

# UNION BUDGET 2024

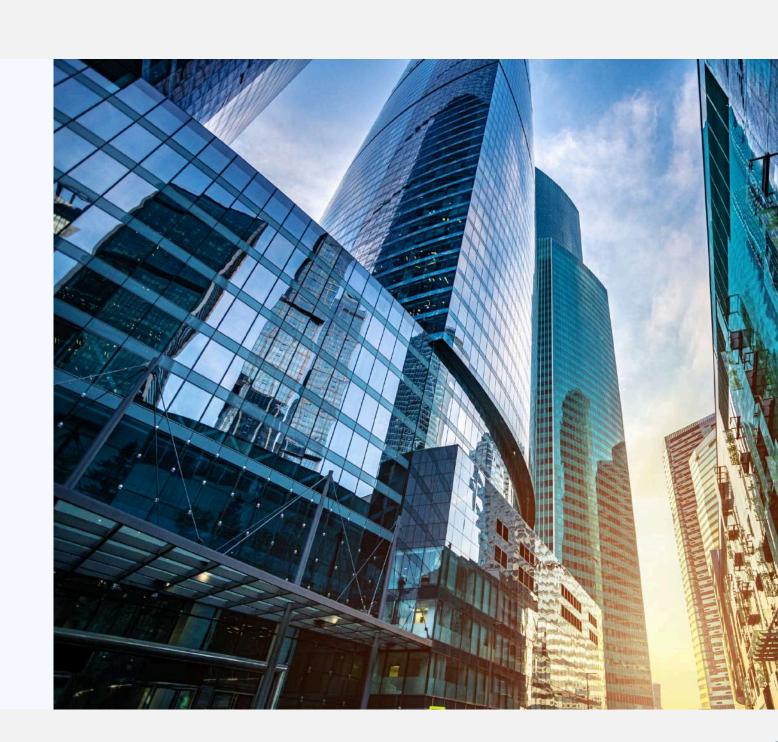
**POLICY ANNOUNCEMENTS**& TAX PROPOSALS



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## Nine priorities of Budget 2024 (1/3)



01



## Productivity and resilience in Agriculture

- Promotion of Farmer Produce
   Organisations, cooperatives & start-ups for vegetable supply chains for collection, storage, and marketing.
- Promotion of natural farming, financing for Shrimp farming, processing and export facilitation through NABARD.
- Digital Public Infrastructure for coverage of farmers and their lands in 3 years
- Release of new varieties of high-yielding and climate-resilient horticulture crops

02



#### **Employment & Skilling**

- Introduction of 3 schemes for Employment Linked Incentive.
- These will be based on enrolment in the EPFO, and focus on recognition of first-time employees, and support to employees and employers.
- Employer-focussed scheme to cover additional employment in all sectors. All additional employment within a salary of INR 1 lakh per month will be counted.
- The government will reimburse to employers up to INR 3,000 per month for 2 years towards their EPFO contribution for each additional employee.

03



## Inclusive Human Resource Development and Social Justice

- Allocation of more than ₹3 lakh crore for schemes benefitting women and girls.
- Improving the socio-economic condition of tribal communities covering 63,000 villages benefitting 5 crore tribal people.
- More than 100 branches of India Post
   Payment Bank will be set up in the North
   East region to expand banking services.

## Nine priorities of Budget 2024 (2/3)



04



#### **Manufacturing & Services**

- Credit Guarantee Scheme for MSMEs in the Manufacturing Sector for purchase of machinery and equipment without collateral
- New assessment model for MSME credit whereby public sector banks will build their in-house capability to assess MSMEs for credit
- Credit Support to MSMEs during Stress Period, enhanced scope for mandatory onboarding in TReDS
- Mudra loan The limit enhanced to ₹ 20 lakh from the current ₹ 10 lakh under the 'Tarun' category.
- E-Commerce Export Hubs will be set up to enable MSMEs and traditional artisans to sell their products in international markets
- Internship in Top Companies comprehensive scheme for providing internship opportunities in 500 top companies. Companies will be expected to bear the training cost and 10 per cent of the internship cost from their CSR funds.

