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Tax Alert - Key announcements of  
Union Budget 2024



# Union Budget 2024-25

## Media & Entertainment | Accelerating growth by empowering digital media



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The Indian Media and Entertainment (M&E) sector is currently undergoing a remarkable evolution, driven by the Government of India's commitment to enhancing the nation's digital infrastructure. The advent of Open Network for Digital Commerce (ONDC) open-source platform, a Ministry of Commerce initiative, is set to democratize digital commerce and streamline the exchange of goods and services. The government remains focused on innovation, research, and development, as emphasized by the Finance Minister in her budget speech today.

Looking ahead to 2024, it is anticipated that digital media will experience a surge in growth, potentially surpassing television as the preeminent segment within the M&E industry. Projected to expand at a CAGR of 10%, the M&E sector is forecasted to cross the INR300,000 crore mark by 2026. This robust growth opens various opportunities for Indian media businesses to make a significant contribution to India's ambitious goal of achieving a US\$10 trillion economy by 2030.

The Government of India, in the Union Budget today, has introduced several proposals with an objective to boost the e-commerce industry and also align its measures with the ongoing international developments under the Base Erosion and Profit Shifting (BEPS) project.

# How does the budget impact M&E sector?

- ▶ In the mix basket of proposals brought by the Hon'ble Finance Minister today, the M&E sector gets positive impetus, which cover:
  - ▶ Withdrawal of 2% Equalisation Levy (EL) on e-commerce supply or services
  - ▶ Reduction in Tax Deducted at Source (TDS) rate on e-commerce transaction from 1% to 0.1%
  - ▶ Reduction in corporate tax rate for foreign company from 40% to 35%
  - ▶ Basic custom duty exemption to motion picture, music, gaming software for use in gaming console printed or recorded on media extended till March 2026

## Key amendments

### Direct Tax

- ▶ Comprehensive review of Income-tax law
  - ▶ Finance Minister announced a comprehensive review of the Income-tax law, aiming to make it more concise, lucid and clear
  - ▶ This is expected to be completed within six months
- ▶ Abolishment of 2% EL
  - ▶ Currently, 2% EL is applicable on consideration received or receivable by a non-resident e-commerce operator from e-commerce supply or services.
  - ▶ In light of ambiguity and increased compliance burden, it is now proposed that the 2% EL will not be applicable to consideration received or receivable for e-commerce supply or services, on or after 1 August 2024.
  - ▶ The Income-tax Act, 1961 (Act) exempts income arising from the e-commerce supply or services, which have been subjected to 2% EL. This exemption will now be available only for e-commerce supply or services made or provided or facilitated before 1 August 2024.
  - ▶ Meanwhile, India and the US agreed to extend the Transitional Approach on EL until 30 June 2024. Meaning, a credit will be available for EL paid until 30 June 2024 to the extent it exceeds the Pillar One liability (as if it was implemented during such period). Such credit will be available against the Pillar One liability once implemented.
  - ▶ 6% EL, as applicable to the payments made to a non-resident for online advertisement and provision for digital advertising space, continues to remain applicable.
- ▶ Reduction in corporate tax rate for foreign companies
  - ▶ The corporate tax rate in the case of foreign companies has been reduced from 40% to 35% with a headline tax rate of 38.22% (including surcharge and health and education cess)

## Highlights



Comprehensive review of existing Income-tax law



Withdrawal of Equalisation Levy

40%  35%

Corporate tax rate for foreign company

- ▶ Reduction in TDS rate on e-commerce transactions
  - ▶ Section 194-O of the Act mandates e-commerce operators to deduct TDS at the rate of 1% on gross payments made to e-commerce participants for sales or services conducted via digital platforms; whereas the offline transactions are liable to TDS at the rate of 0.1% on purchase of goods or a Tax Collected at Source (TCS) at the rate of 0.1% on receipts from sale of goods.
  - ▶ To bring parity with offline transactions, the TDS rate for e-commerce transactions are now reduced from 1% to 0.1%. This relief comes as a part of the government's measure to rationalize and simplify various TDS provisions.
  - ▶ This amendment will be effective from 1 October 2024.
  
