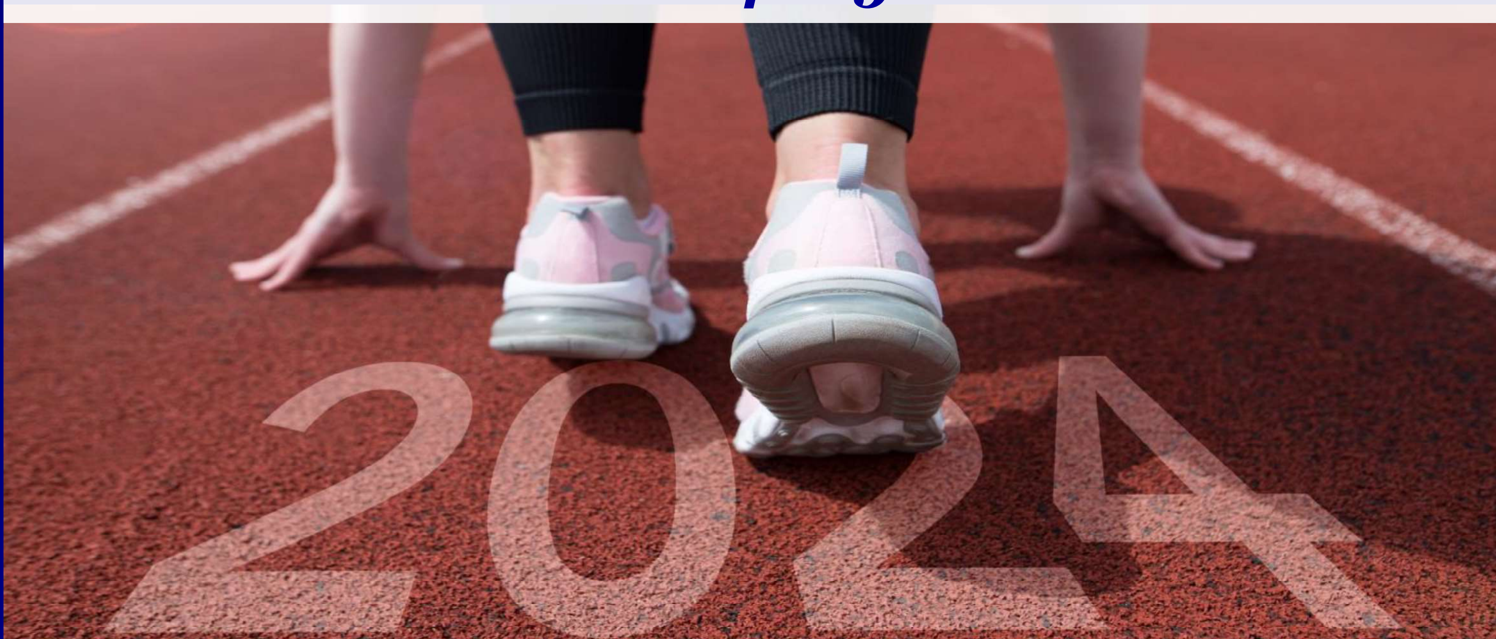
INDIA BUDGET
2024 - 25



NDA 3.0 BEGINS …

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Foreword

The Indian Finance Minister presented Budget 2024-25, her record breaking seventh consecutive Budget, on 23 July 2024, with the NDA 3.0 Government back in the saddle. During Financial Year ('FY') 2023-24, the Indian economy emerged strong and resilient with a Gross Domestic Product ('GDP') growth rate of 8.2%. Surpassing the UK, India has sprinted to the position of the fifth largest economy last year and is not far from overtaking Japan and Germany to attain the third spot. Core inflation other than food and fuel, continues to be low and stable at 3.1%.

FY 2023-24 was marked by diverse events including Parliamentary elections, robust tax collections, a record dividend payment of INR 2.1 trillion (~USD 25.3 billion) by the Reserve Bank of India, comfortable forex reserves, spike in food inflation due to adverse weather conditions, strong performance of the banking and financial services sector, weakening Foreign Direct Investment ('FDI') flows, introduction of three new criminal laws, soft landing by an Indian spacecraft on the Moon's surface and India's G20 Presidency, apart from heightened geopolitical tensions and uncertainties on the global front.

Budget 2024-25 continues the focus on the four major categories – Poor, Women, Youth and Farmers. Sustained efforts are being envisaged on nine priorities in line with the strategy set out in the Interim Budget of February 2024. Some of the noteworthy policy proposals announced in the Budget include a focus on agriculture, five schemes for employment and skill upgradation, development of road connectivity projects, women-led development, irrigation and flood mitigation, promotion of tourism, simplifying FDI and providing opportunities to use the Indian Rupee for Overseas Investments (‘OI’). There appears to be a lack of adequate focus on the manufacturing sector, disinvestments and actual reforms.

On the tax front, the reduction in the base corporate tax rate for foreign companies was perhaps the most appreciated announcement for multinationals. Other key announcements include the plan to undertake a comprehensive review of the Income-tax Act, 1961 (‘the Act’), abolition of the Angel tax, withdrawal of Equalisation Levy (‘EL’) on e-commerce transactions, introduction of the Direct Tax *Vivad Se Vishwas* Scheme, 2024 (‘Scheme’) for resolution of disputes and rationalisation of various Customs Duty rates. While the rationalisation of the holding period under the Capital gains regime is a welcome move, the increase in tax rates on certain capital gains and the withdrawal of the provision relating to indexation of cost is a dampener. Contrary to expectations, the Budget however, does not contain any framework to implement the Pillar 2 provisions in accordance with the Organisation for Economic Co-operation and Development recommendations.

