

J P Chawla & Co. LLP

UNION BUDGET

2024-25

Economic stimulus, fiscal reforms, sectoral growth initiatives unveiled.





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FOREWORD

Richa Juneja

MANAGING PARTNER



As per the provisional estimates of national income for FY 2023-24 published by the National Statistical Office, India's real and nominal GDP growth has been pegged at 8.2 per cent and 9.6 per cent, respectively, in FY 2023-24.

Inflationary pressures have moderated in FY 2023-24, with average retail inflation easing to 5.4 percent compared to 6.7 per cent in FY 2022-23.

India's merchandise exports witnessed a contraction to USD 437.1 billion in FY 2023-24, mainly on account of the lower value realised for petroleum products. The value of merchandise imports also declined from USD 716 billion in FY 2022-23 to USD 677.2 billion in FY 2023-24.

India's services exports grew by 4.9 per cent to USD 341.1 billion in FY 2023-24 whereas the services imports declined by 2 per cent to USD 178.3 billion in FY 2023-24. This led to net surplus in India's service trade of USD 162.8 billion in FY 2023-24.

There was an increase in India's foreign exchange reserves during FY 2023-24. Foreign exchange reserves stood at USD 646.4 billion at the end of March 2024, higher than USD 578.4 billion at the end of March 2023. The Indian rupee depreciated by 1.2 per cent against the US dollar from April 2023 to March 2024. The INR also depreciated against the Pound Sterling and Euro by 3.4 per cent and 0.4 per cent, while it appreciated against the Japanese Yen by 10.7 per cent during the same period.

Amid buoyant economic performance and a favorable investment climate, primary markets remained robust during FY 2023-24. Fund mobilization through equity, debt, and hybrid modes increased by 24.9 per cent, 12.1 per cent and 513.6 per cent, respectively, in FY 2023-24. The Indian stock market has seen a remarkable surge over the years and India became fifth in the world by market capitalisation in FY 2023-24.

In line with the strategy set out in the interim budget, this budget envisages sustained efforts on the following 9 priorities for generating ample opportunities for all :

1. Productivity and resilience in Agriculture
2. Employment & Skilling
3. Inclusive Human Resource Development and Social Justice
4. Manufacturing & Services
5. Urban Development
6. Energy Security
7. Infrastructure
8. Innovation, Research & Development and
9. Next Generation Reforms

There are many changes which have been made in Direct taxes which include :

- » Proposal to comprehensively review Indian Income tax act in next 6 months
- » Although there is no change in corporate tax but corporate tax rate for foreign entity has been reduced to 35%
- » Tax slabs for individuals have been changed in new regime , Standard deduction have been increased to 75,000 and tax savings is expected to be approximate INR 17,500
- » Equalization Levy withdrawn
- » Buyback of shares has been made taxable
- » Change in capital gain regime through change in holding period and increase in capital gain tax
- » TDS rates have rationalised, and prosecution removed if TDS is deposited till due date of tax returns
- » Direct tax Dispute resolution scheme for backlogs introduced, period of reassessment proceedings in certain cases reduced, limits for appeal filing have been increased
- » Safe harbor in transfer pricing expanded and assessment procedure streamlined
- » Security transaction tax rate increased to 0.1 % in Options and .02% in futures
- » Pension scheme contribution deduction for employers increased to 14% of employee salary

The aviation sector has been galvanized in the past ten years. Number of airports have doubled to 149. Roll out of air connectivity to tier-two and tier-three cities under UDAN scheme has been widespread.

- » Same limitation period for issuing demand notices and orders in respect of demands from the Financial Year 2024-25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not.
- » Authorized representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.
- » Proposal to insert provision to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.
- » Amnesty scheme provision notified for tax period 2018-20
- » ITC for 2018-21 allowed to be availed for returns filed till 30th November 2021
- » ITC of GST paid on reverse charge to be claimed based on year in which the recipient issues self-invoice, timelines specified for self invoice

- » Time limit for filing appeals before appellate tribunals modified to avoid appeals from getting time barred due GSTAT not being in operations.
- » Pre-Deposit maximum limit reduced for appeals before Appellate Authority / Appellate Tribunal
- » Custom duty structure to be revamped in next six months
- » Self certification to align with new trade agreements
- » Time limit for MRO of ships and aircraft increased under MRO scheme from 6 months to 1 year
- » Import period without duty for goods under warranty increased from 3 to 5 years
- » Basic Custom duty reduced on Mobiles
- » -List of imported exempt capital goods in renewable energy sector expanded

Overall, there has been upward revision of growth forecast for India by major international organizations, including IMF, World Bank, and Organisation for Economic Cooperation and Development, which underscores the country's macroeconomic strength and strong growth prospects. As per the projections of WEO database of IMF, India is likely to become the third-largest economy in 2027.

Please Note:

-This budget has been prepared as a knowledge document, does not constitute an advertisement of any manner and is for private circulation only.

-Contribution of J P Chawla & Co. LLP's team members: Mr. J.P. Chawla, Mr. Ankit Vyas, Mr. Vipin Sharma and Ms. Vinita Chandra for preparation of this comprehensive budget document is highly appreciated and acknowledged with thanks.

Hope you enjoy reading our analysis of Final Budget 2024.

Happy reading!!

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The background features a world map in shades of blue and orange, a calculator with blue and white keys, a bar chart with vertical bars of varying heights, and a pair of glasses. The text is centered on a white rounded rectangle.

ECONOMIC OUTLOOK

7% GDP GROWTH



OVERVIEW

Over the past decade, India has demonstrated remarkable resilience, navigating multiple global crises with a deftly crafted recovery strategy. The government's approach, focused on addressing citizens' concerns while sustaining growth, has been underpinned by a series of structural reforms. India's institutional strength has often played a pivotal role in overcoming challenges.

The structural reforms initiated by the Government of India have positioned the economy on a robust growth trajectory. The IMF's April 2024 World Economic Outlook forecasts India's growth rate for 2024-25 at 6.8%, up from 6.5%, driven by strong domestic demand and a growing working-age population, making India the fastest-growing G20 economy. As India transitions from a low-income to a low-middle-income country, aspirations rise, necessitating continuous evolution in knowledge and attitudes to meet new expectations.

To ensure sustainable and inclusive growth, a six-pronged strategy is essential. This includes organic capital formation in the private sector, financing the green transition through public-private partnerships, supporting MSMEs with deregulation and enhanced connectivity, leveraging agriculture for growth, aligning education and skill policies, and enhancing state capacity. These strategies build on previous reforms like strengthening the banking system and implementing the Goods and Services Tax, aiming to drive India towards its vision of Viksit Bharat @2047, where collective efforts and citizen participation are crucial for success.

ECONOMIC GROWTH

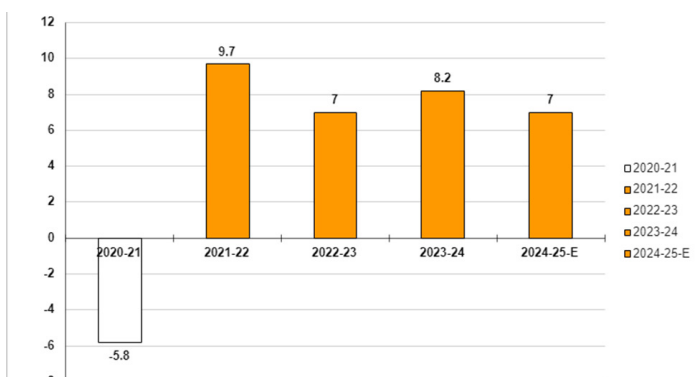
The Indian economy has shown a remarkable recovery from the pandemic, with its real GDP in FY24 being 20% higher than pre-COVID levels in FY20. This translates to a Compound Annual Growth Rate (CAGR) of 4.6% from FY20, despite a significant 5.8% decline in FY21 due to the pandemic. By Q4FY24, India's GDP level is almost back to its pre-pandemic trajectory. During the decade ending FY20, India grew at an average annual rate of 6.6%, highlighting the economy's long-term growth potential.

The International Monetary Fund (IMF) projects the global economy to grow at 3.2% in 2024, with risks being broadly balanced. Average global growth was 3.7% during the decade ending FY20. While inflationary pressures have eased in most economies due to declining global commodity prices and reduced supply chain pressures, core inflation remains high, driven by service sector inflation. Many central banks have indicated that the interest rate hike cycle is peaking, with the European Central Bank (ECB) already cutting policy rates and the Federal Reserve hinting at a rate reduction in 2024. If service inflation moderates faster, central banks may ease monetary policy sooner, lowering the cost of capital for Emerging Market Economies (EMEs).



However, geopolitical conflicts in 2024 could disrupt supply chains, increase commodity prices, and stall monetary policy easing, potentially affecting capital flows and influencing the Reserve Bank of India's (RBI) stance. The global trade outlook for 2024 is positive, with merchandise trade expected to rebound after contracting in 2023. Despite slower hiring in the IT sector in FY24, there is potential for growth in exports of business, consultancy, and IT-enabled services. The RBI has kept interest rates unchanged, with anticipated easing delayed due to persistent core inflation.

Domestic growth drivers supported economic growth in FY24 despite global uncertainties. Improved private sector balance sheets will cater to strong investment demand, although private capital formation may become cautious due to fears of cheaper imports from countries with excess capacity. Merchandise and services exports are likely to increase, supported by a normal rainfall forecast and a satisfactory monsoon, which will boost the agriculture sector and rural demand. Structural reforms such as GST and IBC are delivering results, and the Survey projects a conservative real GDP growth of 6.5–7% for FY25, with balanced risks.



MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

India's financial industry has shown significant progress over the years. Domestic credit to the private sector as a percentage of GDP increased from 50.6% in 2010 to 54.7% in 2021. Both gross and net NPAs of SCBs have been declining, with improvements in CRAR, RoA, and RoE. Despite geopolitical uncertainties, India's stock markets have remained stable.

As banks, non-banks, and corporates managed balance-sheet excesses from the credit boom and bust of the early 2000s, the financial industry continued to promote inclusion and deepening. With India aiming to become a developed country by 2047, reducing global financial intermediation costs is essential. India has made strides here, contributing to its resilient post-Covid economic recovery, though more efforts are needed to achieve global financial leadership.

The future of India's financial sector looks promising. The vision for 2047 includes a competitive banking sector, universal financial access, low intermediation costs, and efficient credit and equity funding. India's financial sector must support capital formation and promote MSMEs while providing insurance and retirement security. Currently, insurance and pension assets in GDP are 19% and 5%, respectively, compared to much higher rates in the USA and the UK, indicating room for improvement.



Looking ahead, advancements in AI/ML, Decentralised Finance, and IoT could revolutionize the digital payments ecosystem. India's goal is to become a leading fintech nation with widespread adoption. Efforts should focus on data-based lending, particularly for small businesses, and continuously reviewing regulations to align with global best practices. Customer-centricity is crucial for achieving these objectives.

India's financial sector is at a pivotal moment. The shift from banking-dominated credit to a capital market-driven system is a long-awaited development. However, reliance on capital markets brings challenges that require careful regulatory and policy interventions.

PRICES

The RBI and the IMF project that India's consumer price inflation will gradually align with the inflation target by FY26. Assuming normal monsoon conditions and no external or policy shocks, the RBI forecasts headline inflation at 4.5% for FY25 and 4.1% for FY26. The IMF anticipates an inflation rate of 4.6% in 2024 and 4.2% in 2025 for India.

The World Bank predicts that global commodity supply and demand will rise due to improved industrial activity and trade growth, with a projected 3% decline in the commodity price index in 2024 and a 4% decrease in 2025. This decrease is driven by lower energy, food, and fertilizer prices. The energy price index is expected to fall due to significant declines in coal and natural gas prices, while fertilizer prices will likely weaken but remain above 2015-2019 levels. Base metal prices are expected to rise, reflecting increased global

industrial activity and clean energy production. The current decline in commodity prices imported by India positively impacts the domestic inflation outlook.

In the short term, India's inflation outlook is benign. However, for long-term price stability, it is crucial to increase the production of major oilseeds, expand the scope of the National Mission on Edible Oils, and promote pulse cultivation in more districts. Improving storage and processing facilities for vegetables and linking high-frequency price monitoring data are essential steps to ensure price stability and swift government action.

EXTERNAL SECTOR

India's merchandise exports faced challenges from geopolitical tensions in FY24, but lower international commodity prices helped reduce the trade deficit compared to FY23. With a narrowing merchandise trade deficit and rising service exports, India's Current Account Deficit (CAD) ended in a surplus of 0.6% of GDP in Q4 FY24. Looking ahead, India's trade deficit is expected to decline further due to the expansion of the Production Linked Incentive (PLI) scheme and efforts to build a competitive manufacturing base. Additionally, recent Free Trade Agreements (FTAs) are anticipated to enhance India's export market share, with international agencies and the RBI projecting a CAD to GDP ratio below 1% for FY24.

However, risks remain due to persistent geopolitical tensions and policy uncertainty. Challenges include decreased demand from major trading partners, rising trade costs from disruptions in major shipping routes,



commodity price volatility, and changing trade policies. Rising protectionism and increasing export restrictions also pose risks.

India's focus on manufacturing through schemes like PLI and enhancing its service sector will be crucial. Initiatives such as the International North-South Transport Corridor (INSTC) and India-Middle East-Europe Corridor (IMEC) aim to improve logistics and trade efficiency. Strengthening regional trade ties and focusing on product quality and safety will be essential for India to navigate these challenges and boost its export potential.

CLIMATE CHANGE AND ENERGY TRANSITION

As India strives to meet its ambitious growth targets, it faces the dual challenge of fulfilling energy demands while reducing carbon emissions. The Government prioritizes access to sustainable and clean energy, recognizing the crucial link between energy consumption and various social indicators. Non-fossil fuel sources are essential to India's Nationally Determined Contributions (NDCs) and Net Zero commitments. However, integrating these sources comes with challenges, including the intermittency of renewables, nuclear and solar panel waste management, and the impact of biofuel production on food security.

To ensure energy security and align with evolving NDC targets, India must diversify its energy sources. This approach minimizes risks and supports low-emission pathways consistent with national commitments.

Incorporating renewables, nuclear energy, and biofuels is crucial, alongside maintaining thermal power, particularly coal-based plants, for base-load support. In the short to medium term, adopting clean coal technologies is vital. Initiatives like the Coal Gasification Mission, Coal Bed Methane extraction, and Carbon Capture and Storage (CCS) are necessary to reduce emissions and enhance sustainability.

India's renewable energy growth is impressive, with solar capacity increasing over 25 times from 2014 to 2023. However, large-scale renewable integration presents risks such as intermittency and grid stability. Supplementing renewables with nuclear, biofuels, and hydrogen is essential. Furthermore, to avoid high import dependency for solar panels and critical minerals, India must continue to diversify its energy sources, including green hydrogen and small modular reactors, to ensure a sustainable energy future.

SOCIAL SECTOR

The Indian economy is advancing with a reformed approach to welfare, emphasizing empowerment, service delivery efficiency, and the involvement of the private sector and civil society. Ensuring the provision of basic necessities is recognized as essential for the productive participation of all citizens, crucial for sustained medium-term growth. Digitization of healthcare, education, and governance is enhancing the efficiency of welfare programs.

The education sector is undergoing a significant transformation led by the NEP 2020, aimed at achieving foundational literacy and numeracy for every child by third grade. Addressing learning outcomes and

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ECONOMIC OUTLOOK

Current State of Indian Economy

mitigating COVID-induced learning loss is urgent. In healthcare, Ayushman Bharat is saving lives and preventing debt traps. Mental health and well-being require destigmatization, community participation, and specialized resources, especially in the digital age.

Women-led development is driven by their social, economic, and political empowerment through policy and social change. There is a need to enhance women's asset ownership, which promises significant fairness and economic benefits.

Improving rural quality of life is supported by various programs. The self-help movement has expanded, and rural enterprises can benefit from the Rural Self Employment Training Institutes (RSETI) as skill development hubs. Effective governance and unity of purpose are crucial for successful implementation and maximization of social program outcomes.

EMPLOYMENT

The employment landscape in India has significantly improved over the past decade, marked by advancements in formalisation, skill development, entrepreneurship, industry diversification, and inclusive growth. These trends, coupled with the nation's focus on technological advancement and infrastructure development, have made India a dynamic and resilient player in the global job market. The government is dedicated to fostering an ecosystem that promotes ease of doing business, reduces logistical costs, enhances skill development, and facilitates easy credit

for entrepreneurship. This approach, though gradual in yielding results, aims for sustainable employment creation nationwide.

