

Union Budget 2024-25

Macro Fiscal Developments

Supporting medium-term growth with accelerated fiscal consolidation

Key tax takeaways

Resilient growth

- ▶ India's real GDP growth remains robust. Post-COVID, for four years in succession (FY22 to FY25), India has shown a real GDP growth of close to 7% or more
- ▶ The RBI and the IMF projected the real GDP growth for FY25 at 7.2% and 7% respectively. The Economic Survey FY24 projected real GDP growth in the range of 6.5% to 7% for FY25
- ▶ Taking its mid-point at 6.75% and combining with an implicit price deflator (IPD)-based inflation of 3.5% would give a nominal GDP growth of 10.5% as assumed by the FY25 union budget

Tax revenue performance

- ▶ GTR growth is budgeted to be lower at 10.8% in FY25 (BE) as compared to 13.4% in FY24 (provisional actuals)
- ▶ Direct taxes to drive GTR growth:
 - ▶ Growth in Gols GTR is primarily driven by higher buoyancy of direct taxes at 1.86 in FY24 and 1.22 in FY25 (BE)
 - ▶ Direct tax growth is budgeted at 12.9% in FY25 (BE) as compared to 17.9% in FY24
- ▶ Indirect taxes growth to remain unchanged at 8.2% in FY25 (BE):
 - ▶ Indirect tax buoyancy is estimated to be lower than 1 at 0.85 in FY24, falling further to 0.78 in FY25 (BE) owing to subdued performance of union excise duties as well as customs duty revenues
- ▶ Centre's gross and net tax revenues relative to GDP have increased to 11.8% and 7.9% respectively in FY25 from an average of 10.7% and 7.0% respectively during FY18 to FY20

Highlights



10.5%

Nominal GDP Growth Rate



**Direct Taxes to drive
Gross Tax Revenues**



18.5%

Combined tax-GDP ratio
in FY24

Profile of Government expenditure

Continued emphasis on capital expenditure

- ▶ Budget FY25 retained the capital expenditure at INR11.11 lakh crore in FY25, equivalent to 3.4% of GDP. In terms of growth, capital expenditure increased by 17.1% in FY25 (BE), lower than 28.2% in FY24
- ▶ Although growth in revenue expenditure has been budgeted to increase as compared to the interim budget, it would remain modest at 6.2% in FY25 (BE)

Major subsidies

- ▶ The reduction in the share of revenue expenditure in total expenditure in FY25 has been facilitated by a reduction in major subsidies (comprising fertilizer, food and petroleum subsidies)
- ▶ From a peak of 3.56% of GDP in COVID year (FY21), major subsidies have consistently been brought down to 1.2% of GDP in FY25 (BE)

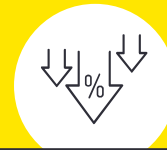
Achieving fiscal consolidation

- ▶ The most notable feature of the FY25 union budget is the accelerated pace of fiscal consolidation. The GoI has reduced its fiscal deficit to GDP ratio from a peak of 9.2% in FY21 to 4.9% in FY25, an improvement over 5.1% as provided for in the interim budget
- ▶ The emphasis on fiscal consolidation may enable reaching the FRBM target of 3% of GDP by FY28, considering an annual reduction of nearly 0.6% points over the next three years
- ▶ A fall in government borrowing would facilitate a reduction in policy interest rates, incentivizing the private sector to increase their investment

Co-opting states in the growth process

- ▶ Channels provided by the GoI in the union budget are:
- ▶ Increase in the tax devolution to the states as compared to the interim budget. The total amount of tax devolution to the states is now estimated at INR 12.47 lakh crore, implying an increase of INR27,428 crore as compared to the interim budget
- ▶ States have been given long-term interest free loans to the tune of INR1.5 lakh crore in FY25 to augment their capital expenditure
- ▶ Focus on eastern states as part of an initiative called 'Purvodaya'.
- ▶ Additional allocations for various schemes have been made for states including Bihar, Andhra Pradesh, Sikkim, Himachal Pradesh, Assam, Sikkim.
- ▶ Some other proposed schemes in partnership with states include development of industrial parks, development of cities as growth hubs, and projects focusing on water supply, sewage treatment and solid waste management

Highlights



Sharp reduction in fiscal deficit to GDP ratio from 9.2% in FY21 to 4.9% in FY25

Continued Subsidy Reforms



Major subsidies to GDP ratio fell from 1.4% in FY24 to 1.2% in FY25



Co-opting states in capital expenditure: increased devolution, interest free loans, Purvodaya scheme

Increasing employment is a strong focus

- ▶ As a counterpart to production linked incentives (PLI), the budget has introduced a new incentive window through an employment-linked incentive (ELI) scheme consisting of three sub-schemes relating respectively to
 1. first timers joining a formal workforce
 2. job creation in manufacturing related to first time employees
 3. an employer-centric scheme covering all additional employment in all sectors within a salary of INR1 lakh per month
- ▶ An additional scheme of the GoI pertains to provision of internship opportunities in the private sector partially funded by the GoI and partially by the companies through their CSR funds
- ▶ These incentives will supplement the employment generation linked to GoI's large capital expenditure

23 July 2024

Tax Alert – Key announcements of
Union Budget 2024



Union Budget 2024-25

Budget 2024 unveils progressive tax reforms and relief measures

Key tax takeaways

- ▶ Income from letting out of a “residential” house/part thereof to be taxed only under the head house property
- ▶ Payments made to settle proceedings for infraction of any notified law are to be disallowed
- ▶ Listed securities shall be considered as long-term capital assets if they are held for more than 12 months; other capital assets shall be considered as long-term capital assets if they are held for more than 24 months
- ▶ Discontinuance of indexation benefit while computing long term capital gains
- ▶ Capital gains from transfer of unlisted bonds and debentures to be considered as gains from transfer of a short-term capital asset
- ▶ Withholding Tax (WHT) on payment of certain sums by e-commerce operator to e-commerce participant reduced from 1% to 0.1%
- ▶ WHT on several payments (including on commission/ brokerage) reduced from 5% to 2%
- ▶ Tax Collected at Source (TCS) to be collected on purchase of notified luxury goods of value exceeding INR10 lakh
- ▶ Scope of obtaining lower WHT/TCS certificate extended to transactions of purchase/sale of goods
- ▶ WHT applicable on purchase of immovable property even if amount paid by each buyer is less than INR50 lakhs when the aggregate consideration/stamp duty value of the property exceeds INR50 lakh
- ▶ Introduction of time limit to file WHT/TCS correction statements
- ▶ Interest on delayed remittance of TCS raised to align with interest on delayed remittance of WHT at 1.5% per month or part thereof
- ▶ Time limit for filing WHT/TCS statement without penalty reduced from erstwhile one year from due date of filing of such return to one month from due date of filing of such return
- ▶ Non-compliance with WHT/TCS provisions to not trigger “assessee in default” consequences beyond six financial years for both resident and non-resident deductees/collectees
- ▶ Relief from prosecution for delayed remittance of WHT if tax withheld is remitted within due date of filing of quarterly WHT return