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Budget 2024-25 is testimony to the fact that the Indian economy is carrying forward its growth run. With a growth rate of over 7% for the third consecutive FY, the economy is on track towards achieving its goal of Viksit Bharat by 2047.

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Key policy announcements

Key policy announcements

Budget 2024-25 aims at targeted steps to support priority sectors: Poor, Women, Youth and Farmers with specific focus on employment, skilling, Micro, Small and Medium Enterprises (‘MSMEs’) and the middle class, it envisions developing India through nine priorities. This section summarises key policy announcements in the Budget.

1. Productivity and resilience in Agriculture

i. Release of new varieties of crops

New 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers.

ii. Natural Farming

Ten million farmers across the country will be encouraged to move towards natural farming supported by certification and branding. Implementation will be carried out through scientific institutions and local bodies and 10,000 need-based bio-input resource centres will be established.

iii. Digital Public Infrastructure for Agriculture

The Digital Public Infrastructure (‘DPI’) in agriculture will be implemented for coverage of farmers and their land in three years, in partnership with States. During this year, a digital crop survey using the DPI will be taken up in 400 districts. The details of 60 million farmers and their land will be brought into the farmer and land registries.

iv. National Co-operation Policy

The Government will announce a National Co-operation Policy for systematic, orderly and all-round development of the co-operative sector. The goal of the policy will be fast-tracking growth of the rural economy and generation of employment opportunities on a large scale.

2. Employment and Skilling

Government will implement three schemes for employment linked incentives with focus on employment generation.

i. **Scheme A: First Timers**

This scheme will provide one month wage to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of one-month salary in three instalments to first-time employees, as registered in the Employees Provident Fund Organisation ('EPFO'), will be up to INR 15,000 per person. The eligibility limit will be a salary of INR 0.10 million per month. The scheme is expected to benefit 21 million youth.

ii. **Scheme B: Job Creation in manufacturing**

This scheme will incentivise additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at specified scale directly to the employee and the employer with respect to their EPFO contribution in the first 4 years of employment. The scheme is expected to benefit 3 million youth entering employment, and their employers.

iii. **Scheme C: Support to employers**

This employer-focussed scheme will cover additional employment in all sectors. All additional employees drawing a salary of up to INR 100,000 per month will be considered. The Government will reimburse to employers up to INR 3,000 per month for two years towards their EPFO contribution for each additional employee. The scheme is expected to incentivize additional employment of 5 million youth.

iv. Education Loans

For helping youth who have not been eligible for any benefit under government schemes and policies, financial support for loans upto INR 1 million (~USD 12,000) for higher education in domestic institutions is announced. For this purpose, E-vouchers will be given directly to 100,000 students every year with annual interest subvention of 3% of the loan amount.

v. Internship in Top 500 Companies

A comprehensive scheme for providing internship opportunities in the top 500 companies to 10 million youth in 5 years will be launched. They will gain exposure to real-life business environment, varied professions and employment opportunities for 12 months. An internship allowance of INR 5,000 per month along with a one-time assistance of INR 6,000 will be provided. Companies will be expected to bear the training cost and 10% of the internship cost which can be considered as part of their Corporate Social Responsibility contribution.

3. Inclusive Human Resource Development and Social Justice

i. Purvodaya (Eastern India)

Development of road connectivity projects and Expressways will be taken up at a total cost of INR 260 billion (~USD 3 billion). Power projects, including the setting up of a green field 2400 MW power plant will be taken up at a cost of ~INR 214 billion (~USD 2.6 billion). New airports, medical colleges and sports infrastructure will be constructed in the state of Bihar.

ii. India Post Payment Bank branches in North-Eastern Region

More than 100 branches of India Post Payments Bank will be set up in the North-east region to expand banking services. A provision of INR 2.66 trillion (~USD 32 billion) for rural development including rural infrastructure has been made.

4. Manufacturing & Services

i. Credit Guarantee Scheme for MSMEs in the Manufacturing Sector

A credit guarantee scheme will be introduced for facilitating term loans to MSMEs for the purchase of machinery and equipment without a collateral or third-party guarantee. A separately constituted self-financing guarantee fund will provide a guarantee cover up to INR 1 billion (~USD 12 million).

ii. Credit support to MSMEs during stress period

Credit availability to MSMEs during their stress period will be supported through a guarantee from a government promoted fund.

iii. E-Commerce Export Hubs

To enable MSMEs and traditional artisans to sell their products in international markets, E-Commerce Export Hubs will be set up in Public-Private-Partnership ('PPP') mode. These hubs will facilitate trade and export related services under one roof under a seamless regulatory and logistic framework.

iv. **Industrial Parks**

- Development of investment-ready "plug and play" industrial parks will be facilitated with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by making better use of town planning schemes.

