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Tax alerts - Key announcements of interim Budget 2024



Interim Budget 2024

Strengthening India's roadmap to energy transition and security



Ms. Neetu Vinayek,

*Partner & Leader, Oil & Gas, Tax & Regulatory Services
EY - India*

Hon'ble Indian Prime Minister Narendra Modi had quoted that the Interim Budget 2024 would offer a broad direction on the vision and policies of the Government. In the Budget speech Hon'ble Finance Minister stated that the Government would work towards energy security in terms of availability, accessibility and affordability.

Continuing with the objective to achieve net zero target by 2070 and the roadmap to energy transition and security laid down in the Budget 2023, the Hon'ble Finance Minister has proposed several measures to achieve the aforesaid target.

Some key highlights of interim Budget 2024 are as under:

- ▶ Setting up coal gasification and liquefaction capacities of 100 MT by 2030 to reduce import of natural gas, methanol and ammonia
- ▶ Phased mandatory blending of compressed biogas in compressed natural gas for transport and piped natural gas for domestic purposes
- ▶ Financial assistance for procurement of biomass aggregation machinery to support collection
- ▶ New scheme of bio-manufacturing and bio-foundry to be launched to promote green growth and provide environment friendly alternatives such as biodegradable polymers, bio-plastics, bio-pharmaceuticals and bio-agri-inputs

How does the budget impact Oil & Gas sector?

Key amendments

Direct Tax

Tax rates

- ▶ No changes in tax rates proposed. But for domestic companies, for lower basic tax rate of 25% in FY 2024-25, the base year for turnover less than INR400 crore is shifted ahead by one year to FY 2022-23. Thus, a domestic company having turnover not exceeding INR400 crore in FY 2022-23 will be liable to basic tax rate of 25% in FY 2024-25 (regardless of the quantum of turnover in FY 2023-24 or 2024-25).

Extension of sunset date for certain tax benefits

- ▶ Royalty or interest on lease of a ship (including oil and gas vessels) paid by a unit in IFSC to a non-resident is exempt from tax subject to the IFSC unit commencing operations before 31 March 2024. The aforesaid sunset date is extended to 31 March 2025.
- ▶ Transfer of ship (including oil and gas vessels) by a unit in IFSC was eligible for tax holiday provided the IFSC unit is setup before 31 March 2024. The aforesaid sunset date is extended to 31 March 2025.
- ▶ Sunset date for incorporating start-ups extended from 31 March 2024 to 31 March 2025 to claim tax holiday.
- ▶ Sunset date of 31 March 2024 for commencement of manufacture/production by new domestic manufacturing companies and resident co-operative societies for availing concessional base tax rate of 15% is not extended.

Faceless proceedings

- ▶ Sunset date for notification of faceless schemes deferred to 31 March 2025 for undertaking transfer pricing assessment, dispute resolution and other proceedings.

Indirect Tax

Customs duty

- ▶ No change in customs duty rates pertaining to the sector.

GST

- ▶ Input Service Distributor
 - ▶ The office receiving invoices for or on behalf of distinct persons shall be required to get registered as Input Service Distributor and distribute the credit of GST to such distinct persons through prescribed document.
 - ▶ Consequential amendment has been made in the definition of Input Service Distributor.
 - ▶ Input Service Distributor shall distribute the ITC in such manner, within such time and subject to such restrictions and conditions as may be prescribed.

Highlights



Sunset dates for certain tax benefits extended to 31 March 2025

Impact analysis

The overall development and India's growth would have a direct incremental impact on the energy needs of India. The Government has given broad policy directions for achieving net zero by 2070. Since this is an Interim Budget, detailed policy and tax related changes may be anticipated in the final budget post General Elections in India.

Glossary

FY - Financial Year

GST - Goods and Services Tax

INR - Indian National Rupee

IFSC - International Financial Services Centre

ITC - Input Tax Credit

MT - Million ton



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Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple,
Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru

12th & 13th floor
"UB City", Canberra Block
No. 24, Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur

1st Floor, Fairdeal Complex
Holding No. 7, SB Shop Area
Bistupur, Jamshedpur - 831 001
East Singhbhum Jharkhand
Tel: + 91 657 663 1000

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune

C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

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