However, challenges persist, such as formalising a large workforce, generating jobs in sectors that can absorb workers transitioning from agriculture, and ensuring social security benefits for regular wage/salaried employees, with 53% currently not receiving any benefits. State governments can support this by easing compliance burdens and reforming land laws to align with development priorities.

The agro-processing sector presents significant potential for job creation, especially for rural youth and women, as evidenced by success stories like the Sahyadri farmer producer company. Additionally, the evolving global employment landscape, influenced by AI, necessitates India's investment in research and strategic direction to ensure shared prosperity. The development of affordable and reliable care infrastructure is crucial for increasing female participation in the workforce.

Ultimately, job creation is driven by the private sector. With profitability at a 15-year high, businesses must balance capital and labour deployment, ensuring fair income shares and responsible employment generation to maintain social stability. Addressing skilling through market-based solutions and removing regulatory hurdles can further enhance workforce productivity, requiring joint efforts from both government and the private sector.



AGRICULTURE

The performance of the agriculture sector is crucial for economic growth, achieving an average growth rate of 4.18% over the last five years. The rising importance of allied sectors like animal husbandry, dairying, and fisheries highlights the need to focus on these areas to boost farmers' incomes. Smallholder farmers need to shift to high-value agriculture, such as fruits, vegetables, fisheries, poultry, dairy, and buffalo meat, to enhance their earnings. Increased incomes for smallholders can stimulate demand for manufactured goods, potentially igniting a manufacturing revolution similar to China's experience between 1978 and 1984.

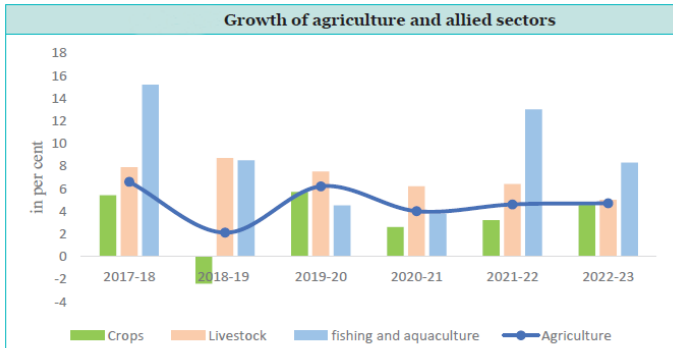
foster sustainable agricultural practices and enhance farm incomes.

Private sector investment is vital for the agriculture sector, necessitating advancements in technology, production methods, marketing infrastructure, and post-harvest loss reduction. Enhancing post-harvest infrastructure and developing the food processing sector can reduce wastage and ensure better prices for farmers. Improving market infrastructure through E-NAM, promoting Farmer Producer Organizations (FPOs), and allowing cooperatives in agri-marketing can improve price discovery and incentivize states to modernize agricultural marketing. Financial incentives from the 15th Finance Commission could support these interventions.

INDUSTRY

Over the past decade, there has been a significant shift in output shares among industrial segments. Sectors like chemicals, wood products, pharmaceuticals, transport equipment, steel, and machinery have gained prominence, serving as crucial industrial intermediates and consumer goods. Conversely, sectors such as textiles, food products, beverages, tobacco, petroleum products, and leather have seen a decline in their relative positions.

Export-import balances have varied widely, with industries like steel, pharmaceuticals, and automobiles consistently being major net exporters. However, there



Source: National Statistical Office (NSO) M/o Statistics & PI

Promoting crop diversification towards oilseeds, pulses, and horticulture requires addressing key issues such as investment in agri-infrastructure, credit accessibility, and market institutions. The Minimum Support Price (MSP) has encouraged crop diversification, positively impacting retail prices, especially for crops like paddy and wheat. Efforts should focus on aligning production patterns with agro-climatic conditions and natural resources. Research, development, and digital technologies, alongside improvements in seed quality and promotion of organic and natural farming, can



remains a significant import dependency in key sectors like coal, capital goods, and chemicals.

The medium-term outlook for capital goods and key construction inputs like steel and cement is positive, reflecting a surge in private sector capital formation. Yet, global uncertainties pose challenges to export demand and the domestic cost of production due to reliance on critical imported inputs.

Government initiatives aimed at improving ease of doing business, reducing compliance burdens, and alleviating logistical bottlenecks have shown promise. The Production-Linked Incentive (PLI) schemes have attracted substantial investments, boosted production and exports, and generated jobs, especially in the white goods sector. Further industrialization in India hinges on deregulation, incentivizing R&D, and enhancing workforce skills through industry-academia collaboration.

For MSMEs, addressing supply chain management, market access, and formalization issues is crucial. Focused policy initiatives and cooperative federalism can support MSME development, financing, and compliance easing. Upgrading industrial statistics will aid in more effective policymaking by reflecting changes in India's manufacturing landscape and providing detailed insights into production, employment, and financial flows.

SERVICES

Historically, India's services sector has thrived on low-cost offerings. The digitisation of services, coupled with policy changes, transformed service delivery, a trend accelerated post-pandemic. Contact-intensive services like trade, transport, and real estate are recovering, now incorporating more technology and digital content. Additionally, India's services exports are diversifying beyond software to include HR, legal, and design services. Two significant transformations are reshaping India's services landscape: rapid technology-driven domestic service delivery and the diversification of services exports. Domestically, start-ups drive innovation, improving access to credit and markets. Technology start-ups are digitising manufacturing and other services, increasing the embedded service content of economic activities. As India aims to create millions of jobs by 2030, it is crucial to meet the emerging job demands with greater, more focused skills in areas like AI, big data, and cybersecurity. Sustaining positive demand trends and managing rising costs and competitive pressures will be critical for the services sector's growth and resilience.





INFRASTRUCTURE

In the past decade, India has witnessed transformative changes in its infrastructure landscape, marked by significant improvements in road, rail, and air connectivity, as well as sanitation and digital infrastructure. This growth has been primarily driven by the public sector. According to the Infrastructure Monitor 2023 by the Global Infrastructure Hub and the World Bank, the Central and State Governments accounted for 49% and 29% of total investments between fiscal years 2019 and 2023, respectively, while the private sector contributed 22%.

For sustained infrastructure development, increasing private sector investment and exploring new funding sources is crucial. This requires robust policy and institutional support from all levels of government. Internationally, sub-national initiatives like pooled financing for municipal projects and asset recycling programs have successfully mobilized resources for infrastructure.

CLIMATE CHANGE AND INDIA

Thahraav (Bgjko) or Settlement/Contentment, grounded in Equanimity, is crucial yet elusive in modern life. It's not about stoppage or compromise but the confidence to maintain internal stability amidst external change. This inner contentment allows individuals to stop incessantly seeking more, unlike today's consumption-driven culture where even family activities have become individual pursuits, exemplified by the transition from communal television watching

to personal devices. This shift leads to overconsumption and increasing waste. According to IFC, the world generates over 2 billion tons of municipal solid waste annually, with a 70% increase expected by 2050.

Rebuilding societies with equanimity fosters acceptance and better human relations, leading to cohesive families and sustainable social impacts. Economic growth and material choices should not disconnect us from nature. Thus, the global climate change movement must balance sovereign choices with individual behavioral changes for genuine sustainability.

CONCLUSION

The Indian economy has shown robust growth, expanding by 8.2% in real terms in FY24, following strong performances of 9.7% and 7.0% in the preceding two years. In April, the new financial year began, and in June, the National Democratic Alliance government, led by Prime Minister Narendra Modi, began its historic third term with a renewed mandate. This continuity signals stability in both political and policy arenas.





Despite geopolitical challenges, the economy remains resilient. Post-Covid recovery has been solidified, thanks to consistent efforts by fiscal and monetary policymakers to ensure economic and financial stability. However, maintaining this recovery requires significant effort domestically, especially given the complexities of global negotiations on trade, investment, and climate issues.

Economic indicators are generally positive: headline inflation is manageable, though specific food items have seen higher inflation rates. The trade deficit decreased in FY24 compared to FY23, and the current account deficit stands at approximately 0.7% of GDP, with a surplus noted in the last quarter of the fiscal year. Foreign exchange reserves are robust.

Public investment has been instrumental in sustaining capital formation, with recent years seeing the private sector overcoming challenges and increasing investments from FY22 onwards. Looking forward, the private sector needs to maintain this momentum. Recent data shows vigorous expansion in non-financial private-sector capital formation in FY22 and FY23, rebounding strongly after a decline in FY21. Investment in machinery and equipment, which declined in FY20 and FY21, has also shown strong recovery.

Maintaining foreign investor interest will necessitate continuous effort.

Foreign Direct Investment (FDI), a topic of extensive analysis, has remained steady. According to RBI data on India's Balance of Payments, new capital inflows totaled USD 45.8 billion in FY24, down from USD 47.6

billion in FY23, reflecting a minor decline consistent with global trends. Reinvestment of earnings remained unchanged. Repatriation of investments was significant, amounting to USD 29.3 billion in FY23 and rising to USD 44.5 billion in FY24.

Despite these fluctuations, many private equity investors capitalized on India's buoyant equity markets, exiting profitably. This trend highlights a healthy market environment capable of offering lucrative opportunities to investors, which bodes well for attracting future investments.

However, looking ahead, the prospects for FDI growth in the coming years are somewhat subdued for several reasons. Firstly, interest rates in developed countries have risen significantly compared to pre-Covid levels, increasing the cost of funding and raising the opportunity cost of investing abroad rather than in emerging markets like India. Secondly, developed economies are implementing robust industrial policies that include substantial subsidies to encourage domestic investments, posing a competitive challenge for emerging economies.

Thirdly, despite significant progress over the past decade, uncertainties persist regarding transfer pricing, taxation, import duties, and non-tax policies, which need further clarity and resolution. Lastly, escalating geopolitical uncertainties are expected to play a pivotal role in influencing global capital flows, potentially affecting investment preferences towards India.



Employment trends have been predominantly influenced by shocks rather than structural forces.

The employment landscape in India has been shaped significantly by recent shocks rather than underlying structural forces. The Periodic Labour Force Survey offers insights, providing quarterly urban indicators and annual data covering both rural and urban areas. A notable increase in agricultural employment can be attributed to factors like reverse migration and greater female participation in rural labor markets.

Data from the Annual Survey of Industries indicates positive growth in factory jobs, with an annual increase of 3.6% from 2013-14 to 2021-22. Larger factories, employing over a hundred workers, saw faster growth at 4.0%, compared to 1.2% in smaller factories. Overall, employment in Indian factories rose from 1.04 crore to 1.36 crore during this period.

However, the absence of a comparable Annual Survey of Services limits comprehensive analysis across sectors. Timely data on formal and informal job creation in agriculture, industry (including manufacturing), and services sectors are insufficient for an objective labor market assessment.

The Annual Survey of Unincorporated Enterprises for 2022-23 reveals a decline in overall employment from 11.1 crore in 2015-16 to 10.96 crores, with a notable reduction of 54 lakh workers in manufacturing. Nevertheless, gains in trade and services sectors mitigated the overall decrease to approximately 16.45 lakhs across unincorporated enterprises.

India has faced significant economic shocks, including banking sector bad debts and corporate indebtedness, managed over successive government terms. The Covid-19 pandemic further impacted the economy, complicating employment dynamics. Yet, these challenges do not necessarily indicate structural impediments to India's employment creation capabilities.

Looking ahead, navigating global geopolitical shifts and emerging challenges like climate change and the advent of Artificial Intelligence will require concerted efforts from union and state governments, alongside the private sector. These efforts are crucial for sustaining high growth rates and fostering a resilient labor market in India in the years to come.

Creating jobs remains the primary focus for the private sector.

Job creation primarily happens in the private sector, crucial for economic growth. Many relevant issues are under state governments, highlighting the need for collaboration among government, private sector, and academia to achieve India's goals by 2047.

The corporate sector has seen significant profit growth from FY20 to FY23, but hiring and compensation haven't kept pace, suggesting a need for increased employment and better pay.



Tax cuts in September 2019 aimed to boost capital formation, but private sector investment in machinery, equipment, and intellectual property has been slower than in other sectors, potentially limiting high-quality job creation in manufacturing.

Recent years have shown growth in private sector investment, particularly in critical areas like machinery and intellectual property, paralleling increased government spending.

Challenges include projected declines in India's service exports due to technological changes. Corporations must manage AI adoption to enhance, rather than replace, jobs. International perspectives advocate for policies addressing corporate profits and capital taxation to mitigate AI-related inequalities.

Job creation is not just about income but also about dignity and societal status, a responsibility for India's corporate sector.

Collaboration among government, private sector, and academia is vital to equip workers for technological shifts, including reforms to training and education policies.

Aligning corporate strategies with societal needs is crucial for India's economic and technological advancement.

Genuine corporate social responsibility (CSR)

The corporate sector's role is currently more

pivotal than ever. Two crucial aspects of corporate responsibility stand out. Firstly, during the pandemic, Indian retail investors played a critical role in maintaining market stability. Encouraging a culture of long-term investment is essential, steering clear of risky financial practices more suited to developed economies with higher incomes per capita.

Secondly, while corporate profits soar, Indian banks have achieved multi-year high net interest margins. While this is positive for lending capacity, it's crucial to learn from past financial downturns. Banks should strive to lengthen the time between Non-Performing Asset (NPA) cycles and resist short-term profit pursuits that harm customers. Issues like product misselling must be addressed rigorously across sectors including banking and insurance.

Corporates benefit from increased demand due to employment and income growth, while the financial sector thrives by mobilizing household savings into productive investments. Strengthening these connections is vital for funding future infrastructure and energy transition projects. Short-term thinking can undermine these critical linkages.





For India's workforce to thrive, they need both skills and good health. Unhealthy habits influenced by social media, screen time, and poor diets pose significant risks to public health and productivity. The private sector bears responsibility for contributing to these harmful trends, which undermines long-term economic potential. Embracing India's traditional lifestyles and sustainable food practices not only promotes health but also presents commercial opportunities with global appeal.

In summary, the corporate sector must uphold responsible practices, foster long-term investment culture, maintain financial prudence, address societal health challenges, and embrace sustainable business models to lead India towards enduring economic growth and global leadership.



The fiscal deficit (FD) measures the gap between total government expenditure and revenue receipts, including non-debt capital receipts, indicating the borrowing requirement of the government. The proposed fiscal deficit is 16,13,312 crores. Revenue deficit occurs when revenue expenditure surpasses revenue receipts. The proposed revenue deficit is 5,80,201 crores. The effective revenue deficit is the revenue deficit minus grants-in-aid for creating capital assets, while the primary deficit is the fiscal deficit minus interest payments. Effective capital expenditure (Eff-Capex) combines capital expenditure and grants-in-aid for capital asset creation. The proposed effective capital expenditure is 15,01,889 crores.

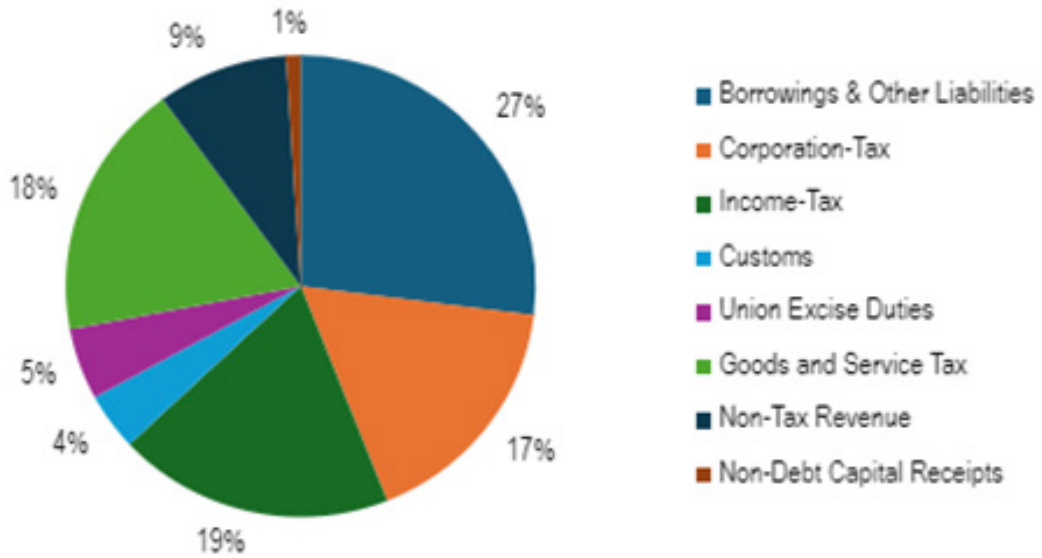
For FY 2023-24, the revised estimates (RE) projected total government expenditure at ₹44,90,486 crore, with provisional actuals slightly lower at ₹44,42,542 crore. Capital expenditure was estimated at ₹9,50,246 crore, with provisional actuals at ₹9,48,506 crore.