05



#### **Urban Development**

- Encouraging states to lower stamp duties for properties purchased by women.
- Envisioning a scheme to develop 100 weekly 'haats' or street food hubs in select cities
- Transit Oriented Development plans for 14 large cities with a population above 30 lakh
- Promote water supply, sewage treatment and solid waste management projects and services for 100 large cities through bankable projects.

06



#### **Energy Security**

- Scheme launched to install rooftop solar plants to enable 1 crore households obtain free electricity up to 300 units every month.
- Research and development of small and modular nuclear reactors
- Advanced Ultra Super Critical Thermal Power Plants
- Financial support for shifting of micro and small industries to cleaner forms of energy
- Facilitate investment grade energy audit in 60 clusters, next phase expands to 100 clusters.

## Nine priorities of Budget 2024 (3/3)



07



#### **Infrastructure**

- Provision of ₹11,11,111 crore for infrastructure amounting to 3.4% of GDP
- Phase IV of PMGSY to provide all weather connectivity to 25,000 rural habitations
- Assistance for flood management and related projects in Assam, Sikkim & Uttarakhand
- Development of Nalanda as a tourist center besides reviving Nalanda University to its glorious stature.

80



## Innovation, Research & Development

- Operationalization of the Anusandhan National Research Fund for basic research and prototype development
- Private sector-driven research and innovation at commercial scale with a financing pool of ₹1 lakh crore
- Venture capital fund of ₹1,000 crore for boosting space economy

09



#### **Next Generation Reforms**

- NPS Vatsalya: A plan for contribution by parents and guardians for minors
- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands
- Land records in urban areas to be digitized with GIS mapping
- Establishment of and registry for proper record administration





#### **Corporate Tax Proposals**



## 01

#### Foreign Company

- Tax rate has been reduced from 40% to 35%.
- 2% equalisation levy on e-commerce operations to be removed from August 1, 2024

## 03

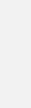
#### **Transfer Pricing proposals**

- Limitation on interest not to be applicable on finance companies located in IFSC
- Expansion of Transfer Pricing Officer's jurisdiction to audit specified domestic transactions not referred by the Assessing Officer or not reported by the taxpayer
- Streamlining of transfer pricing assessment proceedings.
- Widening of Safe Harbour

# 02

# Rationalisation of withholding tax ('TDS') provisions

- Time limit of 6 years introduced for filing of TDS / TCS correction statement.
- Statute of limitation for withholding tax proceedings reduced from 7 to 6 years for all deductees
- Prosecution provisions not to be triggered where TDS has been deposited before the date prescribed for filing of TDS statement.
- Scope of lower TDS/ TCS certificate widened to include TDS/ TCS on purchase/ sale of goods
- Professional or technical services per Section 194J excluded from the ambit of work under Section 194C



### 04 Amendments in withholding tax rates



Section	Present TDS rate	Proposed TDS rate	Effective from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1st April, 2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1st October, 2024
Section 194G- Commission on sale of lottery tickets	5%	2%	1st October, 2024
Section 194H - Payment of commission or brokerage	5%	2%	1st October, 2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1st October, 2024
Section 194M - Payment of certain sums by certain individuals or HUF	5%	2%	1st October, 2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	O.1%	1st October, 2024
Section 194F - Payment on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1st October, 2024



#### Vivad se Vishwas Scheme (Reducing tax litigation)



• Direct Tax Vivad se Vishwas Scheme, 2024 proposed to be introduced for settlement of pending appeals.

Nature of arrears	Period of filing of appeal	Scheme availed on or before 31st December, 2024	Scheme availed on or after 1st January, 2025
Tax, interest, and penalty On or before 22nd July, 2024		Disputed tax	110% of disputed tax
Tax, interest and penalty	On or before 31st January, 2020	110% of disputed tax	120% of disputed tax
Interest or penalty	After 31st January, 2020 but on or before 22nd July, 2024	25% of disputed interest or penalty	30% of disputed interest or penalty
Interest or penalty	On or before 31st January, 2020	30% of disputed interest or penalty	35% of disputed interest or penalty

- Settlement amount shall be reduced to 50% in the event of appeal filed by revenue authorities / issue covered by favourable decision in taxpayer's own case
- Scheme will come into effect post Central Government notification.

