India *Interim* Budget

Date: 1 February 2024

The Finance Minister ('FM') presented her sixth consecutive budget, the last fiscal budget of the Modi 2.0 Government ahead of the Parliamentary Elections in 2024.

As expected, the Interim Budget is devoid of any spectacular announcements. The fiscal deficit for FY 2023-24 is estimated at 5.8%, improving on the Budget estimate. The Government has continued its strategic steer towards inclusive development and growth while adhering to the path of bringing the fiscal deficit below 4.5% by 2025-26. The FM announced targeted measures aimed at bolstering priority sectors: farmers, women, the poor and the youth.

The team at JMP Advisors is pleased to summarise the key policy and tax proposals announced in the Interim Budget 2024-25. The tax proposals are subject to enactment of the Finance Bill, 2024.

➢ Key Policy Announcements

The Interim Budget envisions a 'Viksit Bharat' – a prosperous Bharat in harmony with nature, with modern infrastructure and providing opportunities for all citizens and regions.

1. The **capital expenditure outlay** for infrastructure is increased by 11.1% to INR 11.11 Tn (~USD 134 Bn), which is 3.4% of the GDP.

2. A **corpus for research and innovation** of INR One Tn (~USD 12 Bn) will be established with a fifty-year interest-free loan. The corpus will provide long-term financing at low/nil interest rates to encourage the private sector to scale up research and innovation in sunrise domains.

3. Through **rooftop solarization,** 10 mn households will be enabled to obtain up to 300 units free electricity every month.

4. 3 **major economic railway corridor programmes** will be implemented: energy, mineral and cement corridors, port connectivity corridors and high traffic density corridors.

5. Towards the Government's commitment to **Green Energy** - 'net-zero' by 2070, measures will be undertaken for coal gasification and liquefaction and mandatory blending of compressed biogas in CNG in a phased manner.

6. The **electric-vehicle ecosystem** will be strengthened by supporting manufacturing and charging infrastructure.

7. Long-term interest-free loans will be provided to the State Governments on a matching basis, for financing the development of iconic tourist centres and marketing them on a global scale. To address the emerging fervour for domestic tourism, projects for port connectivity, **tourism infrastructure** and amenities will be taken up.

8. A provision of INR 750 Bn(~USD 9 Bn) as fifty-year **interest-free loans** is proposed to support milestone-linked reforms by the State Governments.

9. A **high-powered committee** will be formed for an extensive consideration of the challenges arising from fast population growth and demographic changes.

10. It is proposed to waive **small income-tax demands,** which will benefit 10 million taxpayers. Outstanding tax demands up to INR 25,000 (~USD 300) for FYs upto FY 2009-10 and outstanding tax demands up to INR 10,000 (~USD 120) for FYs 2010-11 to 2014-15 are proposed to be waived.

➢ Tax Proposals

1. There is no change proposed in tax rates for taxpayers.

2. The Ministry of Finance had proposed relaxations in the Tax Collected at Source ('TCS') rates concerning Liberalised Remittance Scheme ('LRS') transactions and the sale of overseas tour packages vide press release dated 28 June 2023. The Finance Bill, 2024 proposes to amend Section 206C(1G) to align it with the press release on the scope and rate of TCS. The TCS rates for LRS transactions and sale of overseas tour packages are summarised as under:

SN	Particulars	Tax Rates	
		Threshold Upto INR 0.7 mn (~USD 8,500)	Threshold above INR 0.7 mn (~USD 8,500)
1	LRS transactions for education financed by loan	Nil	0.5%
2	LRS transactions for medical treatment/education (other than SN 1 above)	Nil	5%
3	LRS transaction for purposes (other than SN 1 & 2)	Nil	20%
4	Purchase of overseas tour program package	5%	20%

3. It is proposed to extend the timeline from 31 March 2024 to 31 March 2025 for certain tax benefits available to start-ups, investments made by sovereign wealth or pension funds and certain incomes of some International Financial Services Centre units.

4. It is proposed to extend the timeline from 31 March 2024 to 31 March 2025 for the Government to issue directions to provide greater efficiency, transparency and accountability for determination of the arm's length price**,** issuance of directions by Dispute Resolution Panel and appeals to Income Tax Appellate Tribunal.

5. There is no proposal to extend the timeline i.e. 31 March 2024 for new domestic manufacturing companies and new manufacturing cooperative societies for commencement of manufacturing.

6. The definition of Input Service Distributor is proposed to be amended to rationalise the mechanism relating to distribution of Input Tax Credit by organisations operating under multiple GST registrations but sharing a common Permanent Account Number.

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