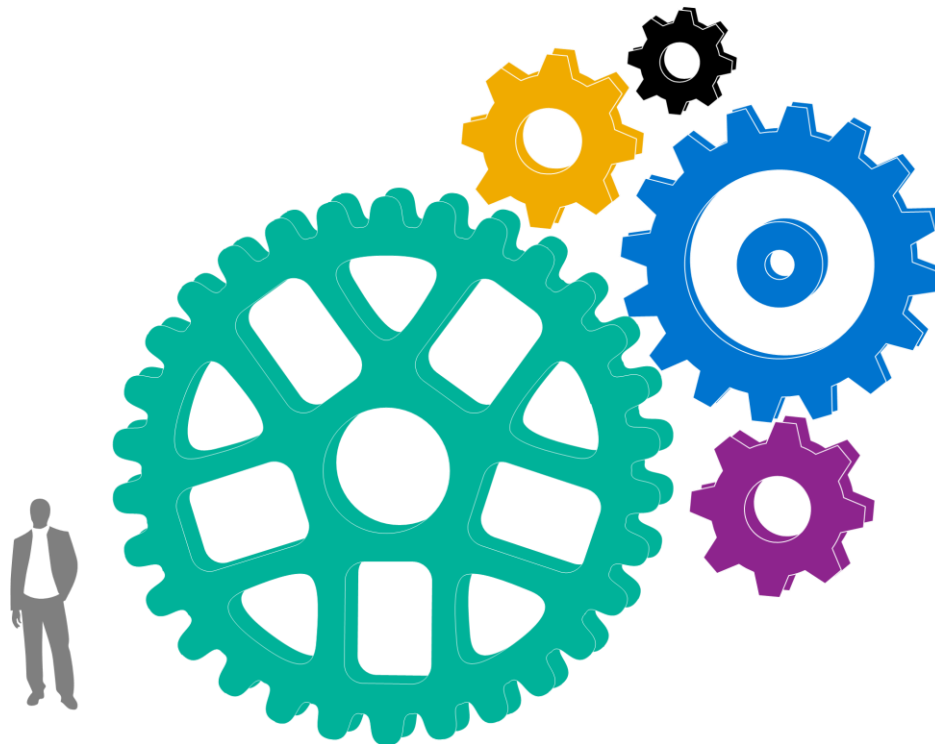
- Financial support for projects with estimated cost of INR 11,500 crore such as the Kosi-Mechi intra-state link & 20 other ongoing & new schemes
- Assistance for flood management & related projects in Assam, Sikkim & Uttarakhand
- Assistance for reconstruction & rehabilitation in Himachal Pradesh

Tourism

- Development of Vishnupad Temple Corridor & Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor
- Comprehensive development initiative for Rajgir will be undertaken which holds religious significance for Hindus, Buddhists & Jains
- Development of Nalanda as a tourist center besides reviving Nalanda University to its glorious stature
- Assistance in development of Odisha's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes & pristine beaches making it an ultimate tourism destination

Innovation, Research & Development

- Operationalization of the Anusandhan National Research Fund for basic research & prototype development
- Private sector-driven research & innovation at commercial scale with a financing pool of INR 1 lakh crore
- Space Economy - A venture capital fund of INR 1,000 crore is to be set up



Next Generation Reforms

Rural & Urban Land related actions

- Unique Land Parcel Identification Number or 'Bhu-Aadhaar' for all lands
 - Land records in urban areas to be digitized with Geographical Information Systems mapping. Digitization of cadastral maps
 - Survey of map sub-divisions as per current ownership
 - Linkages to farmers' registries. Establishment of land registry
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- Taxonomy for climate finance – Enhancement of availability of capital for climate adaptation & mitigation related investments
 - FDI & Overseas Investments – Simplification to facilitate FDIs & promote opportunities for using INR as a currency for overseas investments
 - National Pension Scheme Vatsalya - A plan for contribution by parents & guardians for minors
 - Improvement of data governance, collection, processing & management of data & statistics
 - New Pension Scheme - A solution that addresses the relevant issues, protects the common citizen & maintains fiscal prudence to be formed



Direct Tax Proposals

Tax Rates



Effective Personal Tax Rates *

Taxable income (INR)	Alternative Tax Rates u/s 115BAC(1A)(ii) of IT Act <i>(New Tax Regime)</i>	Existing Tax Rates <i>(Old Tax Regime)</i>		
		< 60 years	Senior Citizens (60 - 80Years)	Super Senior Citizens (> 80 Years)
< 2.5 lakh		Nil		
2.5 lakh - 3 lakh	Nil	5.20%	Nil	
3 lakh - 5 lakh		5.20%		Nil
5 lakh - 7 lakh	5.20%	20.80%		
7 lakh - 10 lakh	10.40%			
10 lakh - 12 lakh	15.60%			
12 lakh - 15 lakh	20.80%	31.20%		
15 lakh - 50 lakh	31.20%			
50 lakh - 1 crore		34.32%		
1 crore - 2 crore		35.88%		
2 crore - 5 crore		39%		
> 5 crore	39%	42.74%		

No change

* Including Surcharge (varying between 10% to 37%) & Health & Education Cess (4%)

Effective Tax Rate for Co-operative Society

Taxable income (INR)	New Manufacturing Co-operative Society entitled for Super Concessional Tax Rate u/s 115BAE	Resident Co-operative Society entitled for Concessional Tax Rate u/s 115BAD	Existing Tax Rate
Upto 10,000	17.16%	25.17%	10.40%
10,000 - 20,000			20.80%
20,000 – 1 crore			31.20%
1 crore – 10 crore			33.38%
> 10 crore			34.94%

Applicable for a co-operative society set up **on or after 1st April 2023** & commences manufacturing **on or before 31st March 2024**

No change

Effective Corporate Tax Rates

Legal Entity	New Domestic Manufacturing Company entitled for Super Concessional Tax Rate u/s 115BAB	Existing Domestic Company entitled for Concessional Tax Rate u/s 115BAA	Others (Section 115BA)		
			Taxable Income (INR)		
			< 1 Crore	1 Crore – 10 Crore	> 10 Crore
Domestic Companies:					
Turnover ≤ INR 400 crore in FY 2022-23	17.16%	25.17%	26.00%	27.82%	29.12%
Turnover > INR 400 crore in FY 2022-23			31.20%	33.38%	34.94%
LLPs, Partnership Firms	NA		34.94%		
Foreign Companies	NA		36.40%	37.12%	38.22%

Applicable for a company incorporated **on or after 1st October 2019** & commences manufacturing **on or before 31st March 2024**

Reduction in basic tax rate for Foreign Companies from 40% to 35%

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Increase in Standard Deduction & Deduction from Family Pension for taxpayers in new tax regime</p> <p><i>Section(s) amended / inserted: 16(ia), 57(ia)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<ul style="list-style-type: none"> Section 16(ia) of the IT Act provides for Standard Deduction from salary income of lower of the following amounts: <ul style="list-style-type: none"> ✓ <u>INR 50,000</u>, or ✓ Amount of salary Section 57(ia) of the IT Act provides for deduction from 'Family Pension' income (taxable as 'income from other sources') of lower of the following amounts: <ul style="list-style-type: none"> ✓ <u>INR 15,000</u>, or ✓ 1/3rd of such Family Pension <p>('Family pension' implies a regular monthly payout by an employer to a person belonging to the family of an employee in the event of his death)</p>	<ul style="list-style-type: none"> The monetary limit of INR 50,000 has been increased to <u>INR 75,000</u> for taxpayers following new tax regime u/s 115BAC(1A)(ii) The monetary limit of INR 15,000 has been increased to <u>INR 25,000</u> for taxpayers following new tax regime u/s 115BAC(1A)(ii) 	<p>To encourage salaried taxpayers shift to new tax regime, wherein most of the tax deductions / exemptions have been done away with</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Increase in threshold limit of deduction allowable to Employer (private sector) as well as Employee, on Employer's contribution to Pension scheme notified by the Government</p> <p><i>Section(s) amended / inserted: 36(1)(iva), 80CCD(2)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<ul style="list-style-type: none"> Section 36(1)(iva) of the IT Act allows deduction to an <u>Employer</u> (from business / professional income) of amount contributed towards a notified pension scheme on account of an Employee, upto a <u>maximum limit of 10% of the salary</u> of the Employee for the relevant year Similarly, the <u>Employee</u> is also entitled to a deduction u/s 80CCD(2) (from salary income) of upto a <u>maximum limit of 10% of the salary</u>, on account of contribution by an Employer belonging to the private (i.e., non -Government) sector to a notified pension scheme 	<ul style="list-style-type: none"> The threshold limit of 10% of salary u/s 36(1)(iva) has been increased to <u>14%</u> Similarly, the threshold limit of 10% u/s 80CCD(2) has been increased to <u>14%</u>, for taxpayers following new tax regime u/s 115BAC(1A) 	<p>To encourage salaried taxpayers shift to new tax regime, wherein most of the tax deductions / exemptions have been done away with</p>

Promotion of Investment & Employment



Key Direct Tax Proposals

Tax Incentives to IFSC

What is IFSC?

A jurisdiction that provides financial services to non-residents & residents in any currency except INR. The GIFT City in Gujarat is the first IFSC in India. In order to promote development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC over the past few years

Proposals to further incentivize operations from IFSC

Effective from: AY 2025-26 onwards

- Ambit of 'specified funds' entitled to claim capital gains tax exemption u/s 10(4D) of the IT Act, expanded to include retail funds & exchange traded funds in IFSC
- Specified income of core settlement guarantee funds set up by recognized clearing corporations in IFSC, to be exempted by amending the definition of 'recognized clearing corporation' & 'regulations' in Explanation to Section 10(23EE) of the IT Act
- VCFs regulated by IFSCA to be exempt from the requirement to prove source of funds, for the purpose of addition on account of 'unexplained credit' u/s 68 of the IT Act in the hands of a taxpayer to whom the VCF has lent money
- Thin capitalization rule u/s 94B of the IT Act (i.e., restriction on tax deduction of interest payable to non-resident lender of debt, being an associated enterprise of the borrower in India) not to apply to finance companies located in IFSC (subject to conditions)

Key Direct Tax Proposals

Abolishment of Angel Tax

What is Angel Tax?