- Twelve industrial parks under the National Industrial Corridor Development Programme will be sanctioned.

v. **Rental Housing**

Rental housing with dormitory-type accommodation will be facilitated for industrial workers in PPP mode with Viability Gap Funding support and commitment from anchor industries.

vi. **National Company Law Tribunals**

The Insolvency and Bankruptcy Code has resolved bankruptcies of more than 1,000 companies, resulting in a direct recovery of over INR 3.3 trillion (~USD 40 billion) to creditors. In addition, 28,000 cases involving over INR 10 trillion (~USD 120 billion) have been disposed of, even prior to admission.

vii. **Debt Recovery**

Steps to reform and strengthen debt recovery tribunals are proposed. Additional tribunals will be established to expedite recovery.

5. Urban Development

i. **Urban Housing**

Under the PM Awas Yojana Urban 2.0, housing needs of 10 million urban poor and middle-class families will be addressed with an investment of INR 10 trillion (~USD 120 billion). This will include central assistance of INR 2.2 trillion (~USD 27 billion) in the next five years. A provision for interest subsidy to facilitate loans at affordable rates is also envisaged.

ii. **Stamp Duty**

States levying high stamp duty will be encouraged to moderate the rates for all and further reduction in duties for properties purchased by women. This reform will be made an essential component of urban development schemes.

6. Energy Security

A scheme has been launched to install rooftop solar plants to enable 10 million households to obtain free electricity up to 300 units every month. The scheme has generated a remarkable response with more than 12 million registrations and 1.4 million applications.

7. Infrastructure

i. Infrastructure investment

- Significant investment in infrastructure is estimated to maintain strong fiscal support for infrastructure over the next five years. In conjunction with other priorities and fiscal consolidation an amount of INR 11 trillion (~USD 134 billion) equivalent to 3.4% of GDP has been allocated for such capital expenditure.

- A provision of INR 1.5 trillion (~USD 18 billion) for long-term interest free loans has been made to support the states in their resource allocation.

ii. Irrigation and Flood Mitigation

An Accelerated Irrigation Benefit Programme and other sources will provide financial support for projects with estimated cost of INR 115 billion (~USD 1.40 billion) along with new schemes including barrages, river pollution abatement and irrigation projects.

8. Innovation, Research & Development

It is proposed to operationalise the National Research Fund for basic research and prototype development. Further, a mechanism to spur private sector-driven research and innovation at a commercial scale with a financing pool of INR 1 trillion (~USD 12 billion) will be set up.

i. Space Economy

With a continued emphasis on expanding the space economy by five times in the next 10 years, a Venture Capital Fund ('VCF') of INR 10 billion (~USD 120 million) will be set up.

9. Next Generation Reforms

i. Economic Policy Framework

It is proposed to formulate an Economic Policy Framework to delineate the overarching approach to economic development and set the scope of the next generation of reforms for facilitating employment opportunities and sustaining high growth.

ii. Rural Land related actions

Rural land related actions will include

- assignment of Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands,
- digitisation of cadastral maps,
- survey of map sub-divisions as per current ownership,
- establishment of land registry, and
- linking to the farmers' registry.

iii. Urban Land related actions

Land records in urban areas will be digitised with GIS mapping. An IT based system for property record administration, updating and tax administration will be established. These will also facilitate improving the financial position of urban local bodies.

iv. **Variable Capital Company structure**

It is proposed to provide an efficient and flexible mode for financing leasing of aircrafts and ships, and pooled funds of private equity through a 'variable company structure'.

v. **Foreign Direct Investment and Overseas Investment**

The rules and regulations for FDI and OI will be simplified to–

- Facilitate foreign direct investments,
- Nudge prioritization
- Promote opportunities for using Indian Rupee as a currency for OI.

Key tax proposals

Direct taxes

This section summarises the significant direct tax proposals announced in Budget 2024-25. These proposals are subject to enactment of the Finance (No.2) Bill, 2024. Further, the direct tax proposals in the Finance (No.2) Bill, 2024 with effect from 1 April 2024 unless otherwise stated. References to sections are to sections in the Act unless otherwise stated.

I. Tax rates

1. Corporate tax

No amendments have been proposed in the rates of tax for domestic companies. The base rate of corporate tax applicable to foreign companies is proposed to be reduced from 40% to 35%.

2. Personal tax

The slab rates under the new tax regime are proposed to be revised as under:

Existing Income tax slabs	Existing Rates of Income tax	Proposed Income tax slabs	Proposed Rates of Income tax
Upto INR 300,000	NIL	Upto INR 300,000	Nil
INR 300,001 - INR 600,000	5%	INR 300,001 - INR 700,000	5%
INR 600,001 - INR 900,000	10%	INR 700,001 - INR 1,000,000	10%
INR 900,001 - INR 1,200,000	15%	INR 1,000,001 - INR 1,200,000	15%
INR 1,200,001 - INR 1,500,000	20%	INR 1,200,001 - INR 1,500,000	20%
Above INR 1,500,000	30%	Above INR 1,500,000	30%

3. Increase in Standard Deduction *[Section 16(ia)]*

It is proposed to increase standard deduction from INR 50,000 (~USD 600) to INR 75,000 (~USD 900) on salary income under the new tax regime.

II. Provisions relating to Non Residents and Transfer Pricing

1. Transfer Pricing Officer to determine Arm's Length Price for Specified Domestic Transactions in certain cases *[Section 92CA(2A)]*

i. It is proposed to expand the scope of the powers of the Transfer Pricing Officer ('TPO') to determine the Arm's Length Price of Specified Domestic Transactions that come to the notice of the TPO during the course of transfer pricing assessment.