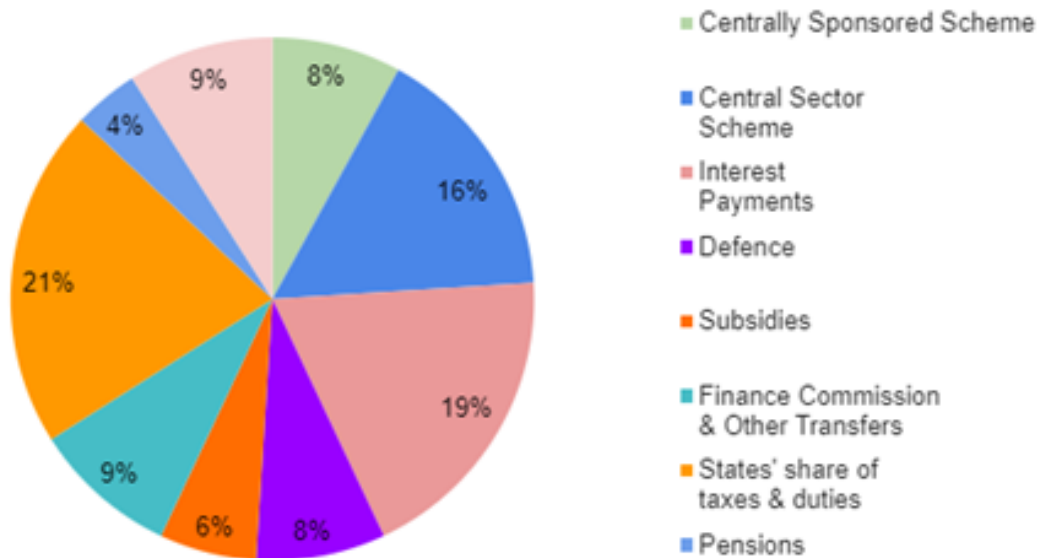
In the Budget Estimates (BE) for 2024-25, total expenditure is projected at ₹48,20,512 crore, a 16.9% increase from the RE 2023-24. Capital expenditure is expected to reach ₹11,11,111 crore. Effective capital expenditure is projected at ₹15,01,889 crore, reflecting an 18.2% increase over the RE 2023-24.

Additionally, the total resources to be transferred to the states, including devolution of state shares, grants/loans, and centrally sponsored schemes, are estimated at ₹22,91,182 crore in BE 2024-25, marking an increase of ₹4,82,766 crore compared to the actuals for FY 2022-23.

Where The Rupee Comes From



WHERE THE RUPEE GOES



Budget at a Glance

Amount in INR Crores

| S.NO | Particulars | 2022-2023 | 2023-2024 Budget Estimates | 2023-2024 Revised Estimates | 2024-2025 Budget Estimates |
|------|--|-----------|----------------------------|-----------------------------|----------------------------|
| 1 | Revenue Receipts | 2,383,206 | 2,632,281 | 2,699,713 | 3,129,200 |
| 2 | Tax Revenue (Net to Centre) | 2,097,786 | 2,330,631 | 2,323,918 | 2,583,499 |
| 3 | Non-Tax Revenue | 285,421 | 301,650 | 375,795 | 545,701 |
| 4 | Capital Receipts | 1,809,951 | 1,870,816 | 1,790,773 | 1,691,312 |
| 5 | Recovery of Loans | 26,161 | 23,000 | 26,000 | 28,000 |
| 6 | Other Receipts | 46,035 | 61,000 | 30,000 | 50,000 |
| 7 | Borrowings and Other Liabilities | 1,737,755 | 1,786,816 | 1,734,773 | 1,613,312 |
| 8 | Total Receipts (1+4) | 4,193,157 | 4,503,097 | 4,490,486 | 4,820,512 |
| 9 | Total Expenditure | 41,93,157 | 45,03,097 | 44,90,486 | 47,65,768 |
| 10 | On Revenue Account of which | 3,453,132 | 3,502,136 | 3,540,239 | 3,709,401 |
| 11 | Interest Payments | 928,517 | 1,079,971 | 1,055,427 | 1,162,940 |
| 12 | Grants in Aid for creation of Capital Assets | 306,264 | 369,988 | 321,190 | 390,778 |
| 13 | On Capital Account | 740,025 | 1,000,961 | 950,246 | 1,111,111 |
| 14 | Effective Capital Expenditure (12+13) | 1,046,289 | 1,370,949 | 1,271,436 | 1,501,889 |
| 15 | Revenue Deficit (10-1) | 1,069,926 | 869,855 | 840,527 | 580,201 |
| 16 | Effective Revenue Deficit (15-12) | 763,662 | 499,867 | 519,337 | 189,423 |
| 17 | Fiscal Deficit [9-(1+5+6)] | 1,737,755 | 1,786,816 | 1,734,773 | 1,613,312 |
| 18 | Primary Deficit (17-11) | 809,238 | 706,845 | 679,346 | 450,372 |

DIRECT TAX PROPOSALS

Rationalisation and Simplification of taxation of Capital Gain , Abolishment of Angel Tax, Amendment in Taxation of Buy Back of Shares, Introduction of TDS deduction on Partners Income, Rationalisation of TDS rates, Introduction of block assessment in cases of Search, Introduction of Direct Tax Vivad se Vishwas Scheme, 2024.



Direct Tax

- With effect from assessment year 2025-26, it is proposed that the following rates provided under the proposed clause (ii) of sub-section (1A) of section 115BAC of the Act i.e. **(New tax regime for Individual taxation)** shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2:

| Total income | Rate of Tax |
|-----------------------------|-------------|
| Upto 3,00,000 | Nil |
| From 3,00,001 to 7,00,000 | 5% |
| From 7,00,001 to 10,00,000 | 10% |
| From 10,00,001 to 12,00,000 | 15% |
| From 12,00,001 to 15,00,000 | 20% |
| Above 15,00,000 | 30% |

- It is proposed that for deduction of income-tax at source on other income in case of company which is not a domestic company i.e. Foreign company, rates shall be reduced from 40% to 35%.





3. It is proposed that for deduction of income-tax at source on the incomes in the nature of **capital gains for non-residents**, the rates shall be as per the Table below:

| S.no | Nature of Income | For transfers taking place before 23rd day of July, 2024 / Rate of TDS* | For transfers taking place on or after 23rd day of July, 2024 / Rate of TDS* |
|------|--|---|--|
| 1. | long-term capital gains referred to in section 115E | 10% | 12.5% |
| 2. | Long-Term Capital Gain on transfer of Unlisted Shares of Private Company | 10% | The clause is not applicable for transfers on or after 23rd July, 2024 |
| 3. | Long-Term Capital Gain on transfer of listed equity shares or equity oriented mutual funds exceeding INR 1,25,000 (earlier INR 1,00,000) | 10% | 12.5% |
| 4. | Long-Term Capital Gain on transfer of assets other than those mentioned above in point 1 to 3. | 20% | 12.5% |
| 5. | Short-Term Capital Gain on transfer of listed equity shares or equity oriented mutual funds. | 15% | 20% |

* The TDS rate shall be increased by applicable surcharge and Health and Education Cess.

4. In the case of a company other than a domestic company, it is proposed that the rates of tax shall be reduced from 40% to 35%, on income other than income chargeable at special rates, specified in respective sections of Chapter XII of the Act. However, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.
5. It is proposed that the surcharge shall not apply on advance tax / tax computed on income of specified fund as per Section 10(4D) of Income Tax Act that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act.



6. Increase in Standard Deduction and deduction from family pension for taxpayers in tax regime

| Existing provisions | Proposed provision |
|--|---|
| The existing provision of clause (ia) of section 16 i.e. (Standard deduction) of the Act provides that a deduction of INR 50,000 or the amount of the salary, whichever is less, shall be made before computing the income under the head "Salaries". | It is proposed to increase the Standard deduction from INR 50,000 to INR 75,000 provided where income-tax is computed under clause (ii) of sub-section (1A) of section 115BAC i.e. (New Tax regime) of the Act. |
| The existing provision of clause (iia) of section 57 (Deduction from Family pension) of the Act provides that in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent of such income or INR 15,000, whichever is less, shall be made before computing the income chargeable under the head "Income from other sources" | It is proposed to increase the said deduction from INR 15,000 to INR 25,000 provided where income-tax is computed under clause (ii) of sub-section (1A) of section 115BAC i.e. (New Tax regime) of the Act. |
| Applicable from AY 2025-26 and subsequent assessment years. | |

7. Increase in amount allowed as deduction to non-government employers and their employees for employer contribution to a Pension Scheme referred in section 80CCD

| Existing provisions | Proposed provision |
|--|---|
| Section 36(1)(iva) of the Income Tax Act states that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, as referred to in section 80CCD of the Act, on account of an employee, to the extent it does not exceed 10% of the salary of the employee in the previous year, shall be allowed as a deduction to the employer | It is proposed to increase the amount of employer contribution allowed as deduction to the employer, from the extent of 10% to the extent of 14% of the salary of the employee in the previous year. |
| Section 80CCD deals with deduction in respect of contribution to pension scheme of Central Government. Section 80CCD(2) states that any contribution by the Central Government or State Government or any other employer to the account of an employee shall be allowed as a deduction as does not exceed— a. 14% (where such contribution is made by the Central Government or State Government); and b. 10% (where such contribution is made by any other employer) of the employees' salary in previous year. | It is proposed to amend Section 80CCD(2) of the Act, to provide that where such contribution has been made by any other employer (not being Central Government or State Government), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This is being increased only in the case where the employee's salary is chargeable to tax under sub-section (1A) of section 115BAC of the Act i.e. the new Income Tax Regime. |
| Applicable from AY 2025-26 and subsequent assessment years. | |



MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

8. Tax incentives to International Financial Services Centre

International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee. In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.

In order to further incentivize operations from IFSC, it is proposed to make the following amendments:

1. Amendment in Specific Fund

| Existing Provision | Proposed Provision |
|--|--|
| Specific fund as defined in Section 10(4D) of Income Tax Act means a fund which has been granted a certificate of registration as a Category III Alternative Investment Fund and is regulated under the Securities and Exchange Board of India | Specific fund shall also include the retail funds and Exchange Traded Funds which have been granted a certificate as a retail scheme or an Exchange Traded Fund. |
| Applicable from AY 2025-26 and subsequent assessment years. | |

2. Notification of Core Settlement Guarantee Funds in IFSC for Section 10(23EE)

| Existing Provision | Proposed Provision |
|--|---|
| Section 10(23EE) of Income Tax Act provides that the specific income earned by Core Settlement Guarantee Fund, set up by a recognised clearing corporation is exempt from tax. | It is proposed to include the Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC for the purpose of Section 10(23EE) of the Income Tax Act, 1961. |
| Applicable from AY 2025-26 and subsequent assessment years. | |



3. Extension of Proviso of Section 68

| Existing Provision | Proposed Provision |
|--|---|
| <p>Section 68 of the Act provides that where any sum is found to be credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year.</p> <p>However, the onus of proof of satisfactorily explaining the source in the hands of the creditor, would not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI.</p> | <p>It is now proposed to extend the relaxation in place for VCFs registered with SEBI, to those VCFs which are regulated by IFSCA.</p> |
| <p>Applicable from AY 2025-26 and subsequent assessment years.</p> | |

4. Section 94B – Thin Capitalisation

| Existing Provision | Proposed Provision |
|--|---|
| <p>Section 94B of the Act puts in place a restriction on deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower.</p> <p>The provisions of this section 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.</p> | <p>It is now proposed that the provisions of this section shall not apply to finance companies, located in IFSC.</p> |
| <p>Applicable from AY 2025-26 and subsequent assessment years.</p> | |



9. Abolishment of Angel Tax

Section 56 to provide that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares, if the consideration received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares exceeding such fair market value shall be chargeable to income tax under the head "Income from other sources".

It has been decided by the Government to sunset the provisions and accordingly the provisions of Section 56(2)(viib) shall **not be applicable from Assessment Year 2025-26**.

10. Promotion of domestic cruise ship operations by non-residents

To make India an attractive cruise tourism destination, to attract global tourists to cruise shipping in India and to popularise cruise shipping with Indian tourists. A presumptive taxation regime is being put in place for a non-resident, engaged in the business of operation of cruise ships, along with exemption to income of a foreign company from lease rentals, if such foreign company and the non-resident cruise ship operator have the same holding company.

It is, therefore, proposed to insert a new section 44BBC, which deems twenty per cent of the aggregate amount received/ receivable by, or paid/

payable to, the non-resident cruise-ship operator, on account of the carriage of passengers, as profits and gains of such cruise-ship operator from this business. Further, the provisions of section 44B relating to presumptive taxation for shipping business of non-residents, shall therefore, no longer apply to cruise-ship business.

Further, the lease rentals paid by a company which opts for presumptive regime under section 44BBC ('the first company'), shall be exempt in the hands of the recipient company, if such company is a foreign company and such recipient company and the first company are subsidiaries of the same holding company. This is proposed to be done by insertion of Section 10(15B). The exemption shall be available upto AY 2030-31.

The above amendments shall be applicable from assessment year 2025-26 and subsequent assessment years.

SIMPLIFICATION AND RATIONALISATION

11. Introduction of block assessment provisions in cases of search under section 132 and requisition under section 132A

It is proposed to amend the provisions of Chapter XIV-B of the Act, to provide the following for assessment of search cases :



- a. Where on or after the 1st day of September, 2024, a search is initiated under section 132, or books of account, other documents or any assets are requisitioned under section 132A, in the case of any person, the Assessing Officer shall proceed to assess or reassess the total income of such person in accordance with the provisions of the said Chapter
- b. The 'block period' shall consist of previous years relevant to six assessment years preceding the previous year in which the search was initiated under section 132 or any requisition was made under section 132A and shall include the period starting from the 1st of April of the previous year in which search was initiated or requisition was made and ending on the date of the execution of the last of the authorisations for such search or date of such requisition.
- c. Regular assessments for the block period shall abate. There will be one consolidated assessment for the block period. Till block assessment is complete, no further assessment/reassessment proceeding shall take place in respect of the period covered in the block.
- d. The Assessing Officer shall assess the 'total income' of the assessee, including the undisclosed income which shall include any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be incorrect.
- e. The undisclosed income falling within the block period, forming part of the total income, shall be computed in accordance with the provisions of this Act, on the basis of evidence found as a result of search or survey in consequence of such search or requisition of books of account or other documents and such other materials or information as are either available with the Assessing Officer or come to his notice by any means during the course of proceedings under the said Chapter.
- f. The assessment in respect of any other person shall be governed by the provisions of section 158BD, which provides that where the Assessing Officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person, other than the person with respect to whom search was made or whose books of account or other documents or any assets were requisitioned, then, any money, bullion, jewellery or other valuable article or thing, or assets, or expenditure, or books of account, other documents, or any information contained therein, seized or requisitioned shall be handed



over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed under section 158BC against such other person and the provisions of the said Chapter shall apply accordingly.

- g. The tax shall be charged at sixty per cent for the block period, as per section 113 of the Act. The proviso to section 113 has been amended to provide that the tax chargeable under this section shall be increased by a surcharge, if any, which may be levied by any Central Act. However, presently, no surcharge is proposed for income chargeable to tax for the block period. No interest under the provisions of section 234A, 234B or 234C or penalty under the provisions of section 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.
- h. Penalty on the undisclosed income of the block period as determined by the Assessing officer shall be levied at fifty per cent of the tax payable on such income. No such penalty shall be levied if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return
- i. The time-limit for completion of block assessment of the searched assessee shall be twelve months from the end of the month in which the last of the authorisations for search

under section 132, or requisition under section 132A, was executed or made. The time-limit for completion of block assessment of any other person shall be twelve months from the end of the month in which the notice under section 158BC in pursuance of section 158BD, was issued to such other person. However, an exclusion of nearly six months shall be available in respect of period from date of search to the date of handing over of seized material to the Assessing Officer.

- j. Where any evidence found as a result of search or requisition relates to any international transaction or specified domestic transaction referred to in section 92CA, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, such evidence shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act





- k. The notice under clause (a) of sub-section (1) of section 158BC requiring the searched assessee to furnish his return of income for the block period, as well as the order of assessment for the block period shall be issued or passed, as the case may be, with the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.
- l. The provisions of section 144C of the Act shall not apply to any proceeding under the said Chapter.