Union Budget 2024
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- ▶ Block assessment procedure for search proceedings reintroduced for searches conducted on or after 1 September 2024
 - ▶ New procedure separated from erstwhile procedure for reopening of assessments by tax authority
 - ▶ Single Block assessment covering period of six years preceding year of search
 - ▶ Total income so assessed (undisclosed income found in course of search or otherwise) under block assessment regime taxed at flat rate of 60% (plus applicable cess at 4%) with no additional surcharge and interest
 - ▶ Penalty of 50% levied on undisclosed income under block assessment unless income is disclosed in return to be filed pursuant to block assessment procedure and taxes paid thereon

- ▶ Reduction in limitation period for reopening of high value cases involving undisclosed income over INR50 lakh represented in the form of an asset, expenditure or book entry reduced from 11 years to six years and three months from the end of the relevant financial sought to be reopened¹
- ▶ Dispute resolution scheme Vivad Se Vishwas proposed to be re-introduced
- ▶ Merger of two regimes of charity exemption [S. 10(23C) Regime and S. 11 Regime] into single regime [S. 11 Regime] for simplification and to reduce administrative burden
- ▶ No exit tax levy upon merger of two registered charitable entities having same or similar objects
- ▶ Tax Authority is empowered to condone delay in filing application for charity registration or re-registration if there exists reasonable cause for delay

Corporate tax rates

Description.	Existing rate * (%)	Proposed rate * (%)	Difference + - =
A) Domestic company			
Regular tax			
Companies having turnover not exceeding INR400 crore in financial year 2022-23 (2021-22 for tax year 2023-24)			
▶ Total income <= INR1 crore	26 ²	26 ¹	No change
▶ Total income more than INR1 crore to INR10 crore	27.82 ³	27.82 ²	
▶ Total income > INR10 crore	29.12 ⁴	29.12 ³	
Companies having turnover > INR400 crore in financial year 2022-23 (2021-22 for tax year 2023-24)			
▶ Total income <= INR1 crore	31.2 ⁵	31.2 ⁴	No change
▶ Total income more than INR1 crore to INR10 crore	33.38 ⁶	33.38 ⁵	
▶ Total income > INR10 crore	34.94 ⁷	34.94 ⁶	
New manufacturing companies set up and registered on or after 1 October 2019 not availing incentives (optional regime)	17.16 ⁸	17.16 ⁷	No change

1. Subject to exclusion of time taken for Pre-Notice Procedure

Description.	Existing rate * (%)	Proposed rate * (%)	Difference + - =
Other domestic companies not availing incentives (optional regime)	25.17 ⁹	25.17 ⁸	No change
B) Minimum Alternate Tax (Refer Note 1)			
Regular			
▶ Total income <= INR1 crore	15.6 ¹⁰	15.6 ⁹	No change
▶ Total income more than INR1 crore to INR10 crore	16.69 ¹¹	16.69 ¹⁰	
▶ Total income > INR10 crore	17.47 ¹²	17.47 ¹¹	
International Financial Service Centre (IFSC)			
▶ Total income <= INR1 crore	9.36 ¹³	9.36 ¹²	No change
▶ Total income more than INR1 crore to INR10 crore	10.02 ¹⁴	10.02 ¹³	
▶ Total income > INR10 crore	10.48 ¹⁵	10.48 ¹⁴	
C) Foreign company			
Regular tax			
▶ Total income <= INR1 crore	41.6 ¹⁶	36.4 ¹⁹	-5.2
▶ Total income more than INR 1 crore million to INR10 crore	42.43 ¹⁷	37.13 ²⁰	-5.3
▶ Total income > INR 10 crore	43.68 ¹⁸	38.22 ²¹	-5.46

*These rates are inclusive of applicable surcharge.

1. Subject to exclusion of time taken for Pre-Notice Procedure
2. 25% plus 4% cess
3. 25% plus 7% surcharge plus 4% cess on tax and surcharge
4. 25% plus 12% surcharge plus 4% cess on tax and surcharge
5. 30% plus 4% cess
6. 30% plus 7% surcharge plus 4% cess on tax and surcharge
7. 30% plus 12% surcharge plus 4% cess on tax and surcharge
8. 15% plus 10% surcharge plus 4% cess on tax and surcharge
9. 22% plus 10% surcharge plus 4% cess on tax and surcharge
10. 15% plus 4% cess
11. 15% plus 7% surcharge plus 4% cess on tax and surcharge
12. 15% plus 12% surcharge plus 4% cess on tax and surcharge
13. 9% plus 4% cess
14. 9% plus 7% surcharge plus 4% cess on tax and surcharge
15. 9% plus 12% surcharge plus 4% cess on tax and surcharge
16. 40% plus 4% cess
17. 40% plus 2% surcharge plus 4% cess on tax and surcharge
18. 40% plus 5% surcharge plus 4% cess on tax and surcharge
19. 35% plus 4% cess
20. 35% plus 2% surcharge plus 4% cess on tax and surcharge
21. 35% plus 5% surcharge plus 4% cess on tax and surcharge

Notes:

1. MAT is not applicable to 15% CTR company and 22% CTR company. Presently, there is no MAT on foreign companies having no PE in India or having no registration requirement under any other law in India or foreign companies whose total income comprises solely of profits and gains from business or profession which are subject to presumptive basis of taxation under normal computation (shipping, aircraft, oil and gas, civil construction and turnkey power projects). If MAT is applicable to foreign companies, rates of surcharge will differ.

Taxation of business income

- ▶ **Rental income from letting of "residential" house/ part thereof to be taxed as income from house property and not business income**
 - ▶ Taxation of income from the systematic activity of letting out of immovable property under the head "Profits and gains of business or profession" (PGBP) or under the head "Income from house property" (IFHP) has been a controversial issue with differing principles emerging from various rulings of Supreme Court²². The issue is of immense significance because unlike taxation under the head IFHP which permits few deductions (including a standard deduction), taxation as PGBP permits depreciation allowance and deduction of actual expenses incurred and correspondingly a lower amount of tax
 - ▶ In this backdrop, Finance (No. 2) Bill [FB (No. 2)] 2024 specifically clarifies that income from letting out of a "residential" house or a part of the house by the owner shall not be chargeable under the head PGBP and shall be chargeable under the head IFHP only
 - ▶ This amendment will be effective from 1 April 2025 (viz. financial year 2024-25)
- ▶ **Amount incurred to settle proceedings initiated in contravention of law shall not be allowed**
 - ▶ Expenses incurred wholly and exclusively for the purpose of business are allowed as deduction while computing the business income. However, expenses incurred towards any purpose which is considered as an offence, or which is prohibited by any law (enacted in India or outside India) or to compound an offence under any law is not allowed as a deduction
 - ▶ An issue arose on whether payments made to settle proceedings against a taxpayer on infraction of any law, without admittance of guilt, would also be subject to disallowance. There are certain Tribunal rulings which allowed deduction of expenditure incurred on settlement of proceedings under securities law without admitting or denying guilt²³
 - ▶ FB (No.2) 2024 now clarifies that even expenditure incurred by a taxpayer to settle proceedings which are initiated in relation to a contravention under any law for the time being in force as may be notified by Central Government in the Official Gazette will also be disallowed
 - ▶ This amendment will be effective from 1 April 2025 (viz. financial year 2024-25)