2. Abolition of Equalisation Levy on certain e-commerce services *[Section 10(50)]*

i. It is proposed that the Equalisation Levy ('EL') of 2% will no longer apply to the consideration received or receivable for e-commerce supplies or services from 1 August 2024. Earlier, income subject to EL was exempt, subject to conditions.

ii. With the EL of 2% being abolished, it is proposed that the income from e-commerce supply or services provided or facilitated only between 1 April 2020 and 31 July 2024 will be exempt.

iii. The EL of 6% on digital advertising services continues to be applicable.

3. **Presumptive taxation regime for Non Residents engaged in the business of operation of cruise ships in India *[New Section 44BBC, Sections 44B and 10(15B)]***

i. It is proposed to compute the income of Non Residents engaged in the business of operation of cruise ships in India at 20% of the amount received or receivable or paid or payable on account of carriage of passengers.

ii. It is also proposed to exclude the income from operation of cruise ships from the scope of the presumptive income of Non Residents from shipping operations.

iii. It is further proposed to exempt rental income of a foreign company from leasing of cruise ships in India, received from a company paying tax under the above presumptive scheme, provided that the recipient company and the payer company are subsidiaries of the same holding company. The exemption shall be available up to FY 2029-30.

4. **Filing of statement by a Non Resident having a liaison office in India *[Section 285 and* New *Section 271GC]***

i. It is proposed to prescribe the time limit for filing the 'activities' statement by a Non Resident, having a liaison office in India by way of insertion of specified rules.

ii. On failure to furnish such statements, the following penalty is proposed to be levied:

a. INR 1,000 (~USD 12) per day for failure up to three months, or

b. INR 100,000 (~USD 1,200) in any other case.

III. Provisions relating to International Financial Services Centres

1. Finance companies located in International Financial Services Centres excluded from the scope of Section 94B *[Section 94B]*

i. It is proposed to provide a carve out for certain classes of Finance Companies located in an International Financial Services Centre (‘IFSC’) (being borrowers) from the scope of Thin Capitalisation Norms.

ii. Thin Capitalisation Norms restrict the deduction for interest expense exceeding INR 10 million (~ USD 120,000) on debt provided by a Non Resident Associated Enterprise, to 30% of the Earnings before Interest, Taxes, Depreciation and Amortisation.

2. **Exemption for specified income of Core Settlement Guarantee Fund set up by recognised clearing corporations in IFSC *[Section 10(23EE)]***

It is proposed to exempt specified income of a Core Settlement Guarantee Fund set up by recognised clearing corporations in an IFSC.

3. **Relaxation to establish the sources of credits by Venture Capital Funds in IFSC *[Section 10(23FB)]***

It is proposed that the sources of credits from VCFs in IFSCs are not required to be explained.

IV. Provisions relating to profits and gains of business or profession

1. **Taxability of income from letting out of a residential house *[Section 28]***

It is proposed to clarify that any income from letting out of a residential house or a part thereof by the owner shall be chargeable to tax under the head "Income from house property" and not under the head "Profits and gains of business or profession".

2. Deduction to the employer for contribution towards notified Pension Scheme *[Sections 36 and 80CCD]*

i. It is proposed to increase the deduction in respect of contribution to a notified Pension Scheme for employers to 14% of the employee's salary.

ii. It is also proposed to increase the deduction in respect of the employer's contribution to the employee's notified Pension Scheme account from 10% to 14% of the employee's salary, subject to the employee being taxed under the new tax regime.

3. Disallowance of expenditure incurred to settle proceedings *[Section 37]*

i. Section 37 allows a deduction for the expenditure incurred wholly and exclusively for the purpose of business or profession. However, no deduction is allowed for the expenditure incurred for any purpose which is an offence or which is prohibited by law.

ii. It is proposed to disallow the deduction for the expenditure incurred to settle proceedings initiated in relation to contravention under any law, as may be notified.

4. **Increase in the threshold for allowance of remuneration paid to a working partner as deduction *[Section 40(b)(v)]***

The threshold of remuneration paid to a working partner to be allowed as a deduction is proposed to be increased to INR 300,000 (~USD 3,600) from the existing limit of INR 150,000 (~USD 1,800). Correspondingly, the limit of book-profit is also proposed to be increased to INR 600,000 (~USD 7,200) from INR 300,000 (~USD 3,600).

5. **Deletion of the reference to National Housing Board *[Section 43D]***

i. The tax treatment for public companies earning income from interest on specific categories of bad or doubtful debts is in accordance with the prescribed guidelines issued by National Housing Board (‘NHB’).

ii. It is proposed to delete the reference to NHB, since with the amendment in the National Housing Act, 1987, it falls under the purview of the Reserve Bank of India as a category of Non-Banking Financial Companies (‘NBFCs’) and a separate provision already exists with respect to NBFCs.

6. Disallowance of certain expenditure to life insurance companies *[First Schedule]*

It is proposed that expenditure which is not admissible as a business deduction be added back to the profits and gains of the life insurance business under Rule 2 of the First Schedule of the Act.