- ▶ Removal of angel tax provisions
  - ▶ Currently, Section 56(2)(viib) of the Act provides for levy of angel tax in the hands of private companies where consideration for issue of shares is higher than its fair market value.
  - ▶ It is now proposed to remove the angel tax to provide huge relief to the start-up community.
  - ▶ This amendment will be effective from 1 April 2024.
  
- ▶ Buy back of shares to be taxable as dividend in the hands of recipient
  - ▶ Buy back of shares to be taxed as dividend in the hands of the shareholder, without any benefit of a deduction for cost/ expenses
  - ▶ Cost of acquisition of shares to be treated as capital loss
  - ▶ Consequential applicability of buy-back tax and exemption under ITL is also withdrawn
  - ▶ This amendment will be effective from 1 October 2024
  
- ▶ Rationalization and simplification of capital gains taxation
  - ▶ Streamlining of holding periods to 12 months for all listed financial assets and 24 months for all unlisted financial assets and non-financial assets for the purpose of capital gains
  - ▶ Removal of indexation benefit for long-term capital gains
  - ▶ Tax rate for LTCG proposed at 12.5% on all categories of assets
  - ▶ Tax rate for STCG on sale of securities (with payment of STT) proposed to be increased from 15% to 20%
  - ▶ This amendment will be effective from 23 July 2024
  
- ▶ Removal of exemption for gift by corporate entities: Exemption under section 47(iii) is proposed to be restricted to gift of assets by individuals or HUFs

## Highlights



Reduction in  
TDS rate on  
e-commerce  
transaction

1%



0.1%



Abolition of Angel  
Tax



Taxation of buy-  
back proceeds as  
dividend for  
shareholders



Simplification of  
capital gains  
taxation regime

▶ Other key amendments

- ▶ Re-introduction of Vivad Se Vishwas Scheme with the objective of reducing litigation and settlement of pending disputes
- ▶ Reduction of the period of limitation for passing order deeming an assessee to be in default for failure to deduct tax is reduced from seven years to six years from the end of financial year
- ▶ Time limit for appeal before ITAT is revised to two months from the end of the month in which order sought to be appealed is communicated to the taxpayer or Principal Commissioner or Commissioner of income tax as the case may be
- ▶ Overhaul in reassessment regime and reducing the time period
- ▶ Rationalization of TDS provisions to improve ease of doing business and better compliance by taxpayers

**Indirect Tax**

- ▶ Relevant custom exemption
- ▶ Exemption of Basic Customs Duty on following goods now extended up to 31 March 2026
  - ▶ Motion picture, music, gaming software for use in gaming console printed or recorded on media
  - ▶ Television equipment, cameras, etc., for taking films, imported by a foreign film unit or television team
  - ▶ Filming equipment of foreign origin if imported into India after having been exported therefrom

## Highlights



Procedural changes to promote ease of doing business



Exemption of basic Customs Duty extended

## Impact analysis

The proposals are welcoming measures for the M&E sector, with reduction in TDS and corporate tax rate to enhance industry's cash flow.

While India did not introduce any measure to adopt BEPS Pillar Two solution, the withdrawal of unilateral digital tax measures such as the 2% EL is a notable change. In the post budget press conference, the Honourable Finance Minister highlighted that India intends to implement Pillar One and Pillar Two and the move to withdraw EL is in the same direction. She also stated that negotiations on Pillar One are going on and eventually the EL would be adjusted against Pillar One liability as per the Transitional Approach agreed between India and the US.

# Glossary

Act - Income-tax Act, 1961

BEPS - Base Erosion and Profit Shifting

CAGR - Compound Annual Growth Rate

CBDT - The Central Board of Direct Taxes

EL - Equalisation Levy

M&E - Media and Entertainment

OECD - The Organization for Economic Cooperation and Development

TDS - Tax Deducted at Source



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