An anti-abuse provision u/s 56(2)(viib) of the IT Act, which makes consideration received in excess of fair value of shares, taxable in hands of recipient (closely held) company. The provision was inserted in 2012 to prevent generation / circulation of unaccounted money through share premium in excess of fair market value

Abolishment of Angel Tax

Effective from: AY 2025-26 onwards

Angel Tax is proposed to be abolished from AY 2025-26 onwards. This is likely to bring cheer to start-ups fraternity & its investors. Since inception, levy of angel tax has been a subject matter of hue & cry & often criticized for its unintended applicability to genuine businesses

Key Direct Tax Proposals

Promotion of domestic Cruise ship operations by non-residents

Cruise shipping is one of the most dynamic & fastest growing components of the leisure industry globally. The Cruises market in India is projected to grow by 8.55% in the next 5 years. To make India an attractive Cruise tourism destination, certain amendments have been proposed. Participation of International Cruise-ship operators is expected to encourage development of the sector & enable access to international best practices.

- A presumptive scheme of taxation has been proposed for a non-resident engaged in the business of operation of Cruise ships. 20% of the aggregate amount received by a non-resident Cruise-ship operator on account of carriage of passengers, to be treated as business income. Applicability of the provision, however, is subject to conditions
- Section 44B being presumptive scheme of taxation for shipping business of non-residents, no longer to apply to Cruise-ship business
- Tax exemption provided to income of a foreign company from lease rentals, if such foreign company & the non-resident Cruise-ship operator have the same holding company. The exemption to be available upto AY 2030-31

Section(s) amended / inserted: 10(15B), 44BBC

Effective from: AY 2025-26 onwards

Simplification & Rationalization



Key Direct Tax Proposals

Introduction of block assessment provisions in cases of search u/s 132 & requisition u/s 132A

- The new regime for reopening of cases introduced vide Finance Act 2021 merged search assessment with the revised procedure for reassessments. This created administrative hurdles whereby each year sought to be reopened under search was assessed separately leading to staggered assessments of different years, which is time consuming & increases cost of litigation for both taxpayers & tax authorities
- Considering the same, search proceedings are now separated from the new regime for reopening of cases, whereby all years under search are assessed together as a single block ('block assessment') procedure as was prevalent in the past. Even cases involving reassessment of a taxpayer based on information found in course of search on a 3rd person are covered under such block assessment procedure. Consequently, limitation period for search assessments has been reduced from 10 years to 6 years prior to year in which search is conducted
- Total income (undisclosed income found in course of search or otherwise) so assessed going forward would be taxable at a flat rate of 60% (plus applicable cess of 4%) with no additional surcharge & interest except for interest on late filing of block return
- A penalty of 50% to be levied on undisclosed income under block assessment unless income is disclosed in ITR to be filed pursuant to block assessment procedure
- New block assessment regime to be applicable in respect of searches conducted on or after 1st September 2024 onwards

Key Direct Tax Proposals

Rationalisation of provisions relating to Assessment & Reassessment

- Recently, provisions for reopening of assessment escaping income were revamped. General limitation period to reopen the case was reduced to 4 years from erstwhile 7 years. In certain high value cases involving escaped income > INR 50 lakh, reopening was permitted up to 11 years
- The new regime provided reopening of case based on information in possession of tax authority & after providing an opportunity to the taxpayer to rebut information
- Maximum reopening limitation period has been curtailed to 6 years as against existing 11 years for high value cases
- The above amendments are effective from 1st September 2024 onwards. Thus, post 1st September 2024, assessment proceedings for FY 2017-18 shall become time barred
- Further, proposed amendment simplifies applicable limitation period for issue of show cause notice & issue of reopening notice with a small 1-month enlargement of overall limitation period

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalisation of provisions relating to Period of Limitation for imposing Penalties</p> <p><i>Section(s) amended / inserted: 275(1), (1A)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<p>Currently, the time limit for reckoning period of limitation u/s 275 within which an order imposing penalty can be passed by AO, is based on a criteria which includes, amongst other, the following:</p> <ul style="list-style-type: none"> • 6 months from end of the month in which order of ITAT is received by <u>Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner</u> • 1 year from end of the FY in which order of CIT(Appeals) is received by <u>Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner</u> 	<p>Reference to receipt of order by <u>Principal Chief Commissioner or Chief Commissioner</u> has been removed</p>	<p>To avoid ambiguity in calculation of number of days for imposition of penalty as a consequence of orders passed by CIT(Appeals) / ITAT</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment in provisions relating to Set off & Withholding of Refunds</p> <p><i>Section(s) amended / inserted: 244A, 245</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Section 245 of the IT Act empowers AO to adjust the refund against any outstanding tax demand from the taxpayer Where refund becomes due to a taxpayer but the assessment / reassessment proceeding is pending in his case, AO may withhold the refund till the date of completion of assessment / reassessment, provided he satisfies the below conditions: <ul style="list-style-type: none"> ✓ <u>AO is of the opinion that the grant of refund is likely to adversely affect the revenue,</u> & ✓ AO must record the reasons in writing & obtain prior approval from Principal CIT / CIT No interest u/s 244A on refund is payable to the taxpayer for the period beginning with date of withholding of refund till date of completion of assessment / reassessment 	<ul style="list-style-type: none"> The specific mention of <u>requirement for AO to form opinion that the grant of refund is likely to adversely affect the revenue, has been done away with</u> Consequential amendment made in Section 244A to allow non-payment of interest up to the date till which such refund is withheld u/s 245(2) of the IT Act 	<p>The 2nd condition requiring AO to record reasons takes care of the 1st condition, as even if an opinion is formed, it must be recorded as a reason in writing</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Rationalisation of time-limit for filing appeal with ITAT</p> <p><i>Section(s) amended / inserted: 253(1)(a), 253(3)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Section 253(1) of the IT Act mentions the orders against which an appeal can be filed with ITAT. ITAT is the 2nd appellate authority in the IT appellate hierarchy Currently, an <u>order passed by CIT (Appeals) u/s 158BFA (for imposition of penalty on undisclosed income for the block period in case where search has been initiated u/s 132) is not covered within the list of appealable orders before ITAT</u> Time limit for filing appeal before ITAT is <u>60 days</u> from the date on which the order sought to be appealed against is communicated to the taxpayer / Principal CIT / CIT 	<ul style="list-style-type: none"> An <u>order passed by CIT (Appeals) u/s 158BA has been included within list of appealable orders before ITAT</u> Time limit of 60 days for filing appeal has been replaced with <u>2 months from the end of the month</u> in which the order sought to be appealed against is communicated to the taxpayer / Principal CIT / CIT 	<ul style="list-style-type: none"> To provide recourse for filing appeal before ITAT against order passed u/s 158BFA Regarding time limit - In the new faceless appeal dispensation, CIT (Appeals) uploads the orders on a daily basis. Such upload is equivalent to electronic communication to the Principal CIT. This, in turn, means that the limitation for filing appeal with ITAT would fall on a daily basis making it difficult for Principal CIT & AO to track the same

Key Direct Tax Proposals

Rationalisation & simplification of taxation of Capital Gains

Taxation of Capital Gains has been rationalized / simplified in 3 key components as below:

- There will be only 2 holding periods for determining whether a Capital Asset is Long Term or Short Term – 12 months & 24 months
- Tax rates on Capital Gains (both short term & long term) have been changed
- Benefit of (cost) indexation available on Long Term Capital Gain on sale of property, gold & other unlisted assets, has been done away with

Section(s) amended / inserted: 2(42A), 48 2nd Proviso, 50AA, 111A, 112(1), 112A(2)(i), 115AB(1), 115AC(1), 115ACA(1), 115AD(1), 115E, 196B, 196C

Changes in Holding Period

Capital Asset	Holding period to qualify as Long Term Capital Asset, prior to 23 July 2024	Holding period to qualify as Long Term Capital Asset, on or after 23 July 2024
Listed Securities	> 12 months	
Units of listed business trust	> <u>36 months</u>	> <u>12 months</u>
Unlisted securities & Immovable property	> 24 months	
Other capital assets	> <u>36 months</u>	> <u>24 months</u>

Key Direct Tax Proposals

Changes in Tax Rate (for both residents & non-residents)

Capital Gain	Capital Asset transferred	Tax Rate prior to 23 July 2024	Tax Rate on or after 23 July 2024
Short Term Capital Gain	(a) STT-paid listed equity shares, unit of a listed business trust, unit of equity oriented mutual fund	<u>15%</u>	<u>20%</u>
	(b) Capital assets other than (a) above	Applicable tax rate	
Long Term Capital Gain	(c) STT-paid listed equity shares, unit of a listed business trust, unit of equity oriented mutual fund	<u>10% without indexation</u> (with exemption of <u>INR 1 lakh</u>)	<u>12.5% without indexation</u> (with exemption of <u>INR 1.25 lakh</u>)
	Any other capital asset	<u>20% with indexation</u>	<u>12.5% without indexation</u>

Consequential changes have been made to provisions dealing with taxation of Long Term Capital Gains from securities held by foreign institutional investors, units of offshore fund & global depository receipt to align the tax rate of Long Term Capital Gain on transfer of such instruments to 12.5% in case the date of transfer of Capital Asset is on or after 23 July 2024

Key Direct Tax Proposals

Abolishment of Indexation benefit (on Long Term Capital Gain)