V. Capital gains

1. Simplification of Capital Gains *[Sections 2(42A), 48, 111A, 112, 112A]*

i. In order to simplify the Capital gains tax regime, it is proposed to have only two holding periods to determine whether the capital gains are Short Term or Long Term i.e. 12 months for all listed securities and 24 months for all other assets including unlisted securities.

ii. It is proposed to increase the tax rate on Short Term Capital Gains ('STCG') on equity shares, units of a mutual fund and units of a business trust which are subject to Securities Transaction Tax ('STT') from 15% to 20%.

iii. It is proposed to provide a uniform tax rate of 12.5% on all Long Term Capital Gains as against the existing rates of 10% and 20% applicable to different categories of Long Term Capital Gains.

iv. It is further proposed to abolish the provision of indexation of cost in respect of Long Term Capital Assets.

v. It is also proposed to raise the tax exemption limit on Long Term Capital Gains on equity shares, units of a mutual fund and units of a business trust which are subject to STT from INR 100,000 (~USD 1,200) to INR 125,000 (~USD 1,500).

vi. The proposed amendments will be effective from 23 July 2024.

2. Taxability on buy-back of shares *[Sections 2(22), 46A and 57]*

i. It is proposed to tax the amount paid by a domestic company on buy-back of shares as deemed dividend in the hands of the shareholders.

ii. It is proposed to provide that no deduction shall be allowed against any amount paid by a domestic company on buy-back of shares which is now proposed to be taxed as deemed dividend in the hands of shareholders.

iii. It is further proposed that the value of consideration received by the shareholders on buy-back of shares shall be deemed to be NIL for the purpose of computation of capital gains, resulting in a capital loss.

iv. The shareholder will be eligible to set off the capital loss (equivalent to the cost of acquisition of shares) generated on such buy-back against capital gains earned, in accordance with the provisions of the Act.

v. The domestic company is required to withhold tax at applicable rates on the amount paid to shareholders on buy-back of shares.

vi. The proposed amendment will be effective from 1 October 2024.

3. Increase in the rate of tax on transfer of certain Long Term Capital Assets *[Sections 115AB, 115AC, 115ACA, 115AD, 115E, 196B and 196C]*

i. To bring parity of taxation between Residents and Non Residents, it is proposed to revise the rate of tax to 12.5% on transfer of the following long term capital assets:

a. Units acquired by an Offshore Fund in foreign currency

b. Bonds of an Indian company or Global Depository Receipts (‘GDRs’) acquired by a Non Resident in Foreign Currency

c. GDRs acquired by a resident individual in foreign currency

d. Securities transferred by a specified fund or a specified Foreign Institutional Investor

e. Certain assets transferred by a Non Resident Indian

ii. It is also proposed to amend the consequential Withholding Tax (‘WHT’) sections and provide for withholding taxes at 12.5% on the income arising due to the transfer of the above long term assets.

iii. The proposed amendments will be effective from 23 July 2024.

4. Capital gains transferred by way on gift, will or irrevocable trust *[Section 47]*

It is proposed to clarify that the transfer of a capital asset by way of a gift or a will or an irrevocable trust, executed only by an individual or a Hindu Undivided Family (‘HUF’), would not be treated as a transfer for the purpose of capital gains.

5. Taxation of unlisted bonds and debentures *[Section 50AA]*

i. It is proposed to tax capital gains from the transfer, redemption or maturity of unlisted bonds or debentures as STCG irrespective of the period of holding.

ii. The proposed amendment will be effective from 23 July 2024.

iii. It is further proposed to amend the definition of a Specified Mutual Fund to mean -

   a. a Mutual Fund which invests more than 65% of its total proceeds in debt and money market instruments; or

   b. a fund which invests 65% or more of its proceeds in the above-mentioned Mutual Fund.

VI. Withholding taxes

1. **Credit for Tax Collected at Source/Tax Deducted at Source against withholding tax on salary *[Section 192]***

   It is proposed to consider credit for Tax Collected at Source ('TCS') and any Tax Deducted at Source ('TDS') (other than TDS on salary) in computing tax required to be deducted at source on salary payments.

2. **Withholding tax on payments to contractors *[Section 194C]***

i. It is proposed to exclude payments covered under fees for professional or technical services from the purview of withholding taxes on payments to contractors.

ii. The proposed amendment will be effective from 1 October 2024.

3. Rationalisation of withholding tax rates

Withholding Tax ('WHT') rates on various payments to residents are proposed to be reduced as under:

Nature of payment	Existing rate	Proposed rate	Effective date of amendment
Insurance commission	5%	2%	1 April 2025
Payment in respect of Life insurance policies including bonus	5%	2%	1 October 2024
Commission on sale of lottery tickets	5%	2%	
Commission or brokerage	5%	2%	
Payment of rent exceeding specified threshold by individuals, HUFs, etc.	5%	2%	
Specified payments in the nature of contractual payments, commission, brokerage, fees for professional services	5%	2%	
Payments by e-commerce operators to e-commerce participants	1%	0.1%	
Payments on account of repurchase of units by a Mutual Fund or the Unit Trust of India	Proposed to be deleted		

4. **Clarification on threshold of consideration for transfer of an immovable property other than agricultural land *[Section 194-IA]***

i. It is clarified that the threshold for determining the applicability of withholding tax on consideration above INR 5 million (~USD 60,000) for transfer of immovable property shall be the aggregate of the amounts paid or payable by all the transferee/s to the transferor/s of immovable property [even though payment by an individual transferee may be less than INR 5 million (~USD 60,000)].

ii. The proposed amendment will be effective from 1 October 2024.

5. **Withholding tax on payments by a partnership firm to its partners *[New Section 194T]***

It is proposed that a partnership firm will be required to withhold tax at 10% on payments by way of salary, remuneration, commission, bonus and interest, exceeding INR 20,000 (~USD 240) to its partners during FY.