Rationalization of Tax on Capital Gains

- ▶ **Changes to holding period and rate of capital gains taxation**
 - ▶ FB (No. 2) 2024 has overhauled existing capital gains taxation system and introduced uniformity in holding period, tax rates and computation mechanism to a large extent. The changes in the holding period of capital assets to qualify as a long-term capital asset (LTCA) are as under:

Class of capital asset	Holding period to qualify as LTCA before 23 July 2024	Holding period to qualify as LTCA on or after 23 July 2024
Listed securities	> 12 months	> 12 months
Units of listed business trust	> 36 months	> 12 months
Unlisted securities and immovable property	> 24 months	> 24 months
Other capital assets	> 36 months	> 24 months
Other capital assets	> 36 months	> 24 months

22. Illustratively refer Chennai Properties & Investment Ltd (373 ITR 673); Raj Dadarkar & Associates vs. ACIT (Civil Appeal Nos. 6455-6460 of 2017).

23. DCIT v. Shri Anil Dhirajlal Ambani [TS-291-ITAT-2018(Mum)]; ITO v. Reliance Share and Stock Brokers (P) Ltd. [TS-664-ITAT-2014(Mum)]

- ▶ The changes to the tax rates for long term and short-term capital gains for both residents and non-residents are as follows:

SI No.	Nature of capital gain	Tax rate before 23 July 2024	Tax rate on or after 23 July 2024
i	Short term capital gains on transfer of STT paid listed equity shares, unit of a listed business trust, unit of equity oriented mutual fund	15%	20%
ii	Short term capital gains on transfer of capital assets other than (i) above	Applicable tax rate	Applicable tax rate
iii	Long term capital gains on transfer of STT paid listed equity shares, unit of a listed business trust, unit of equity oriented mutual fund	10% without indexation with exemption of INR1 lakh	12.5% without indexation with exemption of INR1.25 lakh
iv	Any other long term capital gains	20% with indexation benefit	12.5% without indexation

- ▶ Consequential changes have also been made to provisions dealing with taxation of long-term capital gains from securities held by Foreign Institutional Investors, units of offshore fund and global depository receipt to align the rate of long-term capital gains on transfer of such instruments to 12.5% if the capital asset is transferred on or after 23 July 2024

Discontinuance of indexation while computing long term capital gains

- ▶ Presently, the Income Tax Law²⁴ ('ITL'), generally allows for benefit of indexation while computing gains on transfer of long-term capital assets where the tax rate is 20%. Now, as per FB (No. 2) 2024 indexation will not be available on computation of capital gains with respect to long term capital assets transferred on or after 23 July 2024. However, for cost step up based on fair market value as on 31 January 2018²⁵ / 1 April 2001²⁶ shall continue to be available

Gains on transfer of unlisted bonds and debentures to be treated as short-term capital gains

- ▶ Presently, ITL provides that gains arising from a transfer/redemption/maturity of Market Linked Debentures (MLDs) and units of a Specified Mutual fund shall be deemed to be gains arising from transfer of a short-term capital asset irrespective of the period for which they are held by the taxpayer. Further to arrive at the gains on transfer of MLDs and Specified Mutual Fund, one can reduce the cost of acquisition of such debentures and also any expenses incurred in connection with the transfer
- ▶ Now, as per FB (No. 2) 2024, the above taxation regime will be extended to capital gains arising on or after 23 July 2024 from transfer/ redemption/maturity of unlisted bonds and debentures as well
- ▶ Further, the definition of Specified Mutual Fund has been amended to mean a mutual fund which invests more than 65% of its total proceeds in debt and money market instruments as compared to earlier definition which stated Specified Mutual Fund to be a mutual fund where not more than 35% of its total proceeds were invested in equity shares of domestic companies. Further, a fund which invests 65% or more of its total proceeds in a Specified Mutual Fund shall also be regarded as a Specified Mutual Fund. This has impact of excluding instruments like Exchange Traded Funds (ETFs), Gold Mutual Funds, Gold ETFs as also Fund-of-Funds (FOFs) from the treatment of deemed short term capital asset. However, this amendment is effective from 1 April 2026 (i.e financial year 2025-26) raising ambiguity on tax treatment of such instruments for financial year 2024-25

24. Income Tax Act 1961 read with Income Tax Rules 1962

25. For listed shares, equity oriented mutual funds and business trust units

26. For other capital assets

Rationalization of WHT/TCS compliances

Reduction of WHT rates under various provisions

- ▶ To improve the ease of doing business and better compliance by taxpayers following reductions in TDS rates on payments to residents have been made by FB (No. 2) 2024:

Nature of payment	Existing rate of WHT (%)	Proposed rate of WHT (%)	Change w.e.f.
Payment of insurance commission (in case of person other than company)	5%	2%	1 April 2025
Payment in respect of life insurance policy	5%	2%	1 October 2024
Commission etc on sale of lottery tickets	5%	2%	1 October 2024
Payment of commission or brokerage	5%	2%	1 October 2024
Payment of rent by certain individuals or HUF	5%	2%	1 October 2024
Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1 October 2024
Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1 October 2024
Payments on account of repurchase of units by Mutual Fund or Unit Trust of India eligible for deduction under section 80CCB	20%	Section to be omitted	1 October 2024

TCS to be collected on purchase of notified luxury goods of value exceeding INR10 lakh

- ▶ Presently, under the ITL, tax is collected at source, inter alia, on trading in alcoholic liquor, forest produce, scrap etc. Further, TCS is also applicable at the time of receipt of consideration exceeding INR10 lakh by a seller of motor vehicle
- ▶ Now, FB (No. 2) 2024 proposes to extend the requirement to collect TCS to sellers of certain notified goods of value exceeding INR10 lakh. As per Explanatory Memorandum to FB (No. 2) 2024, such goods shall be in the nature of luxury goods to ensure proper tracking of such expenses and in order to widen and deepen the tax net. The luxury goods will be notified by the Government in due course
- ▶ This amendment will be effective from 1 January 2025

Tax to be withheld at source on purchase of immovable property even if amount paid by each buyer is less than INR50 lakh when the aggregate consideration/stamp duty value of the property exceeds INR50 lakh

- ▶ Presently, a buyer of an immovable property has to withhold taxes at source if the consideration and stamp duty value of the immovable property is INR50 lakh or more
- ▶ It was noticed that the threshold requirement of INR50 lakh was misinterpreted to apply qua payment made by each buyer of immovable property rather than on the total consideration paid for purchase of the property
- ▶ Now, FB (No. 2) 2024 requires that even where there is more than one buyer/seller in respect of sale of an immovable property, then consideration for the purpose of evaluating threshold of INR50 lakh to withhold tax at source shall be the aggregate of the amounts paid or payable by all the buyers to the sellers or all the sellers for transfer of such immovable property
- ▶ This amendment will be effective from 1 October 2024