The above amendments will be applicable from September 1st, 2024.

12. Rationalisation of provisions relating to assessment and reassessment under the Act

- a. It is proposed to substitute section 148 of the Act so as to provide that before making the assessment, reassessment or recomputation under section 147 and subject to the provisions of section 148A, the Assessing Officer shall issue a notice to the assessee, along with a copy of the order passed under sub-section (3) of section 148A determining it to be a fit case, requiring him to furnish within such period as may be specified, not exceeding a period of three months from the end of the month in which such notice is issued, a return of his income or the income of any other person in respect of whom he

is assessable under this Act. Further, it is proposed to provide that no notice under this section shall be issued unless there is information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year.

Any information in the case of the assessee emanating from survey conducted under section 133A, other than under sub-section (2A) of the said section, on or after the 1st day of September, 2024, is proposed to be added to the definition of 'information' with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment

It is further proposed to provide that where the Assessing Officer has received information under the scheme notified under section 135A, no notice under section 148 shall be issued without prior approval of the specified authority.

- b. It is further proposed to substitute the section 148A so as to provide that where the Assessing Officer has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant assessment year, he shall, before issuing any notice under section 148, provide an opportunity of being heard



to such assessee, by serving upon him a notice to show cause as to why a notice under section 148 should not be issued in his case, and such notice shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year. Thereafter, on receipt of notice under sub-section (1), the assessee may furnish his reply, within such time, as may be specified in such notice. The Assessing Officer shall, on the basis of material available on record and taking into account the reply of the assessee furnished under subsection (2), if any, pass an order with the prior approval of the specified authority under sub-section (3) of section 148A, determining whether or not it is a fit case to issue notice under section 148.

c. The time limitation for issuance of notice under section 148A and section 148 of the Act is proposed to be provided in section 149 of the Act as follows:

- **In normal cases**, no notice under **sections 148A** shall be issued if three years have elapsed from the end of the relevant assessment year. Notice beyond the period of three years from the end of the relevant assessment year can be taken only in a few specific cases;

- **In normal cases**, no notice under **section 148** shall be issued if three years and three months have elapsed from the end of the relevant assessment year. Notice beyond the period of three years and three months from the end of the relevant assessment year can be taken only in a few specific cases
- **In specific cases**, where as per the information with the Assessing Officer, the income escaping assessment amounts to or is likely to amount to fifty lakh rupees or more, notice under **section 148A** can be issued beyond the period of three years but not beyond the period of five years from the end of the relevant assessment year
- **In specific cases**, where the Assessing Officer has in his possession books of account or other documents or evidence related to any asset or expenditure or transaction or entry (or entries) which reveal that the income chargeable to tax, which has escaped assessment amounts to or is likely to amount to **fifty lakh rupees or more**, notice under section **148** can be issued beyond the period of three years and three months but not beyond the period of **five years** and three months from the end of the relevant assessment year.



- d. It is proposed to substitute the section 151 so as to provide that specified authority for the purposes of sections 148 and 148A shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.
- e. It is proposed to amend the section 152 of the Act so as to provide that where a search has been initiated under section 132 or requisition is made under section 132A or a survey is conducted under section 133A [other than under sub-section (2A)] on or after the 1st day of April, 2021 but before the 1st day of September, 2024, the provisions of section 147 to 151 shall apply as they stood immediately before the commencement of the Finance (No. 2) Act, 2024.
- f. It is also proposed to amend the section 152 of the Act so as to provide that where a notice under section 148 has been issued or an order under clause (d) of section 148A has been passed, prior to the 1st day of September, 2024, the assessment, reassessment or recomputation in such case shall be governed as per the provisions of sections 147 to 151, as they stood prior to their amendment by Finance (No. 2) Act, 2024.

The above amendments will be applicable from September 1st, 2024.

13. Rationalisation of provisions relating to period of limitation for imposing penalties

Section 275 of the Act provides for the period of limitation for imposing penalties.

| Existing Provision | Proposed Provision |
|---|--|
| Section 275 states that no order imposing a penalty shall be made in a case where the relevant assessment order or other order is the subject-matter of an appeal before the Joint Commissioner (Appeals) or the Commissioner (Appeals) or before the Appellate Tribunal (ITAT), after the expiry of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which the order of the JCIT(A) or the CIT(A) or, as the case may be, the Appellate Tribunal is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner , whichever period expires later | It is proposed to omit the reference to the date of receipt of order by the Principal Chief Commissioner or Chief Commissioner y for the purposes of calculation of the number of days for imposition of penalties. |
| Applicable from October 1st, 2024. | |



14. Amendment in provisions relating to set off and withholding of refunds

Section 275 of the Act provides for the period of limitation for imposing penalties.

| Existing Provision | Proposed Provision |
|---|--|
| Section 245 of the Income Tax Act allows the Income tax officer to withhold the refund upto the date of assessment or reassessment. | It is proposed to extend the period of withholding upto 60 days from the completion of assessment or reassessment. Further, interest will not be allowed to the assessee for the additional 60 days as well. |
| Interest u/s 244A is not allowable during the period of withholding of interest. | |
| Applicable from October 1st, 2024. | |

15. Rationalisation of the time-limit for filing appeals to the Income Tax Appellate Tribunal

a. It is proposed to include the orders passed in reference to Section 158BFA of the Income Tax Act, 1961 as appealable orders. Section 158BFA of the Act is an interest and penalty provision under Chapter XIV-B of the Act for imposition of penalty on undisclosed income for the block period in a case where search has been initiated under section 132 of the Act.

b.

| Existing Provision | Proposed Provision |
|---|--|
| The appeal before ITAT is to be filed within 60 days from the order passed by the JCIT(A), CIT(A), Principal Chief Commissioner of Income-tax, e Chief Commissioner of Income-tax, the Principal Commissioner of Income-tax, or the Commissioner of Income-tax. | It is proposed the appeal can be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner, as the case may be |
| Applicable from October 1st, 2024. | |



16. Rationalisation of the provisions of Charitable Trusts and Institutions

a. Merger of trusts under first regime with second regime

- The Act puts in place two main regimes for trusts or funds or institutions to claim exemption. The first is contained in the provisions of sub-clause(s) (iv), (v), (vi) or (via) of clause (23C) of section 10. The second is contained in the provisions of sections 11 to 13 of the Act. The provisions of the respective regimes lay down the procedure for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc.
- In order to take forward the process of simplification of procedures and to reduce administrative burden, it is proposed that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner.

It is, therefore, proposed that:

- Applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and filed on or after 1st October, 2024, shall not be considered.
- Applications filed under these sub-clauses before 1st October, 2024, and which are pending would be processed and considered under the extant provisions of the first regime itself.
- Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, till the validity of the said approval.
- They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been proposed in section 12A.
- Certain eligible modes of investment, under the first regime (viz. those specified in clause (b) of third proviso to clause (23C) of section 10) shall be protected in the second regime, by way of amendment in section 13.

These amendments will be applicable from October 1st, 2024.



b. Condonation of delay in filing application for registration by trusts or institutions

It is proposed that the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

c. Rationalisation of timelines for funds or institutions to file applications seeking approval under section 80G

The first proviso to sub-section (5) of section 80G provides timelines for filing application for approval, for funds or institutions referred to in sub-clause (iv) of clause (a) of sub-section (2) of section 80G. The second proviso lays down the procedure for processing the same. It has been noted that at times funds or institutions are unable to file application within specified timelines. A situation of unintended permanent exit of fund or institution from section 80G approval may also arise.

It is proposed to amend the first and second provisos to rationalise the timelines for filing applications for approval.

The amendment will be applicable from October 1st, 2024.

d. Rationalisation of timelines for disposing applications made by trusts or funds or institutions, seeking registration for exemption under section 12AB or approval under section 80G

It is proposed that the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

| Existing Provision | Proposed Provision |
|--|--|
| Application for registration u/s 12AB or 80G are required to be processed by the Principal Commissioner or Commissioner within a period of six months from the end of the month in which the application was received. | It is proposed for disposing applications made by trusts or funds or institutions to six months from the end of the quarter in which the application was received. |
| Applicable from October 1 st , 2024 | |



e. Merger of trusts under the exemption regime with other trusts

- When a trust or institution which is approved / registered under the first or second regime, as the case may be merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.
- It is proposed that conditions under which the said merger shall not attract provisions of Chapter XII-EB, may be prescribed, to provide greater clarity and certainty to taxpayers. A new section 12AC is proposed to be inserted for this purpose.

The amendment will be applicable from April 1st, 2025.

f. Inclusion of reference of clause (23EA), clause (23ED) and clause (46B) of section 10 in sub-section (7) of section 11

- Section 11(7) of the Act lays down that registration under section 12AB shall become inoperative, if the trust or institution is approved / notified under clause (23C), (23EC), (46) or (46A) of section 10. Such trust or institution has a one-time option to apply to make its registration under section 12AB operative. Thus, a trust or institution may choose the provisions under which it seeks to claim exemption.
- It is proposed to amend sub-section (7) of section 11 of the Act to include reference of clause (23EA), clause (23ED) and clause (46B) of section 10 of the Act, to enable trusts under the second regime to claim exemption under the above-noted specific clauses of section 10.

The amendment will be applicable from April 1st, 2025.



17. Rationalisation and Simplification of taxation of Capital Gains

The rationalization of Capital Gain has been tabulated below:

| Type of Asset | Existing STCG | Proposed STCG | Existing Holding Period | Proposed Holding Period | Existing LTCG | Proposed LTCG |
|--------------------------------------|---------------|---------------|-------------------------|-------------------------|---------------|---------------|
| Listed Shares and Equity Mutual Fund | 15 | 20 | 12 months | 12 months | 10 | 12.5 |
| Debt and other Mutual Funds | Slab Rate | Slab Rate | 36 months | 24 months | Slab Rate | Slab Rate |
| Listed Bonds | Slab Rate | 20 | 12 months | 12 months | 10 | 12.5 |
| REIT/Invit | 15 | 20 | 36 months | 12 months | 10 | 12.5 |
| House Property | Slab Rate | Slab Rate | 24 months | 24 months | 20 | 12.5 |
| Unlisted Shares | Slab Rate | Slab Rate | 24 months | 24 months | 20 | 12.5 |

The amendment will be applicable from July 23, 2024.

18. Amendment to definition of Specified Mutual Fund under section 50AA

It is thus proposed to amend the definition of “Specified Mutual Fund” under clause (ii) of Explanation of Section 50AA to provide that a specified mutual fund shall mean a mutual fund:

- A Mutual Fund by whatever name called, which invests more than sixty five per cent of its total proceeds in debt and money market instruments; or
- A fund which invests sixty five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a).

The above amendment under clause (ii) of Explanation of section 50AA is proposed to be brought into effect from 1st day of April, 2026 and shall be applicable from AY 2026-27 onwards.



19. Rationalisation of Tax Deducted at Source rates

| Section | Existing TDS Rate | Proposed TDS Rate | Applicable from |
|---|------------------------|-------------------|--------------------|
| Section 194D - Payment of insurance commission (in case of person other than company) | 5 | 2 | April 01st, 2025 |
| Section 194DA - Payment in respect of life insurance policy | 5 | 2 | October 01st, 2024 |
| Section 194G – Commission etc on sale of lottery tickets | 5 | 2 | October 01st, 2024 |
| Section 194H - Payment of commission or brokerage | 5 | 2 | October 01st, 2024 |
| Section 194-IB - Payment of rent by certain individuals or HUF | 5 | 2 | October 01st, 2024 |
| Section 194M - Payment of certain sums by certain individuals or Hindu undivided family | 5 | 2 | October 01st, 2024 |
| Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant | 1% | 0.1% | October 01st, 2024 |
| Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India | Proposed to be omitted | | October 01st, 2024 |



20. Ease in claiming credit for TCS collected/TDS deducted by salaried employees

In order to ease compliance, it is proposed that sub-section (2B) of section 192 may be amended to expand the scope of the said sub-section to include any tax deducted or collected under the provisions of Chapter XVII-B or Chapter XVII-BB, as the case may be, to be taken into account for the purposes of making the deduction under sub-section (1) of section 192.

The amendment will be applicable from October 1st, 2024.

21. Alignment of interest rates for late payment to Government account of TCS

| Existing Provision | Proposed Provision |
|---|--|
| In case of late deposit of TCS, the applicable interest rate is 1%. | It is proposed to increase the interest rate to 1.5% to align with the rate interest of TDS |
| The amendment will be applicable from April 1st, 2025. | |

22. Alignment of interest rates for late payment to Government account of TCS

The existing limit is as follows :

| | |
|--|--|
| on the first INR. 3,00,000 of the book profit or in case of loss | INR 1,50,000 or at the rate of 90 per cent of the book profit, whichever is more |
| on the balance of the book-profit | at the rate of 60 per cent |

The proposed limit is as follows :

| | |
|--|--|
| on the first INR. 6,00,000 of the book profit or in case of loss | INR 3,00,000 or at the rate of 90 per cent of the book profit, whichever is more |
| on the balance of the book-profit | at the rate of 60 per cent |

The above amendment will be applicable from AY 2025-26.



23. Claiming credit for TCS of minor in the hands of parent

It is proposed to introduce a provision in section 206C of the Act, to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under sub-section (1A) of section 64 of the Act which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child.

The above amendment will be applicable from January 1st, 2025.

WIDENING AND DEEPENING OF TAX BASE AND ANTI-AVOIDANCE

24. Tax on distributed income of domestic company for buy-back of shares

Existing Provision

The amount paid to shareholder by the Company was exempt in the hands of the shareholder and the Company paid tax on the buy back amount.

Proposed Provision

It is therefore, proposed that, the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates. No deduction for expenses shall be available against such dividend income while determining the income from other sources. The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished.

Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold).



It shall be computed as follows:

1. Deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as NIL
2. Allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition
3. Allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent

These amendments will take effect from the 1st day of October, 2024, and will accordingly apply to any buy-back of shares that takes place on or after this date.

25. Revision of rates of securities transaction tax by amendment to the Finance (No.2) Act, 2004

It is proposed to increase the said rates of securities transaction tax on sale of an option in securities from 0.0625 per cent to 0.1 per cent of the option premium, and on sale of a futures in securities from 0.0125 per cent to 0.02 per cent of the price at which such “futures” are traded.

The above amendment will be applicable from October 1st, 2024.

26. Reporting of income from letting out of house property under ‘Income from House Property

It is proposed to amend the section 28 of the Act so as to clarify that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head “Profits and gains of business or profession” and shall be chargeable under the head “Income from house property”.

The above amendment will be applicable from AY 2025-26.





27. Amendment of section 47

Section 47 specifies the transaction which are not considered as transfers and are not chargeable to Capital Gain.

| Existing Provision | Proposed Provision |
|---|---|
| <p>any transfer of a capital asset under a gift or will or an irrevocable trust :</p> <p>Provided that this clause shall not apply to transfer under a gift or an irrevocable trust of a capital asset being shares, debentures or warrants allotted by a company directly or indirectly to its employees under any Employees' Stock Option Plan or Scheme of the company offered to such employees in accordance with the guidelines issued by the Central Government in this behalf</p> | <p>any transfer of a capital asset under a gift or will or an irrevocable trust by an individual or a Hindu undivided family</p> |
| <p>Applicable from AY 2025-26</p> | |

28. TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners.

Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, it is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.

The provisions of section 194T of the Act will take effect from the 1st day of April, 2025.



29. TCS under sub-section (1F) of section 206C on notified goods

| Existing Provision | Proposed Provision |
|---|--|
| Section 206C(1F) is applicable on purchase of motor vehicle exceeding INR 10 lakhs. | It is proposed to amend sub-section (1F) of section 206C to also levy TCS on any other goods of value exceeding ten lakh rupees, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods. |
| Applicable from January 1st, 2025. | |

30. Amendment of provisions of TDS on sale of immovable property

It is proposed to amend sub-section (2) of section 194-IA of the Act to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

Applicable from October 1st, 2024.

31. Tax Deduction at source on Floating Rate Savings (Taxable) Bonds (FRSB) 2020

Section 193 of the Act provides for deduction of tax at source on payment of any income to a resident by way of interest on securities.

The provisions of section 193 of the Act are proposed to be amended to allow for deduction of tax at source at the time of payment of interest exceeding ten thousand rupees on —

- The Floating Rate Savings Bonds (FRSB) 2020 (Taxable) and
- Any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Applicable from October 1st, 2024.