6. Certificate for lower or nil withholding tax on payments by specified buyer for purchase of goods *[Section 197]*

i. It is proposed to provide that an application for obtaining a lower or nil withholding tax certificate can be made by a resident seller for the payments to be received from a specified buyer for purchase of any goods of the value exceeding INR 5 million (~USD 60,000) in any FY.

ii. The proposed amendment will be effective from 1 October 2024.

7.* Inclusion of taxes withheld outside India for computation of total income *[Section 198]

It is proposed that the income tax withheld outside India, credit of which is claimed by the taxpayer against the tax payable in India, will be treated as income for computing the taxable income of the taxpayer.

8. Time limit to file revised TDS/TCS returns *[Sections 200 and 206C]*

In order to bring certainty and finality on the process of filing of TDS and TCS statements, it is proposed that TDS/TCS returns cannot be revised after six years from the end of the FY in which the original returns were required to be furnished.

9. Timelines for passing orders *[Sections 201 and 206C]*

i. It is proposed to have a uniform time limit for passing TDS/TCS orders in respect of TDS/TCS defaults, being the later of:

   a. 6 years from the end of the FY to which TDS/TCS pertains; or
   b. 2 years from the end of FY in which correction statement is furnished

ii. It is further proposed to extend the provisions to Non Resident payees.

10. Reduction in timeline for levying penalty on failure to furnish withholding tax returns *[Section 271H]*

It is proposed that no penalty shall be levied if a person submits the withholding tax return after depositing the withholding taxes along with fees and interest, within one month from the original due date of filing the withholding tax return. The previous time limit was one year.

11. **Relaxation in the provision for imprisonment on failure to make payment of withholding tax within the due date *[Section 276B]***

i. It is proposed to decriminalise the act of non-payment of withholding tax where such tax has been deposited on or before the time prescribed to file the withholding tax statement of the relevant quarter.

ii. The proposed amendment shall be effective from 1 October 2024.

VII. Other key proposals

1. **Abolition of Angel Tax *[Section 56(2)(viib)]***

i. Currently, if any consideration is received by an unlisted company on issue of shares to any person, at a price in excess of the Face Value of such shares, the consideration received in excess of the Fair Market Value of such shares, is taxable in the hands of the unlisted company.

ii. In order to promote investments in unlisted companies, it is proposed to abolish the aforesaid provision.

2. Return of income filed pursuant to an order passed by the Central Board of Direct Taxes *[Sections 139 and 153]*

i. It is proposed to provide that a Return of Income filed pursuant to a special or general order issued by the Central Board of Direct Taxes under Section 119 shall be considered as a return filed within the due date as per Section 139.

ii. A new provision is proposed to be added to provide for a timeline of 12 months from the end of the FY in which such return of income is filed for completing scrutiny.

3. Exclusion of specified persons from making a reference to the Dispute Resolution Panel *[Section 144C]*

It is proposed to provide that no reference will be allowed to the Dispute Resolution Panel (‘DRP’) for cases involving the scrutiny of undisclosed income as a result of search and for any scrutiny relating to undisclosed income of any other person.

4. Rationalisation of provisions relating to scrutiny and reopening *[Sections 148 to 153]*

i. It is proposed to revise the timelines for issuance of notice under Section 148 and Section 148A

Sr No	Particulars	Proposed timelines for Section 148	Proposed timelines for Section 148A
1	Income escaping assessment equals or exceeds INR 5 million (~USD 60,000)	6 years and 3 months from the end of the relevant FY	6 years from the end of the relevant FY
2	All other cases	4 years and 3 months from end of relevant FY	4 years from the end of the relevant FY

ii. It is proposed to include specific cases of survey conducted on or after 1 September 2024 in the list of 'information' in possession of the tax officer for initiation of reopening proceedings.

iii. It is proposed to remove the requirement to obtain a prior approval of the specified authority in all cases by the tax officer except in cases where information is collected under prescribed modes.

iv. It is proposed to appoint the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director as the specified authority for Section 148 and Section 148A with effect from 1 September 2024.

v. It is proposed to provide that reopening shall not be followed in cases where information is collected under prescribed modes.

vi. It is proposed to specify that the aforesaid provisions shall not apply in cases where any search, survey etc. has been carried out prior to 1 September 2024.

5. Enhancing the powers of Commissioner of Income-tax (Appeals) *[Section 251]*

i. It is proposed to empower the Commissioner of Income-tax (Appeals) to set aside the assessment order passed under a best judgement assessment under section 144 of the Act and refer the case back to the Tax Officer for making a fresh assessment.

ii. The proposed amendment will be effective from 1 October 2024.

6. Withholding of refund and interest payable on refund *[Sections 244A and 245]*

i. It is proposed to provide that the tax officer may withhold refund up to 60 days from the date of completion of the tax proceedings, if based on other tax proceedings, tax officer is of the opinion that the grant of refund is prejudicial to the interest of the Revenue.

ii. Consequently, it is now proposed to exclude the above referred period while determining additional interest on the refund to be granted.

iii. The proposed amendment will be effective from 1 October 2024.

7. Penalty for inaccurate details in the Statement of Financial Transactions or failure to comply with due diligence requirement *[Section 271FAA]*

It is proposed to levy a penalty of INR 50,000 (~USD 600) for furnishing inaccurate information in the Statement of Financial Transaction (‘SFT’) or failure to comply with due diligence requirements in the SFT.