Scope of obtaining lower WHT/TCS certificate extended to transactions of purchase/ sale of goods

- ▶ Presently, the ITL provides the payee/ deductee of a transaction with an option to apply for lower withholding certificate in case of certain transactions. Similar option is available for the collectee with respect TCS
- ▶ It was noticed that in case of transaction of purchase of goods where tax is required to be withheld/collected at source, similar facility was not available resulting in blockage of funds where the payee or payer is otherwise incurring losses
- ▶ Consequently, in order to facilitate ease of doing business, the option of obtaining lower withholding certificate is now extended by FB (No. 2) 2024 to WHT on purchase and TCS on sale of goods
- ▶ This amendment will be effective from 1 October 2024

Introduction of time limit to file WHT/TCS correction statement

- ▶ Presently, the ITL casts an obligation on the deductor/collector of tax at source to furnish quarterly statements containing details of taxes withheld/collected. There is also a facility to furnish a correction statement for WHT/TCS statements. However, presently there is no time limit to furnish such correction statements
- ▶ In order to provide certainty and finality on the filing process of WHT and TCS statements, FB (No. 2) 2024 has introduced a time limit for filing of WHT/TCS correction statement being six years from the end of the financial year in which the WHT/TCS statement is filed. This aligns with the reduced time limit for reassessment of past years in the hands of the corresponding payees/payers
- ▶ This amendment will be effective from 1 April 2025

Alignment of interest rate for delayed deposit of TCS after collection with applicable rates of WHT

- ▶ Presently, under the ITL simple interest at the rate of 1% is levied for every month or part thereof in case where a person fails to collect tax or after collecting, fails to deposit the same to the credit of the Central Government. Whereas the interest rate in case of WHT provisions for failure to deposit tax after deduction is 1.5% for every month or part thereof
- ▶ Thus, it was noticed that the interest rates for failure to deposit TCS vis-à-vis WHT were not aligned. To align the same, FB (No. 2) 2024 has increased the interest rate on failure to deposit tax after collection from 1% to 1.5% for every month or part thereof on the amount of tax from the date on which such tax was collected to the date on which such tax is actually paid. However, the interest rate on delay in collection of taxes continues at 1% for every month or part thereof from the date on which such tax is to be collected to the date of actual collection
- ▶ The amendment will be effective from 1 April 2025

Payer/payee to be not considered as “assessee in default” w.r.t. WHT/TCS defaults, beyond 6 years in case of both resident and non-resident payees/payers

- ▶ Non-compliance with WHT and TCS provisions results in the deductor/ collector being considered as an “assessee in default” and liable to punitive consequences
- ▶ However, in case of non-compliance with WHT provisions in respect of a resident payee, the payer is not regarded as an “assessee in default” at any time after the expiry of seven years from end of the financial year in which payment is made/credit is given or two years from end of the financial year in which the correction statement is delivered, whichever is later
- ▶ Currently, above time limit is not available in case of WHT default in respect of a non-resident payee or in case of non-compliance with TCS provisions
- ▶ FB (No. 2) 2024 has now introduced time limits in case of WHT default applicable on payments to Non-residents as also in case of non-compliance with TCS provisions. Further, the limitation period of 7 years has been reduced to six years and is extended for all cases of WHT and TCS, whether in respect of residents or non-residents
- ▶ This amendment will be effective from 1 April 2025

Time limit for filing WHT/TCS return without penalty reduced from erstwhile one year from due date of filing of such return to one month from due date of filing of such return

- ▶ Presently, the due date for filing revised/ belated Return of Income (ROI) is three months prior to the end of the relevant assessment year. In contrast, the time limit for filing WHT/TCS returns without penalty is one year from the quarterly WHT return filing due date
- ▶ Thus, the WHT/TCS return can be filed beyond the ROI filing due date, causing mismatch in the amount of credit availed by the taxpayer at the time of filing ROI
- ▶ Accordingly, FB (No. 2), 2024 has now aligned the time limit for filing WHT/TCS return without penalty of one year from the due date as above to within one month from the quarterly WHT return filing due date
- ▶ This amendment will be effective from 1 April 2025

Relief from prosecution on account of delay in deposit of WHT, if the same is paid by the due date of filing quarterly WHT return

- ▶ Presently, tax withheld and not deposited within the time limit prescribed under the relevant provisions of the ITL, attracts prosecution with rigorous imprisonment of minimum 3 months and maximum seven years, with fine
- ▶ Now, FB (No. 2), 2024 provides relief from prosecution in cases where WHT in respect of a quarter have been deposited with the Central Government on or before the due date of filing the WHT return of such quarter
- ▶ This amendment will be effective from 1 October 2024
- ▶ However, similar relaxation is not proposed in respect of TCS default

Assessments and Litigation

Rationalization of timelines for reopening of assessments

- ▶ In the recent past, provisions for reopening of assessment escaping income were revamped; general limitation period to reopen the case was reduced to 4 years from earlier 7 years; in certain high-value cases involving escaped income over INR50L, reopening was permitted up to 11 years
- ▶ The new regime provided reopening of case basis information in possession of tax authority and after providing a pre-notice opportunity to the taxpayer to rebut information. In calculating limitation period for issuance of notice for reopening of assessment, period allowed to taxpayer in pre notice opportunity is required to be excluded
- ▶ FB (No. 2) 2024 now curtails maximum reopening limitation period to six years as against existing 11 years for high value cases
- ▶ The above amendments will be effective from 1 September 2024
- ▶ Thus, post 1 September 2024, assessment proceedings for financial year 2017-18 shall turn time barred
- ▶ Further, proposed amendment simplifies applicable limitation period for issuance of pre-notice show cause and issuance of reopening notice with a small one-month enlargement of overall limitation period. Consider the following by way of illustration - A show cause notice for financial year 2020-21 is issued on 30 March 2025 which is within general limitation period of 4 years. Calculation of limitation period under existing regime and proposed regime will be as under:

Description	Existing Limitation Period	Proposed Limitation Period
Date of issuance of Show cause notice	30 March 2025	30 March 2025
Last date by which order in response to SCN post considering reply by taxpayer could be latest by	31 May 2025	30 June 2025
Notice for reopening of assessment latest by	31 May 2025	30 June 2025

Reintroduction of block assessments procedure for search cases

- ▶ The new regime for reopening of cases (as introduced vide FA 2021) merged search assessment with the revised procedure for reassessments. This created logistical hurdles whereby each year sought to be reopened under search was assessed separately leading to staggered assessments of different years which is time consuming process and escalates cost of litigation for both taxpayers and tax authorities
- ▶ In this backdrop, the 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 third person are also covered under such block assessment procedure
- ▶ Consequently, limitation period for search assessments is reduced from 10 years as previously available under new regime of reopening of cases to six years prior to year in which search is conducted
- ▶ Additionally, total income (undisclosed income found in course of search or otherwise) so assessed is now to be taxed at flat rate of 60% (plus applicable cess at 4%) with no additional surcharge and interest except for interest on late filing of block return
- ▶ Further, a penalty of 50% is now to be levied on undisclosed income under block assessment unless income is disclosed in return to be filed pursuant to block assessment procedure
- ▶ Complete immunity from various penalty prescribed in block assessment provision available in respect of income declared in tax ROI filed pursuant to search notice in respect of which taxes are paid and no appeal is filed against income declared in ROI
- ▶ New Block assessment regime will be applicable in respect of searches conducted on or after 1 September 2024