32. Preventing misuse of deductions of expenses claimed by life insurance business

It has been noticed that there have been instances where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies. In order to ensure that provisions are not misused to claim deduction for expenses which are otherwise not admissible under the provisions of section 37 of the Act, it is proposed to amend Rule 2 of the First Schedule of the Act to provide that any expenditure which is not admissible under the provisions of section 37 in computing the profits and gains of a business shall be included to (i.e. added back to) the profits and gains of the life insurance business.

Applicable from AY 2025-26.

33. Inclusion of taxes withheld outside India for purposes of calculating total income

It is proposed to amend section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received

Applicable from April 01, 2025.

34. Excluding sums paid under section 194J from section 194C (Payments to Contractors)

Section 194C of the Act provides for TDS on payments to contractors at the rate of 1% when the payment is being made or credit is being given to an individual or HUF and 2% in other cases. Section 194J of the Act relates to TDS on fees for professional or technical services wherein the applicable TDS rates are 2% or 10% depending on the nature of payment being made.

Clause (iv) of the Explanation of section 194C defines “work” to specify which all activities would attract TDS under section 194C. However, there is no explicit exclusion of assesseees who are required to deduct tax under section 194J from requirement or ability to deduct tax under section 194C of the Act. Therefore some deductors are deducting tax under section 194C of the Act when in fact they should be deducting tax under section 194J of the Act.

In view of the above, it is proposed to explicitly state that any sum referred to in sub-section (1) of section 194J does not constitute “work” for the purposes of TDS under section 194C.

Applicable from October 01, 2024.



35. Disallowance of settlement amounts being paid to settle contraventions

It is proposed to amend the Explanation 3 to sub-section (1) of section 37 of the Act to clarify that “expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law” under Explanation 1 shall include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.

Applicable from AY 2025-26.

36. Amendment of Section 55 of the Act

It is proposed to amend sub-clause (iii) of clause (a) of the Explanation to clause (ac) of sub-section (2) of section 55 of the Act, to specifically provide that in a case where the capital asset is an equity share in a company which is not listed on a recognised stock exchange as on the 31st day of January, 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47, but listed on such exchange subsequent to the date of transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer, “fair market value” would mean an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

This amendment is proposed to be deemed to have been inserted with effect from the 1st day of April, 2018 and shall accordingly apply retrospectively from assessment year 2018-19 onwards

TAX ADMINISTRATION

37. Direct Tax Vivad se Vishwas Scheme, 2024

Introduction of a Direct Tax Vivad se Vishwas Scheme, 2024 is proposed with the objective of providing a mechanism of settlement of disputed issues, thereby reducing litigation without much cost to the exchequer. It is proposed that this Scheme shall come into force from the date to be notified by the Central Government. The last date for the Scheme is also proposed to be notified.



38. Amendment of provisions related to Equalisation Levy

It is proposed that this equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1st day of August, 2024. Any service which was liable to equalisation levy was exempt in sub-section (50) of section 10 subject to certain conditions. Consequently as the 2% levy is being made inapplicable, it is proposed that income arising from e-commerce supply or services made or provided or facilitated on or after the 1st day of April, 2020 but before the 1st day of August, 2024 only, shall fall in the ambit of clause (50) of section 10 of the Act.

Applicable from August 01, 2024.

39. Amendments in section 42 and 43 of the Black Money Act, 2015 relating to penalty for failure to disclose foreign income and asset in the ITR

| Existing Provision | Proposed Provision |
|--|---|
| The provisions of Section 42 and 43 of Black Money Act, 2015 are not applicable in case of foreign bank account having balance of INR 5 lakhs. | It is proposed the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed INR 20 Lakhs. |
| Applicable from October 01, 2024. | |

40. Amendments proposed in section 276B of the Act for rationalisation of provisions

Section 276B of the Act provides for prosecution in case of failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B. The provisions of the said section state that, inter-alia, if a person fails to pay to the credit of the Central Government, the tax deducted at source by him as required by or under the provisions of Chapter XVII-B, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

It is proposed to amend section 276B of the Act to provide for exemption from prosecution to a person covered under clause (a) of the said section, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement of such quarter under sub-section (3) of section 200 of the Act.

This amendment will be applicable from October 1st, 2024.



41. Reducing time limitation for orders deeming any person to be assessee in default.

Section 201 and section 206C of the Act provides for the consequences when a person does not deduct/ collect, or does not pay, or after so deducting/ collecting fails to pay, the whole or any part of the tax, as required by or under the Act.

It is proposed to amend sub-section (3) of section 201 and insert new subsection (7A) in section 206C of the Act to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of six years from the end of the financial year in which payment is made or credit is given or tax was collectible or two years from the end of the financial year in which the correction statement is delivered, whichever is later.

Applicable from April 1st, 2025.

42. Widening ambit of section 200A of the Act for processing of statements other than those filed by deductor.

There are statements, such as Form No. 26QF which is filed by an Exchange wherein the deductee is filing details of the tax. It is proposed to widen the ambit of section 200A of the Act to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements

The amendment will take effect from the 1st day of April, 2025.

43. Extending the scope for lower deduction / collection certificate of tax at source

To facilitate ease of doing business and to provide an option to seek a lower deduction certificate so as to reduce compliance burden on the assessee, it is proposed:

- a. To amend sub-section (1) of section 197 to bring section 194Q in its ambit
- b. To amend sub-section (9) of the section 206C to bring sub-section (1H) of section 206C in its ambit.

The amendments will take effect from the 1st day of October, 2024.



44. Notification of certain persons or class of persons as exempt from TCS

There can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them. They state that there is no provision in the Act for them to be exempted from the TCS provisions.

It is therefore proposed to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

The amendment will take effect from 1st day of October 2024.

45. Time limit to file correction statement in respect of TDS/ TCS statements

| Existing Provision | Proposed Provision |
|--|---|
| There is no such provision for time limit for filing of correction statement for TDS/TCS return. | It is proposed to amend section 200 and sub-section (3B) of section 206C to provide that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in sub-section (3) of section 200 and statement referred to in the proviso to sub-section (3) of section 206C are respectively delivered. |
| Applicable from April 01, 2025 | |

46. Penalty for failure to furnish statements

| Existing Provision | Proposed Provision |
|--|---|
| Section 271H of the Act inter alia relates to penalty for failure to file Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) returns/ statements within the due date. Section 271H(3) of the Act states that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statement. | It is proposed to amend Section 271H(3) to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of one month from the time prescribed for furnishing such statement. |
| Applicable from April 01, 2025 | |



44. Notification of certain persons or class of persons as exempt from TCS

There can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them. They state that there is no provision in the Act for them to be exempted from the TCS provisions.

It is therefore proposed to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

The amendment will take effect from 1st day of October 2024.

45. Time limit to file correction statement in respect of TDS/ TCS statements

| Existing Provision | Proposed Provision |
|--|---|
| There is no such provision for time limit for filing of correction statement for TDS/TCS return. | It is proposed to amend section 200 and sub-section (3B) of section 206C to provide that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in sub-section (3) of section 200 and statement referred to in the proviso to sub-section (3) of section 206C are respectively delivered. |
| Applicable from April 01, 2025 | |

46. Penalty for failure to furnish statements

| Existing Provision | Proposed Provision |
|--|---|
| Section 271H of the Act inter alia relates to penalty for failure to file Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) returns/ statements within the due date. Section 271H(3) of the Act states that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statement. | It is proposed to amend Section 271H(3) to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of one month from the time prescribed for furnishing such statement. |
| Applicable from April 01, 2025 | |



50. Amendments in sections 245Q and 245R related to Advance Rulings

It is proposed to amend section 245Q to allow application for withdrawal by the 31st of October, 2024 for the transferred applications before BAR (from AAR) in cases where order under sub-section (2) of section 245R has not been passed.

It is further proposed to provide that on receipt of an application under the proviso to sub-section (4) of section 245Q, the Board for Advance Rulings may, by an order, reject the application referred to in sub-section (1) thereof as withdrawn on or before the 31st day of December, 2024.

This amendment will take effect from the 1st day of October, 2024.

51. Powers of the Commissioner (Appeals)

It is proposed that the cases where assessment order was passed as best judgement case under section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment. Further, it is proposed to make consequential amendment in section 153(3) of the Act in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).

This amendment will take effect from the 1st day of October, 2024. It will be applicable to appellate orders passed by the Commissioner (Appeals) on or after 01.10.2024.

52. Amendment of section 271FAA to comply with the Automatic Exchange of Information (AEOI) framework

Section 271FAA of the Act inter-alia, provide that if a person referred to in sub-section (1) of Section 285BA of the Act, who is required to furnish a statement under that section, provides inaccurate information in the statement, and where (a) the inaccuracy is due to a failure to comply with the due diligence requirement prescribed under sub-section (7) of section 285BA or is deliberate on the part of that person; or (b) the person knows of the inaccuracy at the time of furnishing the statement of financial transaction or reportable account, but does not inform the prescribed income-tax authority or such other authority or agency; or (c) the person discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within the time specified under sub-section (6) of section 285BA, then, the prescribed income-tax authority under sub-section (1) of section 285BA may direct that such person shall pay, by way of penalty, a sum of fifty thousand rupees.



It is proposed to make the following amendments in section 271FAA to clarify that penalty under the said section shall be attracted in any of the following circumstances–

- a. furnishing inaccurate information in the statement shall be liable
- b. failure to comply with due diligence requirement in the statement;

Further, in section 273B, it is proposed to add the reference of section 271FAA in order to provide that no penalty shall be imposable for any failure referred to in the said section, if the assessee proves that there was reasonable cause for such failure.

This amendment will take effect from the 1st day of October, 2024.

53. Amendment to include the reference of Black Money Act, 2015 for the purposes of obtaining a tax clearance certificate

The existing provisions of sub-section (1A) of section 230 of Act specify that, inter-alia, no person who is domiciled in India, shall leave India, unless he obtains a certificate from the income-tax authorities stating that he has no liabilities under Income-tax Act, 1961, or the Wealth-tax Act, 1957 (27 of 1957), or the Gift-tax Act, 1958 (18 of 1958), or the Expenditure-tax Act, 1987 (35 of 1987), or he makes satisfactory arrangements for the payment of all or any of such taxes which are or may become payable by that person.

It is proposed to insert the reference of liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the sub-section (1A) of the section 230 of the Act, for the purposes of obtaining a tax clearance certificate.

This amendment will take effect from the 1st day of October, 2024.

54. Rationalisation of provisions related to time-limit for completion of assessment, reassessment and recomputation

- a. It is proposed to insert a new sub-section (1B) in Section 153 of Income Tax Act, 1961 so that order of assessment of cases where return of income is furnished in consequence of an order under section 119(2)(b) may be completed within twelve months from the end of the financial year in which such return is furnished.



- b. It is proposed to insert the reference of section 250 in Section 153(3) which provides the time-limit for passing the fresh assessment order in pursuance of an order under section 254 or section 263 or section 264 setting aside or cancelling an assessment in order to provide the time-limit for disposal of cases which are proposed to be set aside by the Commissioner (Appeals).
- c. Further, sub-section (8) of the said section provides that order of assessment or reassessment relating to any assessment year, which stands revived under sub-section (2) of section 153A, shall be made within a period of one year from the end of the month of such revival or within the period specified in the said section or sub-section (1) of section 153B, whichever is later. In this regard, it is proposed to amend sub-section (8) of the said section to provide the timeline for passing of order in the case of revived assessment or reassessment proceedings as a consequence of annulment of block assessments under Chapter XIV-B of the Act.
- d. Clause (xii) of Explanation 1 of the said section provides, that the period (not exceeding one hundred and eighty days) commencing from date of initiation of search and ending on the date on which the books of account/documents/seized materials are handed over to the Assessing Officer is excluded while computing the period of limitation. In this regard, it is proposed to amend the provision of Explanation 1(xii) of the said section by inserting a 6th proviso so as to provide that the date of limitation in such cases falls at the end of the month, after taking into account the exclusion provided in the Explanation.

This amendment will take effect from the 1st day of October, 2024.

55. Removing reference to National Housing Board in Section 43D of the Act

Section 43D of the Act provides for special provision in case of income of public financial institutions, public companies involved in housing finance, scheduled banks, co-operative banks other than primary agricultural credit societies, primary co-operative agricultural and rural development banks, State financial corporations, State industrial investment corporations and notified non-banking financial companies.

Clause (b) of section 43D of the Act states that in the case of a public company involved in housing finance, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the National Housing Bank (NHB) in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that company, whichever is earlier. Explanation to the said section also contains references to NHB.



However, the Finance (No. 2) Act, 2019 (23 of 2019) has amended the National Housing Bank Act, 1987, conferring powers for regulation of Housing Finance Companies (HFCs) with Reserve Bank of India (RBI). Consequently, HFCs have come under the purview of the RBI as a category of Non-Banking Financial Companies (NBFCs). In the Act, separate provisions already exist in section 43D with respect to NBFCs.

Hence, it is proposed to remove reference to National Housing Bank by omitting clause (b) of section 43D of the Act and clause (a) and (b) of Explanation to section 43D of the Act.

The amendment will take effect from the 1st day of April, 2025 and shall accordingly apply in relation to assessment year 2025-2026 and subsequent assessment years.

56. Adjusting liability under Black Money Act, 2015 against seized assets

It has been observed that most of the liabilities arising under the Acts administered by the Central Board of Direct Taxes (CBDT) have been covered in section 132B of the Act, for the purpose of extinguishment of liability by recovery out of the seized assets, except the liabilities arising under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

In view of the above, it is proposed to insert the reference of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the section 132B of the Income-tax Act, 1961 so as to recover the existing liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, out of seized assets.

This amendment will take effect from the 1st day of October, 2024

Amendments to the Prohibition of Benami Property Transactions Act, 1988

a. Amendment of Section 24 of the Prohibition of Benami Property Transactions Act, 1988

Section 24 of the Prohibition of Benami Property Transactions (PBPT) Act, 1988 relates to notice and attachment of property involved in Benami transaction.

The existing provisions of sub-section (3) of the said section 24 of PBPT Act do not provide for any time limit for a benamidar to furnish a reply to the notice issued under sub-section (1) or beneficial owner to file submissions on copy of said notice given to him under sub-section (2).



It is proposed to insert sub-section (2A) to provide a maximum time limit of three months from the end of the month in which notice is issued under sub-section (1) for the benamidar or the beneficial owner to file their explanations or submissions.

The existing provisions of sub-section (3) and sub-section (4) of the said section provide for a time limit of 90 days from the last day of the month in which notice under sub-section (1) is issued for the Initiating Officer to provisionally attach the property or to pass an order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property, as the case may be.

It is proposed to amend the said sub-section (3) and sub-section (4) of section 24 of the PBPT Act to increase the said period to four months from the end of the month in which notice under sub-section (1) of the said section is issued.

The existing provisions of sub-section (5) of said section 24 allow for a time period of fifteen days from the date of attachment order to the Initiating Officer to draw up a statement of the case and refer it to the Adjudicating Authority.

It is proposed to amend the said sub-section to increase the said period to one month from the end of the month in which the order under sub-clause (i) of clause (a), or under sub-clause (i) of clause (b) of sub-section (4) of the said section 24 of the PBPT Act, 1988, has been passed.

These amendments will take effect from the 1st day of October, 2024.

b. Insertion of Section 55A in the Prohibition of Benami Property Transactions Act, 1988

As per section 53(2) of the Prohibition of Benami Property Transactions Act (PBPT) Act, 1988, the offence of benami transaction is punishable with a penalty of rigorous imprisonment for minimum one year to maximum seven years along with fine extending to 25% of the fair market value of the benami property. This penalty is the same for a benamidar or a beneficial owner or any person who abets or induces any person to enter into a benami transaction. Due to same quantum of penalty & prosecution as is imposable in the case of beneficial owner and abettor, benamidars do not come forward to give evidence against the beneficial owner.

Further, many benamidars being of poor means and illiterate, imposing on them the same penalty as the beneficial owner of such a benami transaction could be disproportionate in nature. Alternatively, if such benamidars were to become approvers, it would help in gathering clinching evidence and details about benami properties and result in convictions of the beneficial owners, thus strengthening the regime.



Furthermore, various other laws of the land provided for a tender of pardon/immunity from prosecution/reduced penalty in cases where the witness assists in the due process of law.

It is thus proposed to insert a new section 55A in the PBPT Act, 1988, to provide that the Initiating Officer may, with a view to obtaining the evidence of the benamidar or any other person as referred to in section 53, other than the beneficial owner, tender to such person immunity from penalty for any offence under section 53, with the previous sanction of the competent authority as referred to in section 55, on condition of his making a full and true disclosure of the whole circumstances relating to the benami transaction. A tender of immunity made to, and accepted by, the person concerned, shall, to the extent to which the immunity extends, render him immune from prosecution for any offence in respect of which the tender was made and from the imposition of any penalty under section 53 of the Act.