8. No penalty leviable in certain cases *[Section 273B]*

i. It is proposed that no penalty shall be levied in cases of inaccurate furnishing of SFT and non-furnishing of SFT if the taxpayer proves that there was a reasonable cause. The proposed amendment will be effective from 1 October 2024.

ii. It is proposed that no penalty shall be levied for failure to furnish a statement for activities by liaison office, if a reasonable cause exists. The proposed amendment will be effective from 1 April 2025.

9. *Vivad Se Vishwas* Scheme

i. The Scheme is a voluntary dispute resolution mechanism introduced by the Government of India to expedite the resolution of pending tax disputes.

ii. The Scheme is proposed to be brought into force from a date to be notified by the Central Government.

iii. The following are eligible under the Scheme:

a. Where an appeal, writ petition or special leave petition has been filed before Income Tax Authorities and is pending as on 22 July 2024

b. Where objection before DRP is filed and directions against such objection have not been issued as on 22 July 2024
c. Where DRP has issued directions, but the tax officer has not passed any order as on 22 July 2024
d. Cases where application for revision of orders before the Commissioner (Appeals) has been filed and is pending as on 22 July 2024

iv. The scheme does not extend to the following cases:

a. Scrutiny arising from search operations conducted under the relevant provisions of the Act
b. Where prosecution proceedings have commenced prior to the filing of a declaration under the scheme
c. Disputes involving undisclosed foreign income or assets
d. Scrutiny or reopening based on information received from foreign jurisdictions
e. Where the taxpayer has been convicted under specified anti-corruption or economic offenses prior to the declaration date

v. The Scheme provides an option to the taxpayer to discharge disputed tax/interest/penalty demands at prescribed rates as under:

Category	Appeal Stage	Payment on or before 31 December 2024	Payment from 1 January 2025
Disputed Tax Appeal	Post 31 January 2020	100% of disputed tax	110% of disputed tax
Disputed Tax Appeal	Upto 31 January 2020	110% of disputed tax	120% of disputed tax
Other Appeal	Post 31 January 2020	25% of disputed interest/penalty/fee	30% of disputed interest/penalty/fee
Other Appeal	Upto 31 January 2020	30% of disputed interest/penalty/fee	35% of disputed interest/penalty/fee

Note: In certain cases, such as appeals filed by the Revenue or cases with favourable decisions in higher appellate fora, the payable amount will be reduced by 50%.

vi. Taxpayers who avail of the scheme will have to withdraw pending appeals and relinquish their right to pursue further legal remedies in relation to the settled dispute and shall have immunity from the relevant proceedings.

vii. In cases where the taxpayer has furnished false particulars or violates any condition or terms of declaration under the Scheme, all abated proceedings under the Act due to the declaration shall revive.

10. Amendments relating to Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

i. It is proposed that liabilities arising out of defaults under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 ('BMA') can be recovered out of assets seized by the tax authorities.

ii. It is proposed to include a reference to the liabilities under the BMA for the purposes of obtaining a tax clearance certificate by any person domiciled in India who plans to leave India.

iii. Currently, the BMA specifies a penalty of INR 1 million (~USD 12,000) on failure by an individual who is a Resident and Ordinarily Resident, to report the details of foreign income and assets located outside India, in the Return of Income, irrespective of the value of the foreign assets except for foreign bank accounts having aggregate balance not exceeding INR 0.5 million (~USD 6,000). It is proposed that the said penalty provisions shall not apply to assets (other than immovable property) where the aggregate value of such assets does not exceed INR 2 million (~USD 24,000).

iv. The proposed amendments will be effective from 1 October 2024.

Indirect taxes

This section summarizes some of the significant indirect tax proposals announced in Budget 2024-25.

I. Customs Duty

i. A comprehensive review of the Customs Tariff rate structure is proposed over the next six months to rationalise and simplify rates to enable ease of trade, removal of duty inversion and reduction of disputes.

ii. A comprehensive review of the exemptions and concessional rates is also proposed. From a total of existing 184 conditional exemptions/concessional rates, 30 are proposed to be extended up to 31 March 2029, 126 up to 31 March 2026 while 28 are proposed to be discontinued from 30 September 2024.

iii. Certain items for which Customs Tariff rates are proposed to be increased with effect from 24 July 2024 are as follows:

Name of Item	Existing rate	Proposed rate
PVC Flex Banners or Sheets	10%	25%
Garden Umbrellas	20%	20% or INR 60 (~USD 0.70) per piece, whichever is higher
Specified Laboratory Chemicals	10%	150%

iv. Certain items for which Basic Customs Duty ('BCD') rates are proposed to be amended from 24 July 2024 are as follows:

Name of Item	Existing rate	Proposed rate
Cellular mobile phone, Charger/Adapter of cellular mobile phone and PCBA thereof	20%	15%
Gold and Silver bars	15%	6%
Glod and Silver dore	14.35%	5.35%
Platinum	15.4%	6.4%
Ferro Nickel	2.5%	Nil