Reintroduction of Vivad Se Vishwas Scheme, 2024 to settle pending tax disputes

- ▶ Considering success of the previous Direct Tax Vivad Se Vishwas Act, 2020, and the mounting pendency of litigation at various levels of appellate forums, FB (No. 2) 2024 proposes a similar Vivad Se Vishwas Scheme, 2024 (the Scheme)
- ▶ The Scheme is patterned similar to the previous scheme, and broadly covers eligible disputes pending as on 22 July 2024, whether filed by taxpayer or tax authority, before Commissioner (Appeals) or Joint Commissioner (Appeals), or Dispute Resolution Panel, or Income Tax Appellate Tribunal, or High Court or Supreme Court. It also covers revision filed by taxpayer pending before Commissioner, and assessments pending after issuance of directions by Dispute Resolution Panel. It is also proposed to cover disputes relating to taxes determined under the provisions relating to WHT and TCS

Other amendments:

- ▶ First Appellate Authority has been now given power to remand cases back to the tax authority for fresh adjudication on facts where original order under appeal was based on a best-judgement assessment. Tax Authority is required to pass fresh assessment order within 12 months from the end of the financial year in which the order of First Appellate Authority is received
- ▶ Limitation period for filing of appeal before Income Tax Appellate Tribunal extended from 60 days from receipt of order of First Appellate Authority to 2 months from the end of the month in which such order of First Appellate Authority is received

Charity related amendments

Merging two regimes of charity exemption into single regime:

- ▶ Presently, charitable institutions (e.g. educational institutions, universities, hospitals, etc.) can claim income exemption either under S. 10(23C) Regime or S. 11 Regime. Exemption under both these regimes is conditions ridden and subject to various procedural compliances (e.g. filing application before tax authority, grant of approval / registration, renewal of registration every 5 years etc.)
- ▶ While taxation benefit granted under these regimes was almost same, there were certain differences in the conditions under both these regimes in past. The Government has made various amendments vide recent Finance Acts to align S. 10(23C) Regime with exemption conditions provided in S. 11 Regime
- ▶ Now, it is proposed to provide sunset to S. 10(23C) Regime and gradual transit to S. 11 Regime as under:
 - ▶ No fresh application can be made for seeking approval under S. 10(23C) Regime from 1 October 2024
 - ▶ Existing approved charitable institutions under s. 10(23C) Regime shall continue to claim exemption under that regime until expiry of their existing approval. Thereafter, such institutions shall be required to mandatorily migrate at the stage of renewal of registration to S. 11 Regime for being governed by that Regime
 - ▶ Under both these regimes, the charitable institution is required to invest its funds in permissible modes of investment only. Post S. 10(23C) Regime institution migrating to S. 11 regime, relaxation in respect of certain of its investments and assets acquired before specified cut-off date are grandfathered

No exit tax levy upon merger of two registered charitable entities having same or similar objects:

- ▶ Finance (No. 2) Bill 2024 proposes that merger of one registered charitable institution into another is not exposed to exit tax levy provided:
 - ▶ Such another trust has same or similar objects
 - ▶ Such another trust has charity registration under S. 11 Regime or S. 10(23C) Regime and
 - ▶ Fulfils any other condition prescribed
- ▶ The amendment is effective from Financial Year 2025-26 and onwards

Tax Authority is empowered to condone delay in filing application for charity registration or re-registration if there exist reasonable cause for delay:

- ▶ Obtaining charity registration / re-registration within specified time is condition precedent for claiming charity exemption. Failure to seek charity registration or delay thereof may also expose trust to exit tax levy
- ▶ Finance (No. 2) Bill 2024 now proposes to allow Tax Authority to condone the delay in filing registration or re-registration application if there exist reasonable cause for such delay
- ▶ The amendment is effective from 1 October 2024

Union Budget

2024-25

India's Digital Shift: e-commerce levy on e-commerce players withdrawn foreign companies to be taxed at reduced rate concessions for IFSCs

Key tax takeaways

International tax

- ▶ E-commerce Equalisation Levy (E-com EL) on non-residents (NR) withdrawn
 - ▶ Background
 - ▶ The Indian Government introduced the EL provisions as part of Chapter VIII of the Finance Act, 2016 as a measure to tax certain digital transactions. With effect from 1 June 2016, any specified person making a payment to an NR for online advertisement and related services is obligated to deduct EL at 6% of the gross consideration (the Ad EL)
 - ▶ The Finance Act 2020 expanded the scope of EL with effect from 1 April 2020 to cover consideration received/receivable by NR e-commerce operators for e-commerce supply or services provided to specified persons (the E-com EL), subject to certain conditions
 - ▶ The E-com EL is levied at the rate of 2% on the amount of consideration received/receivable by NR e-commerce operators. Unlike the Ad EL, the obligation for payment of the ESS EL lies with the NR e-commerce operators, who are required to make EL payments on a quarterly basis and file an annual return
 - ▶ Income leviable to E-com EL was exempt from income-tax under the normal provisions of the Act.
 - ▶ Amendment
 - ▶ It has been proposed that the 2% E-com EL will no longer apply to e-commerce supply or services commencing from 1 August 2024
 - ▶ Corresponding income exemption for the Indian corporate tax purposes to the non-resident taxpayers will be available only up to 31 July 2024

Highlights



**Withdrawal of
e-com EL**



- ▶ **E-Com EL on NRs withdrawn (Cont.)**
 - ▶ No changes proposed in relation to other digital tax measures
 - ▶ Ad EL continues to apply on all advertising revenues earned by the non-resident taxpayers
 - ▶ There are no changes proposed in significant economic presence rules

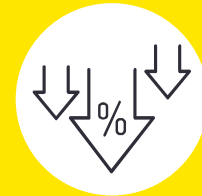
- ▶ **No specific proposal on Pillar Two/ Global Minimum Tax implementation in India**

- ▶ **Reduction in corporate tax rate for foreign companies**
 - ▶ **Background**
 - ▶ The corporate tax rate applicable to foreign companies in India is 40%
 - ▶ **Amendment**
 - ▶ The corporate tax rate in the case of foreign companies has been reduced from 40% to 35% (plus applicable surcharge and cess)
 - ▶ This amendment will be effective from 1 April 2024