Further, it is also proposed to provide that if it appears to the Initiating Officer that any person to whom immunity has been tendered under this section has not complied with the condition on which the tender was made or is wilfully concealing anything or is giving false evidence, the Initiating Officer may record a finding to that effect, and thereupon, with the previous sanction of the competent authority as referred to in section 55, the immunity shall be deemed to have been withdrawn, and any such person may be tried for the offence in respect of which the tender of immunity was made or for any other offence of which he appears to have been guilty in connection with the same matter and shall also become liable to the imposition of any penalty under this Act to which he would have otherwise been liable.

This amendment will take effect from the 1st day of October, 2024.





INDIRECT TAX CHANGES

Budget 2024 proposes crucial amendments in Goods and Services Tax (GST), including changes in the Time of Supply, eligibility for Input Tax Credit (ITC), assessment procedures, and waiver of penalties. Additionally, significant amendments to customs tariffs are introduced. The GST rule changes were enacted through various notifications following the 53rd GST Council meeting held on June 22, 2024.



Goods and Service Tax Amendments (Budget-2024)

Input Service Distributor (ISD)

Levy and Collection

Section 9

*“Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption and **un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor**, for human consumption, on the value determined under section 15 and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.”*

Analysis

Proposal to make change in the provision for keeping “extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor” out of the purview of GST.

Power to Government to not levy of short levy of tax

Section 11A

“11A. Notwithstanding anything contained in this Act, if the Government is satisfied that —

- a. *a practice was, or is, generally prevalent regarding levy of central tax (including non-levy thereof) on any supply of goods or services or both; and*
- b. *such supplies were, or are, liable to, –*
 - i. *central tax, in cases where according to the said practice, central tax was not, or is not being, levied, or*
 - ii. *a higher amount of central tax than what was, or is being, levied, in accordance with the said practice,*

the Government may, on the recommendation of the Council, by notification in the Official Gazette, direct that the whole of the central tax payable on such supplies, or, as the case may be, the central tax in excess of that payable on such supplies, but for the said practice, shall not be required to be paid in respect of the supplies on which the central tax was not, or is not being levied, or was, or is being, short-levied, in accordance with the said practice.”

Analysis

The proposal to insert this provision was made to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.



Time of Supply of services in case of RCM

Section 13(3)

In case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earlier of the following dates, namely: -

- a. the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
- b. the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, **in cases where invoice is required to be issued by the supplier; or**
- c. **the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient:**

Analysis

The proposal for a change in the provision is made to provide the time of supply of services more specific in case of invoice issued by the recipient or supplier.

Eligibility for Input Tax Credit.

Section 16

“(5) Notwithstanding anything contained in sub-section (4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the

registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the thirtieth day of November, 2021.

(6) Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and where availment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,—

- i. filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or
- ii. for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.”.

Analysis

Proposal to insert additional sub-section in the provision to provide benefit of input tax credit upto the financial year 2020-21 which is being claimed in any return (i.e., GSTR-3B) being filed upto 30th November 2021 irrespective of the restriction imposed under sec 16(4).



Sub-section (6) is being inserted in the said section so as to allow the availment of input tax credit in respect of an invoice or debit note in a return filed for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, filed within thirty days of the date of order of revocation of cancellation of registration, subject to the condition that the time-limit for availment of credit in respect of the said invoice or debit note should not have already expired under sub-section (4) of the said section on the date of order of cancellation of registration.

- i. filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or
- ii. for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration, whichever is later.”

Blocked Credit. Section 17(5)

- i. any tax paid in accordance with the provisions of **“sections 74, 129 and 130 section 74 in respect of any period upto Financial Year 2023-24”**

Analysis

Proposal to amend provision to restrict the input tax credit against any tax paid under sec 74 of the act only

upto FY 2023-24 and remove the restriction on ITC on detained goods or confiscated goods under sec 129 and 130 respectively.

Tax Invoice Section 31

(f) a registered person who is liable to pay tax under sub-section (3) or subsection (4) of section 9 shall “within the period as may be prescribed” issue an invoice in respect of goods or services or both received by him from the supplier who is not registered on the date of receipt of goods or services or both

“Explanation. —For the purposes of clause (f), the expression “supplier who is not registered” shall include the supplier who is registered solely for the purpose of deduction of tax under section 51.”

Analysis

Proposal to amend the provision to prescribe the time period for issuance of invoice by the recipient who is liable to pay tax under reverse charge mechanism.

An explanation has also been inserted to provide that the person who is registered sec 51 for TDS deduction shall not be required to issue invoice as per the above time limit as prescribed.

Return for Tax deduction at source Section 39(3)

“(3) Every registered person required to deduct tax at source under section 51 shall electronically furnish a return for every calendar month of the deductions made during the month in such form and manner and within such time as may be prescribed:



Provided that the said registered person shall furnish a return for every calendar month whether or not any deductions have been made during the said month.”

Analysis

Proposal to make amendment in the provision to provide that a registered person who is liable to deduct tax at source shall required to file return in every calendar month whether or not deduction has been made in such month.

Earlier such taxpayer is required to file return in the month in which deduction have been made.

Power to Summon Section 131

“(1A) All persons summoned under sub-section (1) shall be bound to attend, either in person or by an authorized representative, as such officer may direct, and the person so appearing shall state the truth during examination or make statements or produce such documents and other things as may be required.”

Analysis

Proposal to insert sub section 1A to enable an authorized representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.

Assessment of Tax Section 73 & 74

i. in the marginal heading, after the words “Determination of tax”, the words and figures “, pertaining to the period upto Financial Year 2023-24,” shall be inserted;

ii. “(12) The provisions of this section shall be applicable for determination of tax pertaining to the period upto Financial Year 2023-24.”.

iii. An additional provision section 74A is been inserted

Analysis

The proposal to restrict the applicability of sec 73 and 74 up to the FY 2023-24 the amendment in heading was made to insert “pertaining to the period up to Financial Year 2023-24”.

Also, a sub-section (12) is added to both provisions to provide that the applicability of both the provisions is restricted to FY 2023-24 only.

A new provision 74A is being inserted to substitute above two provisions.

Section 74A

“74A. (1) Where it appears to the proper officer that any tax has not been paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilised, he shall serve notice on the person chargeable with tax which has not been so paid or which has been so short paid or to whom the refund has erroneously been made, or who has wrongly availed or utilised input tax credit, requiring him to show cause as to why he should not pay the amount specified in the notice along with interest payable thereon under section 50 and a penalty leviable under the provisions of this Act or the rules made thereunder:

Provided that no notice shall be issued, if the tax which has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly



availed or utilized in a financial year is less than one thousand rupees

(2) The proper officer shall issue the notice under subsection (1) within forty-two months from the due date for furnishing of annual return for the financial year to which the tax not paid or short paid or input tax credit wrongly availed or utilised relates to or within forty-two months from the date of erroneous refund.

(3) Where a notice has been issued for any period under sub-section (1), the proper officer may serve a statement, containing the details of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for such periods other than those covered under subsection (1), on the person chargeable with tax.

(4) The service of such statement shall be deemed to be service of notice on such person under sub-section (1), subject to the condition that the grounds relied upon for such tax periods other than those covered under sub-section (1) are the same as are mentioned in the earlier notice.

(5) The penalty in case where any tax which has not been paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilised, —

- i. for any reason, other than the reason of fraud or any wilful-misstatement or suppression of facts to evade tax, shall be equivalent to ten per cent. of tax due from such person or ten thousand rupees, whichever is higher;
- ii. for the reason of fraud or any wilful-misstatement or suppression of facts to evade tax shall be

equivalent to the tax due from such person.

(6) The proper officer shall, after considering the representation, if any, made by the person chargeable with tax, determine the amount of tax, interest and penalty due from such person and issue an order.

(7) The proper officer shall issue the order under subsection (6) within twelve months from the date of issuance of notice specified in sub-section (2):

Provided that where the proper officer is not able to issue the order within the specified period, the Commissioner, or an officer authorised by the Commissioner senior in rank to the proper officer but not below the rank of Joint Commissioner of Central Tax, may, having regard to the reasons for delay in issuance of the order under sub-section (6), to be recorded in writing, before the expiry of the specified period, extend the said period further by a maximum of six months.

(8) The person chargeable with tax where any tax has not been paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilised for any reason, other than the reason of fraud or any wilful misstatement or suppression of facts to evade tax, may, —

- i. before service of notice under sub-section (1), pay the amount of tax along with interest payable under section 50 of such tax on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information shall not serve any notice under sub-section (1) or the statement under sub-section (3), as the case may be, in respect of the tax so paid or any penalty payable under the provisions of this Act or the rules made thereunder;



ii. pay the said tax along with interest payable under section 50 within sixty days of issue of show cause notice, and on doing so, no penalty shall be payable and all proceedings in respect of the said notice shall be deemed to be concluded.

(9) The person chargeable with tax, where any tax has not been paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilised by reason of fraud, or any wilful-misstatement or suppression of facts to evade tax, may,—

i. before service of notice under sub-section (1), pay the amount of tax along with interest payable under section 50 and a penalty equivalent to fifteen per cent. Of such tax on the basis of his own ascertainment of such tax or the tax as ascertained by the proper officer and inform the proper officer in writing of such payment, and the proper officer, on receipt of such information, shall not serve any notice under sub-section (1), in respect of the tax so paid or any penalty payable under the provisions of this Act or the rules made thereunder;

ii. pay the said tax along with interest payable under section 50 and a penalty equivalent to twenty-five per cent. of such tax within sixty days of issue of the notice, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded;

iii. pay the tax along with interest payable thereon under section 50 and a penalty equivalent to fifty per cent. of such tax within sixty days of communication of the order, and on doing so, all proceedings in respect of the said notice shall be deemed to be concluded.

(10) Where the proper officer is of the opinion that the amount paid under clause (i) of sub-section (8) or clause (i) of sub-section (9) falls short of the amount actually payable, he shall proceed to issue the notice as provided for in subsection (1) in respect of such amount which falls short of the amount actually payable.

(11) Notwithstanding anything contained in clause (i) or clause (ii) of sub-section (8), penalty under clause (i) of subsection (5) shall be payable where any amount of self-assessed tax or any amount collected as tax has not been paid within a period of thirty days from the due date of payment of such tax.

(12) The provisions of this section shall be applicable for determination of tax pertaining to the Financial Year 2024-25 onwards.

Explanation 1.—For the purposes of this section,—

i. the expression “all proceedings in respect of the said notice” shall not include proceedings under section 132;

ii. where the notice under the same proceedings is issued to the main person liable to pay tax and some other persons, and such proceedings against the main person have been concluded under this section, the proceedings against all the persons liable to pay penalty under sections 122 and 125 are deemed to be concluded.



Explanation 2.—For the purposes of this Act, the expression

“suppression” shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer.

Analysis

The proposal to insert the new provision for assessment procedure in place of two sets of existing provisions. The existing provisions (i.e, sec 73 & 74) are applicable up to 2023-24 and from 2024-25 the above provision shall be applicable.

It also provides for the same limitation period for issuing demand notices and orders in respect of demands from the Financial Year 2024-25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not, while keeping a higher penalty, for cases involving fraud, wilful misstatement, or suppression of facts.

Appeals to Appellate Authority

Section 107

“(6) No appeal shall be filed under sub-section (1), unless the appellant has paid-

- a. in full, such part of the amount of tax, interest, fine, fee and penalty arising from the impugned order, as is admitted by him; and*
- b. a sum equal to ten per cent. of the remaining amount of tax in dispute arising from the said order, subject to a maximum of twenty-five crore rupees, in relation to which the appeal has been filed. “*

Analysis

Proposal to make changes to reduce the monetary limit of payment of pre-deposit tax to file appeal to appellate tribunal from Rs. 25 Crore to Rs. 20 Crore.

Section 112

Sub-sections (1) and (3) of section 112 of the CGST Act are being amended, so as to empower the Government to notify the date for filing appeal before the Appellate Tribunal and provide a revised time limit for filing appeals or application before the Appellate Tribunal. The said amendment is made effective from the 1st day of August, 2024. Sub-section (6) of the said section is also being amended so as to enable the Appellate Tribunal to admit appeals filed by the department within three months after the expiry of the specified time limit of six months.

Sub-section (8) of the said section is also being amended so as to reduce the maximum amount of pre-deposit for filing appeals before the Appellate Tribunal from the existing twenty percent to ten percent of the tax in dispute and also reduce the maximum amount payable as pre-deposit from rupees fifty crores to rupees twenty crores in central tax.

Waiver of Penalty

Section 128A

“128A. (1) Notwithstanding anything to the contrary contained in this Act, where any amount of tax is payable by a person chargeable with tax in accordance with,—

- a. a notice issued under sub-section (1) of section 73 or a statement issued under sub-section (3) of section 73, and where no order under sub-section (9) of section 73 has been issued; or*



- b. an order passed under sub-section (9) of section 73, and where no order under sub-section (11) of section 107 or sub-section (1) of section 108 has been passed; or
- c. an order passed under sub-section (11) of section 107 or sub-section (1) of section 108, and where no order under sub-section (1) of section 113 has been passed, pertaining to the period from 1st July, 2017 to 31st March, 2020, or a part thereof, and the said person pays the full amount of tax payable as per the notice or statement or the order referred to in clause (a), clause (b) or clause (c), as the case may be, on or before the date, as may be notified by the Government on the recommendations of the Council, no interest under section 50 and penalty under this Act, shall be payable and all the proceedings in respect of the said notice or order or statement, as the case may be, shall be deemed to be concluded, subject to such conditions as may be prescribed:

Provided that where a notice has been issued under subsection (1) of section 74, and an order is passed or required to be passed by the proper officer in pursuance of the direction of the Appellate Authority or Appellate Tribunal or a court in accordance with the provisions of sub-section (2) of section 75, the said notice or order shall be considered to be a notice or order, as the case may be, referred to in clause (a) or clause (b) of this sub-section:

Provided further that the conclusion of the proceedings under this sub-section, in cases where an application is filed under sub-section (3) of section 107 or under sub-section (3) of section 112 or an appeal is filed by an officer of central tax under sub-section (1) of

section 117 or under sub-section (1) of section 118 or where any proceedings are initiated under sub-section (1) of section 108, against an order referred to in clause (b) or clause (c) or against the directions of the Appellate Authority or the Appellate Tribunal or the court referred to in the first proviso, shall be subject to the condition that the said person pays the additional amount of tax payable, if any, in accordance with the order of the Appellate Authority or the Appellate Tribunal or the court or the Revisional Authority, as the case may be, within three months from the date of the said order:

Provided also that where such interest and penalty has already been paid, no refund of the same shall be available.

(2) Nothing contained in sub-section (1) shall be applicable in respect of any amount payable by the person on account of erroneous refund.

(3) Nothing contained in sub-section (1) shall be applicable in respect of cases where an appeal or writ petition filed by the said person is pending before Appellate Authority or Appellate Tribunal or a court, as the case may be, and has not been withdrawn by the said person on or before the date notified under sub-section (1).

(4) Notwithstanding anything contained in this Act, where any amount specified under sub-section (1) has been paid and the proceedings are deemed to be concluded under the said sub-section, no appeal under sub-section (1) of section 107 or sub-section (1) of section 112 shall lie against an order referred to in clause (b) or clause (c) of sub-section (1), as the case may be.”.



Analysis

Proposal to insert Section 128A in the CGST Act, to provide for a conditional waiver of interest and penalty in respect of demand notices issued under section 73 of the said Act for the Financial Years 2017-18, 2018-19 and 2019-20, except the demand notices in respect of erroneous refund.

In cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.

Activities or Transactions which shall be treated neither as a Supply of Goods nor a Supply of Services

Schedule III

“9. Activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements, subject to the condition that the lead insurer pays the central tax, the State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.

10. Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.”.

Analysis

Proposal to insert Paragraph 8 is being inserted in

Schedule III to the CGST Act, so as to provide that the activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.





Goods and Service Tax Amendments (Notifications)

Notification No. 12/2024-Central Tax

Amendment in GST Rules 2017

On the recommendation of the 53rd GST Council meeting being held on 22nd June 2024 the following changes are made in the GST rules 2017.