As per the IT Act, benefit of cost indexation is allowed while computing Long Term Capital Gain in cases where the tax rate is 20%. The objective is to allow benefit of inflation to a taxpayer. It has been proposed to do away with the indexation benefit on Long Term Capital Assets transferred on or after 23 July 2024, thereby aligning with the reduced tax rate (from 20% to 12.5%) on Long Term Capital Gains

Gain on transfer of unlisted bonds & debentures to be treated as Short Term Capital Gain

Currently, gain arising from transfer / redemption / maturity of Market Linked Debentures & units of a Specified Mutual fund are considered as gain arising from transfer of a Short Term Capital Asset irrespective of the period for which they are held by the taxpayer. To arrive at the gain on transfer of Market Linked Debentures & Specified Mutual Fund, it is allowed to reduce the cost of acquisition of such debentures & also any expenses incurred in connection with the transfer

As per Budget proposal, the above tax regime will be extended to capital gain arising on or after 23 July 2024 from transfer / redemption / maturity of unlisted bonds & debentures as well

Further, the definition of 'Specified Mutual Fund' has been amended to mean a mutual fund which invests > 65% of its total proceeds in debt & money market instruments as compared to earlier definition which stated Specified Mutual Fund to be a mutual fund where $\leq 35\%$ of its total proceeds were invested in equity shares of domestic companies. Further, a fund which invests $\geq 65\%$ of its total proceeds in a Specified Mutual Fund shall also be regarded as a Specified Mutual Fund

Key Direct Tax Proposals

Rationalisation of TDS rates

Section of IT Act	Nature of Payment	Existing TDS Rate	Proposed TDS Rate	Effective from
194D	Insurance commission (non-company)	5%	2%	1 April 2025 onwards
194DA	In respect of Life Insurance Policy	5%	2%	1 October 2024 onwards
194G	Commission, etc. on sale of lottery tickets	5%	2%	
194H	Commission / Brokerage	5%	2%	
194IB	Rent (by certain individuals / HUF)	5%	2%	
194M	Certain sums (by certain individuals / HUF)	5%	2%	
194O	Sum paid by e-commerce operator to e-commerce participant	1%	0.1%	
194F	On account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Ease in claiming credit for TCS collected / TDS deducted by salaried employees</p> <p><i>Section(s) amended / inserted: 192(2B)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> As per Section 192(2B) of IT Act, an employer is required to consider income under any other head & tax, if any, deducted thereon, for the purpose of withholding TDS before release of salary to employees Reportedly, representations have been received that <u>credit of TCS paid should be allowed while calculating TDS on salary</u>, as this will help in avoiding cash flow issues for employees. If TCS is not taken into account, the same is required to be claimed as a refund by the employee which adds to the compliance process 	<p>Section 192(2B) has been amended <u>enabling employer to consider credit of all TDS & TCS paid / deposited by the employee</u>, to ease compliance for the employee</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Alignment of Interest rates for late payment to Government on account of TCS</p> <p><i>Section(s) amended / inserted: 206C(7)</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<ul style="list-style-type: none"> Currently, the <u>rate of Interest (1% per month) u/s 206C(7) for delay in deposit of TCS with Government authorities, is not aligned with the corresponding rate of Interest (1.5% per month) u/s 201(1A) of the IT Act for delay in deposit of TDS</u> A higher rate of Interest @ 1.5% is called for delay in deposit of TCS, due to the gravity attached with the failure, as it deprives the deductee of due tax credit & does not reach the Central Government in time 	<p>Rate of Interest for delay in deposit of TCS has been increased from 1% to <u>1.5%</u></p>	<p>To align rate of Interest for delay in deposit of TCS, with rate of Interest for delay in deposit of TDS</p>

Key Direct Tax Proposals

Increase in limit of Remuneration to working partners of a firm allowed as tax deduction

Section 40(b)(v) of the IT Act provides for disallowance of remuneration paid to a partner by a partnership firm (including limited liability partnership) in excess of certain threshold limit (give below). The said threshold limit was prescribed since AY 2010-11 & has become outdated. Thus, a new limit has been prescribed.

Section(s) amended / inserted: 40(b)(v)

Effective from: AY 2025-26 onwards

Existing Provision

Threshold criteria	Remuneration paid beyond the below amount is not allowable as tax deduction to the firm
On the 1 st <u>INR 300,000</u> of the book-profit or in case of a loss	<u>INR 150,000</u> or 90% of book-profit, whichever is higher
On balance book-profit	60%

New Provision

Threshold criteria	Remuneration paid beyond the below amount is not allowable as tax deduction to the firm
On the 1 st <u>INR 600,000</u> of the book-profit or in case of a loss	<u>INR 300,000</u> or 90% of book-profit, whichever is higher
On balance book-profit	60%

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Claiming credit for TCS of minor in the hands of parent</p> <p><i>Section(s) amended / inserted: 206C</i></p> <p><i>Effective from: 1st January 2025 onwards</i></p>	<ul style="list-style-type: none"> Section 206C of IT Act provides for collection of TCS on business of trading in alcoholic liquor, forest produce, scrap etc. Reportedly, representations have been received that <u>there is no provision in the Act for allowing credit of TCS to any other person (such as parent) other than the collectee</u> For instance, funds remitted under the Liberalized Remittance Scheme of RBI may have been remitted in the name of minor & accordingly tax would have been collected u/s 206C(1G). However, there is no provision for the parent to claim the same in their ITR 	<ul style="list-style-type: none"> New provision has been inserted in Section 206C of the Act, to <u>allow CBDT notify the rules for cases where credit of TCS is given to person other than collectee</u> However, to avoid misuse of the provision, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent

Charitable Trusts & Institutions



Key Direct Tax Proposals

Merger of trusts under 1st Regime with 2nd Regime

There are 2 regimes for trusts / funds / institutions to claim tax exemption.

- 1st Regime – Section 10(23C)(iv), (v), (vi), (via) of IT Act
- 2nd Regime – Sections 11 to 13 of IT Act

The provisions of the respective regimes lay down the procedure for filing application for approval / registration, conditions subject to which such approval / registration shall be granted or can be withdrawn etc.

To simplify processes, it has been proposed to sunset the 1st Regime & gradually transition the trusts / funds / institutions registered therein to the 2nd Regime, as below:

- Applications seeking approval / provisional approval under 1st Regime, filed on or after 1st October 2024 shall not be considered. Pending applications filed before 1st October 2024 would be processed as per the existing regulations of 1st Regime
- Trusts / funds / institutions which have already been granted approval under 1st Regime, to continue getting benefits till validity of the approval. They would be eligible to apply for registration subsequently under the 2nd Regime
- Certain eligible modes of investment under the 1st Regime shall be protected in the 2nd Regime

Key Direct Tax Proposals

Condonation of Delay in filing application for registration

A trust / institution desirous of seeking registration u/s 12AB of IT Act is required to apply within timeline specified in Section 12A(1)(ac). Sometimes, trusts / institutions are unable to file the application within time, which may lead to higher taxability on accreted income or even a situation of permanent exit from the tax-exemption regime. To avoid such situation, power has been given to Principal Commissioner / Commissioner to condone the delay in filing application & treat such application as filed timely

Section(s) amended / inserted: 12A(1)(ac)

Effective from: 1st October 2024 onwards

Rationalisation of timelines for funds / institutions to file application for approval u/s 80G

Section 80G of the IT Act provides for the grant of approval to certain funds / institutions for receiving donation. Tax deduction is available to donors for donations made to the approved funds / institutions. Section 80G(5) provides the time limit for funds / institutions to apply for the said approval. Sometimes this time limit is not met, which could lead to permanent exit of the fund / institution from possibility of obtaining Section 80G approval. Thus, the timelines have been rationalized for filing applications for approval u/s 80G

Section(s) amended / inserted: 80G(5)

Effective from: 1st October 2024 onwards

Key Direct Tax Proposals

Rationalisation of timeline for disposal of applications made by trusts / funds / institutions, seeking registration for tax-exemption u/s 12AB or approval u/s 80G

Applications seeking approval for tax exemption u/s 12AB or benefit u/s 80G are required to be processed by the tax department within 6 months from the end of the month in which the application is received. For better administration & monitoring, the time limit for processing of applications has been increased to 6 months from the end of the quarter in which the application is received.

Section(s) amended / inserted: 12AB(3), 80G(5)

Effective from: 1st October 2024 onwards

Merger of trusts under the exemption regime with other trusts

When a registered trust / institution merges with another registered entity, it may attract the provisions of Chapter XII-EB of the IT Act relating to tax on accreted income in certain circumstances. To provide clarity & certainty to taxpayers, it has been proposed to prescribe the conditions under which the said merger shall not attract Chapter XII-EB.