- ▶ **Interest limitation rules not to apply to financial companies operating in IFSC**
 - ▶ **Background**
 - ▶ In order to implement the measures as per BEPS Action 4 on “limiting base erosion involving interest deduction and other payments”, Finance Act 2017 inserted Section 94B under the Income-tax Act, 1961
 - ▶ This provision seeks to disallow interest payment arising on debt issued by a NR AE, to the extent of lower of (a) actual interest paid to the non-resident AE or (b) total amount of interest paid or payable in excess of 30% of EBITDA
 - ▶ The excess amount sought to be disallowed can be carried for future eight years
 - ▶ At present, the interest limitation rules do not apply to Indian companies or permanent establishments of foreign companies which are engaged in the business of banking or insurance, or such class of non-banking financial companies as may be notified by the Central Government
 - ▶ **Amendment**
 - ▶ The scope of exemption from interest limitation rules has been expanded to include finance companies located in the IFSC which satisfies the conditions as carries on activities as specified in the IFSCA (Finance Company) Regulations, 2021 made under the IFSCA Act, 2019
 - ▶ This amendment will be effective from 1 April 2024

Highlights

40%



35%

Reduction in tax rates boosts globalization



IFSCs not subject to interest limitation

- ▶ **Introduction of penalty provisions for non-filing of certain financial information by NR's liaison offices in India**
 - ▶ **Background**
 - ▶ The Income-tax Act, 1961 currently requires certain financial information to enhance the transparency by notifying the Income Tax Department about certain specified financial transactions by specified persons. This promotes voluntary compliances and enables seamless prefilling of return
 - ▶ Form 49C is an annual statement required to be filed by NRs having liaison offices in India. The form must be submitted electronically within 60 days from the end of the financial year
 - ▶ Currently there is no penalty for non-compliance on account of filling form 49C
 - ▶ **Amendment**
 - ▶ Proposal to introduce new penalty provision for liaison offices for non-compliance in filing annual statement
 - ▶ The penalty will amount from daily fines of INR 1,000 up to three months and a fixed penalty of INR1 lakh thereafter
 - ▶ This amendment will be effective from 1 April 2024

Highlights



**Penalty introduced
for liaison offices in
India**

Union Budget 2024-25

Angel Tax abolished

Key tax takeaways

Direct Tax

Angel Tax provisions abolished

- ▶ Presently, funds received on issue of shares above face value by a closely held company (other than an eligible start up) from non-qualifying investors in excess of the company's prescribed fair market value are liable to tax in the hands of such Indian company issuing the shares.
- ▶ It has now been decided by the Government to abolish these provisions from the assessment year 2025-26.

Cost of acquisition (COA) of equity shares sold under Offer for Sale (OFS) clarified

- ▶ In the case of shares sold under OFS in an initial public offer, there was a lacuna under the provisions for the determination of COA of such shares that were acquired prior to 01 February 2018 and unlisted as of 31 January 2018.
- ▶ It is proposed that the COA for the above shares shall be computed based on indexed COA for financial year 2017-18.
- ▶ The amendment will take effect retrospectively from 1 April 2018.

Exclusion from transfer under 'gift' or 'will' or 'irrevocable trust'

- ▶ Presently, the transfer of a capital asset through a gift, will, or irrevocable trust is not considered a 'transfer' and therefore not subject to capital gains taxation. This benefit was available to all persons (including companies).
- ▶ It is now proposed that the above specific benefit shall be available only to an individual or Hindu Undivided Family (HUF).
- ▶ This amendment will be effective from 1 April 2025 (i.e., assessment year 2025-26).

Highlights



Angel Tax

Abolished from FY25

23 July 2024

Tax Alert - Key announcements of
Union Budget 2024



Union Budget 2024-25

Buyback proceeds taxable as "dividend"

Key tax takeaways

Direct Tax

Consideration paid on buy-back of shares taxable as 'dividend'

- ▶ Presently, the consideration paid by the company on the buy-back of shares is chargeable to buy-back tax (BBT) in the hands of the company and exempt in the hands of the shareholders. Such BBT is applied to the buy-back proceeds as reduced by the amount received for the issuance of such shares.
- ▶ It is now proposed that such a sum paid by a company shall be treated as a dividend in the hands of shareholders and charged to Income Tax at applicable rates.
 - ▶ No deduction from dividend income shall be allowed while determining 'income from other sources'
 - ▶ Full value of the consideration of shares bought back (for purposes of computing capital loss) shall be considered as nil—therefore, entire COA of the shares bought back should generate a capital loss
 - ▶ Such capital loss shall be available for carry forward and set-off against other capital gains
- ▶ This amendment will take effect from 1 October 2024 and will accordingly apply to any buy-back of shares that takes place on or after this date.

Highlights



Buy-back

Taxable as dividend

Union Budget

2024-25

Expansion in scope of TP audits and stated intent to streamline TP dispute

Key tax takeaways

Transfer Pricing

- ▶ Transfer Pricing Officer (TPO) is now empowered to adjudicate on Specified Domestic Transaction (SDTs) which have not been referred by assessing officer (AO) or which have not been reported in the audit report under section 92E
- ▶ Dispute Resolution Panel (DRP) not applicable for taxpayers who have undisclosed income pursuant to a search
- ▶ With a view to reduce litigation and provide certainty in international taxation, Finance Minister in the speech has intended to expand coverage of SHR and streamline TP assessment procedures

Scope of TP Assessment for SDT

Background

- ▶ Section 92CA, empowers the AO to make a reference to the TPO for determination of ALP of international transaction or SDT
- ▶ Section 92CA further provides that once such reference is made to the TPO, the TPO can proceed to audit any other international transaction even if the same is not referred by the AO or the same is not reported by the taxpayer in the audit report under section 92E
- ▶ However, there are no provisions to enable the TPO to review and assess SDTs which are not referred by the AO or not reported by the taxpayer in the audit report under section 92E

Highlights



TPO empowered to adjudicate on SDTs not referred



DRP forum not available for taxpayer having undisclosed income pursuant to search proceedings



Coverage of SHR to expand and TP assessment procedure to streamline

Amendment

Scope of TP Assessment is expanded to enable TPO to audit SDT which

- ▶ Have not been referred by AO or not reported in audit report under section 92E and/or
- ▶ Have been identified by TPO during the course of the assessment proceedings

This amendment will be effective from 1 April 2025 i.e., assessment year 2025-26

Objections to DRP

- ▶ DRP not applicable for taxpayers who have undisclosed income pursuant to a search
- ▶ Background
 - ▶ Section 144C provides for filing of objections by taxpayer against variations proposed to the income by the AO before the DRP
 - ▶ Taxpayers who have variations to income due to TP adjustments and non-resident taxpayers are eligible to file objections before the DRP

There was no exclusion for a taxpayer to file objections before DRP if the taxpayer has undisclosed income pursuant to search proceedings

Amendment

- ▶ The provisions of Section 144C have been amended to provide that taxpayers who have undisclosed income pursuant to a search are not eligible to file objections before DRP against variations proposed to the income by the AO
- ▶ Taxpayers in this category are only permitted to file an appeal with the Commissioner of Income Tax (Appeals)