Rule 8: Application for Registration

“Provided further that every application made under sub-rule (4) by a person, other than a person notified under sub-section (6D) of section 25, who has not opted for authentication of Aadhaar number, shall be followed by taking photograph of the applicant where the applicant is an individual or of such individuals in relation to the applicant as notified under sub-section (6C) of section 25 where the applicant is not an individual, along with the verification of the original copy of the documents uploaded with the application in FORM GST REG-01 at one of the Facilitation Centers notified by the Commissioner for the purpose of this sub-rule and the application shall be deemed to be complete only after successful verification as laid down under this proviso.”

Analysis

A new proviso is inserted to lay down the procedure for GST registration where the person not opted for Aadhaar authentication. The person is required to visit the nearest GST facilitation center along with the original copy of the uploaded documents for verification.

Rule 28(2): Value of supply of goods or services or both between distinct or related persons, other than through an agent.

*“Notwithstanding anything contained in sub-rule (1), the value of supply of services by a supplier to a recipient who is a related person **located in India**, by way of providing corporate guarantee to any banking company or financial institution on behalf of the said recipient, shall be deemed to be one per cent of the amount of such guarantee offered **per annum**, or the actual consideration, whichever is higher”*

Analysis

The amendment was made to make it clearer about the valuation of the corporate guarantee. Now the corporate guarantee given by the related person who is located in India will be valued under this rule. Also, it is to make clear that such a valuation should be made on an annual basis.

“Provided that where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the value of said supply of services.”

Analysis

A proviso has also been inserted to clarify that the value of corporate guarantee shall be equal to the value in invoice if the recipient of such corporate guarantee is eligible for full input tax credit.



Rule 39: Procedure for distribution of input tax credit by Input Service Distributor

A new set of rules has been substituted to streamline the procedure of distributing the ITC by the input service distributor.

Analysis

Earlier the government in Finance Act 2024 made it compulsory for the taxpayer who received the invoices on behalf of the branch offices, to distribute such ITC through ISD mechanism. In order to streamline the procedure, the new set of rules has been substituted vide this amendment. The rules are as follows:

- i. The ITC shall be distributed in the same month in which it is available for distribution.
- ii. Distributed credit shall not exceed the available credit.
- iii. Credit shall be distributed to that recipient only to which such credit belongs
- iv. Credit shall be distributed on a pro rata basis of the turnover.
- v. Ineligible credit shall be distributed separately.
- vi. ITC of IGST shall be distributed as IGST
- vii. ITC of CGST and SGST shall be distributed as CGST and SGST to the recipient located in the same state in which ISD registered and as IGST where the recipient is located in different state.
- viii. ISD shall issue a ISD invoice or IDS credit-note clearly indicating in such invoice that it is issued only for distribution of input tax credit

“(1A) For the distribution of credit in respect of input services, attributable to one or more distinct persons, subject to levy of tax under sub-section (3) or (4) of section 9, a registered person, having the same PAN

and State code as an Input Service Distributor, may issue an invoice or, as the case may be, a credit or debit note as per the provisions of sub-rule(1A) of rule 54 to transfer the credit of such common input services to the Input Service Distributor, and such credit shall be distributed by the said Input Service Distributor in the manner as provided in sub-rule (1)”

Analysis

A proviso has been added to provide that where the invoice is liable to be taxed under reverse charge the distinct person in the same state of such input service distributor shall pay the tax under RCM and issue the invoice on the ISD and thereafter the ISD shall distribute the credit as per the above rules.

Rule 59: Form and manner of furnishing details of outward supplies

A new proviso has been inserted to provide the facility of amending the details of outward supplies.

Analysis

On recommendation of the GST council an additional facility has been provided by introducing a new form GSTR-1A wherein a taxpayer can make amendment or additional disclosure which is been missed out from reporting in GSTR-1. This form shall be filed after filing GSTR1 but before filing of GSTR-3B.

Additionally, a taxpayer is now required to report invoice wise details of all interstate supplies having value of more than INR 1 Lacs or more separately in GSTR-1. Earlier this limit is INR 2.5 Lacs.



Rule 62: Form and manner of submission of statement and return

“Provided that the return in FORM GSTR-4 for a financial year from FY 2024-25 onwards shall be required to be furnished by the registered person till the thirtieth day of June following the end of such financial year.”

Analysis

On the recommendation of the council the due date of filling GSTR-4 by a composite dealer shall be extended till 30th June following the end of the financial year. Earlier this date was 30th April.

Rule 88B: Manner of calculating interest on delayed payment of tax

“Provided that where any amount has been credited in the Electronic Cash Ledger as per provisions of sub-section (1) of section 49 on or before the due date of filing the said return, but is debited from the said ledger for payment of tax while filing the said return after the due date, the said amount shall not be taken into consideration while calculating such interest if the said amount is lying in the said ledger from the due date till the date of its debit at the time of filing return.”

Analysis

A proviso has been inserted to provide relief from interest in case the cash has been deposited in electronic cash ledger before the due date of filling the GSTR-3B but adjusted in GSTR-3B after the due date.

Rule 96A: Export of goods or services under bond or Letter of Undertaking.

“(b) fifteen days after the expiry of one year, or the period as allowed under the Foreign Exchange Management Act, 1999 (42 of 1999) including any extension of such period as permitted by the Reserve Bank of India, whichever is later, from the date of issue of the invoice for export, or such further period as may be allowed by the Commissioner, if the payment of such services is not received by the exporter in convertible foreign exchange or in Indian rupees, wherever permitted by the Reserve Bank of India.”

Analysis

Earlier the time of 15 days was allowed to pay tax from the end of the one year from date of invoice in case of non-receipt of foreign inward remittance against export of services under letter of undertaking. Here amendment was made to give effect of allowable time limit under Foreign Exchange Management Act, 1922 or the extended time as permitted by Reserve Bank of India.

Rule 110: Appeal to the Appellate Tribunal

A new set of rules has been substituted to streamline the procedure of filling Appeal to the tribunal.

Analysis

With the implementation of appeal to the tribunal, the streamlined procedure has been provided for filling of appeal application electronically on GST portal.

It has also been provided that the fees for filling the appeal to the tribunal shall be INR 1,000 for every one lakh rupees of tax or input tax credit involved or the difference in tax or input tax credit involved subject to maximum of INR 25,000 and minimum of INR 5,000.



Rule 138: Information to be furnished prior to commencement of movement of goods and generation of e-way bill

“Provided also that an unregistered person required to generate e-way bill in FORM GST EWB-01 in terms of the fourth proviso to sub-rule (1) or an unregistered person opting to generate e-way bill in Form GST EWB-01, on the common portal, shall submit the details electronically on the common portal in FORM GST ENR-03 either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details so furnished, a unique enrolment number shall be generated and communicated to the said person.”

Analysis

A new proviso has been inserted to provide a mechanism for generating an e-way bill by an unregistered person under Form GST ENR-03.

Due to the introduction of GSTR-1A, consequential amendments were made in the rules wherever the reference of GSTR-1 appears. The list of such rules are as follows:

| Rules | Description |
|----------|---|
| Rule 21 | Cancellation of registration |
| Rule 21A | Suspension of Registration |
| Rule 36 | Requirement of claiming ITC |
| Rule 37A | Reversal of ITC for non-payment [sec 16(4)] |
| Rule 40 | Manner of claiming ITC in some special cases |
| Rule 48 | Manner of issuing Invoices |
| Rule 60 | Form and manner of ascertaining details of inward supplies |
| Rule 78 | Matching of details furnished by the e-Commerce operator with the details furnished by the supplier |

| | |
|----------|--|
| Rule 88C | Manner of dealing with difference in liability reported in statement of outward supplies and that reported in return |
| Rule 96 | Refund of integrated tax paid on goods or services exported out of India. |
| Rule 163 | Consent based sharing of information |

Notification No. 13/2024-Central Tax

Notification No. 27/2022-CT was released on 26th December 2022 for exempting all States and Union Territories except Gujarat and, by subsequent amendment, Puduchchery from biometric based Aadhar-authentication and live photograph of applicant for registration applications.

This notification has been rescinded, meaning that the biometric based Aadhar-authentication and live photograph of applicant in case of new registration applications can be demanded by any State or Union Territory based on data analysis and risk profile.

Notification No. 14/2024-Central Tax

Exemption to the small taxpayer having aggregate turnover of less than INR 2 Crore from filing the annual return under form GSTR-9. Earlier this exemption is provided for FY 2022-23, now the same has been extended for FY 2023-24.

Notification No. 15/2024-Central Tax

The rate of TCS for E-commerce operators has been reduced from 0.5% to 0.25% under CGST & SGST head. Consequently, the rate under IGST head shall be reduced from 1.0% to 0.5% vide a sperate notification under IGST Act.



Customs Amendments (Budget-2024)

III. AMENDMENTS TO THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

Increase in Tariff rate (to be effective from 24.07.2024) * [Clause [107(a)] of the Finance (No. 2) Bill, 2024] read with Third Schedule.

| S. No. | Heading, sub-heading, tariff item | Commodity | From | To |
|--------|-----------------------------------|--|------|--|
| | | Plastic | | |
| 1. | 3920, 3921 | Poly vinyl chloride (PVC) flex films (also known as PVC flex banners or PVC flex sheets) {The currently applicable BCD on all other goods falling under heading 3920 and 3921 shall be maintained by suitable amendment in the relevant notification(s)} | 10% | 25% |
| | | Consumer goods | | |
| 2. | 6601 10 00 | Garden umbrellas | 20% | 20% or Rs. 60 per piece, whichever is higher |
| | | Chemicals | | |
| 3. | 9802 00 00 | Laboratory chemicals | 10% | 150% |
| | | (Heading 9802 covers all chemicals, organic or inorganic, whether or not chemically defined, imported in packings not exceeding 500 gms or 500 millilitres and which can be identified with reference to the purity, markings or other features to show them to be meant for use solely as laboratory chemicals) | | |



Tariff rate changes (without change in effective rate of duty) to be effective from 01.10.2024 [Clause [107(b)] of the Finance (No. 2) Bill, 2024]

Note: The currently applicable rate of Basic Customs Duty on these commodities shall be maintained by suitable amendment in the relevant notification(s).

| S. No. | Heading, sub-heading, tariff item | Commodity | From | To |
|--------|-----------------------------------|---|------|------|
| 1. | 2008 19 20 | Other roasted nuts and seeds, including such arecanuts | 30% | 150% |
| 2. | 2008 19 30 | Other nuts, otherwise prepared or preserved, including such arecanuts | 30% | 150% |

IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

| A. | Changes in Basic Customs Duty (to be effective) | | Rates in Duty | |
|------------|---|---|---------------|-----|
| S. No. | Heading, sub-heading, tariff item | Commodity | From | To |
| I. | | Agricultural Products | | |
| 1. | 1207 99 90 | Shea Nut | 30% | 15% |
| II. | | Aquafarming & Marine Exports | | |
| 1. | 0306 36 | Live SPF Vannamei shrimp (<i>Litopenaeus vannamei</i>) broodstoc | 10% | 5% |
| 2. | 0306 36 | Live Black tiger shrimp (<i>Penaeus monodon</i>) broodstock | 10% | 5% |
| 2. | 0306 36 | Live Black tiger shrimp (<i>Penaeus monodon</i>) broodstock | 30% | 15% |
| 3. | 0306 36 60 | Artemia | 5% | Nil |
| 4. | 0511 91 40 | Artemia cysts | 5% | Nil |
| 5. | 0308 90 00 | SPF Polychaete worms | 30% | 5% |
| 6. | 1504 20 | Fish lipid oil for use in manufacture of aquatic feed | 15% | Nil |
| 7. | 1504 20 | Crude fish oil for use in manufacture of aquatic feed | 30% | Nil |
| 8. | 1518 | Algal Oil for use in manufacture of aquatic feed | 15% | Nil |
| 9. | 2102 20 00 | Algal Prime (flour) for use in manufacture of aquatic feed | 15% | Nil |
| 10. | 2309 90 90 | Mineral and Vitamin Premixes for use in manufacture of aquatic feed | 5% | Nil |



Tariff rate changes (without change in effective rate of duty) to be effective from 01.10.2024 [Clause [107(b)] of the Finance (No. 2) Bill, 2024]

Note: The currently applicable rate of Basic Customs Duty on these commodities shall be maintained by suitable amendment in the relevant notification(s).

| S. No. | Heading, sub-heading, tariff item | Commodity | From | To |
|--------|-----------------------------------|---|------|------|
| 1. | 2008 19 20 | Other roasted nuts and seeds, including such arecanuts | 30% | 150% |
| 2. | 2008 19 30 | Other nuts, otherwise prepared or preserved, including such arecanuts | 30% | 150% |

IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

| A. | Changes in Basic Customs Duty (to be effective) | | Rates in Duty | |
|------------|---|---|---------------|-----|
| S. No. | Heading, sub-heading, tariff item | Commodity | From | To |
| I. | | Agricultural Products | | |
| 1. | 1207 99 90 | Shea Nut | 30% | 15% |
| II. | | Aquafarming & Marine Exports | | |
| 1. | 0306 36 | Live SPF Vannamei shrimp (<i>Litopenaeus vannamei</i>) broodstoc | 10% | 5% |
| 2. | 0306 36 | Live Black tiger shrimp (<i>Penaeus monodon</i>) broodstock | 10% | 5% |
| 2. | 0306 36 | Live Black tiger shrimp (<i>Penaeus monodon</i>) broodstock | 30% | 15% |
| 3. | 0306 36 60 | Artemia | 5% | Nil |
| 4. | 0511 91 40 | Artemia cysts | 5% | Nil |
| 5. | 0308 90 00 | SPF Polychaete worms | 30% | 5% |
| 6. | 1504 20 | Fish lipid oil for use in manufacture of aquatic feed | 15% | Nil |
| 7. | 1504 20 | Crude fish oil for use in manufacture of aquatic feed | 30% | Nil |
| 8. | 1518 | Algal Oil for use in manufacture of aquatic feed | 15% | Nil |
| 9. | 2102 20 00 | Algal Prime (flour) for use in manufacture of aquatic feed | 15% | Nil |
| 10. | 2309 90 90 | Mineral and Vitamin Premixes for use in manufacture of aquatic feed | 5% | Nil |



| | | | | |
|-------------|------------|--|------|------|
| 11. | 2301 10 90 | Insect meal for use in Research & Development purposes in aquatic feed manufacturing | 15% | 5% |
| 12. | 2309 90 90 | Single Cell Protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing | 15% | 5% |
| 13. | 2301 20 | Krill Meal for use in manufacture of aquatic feed | 5% | Nil |
| 14. | 1901 | Pre-dust breaded powder for use in processing of sea-food | 30% | Nil |
| 15. | 2309 90 31 | Prawn and shrimps feed | 15% | 5% |
| 16. | 2309 90 39 | Fish feed | 15% | 5% |
| III. | | Critical Minerals | | |
| 1. | 2504 | Natural Graphite | 5% | 2.5% |
| 2. | 2505 | Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of The Customs tariff Act, 1975 | 5% | Nil |
| 3. | 2506 | Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape | 5% | 2.5% |
| 4. | 2530 90 91 | Strontium sulphate (natural ore) | 5% | Nil |
| 5. | 2603 00 00 | Copper ores and concentrates | 2.5% | Nil |
| 6. | 2605 00 00 | Cobalt ores and concentrates | 2.5% | Nil |
| 7. | 2609 00 00 | Tin ores and Concentrates | 2.5% | Nil |
| 8. | 2611 00 00 | Tungsten Ores and Concentrates | 2.5% | Nil |
| 9. | 2613 | Molybdenum ores and concentrates | 2.5% | Nil |
| 10. | 2615 10 00 | Zirconium ores and concentrates | 2.5% | Nil |
| 11. | 2615 90 | Hafnium Ores and concentrates | 2.5% | Nil |
| 12. | 2615 90 10 | Vanadium ores and concentrates | 2.5% | Nil |
| 13. | 2615 90 20 | Niobium or tantalum ores and concentrates | 2.5% | Nil |
| 14. | 2617 | Antimony Ores and Concentrates | 2.5% | Nil |
| 15. | 2804 50 20 | Tellurium | 5% | Nil |
| 16. | 2804 61 00 | Silicon, containing by weight not less than 99.99% of silicon | 5% | Nil |
| 17. | 2804 69 00 | Other silicon | 5% | Nil |
| 18. | 2804 90 00 | Selenium | 5% | Nil |
| 19. | 2805 30 00 | Alkali or alkaline earth metals, Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed | 5% | Nil |
| 20. | 2811 22 00 | Silicon dioxide | 7.5% | 2.5% |
| 21. | 2815 20 00 | Potassium hydroxide | 7.5% | Nil |
| 22. | 2816 40 00 | Oxides, hydroxides and peroxides, of strontium or barium | 7.5% | Nil |