Section(s) amended / inserted: 12AC

Effective from: 1st April 2025 onwards

*Widening &
Deepening of
Tax Base &
Anti Avoidance*



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Tax on distributed income of domestic company for Buy-back of shares</p> <p><i>Section(s) amended / inserted:</i> 2(22(f), 10(34A), 46A, 57(i), 115QA(1), 194(f)</p> <p><i>Effective from:</i> Buy-back of shares on or after 1st October 2024</p>	<p>Consideration paid by a company on Buy-back of shares is chargeable to Buy-back tax in the hands of the company & exempt from tax in the hands of shareholder. Such buy-back tax is applied to the buy-back proceeds as reduced by the amount received for issue of such shares</p>	<ul style="list-style-type: none"> Such sum paid by a company shall be treated as a <u>dividend in the hands of shareholder & taxable</u> at applicable rates <u>No deduction from dividend income shall be allowed</u> while calculating 'income from other sources' Full value of consideration of shares bought back (for calculating capital loss) shall be considered as Nil. Accordingly, entire cost of acquisition of shares bought back should generate a capital loss. The capital loss shall be available for carry forward & set-off against other capital gains 	<ul style="list-style-type: none"> Both dividend & buy-back are methods for the company to distribute accumulated reserves & thus should be treated similarly In addition, there is extinguishment of rights for the shareholders to the extent of shares bought back by the company. The cost of acquisition of such shares also needs to be accounted for in some manner

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Revision of rates of STT</p> <p><i>Section(s) amended / inserted:</i> Finance (No. 2) Act, 2004 [Chapter VII, section 98, table, serial no. 4, column (3)]</p> <p><i>Effective from:</i> 1st October 2024 onwards</p>	<ul style="list-style-type: none"> Rate of STT on <u>sale of an option</u> in securities is <u>0.0625%</u> of the option premium Rate of STT on <u>sale of a future</u> in securities is <u>0.0125%</u> of the price at which such futures are traded 	<ul style="list-style-type: none"> Rate of 0.0625% has been increased to <u>0.1%</u> Rate of 0.0125% has been increased to <u>0.02%</u> 	Exponential growth of derivative markets
<p>Bar on reporting of Rental income from house property as 'business income'</p> <p><i>Section(s) amended / inserted:</i> 28 Explanation 3</p> <p><i>Effective from:</i> AY 2025-26 onwards</p>	It has been observed that many taxpayers are <u>wrongly reporting Rental income from house property as 'business income'</u> (instead of 'income from house property'), to reduce their tax liability substantially by way of claiming deduction for expenses	Section 28 of the IT Act has been amended to clarify that <u>Rental income from house property shall not be taxable as 'business income' & must necessarily be taxable under the head 'income from house property'</u>	To discourage tax avoidance by claiming fictitious deduction of expenses under the head 'business income'

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of section 47(iii) – Exemption of gain arising from transfer of a capital asset by way of gift, will or irrevocable trust</p> <p><i>Section(s) amended / inserted: 47(iii)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<p>Income arising from transfer of a capital asset by way of gift, will or irrevocable trust is exempt from capital gains. Currently, the <u>exemption is legally available to all categories of taxpayers</u> (including companies, firms, etc.)</p>	<p>Capital gains exemption u/s 47(iii) of the IT Act shall be restricted to <u>Individuals & HUFs</u>. A gift is given out of natural love & affection which is possible only in case of humans</p>	<p>Anti-abuse provision to avoid tax leakage</p>
<p>TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners</p> <p><i>Section(s) amended / inserted: 194T</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<p>Currently, there is <u>no provision for TDS on payment of salary, remuneration, interest, bonus or commission to partners by a partnership firm</u> (includes limited liability partnerships)</p>	<p>New Section 194T inserted in the IT Act to <u>bring said payments under the purview of TDS</u> for aggregate payment > INR 20,000 in a FY. The TDS rate will be <u>10%</u></p>	<p>For proper tracking of expenses & to widen & deepen the tax net</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>TCS u/s 206C(1F) on notified goods</p> <p><i>Section(s) amended / inserted: 206C(1F)</i></p> <p><i>Effective from: 1st January 2025 onwards</i></p>	<p>Section 206C of the IT Act provides for, amongst others, the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Section 206C(1F) provides that a seller who receives consideration for sale of a <u>motor vehicle</u> > INR 10 lakh, shall collect TCS from the buyer @ 1% of the sales consideration</p>	<p>Section 206C(1F) has been amended to cover <u>other luxury goods as well, as may be notified by the Central Government</u>, of value > INR 10 lakh</p>	<p>For proper tracking of expenses & to widen & deepen the tax net</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of provisions of TDS on sale of immovable property</p> <p><i>Section(s) amended / inserted: 194IA(2)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> As per Section 194IA(1) of the IT Act, TDS @ 1% is applicable on consideration paid for transfer of immovable property. As per Section 194IA(2), TDS is not required if the consideration for transfer & stamp duty value (both) of the immovable property < INR 50 lakh Reportedly, it has been observed that some taxpayers are interpreting that the <u>consideration being paid refers to each individual buyer's payment rather than the total consideration paid for the property</u>. Accordingly, if the buyer is paying < INR 50 lakh, no tax is being deducted even if the value of immovable property & stamp duty value > INR 50 lakh, which is not the intention of law 	<p>Section 194IA(2) has been amended to clarify that where there is more than 1 transferor or transferee, then <u>such consideration shall be the aggregate of amounts paid by all the transferees to the transferor or all the transferors</u> for transfer of such immovable property</p>	<p>Clarification to align the legal provision [Section 194IA(2)] with the intent of law</p>

Key Direct Tax Proposals

TDS on Floating Rate Savings (Taxable) Bonds 2020

Floating Rate Savings (Taxable) Bonds 2020 are bonds introduced by RBI in July 2020. They offer 7.15% taxable rate of interest over a tenure of 7 years. They are interest bearing, non-tradable bonds issued by the Government of India.

Section 193 of the IT Act provides for TDS on payment of interest on securities to a resident. The said provision is sought to be amended to allow for TDS on payment of interest > INR 10,000 on:

- Floating Rate Savings Bonds (FRSB) 2020 (Taxable), &
- Any Government security as may be notified in this behalf

The amendment is effective from 1st October 2024 onwards.



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Prevention of misuse of deductions of expenses claimed by Life Insurance business</p> <p><i>Section(s) amended / inserted: Rule 2 to the First Schedule of IT Act</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<p>Life Insurance businesses are required to compute taxable income as per Rule 2 to the First Schedule of IT Act, pursuant to Section 44 of the Act. Reportedly, there have been instances where <u>non-business expenses have been claimed by Life Insurance companies & there is no provision to add back these expenses to the taxable income of such companies</u></p>	<p>Rule 2 to the First Schedule has been amended to provide that <u>any expenditure which is not deductible u/s 37 of the IT Act shall be added back while computing business income from Life Insurance business</u></p>	<p>To avoid misuse of deduction of expenses by Life Insurance business</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Inclusion of taxes withheld outside India for purposes of calculating taxable Income</p> <p><i>Section(s) amended / inserted: 198</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<p>Section 198 of the IT Act provides that all sums withheld as TDS shall be considered as part of the taxable income of a taxpayer. Reportedly, it has been observed that <u>some taxpayers are not including taxes withheld outside India while calculating their taxable income in India</u> (even though they are claiming credit of taxes withheld overseas), leading to under reporting of taxable income as only their net income is being offered to tax</p>	<p>Section 198 has been amended to clarify that <u>all taxes withheld outside India (for which credit is claimed in India) would form part of taxable income of the taxpayer</u></p>	<p>To avoid double deduction on account of income not being included in taxable income but credit for foreign taxes withheld being claimed in ITR</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Excluding sums paid u/s 194J from Section 194C (Payments to Contractors)</p> <p><i>Section(s) amended / inserted: 194C</i> <i>Explanation Clause (iv)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Section 194C of the IT Act provides for TDS on payments to contractors @ 1% / 2%. Section 194J of the Act provides for TDS on fee for professional / technical services @ 2% / 10% Clause (iv) of the Explanation to Section 194C defines 'work' to specify the activities that would attract TDS u/s 194C. Currently, <u>there is no specific exclusion of taxpayers who are required to deduct tax u/s 194J from requirement or ability to deduct tax u/s 194C.</u> Therefore, some taxpayers are deducting tax u/s 194C when in fact they should be deducting tax u/s 194J 	<p>Section 194C has been amended to specifically <u>exclude from the ambit of 'work', any sum referred u/s 194J of the IT Act</u></p>	<p>To make the requirement for TDS u/s 19C & 194J mutually exclusive to each other</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Disallowance of deduction of amounts paid to settle contraventions</p> <p><i>Section(s) amended / inserted: 37(1)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<ul style="list-style-type: none"> Section 37 of the IT Act allows tax deduction of expenditure incurred for the purpose of business or profession. <u>No deduction, however, is allowed for any expenditure incurred for a purpose which is an offence or is prohibited by law</u> For this purpose, Explanation 3 defines the expenditure that would be considered as incurred for a purpose which is an offence or is prohibited by law 	<p>Explanation 3 has been amended to specify that <u>settlement amounts incurred due to infraction of law & relating to contraventions</u>, etc. should not be allowed as business expenditure</p>	<p>Due to certain judicial pronouncements by ITAT allowing deduction of expenditure incurred on settlement of proceedings under securities law without admitting or denying guilt</p>

Tax Administration



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Direct Tax Vivad se Vishwas Scheme, 2024</p> <p><i>Section(s) amended / inserted:</i> New Scheme introduced</p> <p><i>Effective from:</i> Date yet to be notified by the Central Government</p>	<ul style="list-style-type: none"> In the past, the <u>Direct Tax Vivad Se Vishwas Act, 2020</u> was launched for <u>appeals pending as on 31 January 2020</u>, for settlement of disputes between taxpayers & revenue authorities Reportedly, the Scheme got an encouraging response from taxpayers & also resulted in garnering substantial revenue for the Government 	<p>Encouraged by the success of the Scheme introduced last time, Government has proposed to <u>re-launch the scheme in the form of 'Direct Tax Vivad se Vishwas Scheme, 2024'</u></p>	<p>To provide a mechanism for settlement of disputed issues, thereby reducing litigation without much cost to the exchequer</p>

Key Direct Tax Proposals

Abolishment of Equalization Levy

What is Equalization Levy?