This amendment will be effective from 1 September 2024

Dispute resolution

- ▶ Background
 - ▶ Concerted efforts are being made to reduce appeal pendency at various forums and provide certainty
 - ▶ Stated intent in the Budget Speech of the Finance Minister to reduce litigation and provide certainty in international taxation
- ▶ Amendment
 - ▶ Intention to expand coverage of safe harbour rules and streamline transfer pricing assessment procedure
 - ▶ Detailed amendments/rules likely to be issued later

23 July 2024

Tax Alert - Key announcements of
Union Budget 2024



Union Budget 2024-25

Custom duty rate rationalization, measures to reduce ongoing GST litigations and trade facilitation

Key tax takeaways

Indirect tax

- ▶ Goods and Services Tax
 - ▶ Amnesty scheme to provide waiver of interest and penalty for pending demands in non-fraud cases for FY 2017-18 till 2019-20, if entire tax demand is paid up to the date to be notified
 - ▶ Time limit to avail ITC for FY 2017-18 till 2020-21 to be extended till 30 November 2021
 - ▶ Government to be empowered regarding non-recovery of duties not levied or short-levied as a result of general prevalent trade practice
 - ▶ Common timeline to apply for issuance of SCNs and orders in both fraud and non-fraud cases from FY 2024-25 onwards
- ▶ Customs
 - ▶ Custom duty rates rationalized to boost "Make in India" initiative
 - ▶ GST Compensation Cess on imports by SEZ to be made exempt retrospectively with effect from 1 July 2017

Highlights



Amnesty scheme
for interest and
penalty waiver

Goods and Services Tax

▶ Waiver of interest and penalty

- ▶ It has been proposed to waive interest and penalty in cases other than fraud or suppression of facts, for FY 2017-18 to 2019-20, if entire tax demand as per SCN or order is paid up to the date to be notified. The following scenarios will be covered:
 - ▶ notice is issued but order has not been passed, or
 - ▶ order is passed by proper officer, but Appellate Authority or Revisional Authority has not passed the order, or
 - ▶ order is passed by Appellate Authority or Revisional Authority, but Tribunal has not passed the order
- ▶ Waiver will not be available in case where notice is issued, or order is passed for erroneous refunds
- ▶ Further, where notice is issued alleging fraud but the Appellate Authority or Tribunal or Court concludes that provisions related to fraud cannot be invoked, taxpayer can claim the benefit of interest and penalty waiver
- ▶ No refund will be available where the interest and penalty is already paid
- ▶ The taxpayer cannot file appeal once it takes the benefit of interest and penalty waiver. In case of pending appeals, the same will need to be withdrawn

▶ Reduction in pre-deposit amount

- ▶ The amount of pre-deposit will be revised as follows:

Appellate Authority	Present	Proposed
First Appellate Authority	10% subject to maximum of INR25 crores (CGST and SGST each)	10% subject to maximum of INR20 crores (CGST and SGST each)
Appellate Tribunal	20% subject to maximum of INR50 crores (CGST and SGST each)	10% subject to maximum of INR20 crores (CGST and SGST each)

▶ Appeal before Tribunal

- ▶ The time limit to file appeal before GSTAT will be three months from the date to be notified by the Government or the date of communication of order against which appeal is to be filed, whichever is later
- ▶ Three-month condonation period will be granted where the Department fails to file appeal before GSTAT within timelines. Same condonation period is already available for filing appeal by taxpayers
- ▶ The Government may notify class of cases which shall be heard only by the Principal Bench

▶ Reverse Charge Mechanism (RCM)

- ▶ Time of supply in respect of services received from unregistered person and attracting RCM will be earlier of:
 - ▶ Date of payment
 - ▶ Date of issuance of self-invoice
- ▶ Government to prescribe time-limit to issue self-invoice in case of RCM supplies received from unregistered persons. Further, self-invoice will also be required where the supplier is registered solely for the purpose of deducting tax at source

Highlights



**Reduction in
pre-deposit
amount**

► **Refund**

- Presently, refund of ITC is restricted where goods exported are subject to export duty. The said restriction on refund will be extended to cases where such exports are made with payment of IGST. Similar restriction will also be placed on refund when taxpayer supplies such goods to SEZ developer or unit

► **Demands and recoveries**

- Provisions of section 73 and 74 of CGST Act will be applicable only for the tax periods up to FY 2023-24
- From FY 2024-25 onwards, a common time limit will apply for issuance of demand notices and demand orders, irrespective of cases involving fraud or wilful misstatement or not. Consequential changes will be made in other provisions of the law
- The notices will be required to be issued within 42 months from the due date of filing relevant annual return. Further, the time limit to pass order will be 12 months from the date of notice, which can be further extended by six months
- Where Appellate Authority or Tribunal or Court concludes that penalty as applicable to fraud cases is not sustainable since charges for fraud are not established, penalty will be leviable as per non-fraud cases
- Penalty in case of non-payment, short-payment, erroneous refund, wrong availment or utilization of ITC will be revised as follows:

Payment of tax with interest in non-fraud cases	Present penalty	Proposed penalty
Before issuance of SCN	Nil	Nil
Within 30 days of SCN	Nil	Nil
Within 60 days of SCN	Higher of 10% of tax or INR10,000	Nil
Other cases	Higher of 10% of tax or INR10,000	Higher of 10% of tax or INR10,000

Payment of tax with interest in fraud cases	Present penalty	Proposed penalty
Before issuance of SCN	15% of tax	15% of tax
Within 30 days of SCN	25% of tax	25% of tax
Within 60 days of SCN	50% of tax	25% of tax
Within 30 days of order	50% of tax	50% of tax
Within 60 days of order	100% of tax	50% of tax
Other cases	100% of tax	100% of tax

Highlights



GST refund restricted where goods exported attract export duty

▶ **Input tax credit**

- ▶ Time limit to avail ITC for FY 2017-18 to 2020-21 will be extended till 30 November 2021 where the relevant GSTR-3B is filed up to such date
- ▶ Time limit to avail ITC where registration of the recipient is cancelled and subsequently restored will be extended to:
 - ▶ 30 November of the subsequent financial year or
 - ▶ 30 days from the date of order of revocation, whichever is later

The extension will be applicable only where ITC on such invoices or debit note was not time barred on the date of order of cancellation

- ▶ The above extensions are retrospectively effective from 1 July 2017. However, no refund will be available where the tax has been paid or ITC has been reversed
- ▶ ITC will be restricted where the tax is paid under section 74 of CGST Act for demands upto FY 2023-24. However, such restriction will not be applicable where the tax is paid pursuant to detention, seizure or confiscation
- ▶ ITC on account of any services received prior to 1 July 2017 by an Input Service Distributor shall be eligible for distribution as GST credit, even if the invoices relating to such services are received prior to the appointed date. The amendment will be made retrospectively effective from 1 July 2017

▶ **Anti-profiteering**

- ▶ The Government will specify the sunset date for receipt of any new application w.r.t. anti-profiteering
- ▶ The Principal bench of GSTAT will handle anti-profiteering cases

▶ **Miscellaneous**

- ▶ Power to be granted to the Government for non-recovery of duties not levied or short-levied as a result of general practice
- ▶ Due date to file monthly TDS return will be prescribed by the Government. Such returns are mandatorily to be filed even if there are no deductions made in any month
- ▶ A person being summoned by proper officer is bound to appear, either in person or through an authorized representative