03



INDIRECT TAX CHANGES

Goods and Service Tax Changes

| | | | | |
|-----|------------|--|-----------|------|
| 23. | 2822 00 10 | Cobalt oxides | 7.5% | Nil |
| 24. | 2822 00 20 | Cobalt hydroxides | 7.5% | Nil |
| 25. | 2822 00 30 | Commercial cobalt oxides | 7.5% | Nil |
| 26. | 2825 20 00 | Lithium oxide and hydroxide | 7.5% | Nil |
| 27. | 2825 30 | Vanadium oxides and hydroxides | 2.5%/7.5% | Nil |
| 28. | 2825 60 10 | Germanium oxides | 7.5% | Nil |
| 29. | 2825 70 | Molybdenum oxides and hydroxides | 7.5% | Nil |
| 30. | 2825 80 00 | Antimony oxides | 7.5% | Nil |
| 31. | 2825 90 20 | Cadmium oxides | 7.5% | Nil |
| 32. | 2827 35 00 | Chlorides of Nickel | 7.5% | Nil |
| 33. | 2827 39 30 | Strontium chloride | 7.5% | Nil |
| 34. | 2833 24 00 | Sulphates of Nickel | 7.5% | Nil |
| 35. | 2834 21 00 | Nitrates of potassium | 7.5% | Nil |
| 36. | 2836 91 00 | Lithium carbonates | 7.5% | Nil |
| 37. | 2836 92 00 | Strontium carbonates | 7.5% | Nil |
| 38. | 2841 90 00 | Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium | 7.5% | Nil |
| 39. | 2846 | Compounds, inorganic or organic of rare earth metals | 7.5% | Nil |
| 40. | 2918 15 30 | Bismuth citrate | 7.5% | Nil |
| 41. | 3801 | Artificial Graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures | 7.5% | 2.5% |
| 42. | 8001 | Unwrought Tin | 5% | Nil |
| 43. | 8101 94 00 | Unwrought tungsten, including bars and rods obtained simply by sintering | 5% | Nil |
| 44. | 8102 94 00 | Unwrought molybdenum, including bars and rods obtained simply by sintering | 5% | Nil |
| 45. | 8103 20 | Unwrought tantalum, including bars and rods obtained simply by sintering, powders | 5% | Nil |
| 46. | 8105 20 20 | Cobalt, unwrought | 5% | Nil |
| 47. | 8106 10 10 | Bismuth, unwrought | 2.5% | Nil |
| 48. | 8109 21 00 | Unwrought zirconium, powders, Containing less than 1 part hafnium to 500 parts zirconium by weight | 10% | Nil |
| 49. | 8110 10 00 | Unwrought antimony, powders | 2.5% | Nil |
| 50. | 8112 12 00 | Beryllium unwrought, powders | 5% | Nil |
| 51. | 8112 31 | Hafnium unwrought, waste and scrap, powders | 10% | Nil |
| 52. | 8112 41 10 | Rhenium unwrought | 10% | Nil |
| 53. | 8112 69 10 | Cadmium unwrought, powders | 5% | Nil |
| 54. | 8112 69 20 | Cadmium, wrought | 5% | Nil |
| 55. | 8112 92 00 | Unwrought; waste and scrap; powder of, - Gallium, Germanium, Indium, Niobium, Vanadium | 5% | Nil |

03



INDIRECT TAX CHANGES

Goods and Service Tax Changes

| | | | | |
|--------------|--------------------------------------|---|-----------------------------------|---|
| IV. | | Steel Sector | | |
| 1. | 7202 60 00 | Ferro Nickel | 2.5% | Nil |
| 2. | 7204 | Ferrous Scrap | Nil (till 30.09.2024) | Nil (till 31.03.2026) |
| 3. | 7225 | Certain specified raw materials for manufacture of CRGO steel | Nil (till 30.09.2024) | Nil (till 31.03.2026) |
| V. | | Copper | | |
| 1. | 7402 00 10 | Blister Copper | 5% | Nil |
| VI. | | Chemicals and Plastics | | |
| 1. | 3102 30 00 | Ammonium Nitrate, whether or not in aqueous solution | 7.5% | 10% |
| 2. | 3920 (other Than 3920 99 99) or 3921 | All goods other than Poly vinyl chloride (PVC) flex films/flex banner | 25% (with effect from 24.07.2024) | 10% |
| 3. | 3920 99 99 | All goods other than Poly vinyl chloride (PVC) flex films/flex banner | 25% (with effect from 24.07.2024) | 15% |
| VII. | | Textile and Leather Sector | | |
| 1. | 2929 10 90 | Methylene Diphenyl Di-isocyanate (MDI) for use in the manufacture of Spandex Yarn | 7.5% | 5% Subject to IGCR conditions |
| 2. | 41 | Wet white, Crust and finished leather for manufacture of textile or leather garments, leather /synthetic footwear or other leather products, for export | 10% | Nil Items under Sl. No. 257B and 257C of Notification 50/2017-Customs, dated 30.06.2017 |
| 3. | 38,48 or any other Chapter | Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/ synthetic footwear or other leather products, for export | As applicable | Nil Items under Sl. No. 257B and 257C of Notification 50/2017-Customs, dated 30.06.2017 |
| 4. | 0505 10 | Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export | 30% | 10% |
| VIII. | | Cancer Drugs | | |
| 1. | 30 | Trastuzumab Deruxtecan, Osimertinib, Durvalumab | 10% | Nil |



| IX. | | Precious Metals | | |
|-----|------------------------|---|---------------|--|
| 1. | 7108 | Gold bar | 15% | 6% |
| 2. | 7108 | Gold dore | 14.35% | 5.35% |
| 3. | 7106 | Silver bar | 15% | 6% |
| 4. | 7106 | Silver dore | 14.35% | 5.35% |
| 5. | 7110 | Platinum, Palladium, Osmium, Ruthenium, Iridium | 15.4% | 6.4% |
| 6. | 7118 | Coins of precious metals | 15% | 6% |
| 7. | 7113 | Gold/Silver findings | 15% | 6% |
| 8. | 71 | Platinum and Palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertor | 7.5% | 5% |
| 9. | 84 | Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India | 7.5% | 5% |
| X. | | Medical Equipment | | |
| 1. | 39 | All types of polyethylene for use in manufacture of orthopaedic implants falling under sub-heading 9021 10 | As applicable | Nil |
| 2. | 39, 72, 81 | Special grade stainless steel, Titanium alloys, Cobalt-chrome alloys, and All types of polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39 | As applicable | Nil |
| 3. | 9022 30 00 | X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use | | 5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026) |
| 4. | 9022 90 90 | Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use | 15% | 5%(till 31st March 2025)7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026) |
| XI. | | IT and Electronics Sector | | |
| 1. | 8517 13 00, 8517 14 00 | Cellular mobile phone | 20% | 15% |
| 2. | 8504 40 | Charger/Adapter of cellular mobilephone | 20% | 15% |



| | | | | |
|--------------|------------------------------|---|---------------|---------------------------|
| 3. | 8517 79 10 | Printed Circuit Board Assembly (PCBA) of cellular mobile phone | 20% | 15% |
| 4. | 28, 29, 38 | Specified parts for use in manufacture of connectors | 5%/7.5% | Nil |
| 5. | 74 | Oxygen Free Copper for use in manufacture of Resistors | 5% | Nil |
| 6. | 40 | Specified die-cut parts for use in manufacture of cellular mobile phones | As applicable | Nil |
| 7. | 40, 70, 76 | Specified mechanics for use in manufacture of cellular mobile phones | As applicable | Nil |
| 8. | 8517 79 10 | Printed Circuit Board Assembly (PCBA) of specified telecom equipment | 10% | 15% |
| XII. | | Renewable Energy Sector | | |
| 1. | 84, 85, or any other chapter | Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods | 7.5% | Nil |
| 2. | 7007 | Solar glass for manufacture of solar cells or solar modules | Nil | 10% (w.e.f. 1.10.2024) |
| 3. | 74 | Tinned copper interconnect for manufacture of solar cells or solar modules | Nil | 5%(w.e.f 1.10.20 |
| XIII. | | Shipping | | |
| 1. | Any Chapter | Components and consumables for use in manufacture of specified vessels | As applicable | Nil |
| 2. | Any Chapter | Technical documentation and spare parts for construction of war-ships | 20% | 15% |
| XIV. | | Capital goods | | |
| 1. | Any Chapter | Goods under S. No. 404 of Notification No. 50/2017 Customs, used for petroleum exploration operations | As applicable | Nil |



| Changes in Export Duty (To be effective from 24.7.2024) | | | Rate of Duty | |
|---|--------------------|--|--------------|-----|
| B. Effective export duty on raw skins, hides & leather is being simplified and rationalized. The changes are as follows - | | | | |
| S.No. | Chapter or Heading | Commodity | From | To |
| 1. | 4101 to 4103 | Raw Hides & skins, allsorts (other than buffalo) | 40% | 40% |
| 2. | 4101 | Raw Hides & skins of buffalo | 30% | 30% |
| 3. | 4104 to 4106 | Tanned or crust hides of skins, whether or not split, but not further prepared | 40 | 20% |
| 4. | 4104 to 4106 | E.I. tanned leather | Nil | Nil |
| 5. | 41 | Finished leather as defined by DGFT finished leather norms | 7.5% | Nil |
| 6. | 4301 | Raw fur skins | 60%/10% | 40% |
| 7. | 4302 | Tanned or dressed furskin | 60% | 20% |





AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

Notification No. 11/2021 – Customs, dated 01.02.2021 is being amended to revise the AIDC rates on the following goods (w.e.f. 24.07.2024):

| S. No. | Chapter, Heading, sub-heading, tariff item | Commodity | AIDC rate changes (with changes to the effective rate of Customs Duty) | |
|--------|--|---|--|-------|
| | | | From | To |
| 1. | 7108 | Gold bar | 5% | 1% |
| 2. | 7108 | Gold dore | 4.35% | 0.35% |
| 3. | 7106 | Silver bar | 5% | 1% |
| 4. | 7106 | Silver dore | 4.35% | 0.35% |
| 5. | 7110 | Platinum, Palladium, Osmium, Ruthenium, Iridium | 5.4% | 1.4% |
| 6. | 7118 | Coins of precious metals | 5% | 1% |
| 7. | 7113 | Gold/Silver findings | 5% | 1% |





REGULATORY CHANGES

VOLUNTARY CLOSURE OF LIMITED LIABILITY PARTNERSHIP(LLPs)

Finance Minister, through Union Budget 2024 has proposed to extend the services of the Centre for Processing Accelerated Corporate Exit (C-PACE) for voluntary closure of LLP's.



MEASURES INTRODUCED UNDER IBC, FDI RULES, EMPLOYEE INCENTIVES AND REGULATIONS THROUGH UNION BUDGET 2024

FDI RULES TO BE SIMPLIFIED

The Union budget 2024 proposed to simplify the rules and regulations for Foreign Direct Investment and Overseas Investments.

Key Analysis: This move will facilitate foreign direct investment inflow and prioritize and promote the use of rupee for overseas investments.

VOLUNTARY CLOSURE OF LIMITED LIABILITY PARTNERSHIP(LLPs)

Finance Minister, through Union Budget 2024 has proposed to extend the services of the Centre for Processing Accelerated Corporate Exit (C-PACE) for voluntary closure of LLP's.

Key Analysis: This expansion aims to simplify the exit process for LLPs, making it more straightforward and less time-consuming for business owners looking to wind up their operations.

STRENGTHENING THE IBC ECO-SYSTEM

The finance minister proposed an Integrated Technology Platform to be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC), thereby ensuring the consistency, transparency, timely processing and better oversight for all stakeholders.

Additionally, the Union Minister suggested creating more tribunals, some of which would be designated to hear matters solely under the Companies Act.

Key Analysis: With this step India's solvency process will be more open and effective, resulting in a stronger economic foundation going forward.

DEBT RECOVERY

The Union budget 2024 proposed to strengthen the existing debt recovery tribunals and the establishment of additional tribunals.

Key Analysis: This move is designed to address the backlog of cases and ensure timely resolution, providing relief to financial institutions and expediting the recovery process.

Employment Linked Incentive

The government will implement following 3 schemes for 'Employment Linked Incentive', as part of the Prime Minister's package. These will be based on enrolment in the EPFO, and focus on recognition of first-time employees, and support to employees and employers.





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 3 instalments to first-time employees, as registered in the EPFO, will be up to ` 15,000.

Job Creation in manufacturing

This scheme will incentivize additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first 4 years of employment.

Support to employers

This employer-focussed scheme will cover additional employment in all sectors. All additional employment within a salary of ` 1 lakh per month will be counted. The government will reimburse to employers up to ` 3,000 per month for 2 years towards their EPFO contribution for each additional employee.

Internship in Top Companies

One crore youth to be skilled by India's top companies in five years. Twelve months Prime Minister's Internship with monthly allowance of `5,000. Applicable to those who are not employed and not engaged in full time education. Youth aged between 21 and 24 will be eligible to apply.

» Cost sharing (per annum):

- Government – `54,000 towards monthly allowance (plus `6,000 grant for incidentals)
- Company – Rs 6,000 from CSR funds towards monthly allowance
- Training cost to be borne by the Company from CSR funds.



| | |
|---|--|
| AAR: Authority of Advance Ruling | FY: Financial Year |
| AIDC: Agriculture Infrastructure and Development Cess | G20: Group of Twenty |
| AI: Artificial Intelligence | GDP: Gross Domestic Product |
| AO: Assessing Officer | GST: Goods & Services Tax |
| BAR: Board for Advance Ruling | GSTR: Goods and Service Tax Return |
| BCD: Basic Customs Duty | HFC: Housing Finance Companies |
| BE: Budget Estimates | HR: Human Resource |
| CAD: Current Account Deficit | IBC: Insolvency and Bankruptcy Code |
| CAGR: Compound Annual Growth Rate | IBEC: India-Middle East-Europe Corridor |
| CBDT: Central Board of Direct Taxes | IDS: Intrusion Detection System |
| CCS: Carbon Capture and Storage | IFC: International Finance Corporation |
| C-PACE: Centre for Processing Accelerated Corporate Exit | IFSCA: International Financial Services Centres Authority |
| CGST: Central Goods and Services Tax | IFSC: International Financial Services Centre |
| CIT(A): Commissioner of Income Tax (Appeals) | IGST: Integrated Goods and Services Tax |
| COVID: Coronavirus Disease | IMF: International Monetary Fund |
| CRAR: Capital to Risk Assets Ratio | IMEC: India-Middle East-Europe Corridor |
| CSR: Corporate Social Responsibility | INR: Indian Rupee |
| ECB: European Central Bank | INSTC: International North-South Transport Corridor |
| Eff-Capex: Effective Capital Expenditure | IO: Input Service Distributor |
| EME: Emerging Market Economies | IOT: Internet of Things |
| EWB: E-way Bill | ISD: Input Service Distributor |
| FD: Fiscal Deficit | IT: Information Technology |
| FDI: Foreign Direct Investment | ITAT: Income Tax Appellate Tribunal |
| FPO: Farmer Producer Organizations | ITC: Input Tax Credit |
| FRSB: Floating Rate Savings Bonds | JCIT (A): Joint Commissioner of Income Tax (Appeals) |
| FTA: Free Trade Agreements | LLP: Limited Liability Partnership |
| | LTCG: Long Term Capital Gain |

ML: Machine Learning

MSP: Minimum Support Price

MSME: Medium Small-Scale Enterprise

NBFC: Non-Banking Financial Companies

NDC: Nationally Determined Contributions

NEP: National Education Policy

NHB: National Housing Bank

NPA: Non-Performing Asset

PBPT: Prohibition of Benami Property
Transactions

PCBA: Printed Circuit Board Assembly

PLI: Production Linked Incentive

PVC: Poly Vinyl Chloride

RBI: Reserve Bank of India

RCM: Reverse Charge Mechanism

RE: Revised Estimates

ROA: Return on Assets

ROE: Return on Equity

RSETI: Rural Self Employment Training Institutes

SCB: Standard Chartered Bank

SDT: Specified Domestic Transactions

SGST: State Goods and Service Tax

SPF: Statutory Provident Fund

TCS: Tax Collected at Source

TDS: Tax Deducted at Source

TPO: Transfer Pricing Officer

VCC: Venture Capital Company

VCF: Venture Capital Fund

Dear Valuable Client / Colleague,

In case you require any further detailed analysis on above mentioned proposals, please do get back to us and we shall be happy to provide you the same.

**With Best Regards,
Team JPC**

About JPC.

JPC is a professional services firm based in Noida-National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit www.jpc.co.in

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