Commonly also known as 'google tax', it is a levy of 2% on consideration received by a non-resident e-commerce operator from e-commerce supply or services. The levy is not applicable where the e-commerce operator has a PE in India & the e-commerce supplies or services are effectively connected with such PE. The levy is imposed on consideration received from:

- Online sale of goods owned by the e-commerce operator
- Online provision of services by the e-commerce operator
- Online sale of goods or provision of services or both, facilitated by the ecommerce operator
- Combination of any of the above-mentioned activities

Abolishment of Equalization Levy

Effective from: 1st August 2024 onwards

Reportedly, stakeholders have raised concern that the scope of Equalization Levy is ambiguous & leads to unnecessary compliance burden. Accordingly, the levy is proposed to be discontinued on consideration receivable for e-commerce supply or services, on or after 1st August 2024

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendments in Section 42 & 43 of the Black Money Act, 2015 relating to penalty for failure to disclose foreign income & asset(s) in ITR</p> <p><i>Section(s) amended / inserted:</i> Section 42 & 43 of the Black Money Act, 2015</p> <p><i>Effective from:</i> 1st October 2024 onwards</p>	<ul style="list-style-type: none"> • Every resident (& ordinarily resident), while filing his ITR is required to disclose all foreign assets (including shares & securities) & income from such foreign assets in the ITR. Failure to do so may attract penalty u/s 42 or 43 of the Black Money Act, of an amount of INR 10 lakh • However, this is subject to an exception that penalty shall not be levied in respect of disclosure of bank account(s) having aggregate balance ≤ <u>INR 500,000</u> at any time during the relevant year. Reportedly, the threshold limit of INR 500,000 is considered low resulting into penalty even in cases where asset value itself is lower than penalty amount 	<p>Sections 42 & 43 of the Black Money Act, 2015 shall not apply in respect of assets (except immovable property) for which the aggregate value ≤ <u>INR 2,000,000</u></p>	<p>To provide relief to individual taxpayers from penal provisions arising as a result of non-disclosure of foreign assets</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendments proposed in Section 276B of IT Act for rationalisation of provisions</p> <p><i>Section(s) amended / inserted: 276B</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<p>Section 276B of the IT Act provides for <u>prosecution (imprisonment) in case of failure by a taxpayer to deposit TDS with the Government, that it has withheld but not deposited with the exchequer</u>. The provision is meant to be a deterrent for taxpayers from usage of monies belonging to the Government. The term of imprisonment could range between 3 months to 7 years with a fine</p>	<p>The provision has been relaxed to say that <u>prosecution shall not be initiated in case TDS withheld during a quarter is deposited with the Government before the due date of filing TDS return</u> for that quarter</p>	<p>To safeguard genuine cases of delay in deposit of TDS, from rigorous punishment</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Reduction of time limit for orders deeming any person to be assessee in default</p> <p><i>Section(s) amended / inserted: 201(3), 206C(7A)</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<ul style="list-style-type: none"> Sections 201 & 206C of the IT Act provide for a taxpayer to be in default, in case of failure to deduct / collect tax at source, or deposit such TDS / TCS with the Government. Currently, the time limit for tax department to pass an order treating taxpayer as 'assessee in default' for delay in deposit of TDS on <u>payment to resident</u>, is <u>7 years</u> from the end of the FY in which payment is made However, there is <u>no time limit prescribed in case of payments to non-resident</u>, creating uncertainty for non-residents 	<ul style="list-style-type: none"> The period of 7 years has been reduced to <u>6 years</u> Further, the time limit for passing order would be applicable not only on payments to / from residents, but also <u>non-residents</u> 	<p>To provide certainty for non-residents</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Widening ambit of Section 200A of IT Act for processing of TDS returns other than those filed by deductor</p> <p><i>Section(s) amended / inserted: 200A</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<p>Section 200A of the IT Act provides for the manner of processing a TDS return filed by a tax deductor. It <u>does not contain instances where TDS return is filed by persons other than the tax deductor</u> (for example, TDS return filed by an 'Exchange' operating an application or platform for trading of virtual digital assets / cyptocurrencies)</p>	<p>Power has been given to CBDT to <u>make rules / scheme for processing of TDS returns filed by persons other than tax deductors</u></p>	<p>To widen the scope of instances for processing of TDS returns</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extension of scope for lower deduction / collection certificate of tax at source</p> <p><i>Section(s) amended / inserted: 197(1), 206C(9)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Sections 194Q & 206C(1H) of the IT Act require deduction / collection of tax at source @ 0.1% on purchase / sale of goods > INR 50 lakh a year Reportedly, representations have been received about instances of taxpayers incurring losses & <u>due to TDS u/s 194Q, funds of sellers getting blocked</u>. Further, the tax deducted has to be refunded in such cases. There is additional compliance involved as a seller liable for TCS needs to also verify whether the buyer has deducted tax or not 	<p>Sections 197(1) & 206C(9) of the IT Act have been amended to allow taxpayers apply for & obtain <u>certificate for lower deduction / collection of tax at source on payments covered u/s 194Q, 206C(1H)</u> relating to purchase / sale of goods > INR 50 lakh a year</p>	<p>To facilitate an option to seek a lower deduction certificate in order to reduce compliance burden & prevent blockage of funds</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Notification of certain persons or class of persons as exempt from TCS</p> <p><i>Section(s) amended / inserted: 206C(12)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Section 206C of the IT Act provides for, amongst others, the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Reportedly, representations have been received that there can be entities whose income is tax-exempt & are not required to furnish ITR. However, they face difficulty due to TCS on transactions executed by them. They state that <u>there is no provision in the IT Act for them to be exempt from TCS provision</u> 	<p>New Section 206C(12) has been inserted in the IT Act to say that tax shall not be collected at source at all, or collected at a lower rate, in respect of certain transactions with <u>such class of persons (institution, association, etc.) as may be notified by the Central Government</u></p>	<p>To provide relief from TCS obligation to certain entities whose income is tax-exempt & are not required to furnish ITR</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Time limit to file Revised TDS / TCS returns</p> <p><i>Section(s) amended / inserted: 200(3), 206C(3B)</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<p>Currently, though there is a time limit for furnishing TDS / TCS returns, there is <u>no time limit for furnishing revised TDS / TCS returns</u>. Consequently, TDS / TCS returns may be revised multiple times indefinitely causing difficulty to deductees / collectees</p>	<p>A maximum time limit of <u>6 years from the end of FY in which the TDS / TCS return is submitted</u>, has been prescribed for furnishing revised TDS / TCS return</p>	<p>To provide certainty & finality on process for filing & acceptance of TDS / TCS returns</p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Penalty for failure to furnish TDS / TCS returns</p> <p><i>Section(s) amended / inserted: 271H(3)</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<ul style="list-style-type: none"> Section 271H(3) of the IT Act provides immunity from penalty arising due to delay in filing TDS / TCS return, if the TDS / TCS return is submitted within <u>1 year</u> from its the due date of filing such return Previously, the due date to file belated ITR u/s 139(4) of the IT Act was 1 year from the end of relevant AY. However, now the time limit has been reduced to 31 December of the same AY. This means that taxpayer must get full certainty before 31 December about TDS withheld on its income for the preceding financial year ended on 31 March, to be able to submit belated ITR with correct details. Reportedly, <u>taxpayers face major inconvenience if the TDS / TCS returns are not furnished timely by their suppliers / customers</u>, leading to mismatch in TDS / TCS during processing of ITRs & raising of infructuous demands 	<p>The time limit for immunity from penalty u/s 27H(3) has been reduced from 1 year to <u>1 month</u></p>	<p>To encourage suppliers / customers of a taxpayer to submit TDS / TCS returns on time, which would reduce instances of mismatches while processing the ITR of taxpayer</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Submission of annual Form 49C by liaison office of non-resident in India</p> <p><i>Section(s) amended / inserted: 271GC, 273B, 285</i></p> <p><i>Effective from: 1st April 2025 onwards</i></p>	<ul style="list-style-type: none"> The due date for submission of Form 49C by Liaison Office of a non-resident in India, is <u>60 days from the end relevant FY</u> Form 49C is an annual descriptive report (equivalent to an 'ITR') that is required to be submitted by a non-resident in India, to enable the tax authorities form a view whether the activities of the liaison office constitutes a PE of the non-resident in India or not 	<ul style="list-style-type: none"> The period of 60 days has been done away with. The <u>new time limit shall be prescribed in the Income-tax Rules</u> New Section 271GC has been inserted to provide for <u>penalty for failure to submit Form 49C</u>. Penalty shall not be levied if the taxpayer can prove 'reasonable cause' to justify the failure