Ferrous Scrap	NIL (till 30 September 2024)	NIL (till 31 March 2026)
Copper ores and concentrates	2.5%	Nil
Tin ores and concentrates	2.5%	Nil
Solar glass for manufacture of solar cells or solar modules	NIL	10% (w.e.f.1.10.2024)
Blister Copper	5%	Nil
Specified Critical Minerals	2.5% to 10%	Nil
Polyethylene, Stainless steel, titanium and cobalt chrome alloys for use in the manufacture of orthopaedic implants and other body parts	Varying rates	Nil
Specified Cancer Drugs	10%	Nil
Specified capital goods for use in manufacture of solar cells or solar modules	7.5%	Nil
X Ray tubes, Flat Panel detectors for use in manufacture of Medical, surgical, dental and veterinary X Ray machines	15 %	5% till 31 March 2025 and 7.5% from 1 April 2025
Prawn and Shrimps Feed, Fish Feed	15%	5%

v. Consequent to rationalisation of the BCD rate structure, certain specified critical minerals are exempted from Social Welfare Surcharge with effect from 24 July 2024.

vi. Agriculture Infrastructure and Development Cess on certain specified items is being reduced with effect from 24 July 2024, consequent to change in the effective rate of customs duty. A few such items are gold bars and gold dore, silver bars and silver dore, platinum, coins of precious metals.

II. Excise Duty

i. It is proposed to extend the time period for submission of the final Mega Power Project certificate from 120 months to 156 months.

ii. An exemption from Clean Environment Cess is proposed on excisable goods lying in stock as on 30 June 2017 subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1 July 2017.

III. Goods and Services Tax

The following amendments in the Central Goods and Service Tax ('CGST') Act, 2017 will come into effect from a date to be notified, unless otherwise specified:

i. A new provision is proposed to be introduced empowering the government to regularise non levy or short levy of central tax as a result of general practice.

ii. The time limit to claim Input Tax Credit ('ITC') in respect of any invoice or debit note for FY 2017-18 to 2020-21 through return in GSTR-3B is proposed to be relaxed upto 30 November 2021. This proposed amendment will have retrospective effective from 1 July 2017.

iii. The provisions relating to blocked ITC are proposed to be amended to restrict ITC in respect of tax paid in cases of wrong availment or utilisation by reason of fraud for demands raised up to FY 2023-24.

iv. The provisions relating to refund of tax are proposed to be amended to provide that no refund of unutilized ITC or of integrated tax shall be allowed in case of export of goods which are subject to export duty.

v. Introduction of new provision for issuance of notices

a. Common time limit for issuance of demand notices and orders in respect of demands for FY 2024-25 onwards irrespective of whether or not the charges of fraud, suppression of facts or wilful misstatement are invoked

b. Notice to be issued within 42 months from due date of filing Annual Return of the relevant FY

c. Order to be issued within 12 months of issuance of notice (further extendable by six months)

vi. It is proposed to amend Schedule III of the CGST Act to provide that the apportionment of co-insurance premium by the lead insurer to the co-insurer in coinsurance agreements and the services by the insurer to the reinsurer in respect of reinsurance or ceding commission shall be neither supply of goods nor supply of services, subject to certain conditions.

vii. A new provision is proposed to be introduced providing for a conditional waiver of interest and penalty in respect of demands pertaining to FY 2017-18 to 2019-20 in cases of erroneous refund of tax, wrong availment/utilisation of input tax credit for reasons other than fraud, wilful misstatement or suppression of facts. This is subject to the payment of the full tax liability by the taxpayer before a specified date which will be notified.

viii. It is proposed to provide for time of supply of services where the invoice is to be issued by the recipient of services under the reverse charge mechanism.

ix. It is proposed to provide for mandatory filing of TDS returns by deductor on a monthly basis even in case of no deduction of tax.

x. It is proposed to empower the government to notify the Goods and Service Tax ('GST') Appellate Tribunal to handle anti-profiteering cases and also to notify a cut-off date beyond which the Authority for anti-profiteering shall not accept such applications.

xi. It is proposed to restrict the maximum aggregate amount of pre-deposit under CGST/IGST required for filing appeals before the Appellate Authority/Appellate Tribunals from varying amounts to INR 400 million (~USD 4.80 million). Further, the time limit for filing appeals before the Appellate Authority is being modified with effect from 1 August 2024 to avoid appeals from getting time barred on account of non-operation of the Appellate Tribunal.

Abbreviations

BCD	: Basic Customs Duty	ITC	: Input Tax Credit
BMA	: Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015	MSMEs	: Micro, Small and Medium Enterprises
CGST	: Central Goods and Service Tax	NBFCs	: Non-Banking Financial Companies
CSR	: Corporate Social Responsibility	NHB	: National Housing Board
DPI	: Digital Public Infrastructure	OI	: Overseas Investment
DRP	: Dispute Resolution Panel	PPP	: Public-Private Partnership
EL	: Equalisation Levy	SFT	: Statement of Financial Transactions
EPFO	: Employees Provident Fund Organisation	STCG	: Short Term Capital Gains

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FDI : Foreign Direct Investment

FY : Financial Year

GDP : Gross Domestic Product

GDRs : Global Depository Receipts

GST : Goods and Services Tax

HUF : Hindu Undivided Family

IFSC : International Financial Services centre

INR : Indian Rupee

STT : Securities Transaction Tax

TCS : Tax Collected at Source

TDS : Tax Deducted at Source

TPO : Transfer pricing officer

The Act : The Income-tax Act,1961

VCF : Venture Capital Fund

USD : United States Dollar

WHT : Withholding Tax

About JMP Advisors

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