Customs

- ▶ Custom duty rates will be rationalized to further support the "Make in India" initiative
- ▶ Government will be empowered to notify class of goods which shall not be permitted for manufacturing processes and other operations in a warehouse
- ▶ CBIC will be empowered to prescribe separate procedure or documentation for categories of goods or modes of transportation of goods for any other person, in addition to importers or exporters
- ▶ The provision empowering Central Government to levy protective duties on certain imported goods will be omitted

Highlights



Time limit for availing ITC extended

- ▶ Provisions will be amended to enable the acceptance of different types of proof of origin in order to align with new trade agreements which provide for self-certification. Accordingly, for claiming preferential duty benefit, importer can also submit a declaration for the purpose of proof of origin
- ▶ GST Compensation Cess on imports by SEZ units/ developers for authorized operation will be exempt retrospectively from 1 July 2017
- ▶ For claiming exemption on re-import of goods which were earlier exported outside India, the goods were required to be imported within 3 years. The said time limit will be extended to 5 years

Other Indirect Tax

- ▶ Clean Environment Cess will be exempt on excisable goods lying in stock as on 30 June 2017 provided GST Compensation Cess is paid on supply of such goods on or after 1 July 2017

Union Budget 2024-25

Budget 2024 aims to incentivize the new tax regime and proposes the rationalization of capital gains tax

Key tax takeaways

Personal tax

- ▶ With the revised tax slabs and the enhanced standard deduction, the New Tax regime (NTR) provided additional tax savings of INR17,500 to taxpayers
- ▶ Enhanced deduction available for employer's contribution to New Pension Scheme under the NTR
- ▶ Significant rationalization and simplification of the capital gains taxation
- ▶ Credit of Tax Collected at Source (TCS) and all other Tax Deducted at Source (TDS) to salaried individuals
- ▶ **Amendment to New Tax Regime (NTR):**
 - ▶ Enhancement of standard deduction to INR75,000
 - ▶ NTR will now have the revised slabs as under:

Income	Proposed rate* (%)
Upto INR3 lakhs	Nil
Above INR3 lakhs to INR7 lakhs	5%
Above INR7 lakhs to INR10 lakhs	10%
Above INR10 lakhs to INR12 lakhs	15%
Above INR12 lakhs to INR15 lakhs	20%
Above INR15 lakhs	30%

Highlights



INR17,500

Additional tax savings
under the NTR



Simplification of
Capital Gains
taxation



Credit allowed for TCS
and TDS on all
incomes/payments

- ▶ Deduction available for family pension to pensioners is enhanced from INR15,000 to INR25,000
- ▶ Under the NTR, individuals would now save as much as INR17,500 in taxes

- ▶ **Enhancement of deduction available for contribution to New Pension Scheme (NPS)**
 - ▶ Deduction available for employer's contribution to NPS enhanced from 10% to 14% of the employee's salary. Corresponding changes for deduction available to the employer for contribution to NPS also enhanced from 10% to 14%

- ▶ **Rationalization and simplification of capital gains tax**
 - ▶ **Holding periods** - All listed financial assets will be treated as long-term if held for more than one year and all unlisted financial assets and non-financial assets will be considered long term if held for more than two years
 - ▶ **Tax rates** - Short term capital gain rates on sale of equity oriented mutual funds, equity shares have been increased to 20% from the existing rate of 15%. Other Short term capital gains shall continue to be taxed on applicable rates. Long-term capital gains (LTCGs) will attract a tax rate of 12.5% as against the existing rate of 10%/20%.
 - ▶ **Removal of Indexation benefit** - Indexation for long-term capital gains on property, gold, and other unlisted assets will be removed to simplify computation of capital gains for taxpayers and tax administration
 - ▶ **Parity in taxation between resident and non-resident assesses** - Amendments to various provisions are introduced to bring parity in taxation of capital gains for residents and non-residents
 - ▶ **Exemption for LTCGs** - Additionally, the limit of exemption for long-term capital gains will be enhanced to INR1.25 lakh per year from the existing threshold of INR1 lakh per year for STT paid equity shares and units of equity-oriented funds
 - ▶ **Other Instruments** - Unlisted bonds and debentures will attract tax on capital gains at applicable rates, irrespective of the period of holding. These changes are effective 23 July 2024

- ▶ **Credit of Tax Collected at Source (TCS) and all other Tax Deducted at Source (TDS) to salaried individuals**
 - ▶ The existing provisions do not provide the option to an employer to allow the credit of TCS or TDS on other incomes/payments while computing the amount of taxes to be deducted on salary. This would result in the employee claiming a refund in the tax return which adds to the compliance process.
 - ▶ In order to ease compliance, credit of all tax deducted or collected will be allowed while computing the amount of tax to be deducted on salary income

- ▶ **Increased Securities Transaction Tax (STT) leviable on transaction in derivative market**
 - ▶ The rates of STT on sale of an option in securities will be increased from 0.0625% to 0.1% of the option premium and on sale of a futures in securities from 0.0125% to 0.02% of the price at which such "futures" are traded

- ▶ **De-penalising certain non-disclosures under the Black Money Act**
 - ▶ With an aim to provide relief to individual taxpayers (Indian professionals having foreign ESOPs, investments in movable assets abroad, etc.) from the penal provisions applicable in case of non-disclosure of foreign assets, amendments have been introduced to the provisions of the Black Money Act to provide that the penal provisions shall not apply in respect of assets (other than immovable property) where the aggregate value of such assets does not exceed INR20 lakhs

Glossary

GDP - Gross Domestic Product

FY - Financial Year

RE - Revised Estimates

BE - Budget Estimates

FRBM- Fiscal Responsibility and Budget Management

GoI - Government of India

GTR - Gross Tax Revenues

Ad EL - advertisement equalisation levy

AE - associated enterprise

BEPS - Base Erosion and Profit Shifting

EBITDA - Earnings before interest, tax, depreciation and amortization

E-com - e-commerce

EL - equalisation levy

IFSC - International Financial Services Centre

IFSCA - International Financial Services Centres Authority

INR - Indian Rupee

NR - non-resident

SEP - Significant Economic Presence

COA - Cost of Acquisition

OFS - Offer for Sale

ALP - Arm's length price

AO- Assessing Officer

DRP- Dispute Resolution Panel

SDT - Specified Domestic Transaction

SHR - Safe Harbour Rules

TP - Transfer Pricing

TPO - Transfer Pricing Officer

CBIC - Central Board of Indirect Taxes and Customs

CGST Act - Central Goods and Services Tax Act, 2017

GSTAT - GST Appellate Tribunal

GST - Goods and Services Tax

IGST - Integrated Goods and Services Tax

ITC - Input Tax Credit

SCN - Show cause notice

SEZ - Special Economic Zone

TDS - Tax deduction at source



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Download the [EY India Tax Insights App](#) for detailed insights on tax and regulatory reforms.

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