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Determination of ALP in respect of SDTs in proceedings before TPO</p> <p><i>Section(s) amended / inserted: 92CA(2A), (2B)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<ul style="list-style-type: none"> Section 92CA of the IT Act entitles AO to make a reference to the TPO for determination of ALP of an international transaction or SDT. Once such reference is made to the TPO, the latter can proceed to investigate any other international transaction even if the same is not referred by the AO or if the same is not reported in Form 3CEB by the taxpayer Currently, there is <u>no provision to enable the TPO to review & assess SDTs which are not referred by the AO or which are not reported by the taxpayer in Form 3CEB</u> 	<p>Scope of <u>TPO's power has been widened to investigate SDTs which have not been referred by the AO or which have not been reported in Form 3CEB</u>, but have been identified by the TPO during the course of TP assessment</p>	<p>To provide parity for investigation of SDTs, equivalent to international transactions with associated enterprises</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Discontinuation of provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number</p> <p><i>Section(s) amended / inserted: 139AA(1), (2A)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Section 139AA of the IT Act mandates an individual to quote his Aadhaar number in (a) application form for allotment of PAN, & (b) ITR Where the individual does not possess Aadhaar number, the <u>Enrolment ID of Aadhaar application form issued to him at the time of enrolment is required to be quoted in the application for PAN / ITR</u>. This provision was introduced in 2017. Since then, coverage of Aadhaar number has encompassed majority of the population in India. Hence, it is felt imperative to discontinue the option of quoting Enrolment ID of Aadhaar application form 	<ul style="list-style-type: none"> Going forward, there is <u>no need to quote Enrolment ID of Aadhaar application form by an individual in (a) application form for allotment of PAN, & (b) ITR</u> An individual who has been allotted PAN based of Enrolment ID of Aadhaar application form, is required to intimate his Aadhaar number to the tax department 	<p>Any allotment of PAN based on the Enrolment ID may lead to duplication & misuse of PAN</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Powers of CIT (Appeals)</p> <p><i>Section(s) amended / inserted: 251(1)(a)</i></p> <p><i>Effective from: Orders passed by CIT(A) on or after 1st October 2024</i></p>	<ul style="list-style-type: none"> Section 251 of the IT Act specifies the powers of Joint CIT(Appeals) / CIT(Appeals) Reportedly, it has been found that <u>in best judgement cases, taxpayers do not respond to letters / notices issued by Faceless AO. However, they directly file appeal with CIT(Appeals) against the assessment order</u> 	<p>In cases where assessment order was passed as <u>best judgement u/s 144, CIT(Appeals) shall be empowered to set aside the assessment & refer the case back to AO</u> for making fresh assessment</p>	<p>Considering the huge pendency of appeals & disputed tax demands at CIT(Appeals) stage</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Amendment of section 271FAA to comply with the Automatic Exchange of Information framework</p> <p><i>Section(s) amended / inserted:</i> 271FAA(1), 273B</p> <p><i>Effective from:</i> 1st October 2024 onwards</p>	<ul style="list-style-type: none"> As per Section 285BA of the IT Act, certain specified government agencies & other entities are obligated to file SFT, which enables the Government to track certain high-value payments undertaken by a taxpayer in a FY Section 271FAA(1) provides for a <u>penalty</u> of INR 50,000 in case of providing inaccurate information in SFT, <u>in certain situations</u> 	<p>The <u>situations in which penalty u/s 271FAA(1) can be levied, have been reduced</u>. Going forward, penalty shall be attracted only in the following situations:</p> <ul style="list-style-type: none"> Furnishing inaccurate information in the SFT Failure to comply with due diligence requirement 	<p>As a result of view formed by the Global Forum on Transparency & Exchange of Information for Tax purposes, to the effect that penal sanction available u/s 271FAA(1) for inaccuracies would not automatically extend to all cases where due diligence was not correctly done, if the information did not lead to incorrect reporting</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Amendment to include the reference of Black Money Act, 2015 for the purposes of obtaining a Tax Clearance Certificate</p> <p><i>Section(s) amended / inserted: 230(1A)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> As per Section 230(1A) of the IT Act, a person domiciled in India is not allowed to leave India, unless he obtains a Tax Clearance Certificate from the income-tax department stating that he has no liabilities under the following statutes: <ul style="list-style-type: none"> ✓ Income-tax Act, 1961, or ✓ Wealth-tax Act, 1957, or ✓ Gift-tax Act, 1958, or ✓ Expenditure-tax Act, 1987 Liabilities arising under <u>Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015</u>, is currently not covered within the ambit of Section 230(1A) 	<p>Reference to liabilities arising under <u>Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015</u>, has <u>been included</u> in Section 230(1A), for the purpose of obtaining Tax Clearance Certificate</p>

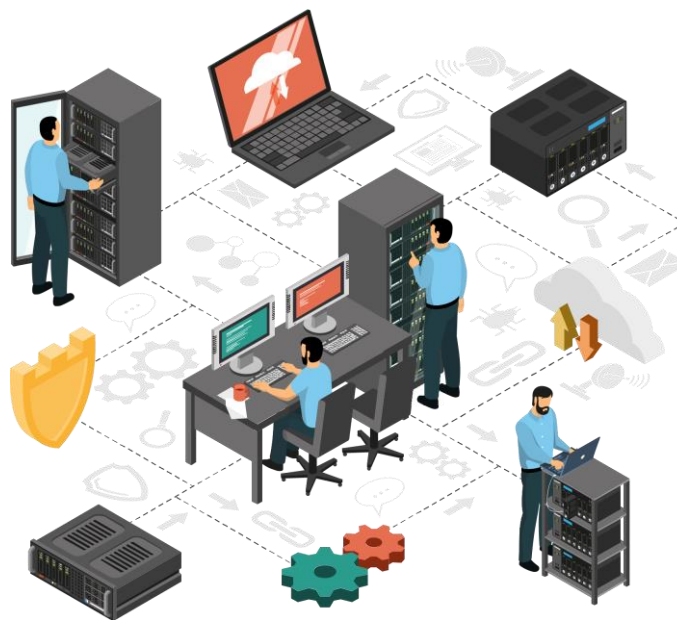
Key Direct Tax Proposals

Rationalisation of provisions related to time-limit for completion of assessment

Changes have been made in Section 153 of the IT Act specifying time limits for completion of assessment, reassessment & recomputation under various provisions of the Act. Currently, time limit for completion of assessment u/s 143 or best judgment assessment u/s 144 is 12 months from end of relevant AY. A new enabling provision has been inserted to say that where ITR is furnished by taxpayer pursuant to order of CBDT u/s 119(2)(b), assessment may be completed within 12 months from the end of FY in which ITR is furnished.

Section(s) amended / inserted: 153(1B)

Effective from: 1st October 2024 onwards



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Amendment of Section 80G</p> <p><i>Section(s) amended / inserted: 80G(2)(a)(iiihg)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<ul style="list-style-type: none">Section 80G(2)(a)(iiihg) of the IT Act provides for tax deduction to a taxpayer on account of donation made to the <u>National Sports Fund to be set up by the Central Government</u>The Government had already set up the fund by the name 'National Sports Development Fund' with effect from 12 November 1998	<p>Language of Section 80G(2)(a)(iiihg) has been minorly modified to cover <u>donations made to the 'National Sports Development Fund'</u></p>



Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Removing reference to National Housing Board in Section 43D of IT Act</p> <p><i>Section(s) amended / inserted: 43D(b)</i></p> <p><i>Effective from: AY 2025-26 onwards</i></p>	<p>As per Section 43D(b) of IT Act, in the case of a public company involved in housing finance, interest income in relation to prescribed categories of bad or doubtful debts as per guidelines issued by the <u>National Housing Bank</u> is taxable in the year of credit or receipt, whichever is earlier. Explanation to the said Section also contains references to National Housing Bank</p>	<p><u>Reference to National Housing Bank has been removed</u> by way of omission of section 43D(b) of the Act</p>	<p>The Finance (No. 2) Act, 2019 has amended the National Housing Bank Act, 1987, conferring powers for regulation of housing finance companies with RBI. Consequently, housing finance companies have come under the purview of RBI as a category of NBFCs. In the IT Act, separate provisions already exist in section 43D with respect to NBFCs</p>

Key Direct Tax Proposals

Budget Proposal	Existing Provision	Proposed Amendment
<p>Adjusting liability under Black Money Act, 2015 against seized assets</p> <p><i>Section(s) amended / inserted: 132B(1)(i)</i></p> <p><i>Effective from: 1st October 2024 onwards</i></p>	<ul style="list-style-type: none"> Assets seized by the Income-tax department in course of search & seizure operations u/s 132 of the IT Act may be used for recovery of any existing liability of the taxpayer under the following statutes: <ul style="list-style-type: none"> ✓ Income-tax Act, 1961, or ✓ Wealth-tax Act, 1957, or ✓ Gift-tax Act, 1958, or ✓ Expenditure-tax Act, 1987 Liability arising under <u>Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015</u>, is not covered within the above list of statutes 	<p>Reference to liability arising under <u>Black Money (Undisclosed Foreign Income & Assets) & Imposition of Tax Act, 2015</u>, has been covered within the list of statutes, for application of seized assets</p>

Key Direct Tax Proposals

Amendments to the Prohibition of Benami Property Transactions Act, 1988

Certain time limits under the Prohibition of Benami Property Transactions Act, 1988, have been amended. Further, immunity from penalty has been provided to persons who assist the Government as a witness by making full & true disclosure of whole circumstances relating to a benami transaction

Section(s) amended / inserted: 24, 55A(1)

Effective from: 1st October 2024 onwards

Section	Relating to time limit for:	Existing time limit	Amended time limit
24(3)	A benamidar to furnish response to notice issued u/s 24(1) or a beneficial owner to file submissions on copy of said notice given to him u/s 24(2)	<u>No time limit has been prescribed</u>	Section 24(2A) inserted to provide a maximum time limit of <u>3 months from the end of the month in which notice is issued u/s 24(1)</u>
24(3), (4)	Initiating Officer to provisionally attach property or pass an order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property, as the case may be	<u>90 days from the last day of the month in which notice u/s 24(1) is issued</u>	<u>4 months</u> from the end of the month in which notice u/s 24(1) is issued
24(5)	Initiating Officer to draw up a statement of the case & refer it to the Adjudicating Authority	<u>15 days from the date of attachment order</u>	<u>1 month from the end of the month in which order u/s 24(4)(a)(i) or (b)(i) is passed</u>



Indirect Tax Proposals

Key Indirect Tax Proposals - GST

Taxability

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Extra Neutral Alcohol exempted from GST</p> <p><i>Section(s) amended / inserted: 9(1) of CGST Act & 5(1) of IGST Act</i></p>	<p>Alcoholic liquor for human consumption excluded from GST ambit</p>	<p><u>Exemption extended to un-denatured extra neutral alcohol or rectified spirit</u> used for manufacture of alcoholic liquor for human consumption</p>	<p>To give effect to 53rd GST Council meeting's recommendations</p>
<p>Transactions not treated as 'supply' of goods / services</p> <p><i>Section(s) amended / inserted: Schedule III of the CGST Act</i></p>	-	<p>Following transactions added to Schedule III list:</p> <ul style="list-style-type: none"> • Co-insurance premium apportioned by lead insurer to co-insurer, provided the lead insurer pays tax on the entire premium paid by the insured • Ceding commission / re-insurance commission between insurer & re-insurer, provided tax on the gross reinsurance premium inclusive of reinsurance commission / ceding commission is paid by the reinsurer 	<p>To avoid double taxation</p>

Key Indirect Tax Proposals - GST

Delegation of Authority

Budget Proposal	Proposed Amendment	Reason for Amendment
<p>Regularization of non-compliance due to common trade practices</p> <p><i>Section(s) amended / inserted:</i> 11A of CGST Act & 6A of IGST Act</p>	<p>Government empowered to regularize non-levy or short levy of GST due to common trade practices</p>	<p>To provide relief to business following common trade practices</p>
<p>Revocation of cancellation of GST registration</p> <p><i>Section(s) amended / inserted:</i> 30(2) of CGST Act</p>	<p>Government empowered to prescribe conditions & restrictions for revocation of cancellation of registration</p>	<p>Rules for cancellation of GST registration to be notified</p>

Key Indirect Tax Proposals - GST

RCM Supplies

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Time of Supply</p> <p><i>Section(s) amended // inserted: 13(3) of CGST Act</i></p>	<p>Time of supply for RCM transactions shall be earlier of:</p> <ul style="list-style-type: none"> • Date of payment; or • 61st day from the date of issue of invoice by the supplier 	<p>Additionally, time of supply for RCM transactions shall also include <u>date of issue of self-invoice by the recipient taxpayer</u></p>	<p>To provide relief to taxpayers by allowing deposit of GST based on self-invoice under RCM for old transactions</p>
<p>Time limit for issue of Self-invoice</p> <p><i>Section(s) amended / inserted: 31(3)(f) of CGST Act</i></p>	<p>Taxpayer to issue self-invoice in respect of RCM supplies received <u>on the date of receipt of goods or services or both</u></p>	<ul style="list-style-type: none"> • <u>Government to prescribe time limit</u> for issue of Self-invoice by the recipient taxpayer • Unregistered supplier to include supplier registered solely for the purpose of TDS u/s 51 of CGST Act 	

Key Indirect Tax Proposals - GST

TDS / TCS related changes

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>TDS Return under GST</p> <p><i>Section(s) amended / inserted: 39(3) of CGST Act</i></p>	<p>It is not mandatory to file NIL TDS Return (in Form GSTR-7) if no TDS is withheld during the tax period</p>	<p><u>TDS Return in Form GSTR-7 to be filed compulsorily on monthly basis</u> irrespective whether any tax is deducted during the tax period</p>	<p>Increased compliance for TDS deductors</p>
<p>Penalty provisions for E-Commerce Operators</p> <p><i>Section(s) amended / inserted: 122(1B) of CGST Act</i></p> <p><i>Effective from: 1st October 2023 onwards</i></p>	<p>Penalty provisions applicable on all E-Commerce Operators including <u>E-Commerce Operators not required to collect & deposit tax with the Government</u></p>	<p>Penalty provisions applicable only on those E-Commerce Operators who are <u>responsible for collecting & depositing tax with the Government</u> & not other E-Commerce Operators</p>	<p>Reduce hardship on E-Commerce Operators not required to collect & deposit tax with the Government</p>

Key Indirect Tax Proposals - GST

Refund

Budget Proposal	Proposed Amendment	Reason for Amendment
<p>Restriction on refund of IGST on export of goods</p> <p><i>Section(s) amended / inserted: 54(15) of CGST Act & 16(5) of IGST Act</i></p>	<p>Refund of IGST & unutilized ITC on zero-rated supplies of goods not available if the said goods attract export duty</p> <p>Government to notify:</p> <ul style="list-style-type: none">• Class of persons who may make zero-rated supplies; or• Class of goods & services to be supplied on payment of tax & claim refund of IGST	<p>Streamline refund on export of goods subject to export duty</p>



Key Indirect Tax Proposals - GST

Common time limit for issue of SCN & Orders

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>New provisions for issue of SCN & Orders</p> <p><i>Section(s) amended / inserted: 74A of CGST Act</i></p> <p><i>Effective from: FY 2024-25 onwards</i></p>	<p>GST authorities to issue SCN & Order for determining tax liability due to:</p> <ul style="list-style-type: none"> • Tax not paid / short paid • Tax erroneously refunded • ITC wrongly availed / utilized <p>Under the following provisions:</p> <ul style="list-style-type: none"> • Section 74 – <u>malafide cases</u> involving fraud, willful-misstatement, suppression of facts etc; or • Section 73 – <u>bonafide cases</u> other than above <p>The time limit for issue of SCN / Order is different for both the provisions above</p>	<ul style="list-style-type: none"> • New Section 74A inserted to provide <u>common time limit</u> for issue of SCN & Orders irrespective of whether involving fraud, suppression etc. while <u>keeping higher penalty malafide cases</u> • New Sections 73(12) & 74(12) introduced to sunset the existing provisions till FY 2023-24 • Consequential amendments proposed in various provisions referring new Section 74A in place of Sections 73 & 74 of CGST Act 	<p>To streamline 2 different timelines for issue of SCNs & passing Orders</p>

Key Indirect Tax Proposals - GST

Common Time Limit - Comparative Analysis

Time Limit	Section 73	Section 74	Section 74A	Remarks
For issue of SCN	<u>2 years 9 months</u> from the 'Relevant date'	<u>4 years 6 months</u> from the 'Relevant date'	<u>42 months</u> from the 'Relevant date'	'Relevant date' means: <ul style="list-style-type: none"> • GST & ITC - Due date for furnishing Annual Return for the FY • Erroneous refund – Date of refund
For passing Order	<u>3 years</u> from the relevant date	<u>5 years</u> from the relevant date	<u>12 months</u> from the date of issue of notice (extendable by 6 months)	Deemed to be concluded if Order not issued within the prescribed time
For Voluntary payment of tax for reduced / Nil Penalty	<u>30 days</u>		<u>60 days</u>	If mala fide contentions dropped by appellate authorities / courts later, penalty to be re-determined considering bonafide case

Key Indirect Tax Proposals - GST

Blocked ITC

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>ITC not available on tax paid u/s 74 (i.e. malafide cases) till FY 2023-24</p> <p><i>Section(s) amended / inserted: 17(5) of CGST Act read with Sections 74, 129 & 130</i></p>	<p>Sec 17(5) restricts ITC on taxes paid under the following provisions:</p> <ul style="list-style-type: none"> Section 74 - malafide cases involving fraud, willful-misstatement, suppression of facts Section 129 - Detention, seizure & release of goods & conveyances in transit Section 130 - Confiscation of goods or conveyances & levy of penalty 	<p>The following amendments are proposed for ITC claim</p> <ul style="list-style-type: none"> <u>ITC restricted till FY 2023-24</u> (till the sunset period of Section 74) <u>Restriction removed.</u> Hence, ITC should be available 	<p>Relaxation of ITC provisions and alignment with introduction of new Section 74A of CGST Act</p>

Key Indirect Tax Proposals - GST

Rationalization of ITC

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Claim of ITC for previous FYs</p> <p><i>Section(s) amended / inserted: 16(5) of CGST Act</i></p> <p><i>Effective from: 1st July 2017 onwards</i></p>	<p>ITC claim for any invoice / debit note available till 30th November of the succeeding FY or furnishing Annual Return, whichever is earlier</p>	<p>Regularization of ITC on invoices / debit notes pertaining from FY 2017-18 to FY 2020-21 claimed in Form GSTR-3B filed till 30 November 2021</p>	<p>To address difficulties in claiming ITC for initial years of GST implementation</p>
<p>ITC in case of revocation of cancellation of GST registration</p> <p><i>Section(s) amended / inserted: 16(6) of CGST Act</i></p> <p><i>Effective from: 1st July 2017 onwards</i></p>	<p>-</p>	<p>ITC to be available on invoices / debit notes from date of cancellation of registration till the date of order of revocation of cancellation of registration provided:</p> <ul style="list-style-type: none"> Returns are filed within 30 days of the date of revocation order Time-limit for availment of ITC on the said invoice / debit note should not have expired as on the date of order of cancellation 	<p>To address difficulties in claiming ITC in case of cancellation of registration and subsequent restoration</p>

Key Indirect Tax Proposals - GST

GST Appeals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Representation for summon notices</p> <p><i>Section(s) amended / inserted: 70(1A) of CGST Act</i></p>	<p>GST Officer can issue summon to any person whose <u>attendance is considered necessary</u> in an enquiry to give evidence / produce a document or any other thing</p>	<p>An <u>authorized representative permitted to appear on behalf of the summoned person</u> before the GST Officer</p>	<p>Allow authorized representatives to appear on behalf of summoned person</p>
<p>Mandatory pre-deposit for filing appeal reduced</p> <p><i>Section(s) amended / inserted: 107(6)(b) & 112(8)(b) of CGST Act</i></p>	<p>Pre-deposit for filing of appeals before the Appellate Authorities:</p> <ul style="list-style-type: none"> 1st Appeal - 10% of disputed demand subject to maximum <u>INR 25 crore</u> (CGST & SGST each) 2nd Appeal (GSTAT) - 20% of disputed demand subject to maximum <u>INR 50 crore</u> (CGST & SGST each) 	<p>Mandatory pre-deposit for filing appeal reduced to:</p> <ul style="list-style-type: none"> 1st Appeal - 10% of disputed demand subject to maximum <u>INR 20 crore</u> (CGST & SGST each) 2nd Appeal (GSTAT) - 10% of disputed subject to maximum <u>INR 20 crore</u> (CGST & SGST each) 	<p>Ease of cash flow & avoid blocking of working capital</p>

Key Indirect Tax Proposals - GST

GSTAT Appeals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Cases to be heard by GSTAT</p> <p><i>Section(s) amended / inserted: 109 of CGST Act</i></p>	<p>Section 109 prescribes constitution of GSTAT & Benches & the process of filing appeals</p>	<p>Government empowered to notify <u>types of cases to be heard only by the Principal Bench of GSTAT</u></p>	<p>Reduce unwanted litigation by the the Principal Bench of GSTAT</p>
<p>Time period for filing appeal before GSTAT</p> <p><i>Section(s) amended / inserted: 112 of CGST Act</i></p> <p><i>Effective from: 1st August 2024 onwards</i></p>	<p>Time limit for filing appeal before GSTAT is 3 months from the following date:</p> <ul style="list-style-type: none"> • Communication of order to be appealed against; • Date on which the first President is appointed (i.e., 6th May 2024) 	<p>Revised time limit for filing appeal before GSTAT is 3 months from the following date, whichever is later:</p> <ul style="list-style-type: none"> • Communication of order to be appealed against; or • <u>Date to be notified by the Government on the recommendations of GST Council</u> 	<p>Allow additional time for filing appeals till necessary infrastructure is in place</p>

Key Indirect Tax Proposals - GST

Amnesty Scheme

Budget Proposal	Proposed Amendment	Reason for Amendment
<p>Amnesty scheme for waiver of interest & penalties</p> <p><i>Section(s) amended / inserted: 128A of CGST Act</i></p>	<p>Interest & penalty waived:</p> <ul style="list-style-type: none">• For Demand Notice / Order u/s 73 of CGST Act for FYs 2017-18, 2018-19 & 2019-20, &• Subject to full payment of disputed tax on or before the notified date (i.e. 31st March 2025 as per 53rd GST Council meeting press release) <p>However, the waiver does not cover demand of erroneous refund.</p> <p>Any interest / penalty already paid earlier pursuant to any demand shall not be refunded</p>	<p>To give relief for initial years of GST implementation due to lack of clarity</p>

Key Indirect Tax Proposals - GST

Migration related proposals

Budget Proposal	Existing Provision	Proposed Amendment	Reason for Amendment
<p>Transitional Credit provisions</p> <p><i>Section(s) amended / inserted: 140(7) of CGST Act</i></p> <p><i>Effective from: 1st July 2017 onwards</i></p>	<p>ITC on input services received by ISD, prior to the appointed day, is eligible for credit distribution even if the invoices received <u>on or after the appointed day</u></p>	<p>Enable transitional ITC of eligible credit for input service & invoices received by ISD <u>before the appointed date</u></p>	<p>To allow conditional transitional credit for the pre-GST period</p>
<p>Sunset anti-profiteering measures</p> <p><i>Section(s) amended / inserted: 171(2) of CGST Act</i></p>	<p>GST anti-profiteering measures ensured relief to the end consumers by passing on the reduction in price benefits at the time of introduction of GST</p>	<ul style="list-style-type: none"> • Government empowered to notify last date (i.e., 1st April 2025 as per 53rd GST Council meeting press release) for receiving new applications • GSTAT notified as anti-profiteering authority • Ongoing cases to be transferred to GSTAT 	<p>To provide sunset to anti-profiteering measures & expedite closure of pending cases</p>

Excise – Key Amendments

- Notification No. 12/2012-Central Excise dated 17th March 2012 amended to extend the time period for submission of the final Mega Power Project certificate to 156 months (from 120 months) retrospectively from 29th June 2017
- The Clean Environment Cess on excisable goods (except petroleum crude, high speed diesel, petrol, natural gas, aviation turbine fuel, tobacco products) exempted on stock lying on 30th June 2017 subject to payment of GST Compensation Cess on or after 1st July 2017



Customs – Key Amendments

- Amendment in Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 for acceptance of self certification of different types of proof of origin (certificate/ declaration) as per the new generation free trade agreements
- Government empowered to specify certain activities not to be considered as 'Manufacturing & Other Operations in a Warehouse'
- Identification, Assessment & Collection of Countervailing duty rules for subsidized articles amended from 24th July 2024 to include provisions for 'New Shipper Review' for new producers / exporters who have not exported goods to India during the investigation period
- Digitization of Customs records to be continued
- Increase in duration for:
 - ✓ Re-import of goods exported out of India under warranty extended to 5 years (from 3 years)
 - ✓ Export of foreign origin articles imported for repairs extended to 1 year (from 6 months)
- GST Compensation Cess exempted on imports in Special Economic Zone effective from 1st July 2017 onwards

Customs – Key Amendments

Changes proposed in Basic Customs Duty on following key items effective from 24th July 2024 onwards to support domestic manufacture, promote export competitiveness, rationalization & removal of duty inversion structure:

- Agricultural Products, Aquafarming & Marine Exports
- Medical Equipment & Cancer Drugs
- Mobile Phone, Electronics & Telecom Equipment
- Critical Minerals including minerals used for nuclear energy, space, defense etc.
- Renewable Energy Sector
- Leather & Textile
- Precious / Other Metals
- Plastics, Chemicals & Petrochemicals
- Consumer Goods
- IT & Electronics Sector
- Shipping
- Capital Goods

Please refer Finance (No. 2) Bill 2024 for schedule of Customs Duty rate changes

About Us

KrayMan Consultants LLP (KrayMan) is an accounting & consulting Firm headquartered in Gurugram & serving Clients across India for more than 12 years.

We were founded in 2012 by professionals from Big 4 accounting firms & industry background. We are a team of Chartered Accountants, Company Secretaries, Advocates & MBAs.

We specialize in India-Entry, Accounting, Taxation, Legal, Regulatory, Assurance, HR, Payroll & Loan staffing services. We provide services in the areas of Compliance, Advisory & Litigation.

We have been serving Domestic as well as International Clients from countries like USA, Japan, Australia, EU etc.

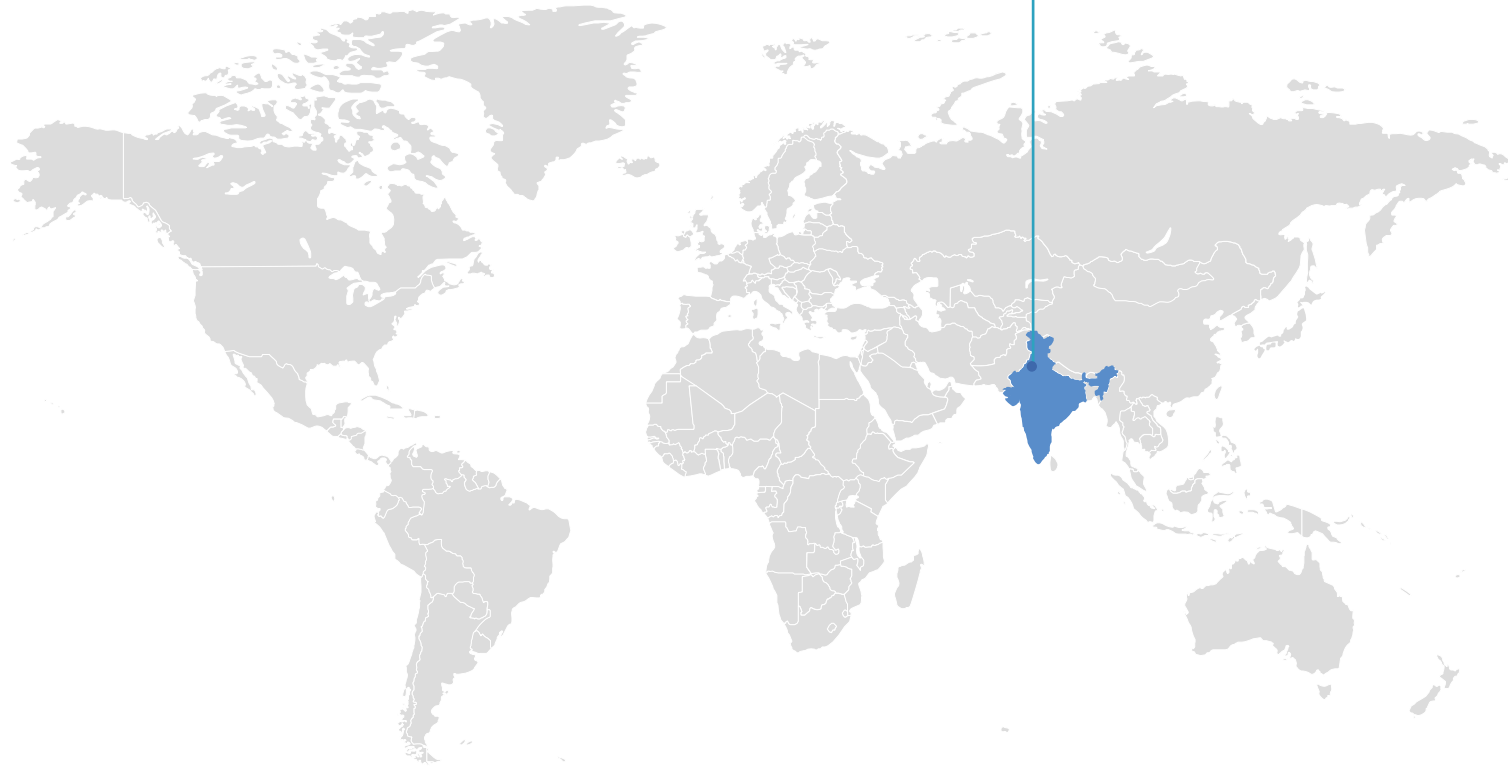
We have been Awarded under the category 'Small Business Award 2021' by the International Business Council of Australia.



Contact Us



1170A, 11th Floor, Tower B1, Spaze i-Tech Park,
Sector 49, Sohna Road, Gurugram – 122018 (India)
T: +91 124 4309418 **W:** www.krayman.com
E: communications@krayman.com



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