#### Other Corporate tax proposals



• Disallowance under section 37 introduced for Insurance companies

 Time limit for initiating Reassessment proceedings has been reduced from 10 years to 5 years and 3 months for income escaping INR 50 lakhs or more.

 Cases transferred from Authority for Advance Ruling to Board for Advance Rulings (BAR) allowed to be withdrawn by October 31, 2024.
 BAR to dispose off the application by December 31, 2024



 Amendment in securities transaction tax for sale of options and futures in securities from October 01, 2024

 Increased threshold of tax effect for Department Appeal before Tax tribunal, High Court, Supreme Court



#### Rationalisation of capital gains

Period of Holding for Long Term Capital Gain (LTCG)	Former	Current
Listed Real Estate Investment Trust/ Infrastructure Investment Trust Unit	> 36 months	> 12 months
Bond, Debenture, Gold	> 36 months	> 24 months
Unlisted share, Immovable Property	> 24 months	> 24 months
Listed share/ Equity	> 12 months	> 12 months

- No indexation benefit and tax @ 12.5% is applicable for long term capital gains
- Market linked debenture and specified mutual fund always attracts short term capital gains/ losses
- Exemption for long term capital gains on listed instruments increased from INR 1 Lakh to INR 1.25 Lakh per year



## Rationalisation of capital gains

	Capital Gains Tax Rate					
Type of Asset	Particular	Tyroo	Long Term Capital Assets		Short Term Capital Assets	
	Particular	Туре	Resident	Non-resident	Resident	Non-resident
	Potoro July 22	Listed	10%	10%	15%	15%
Chaves / Haits	Before July 23	Unlisted	20%	10%	Slab rate	40%/ Slab rate
Shares/ Units	On or After July	Listed	12.5%	12.5%	20%	20%
	23	Unlisted	12.5%	12.5%	Slab rate	35%/ Slab rate
	Defere July 22	Listed	10%	10%	Slab rate	40%/ Slab rate
Bond/	Before July 23	Unlisted	20%	10%	Slab rate	40%/ Slab rate
Debenture	On or After July	Listed	12.5%	12.5%	Slab rate	35%/ Slab rate
	23	Unlisted	Slab rate	as STCG	Slab rate	35%/ Slab rate
Immovable	Before July 23		20%	20%	Slab rate	Slab rate
property	On or After July 23	_	12.5%	12.5%	Slab rate	Slab rate





#### **M&A Proposals**





Relief for unit holders of REIT/ InvIT where holding period for long term gains will now be par with listed shares



Corporate gifts no longer exempt from taxes, only gifts from individual and HUF considered non-taxable



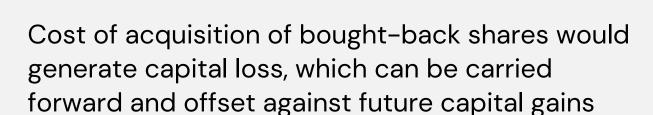
Loophole on Capital Gains Tax optimisation on transfers *via* OFS route by promoters in the process of IPO is plugged



Angel tax on primary investment of shares in the company abolished, effective from 1st April, 2024



Buyback to be treated as dividend in the hands of shareholders and taxed accordingly, with no deduction for expenses, effective from 1st October, 2024



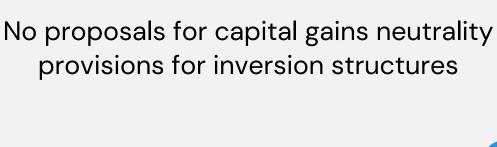


Long-term capital gains tax rate on unlisted shares/ securities reduced from 20% to 12.5%.

Non-resident/ foreign investors will also be taxed at 12.5% in line with resident investors – no more tax arbitrage albeit forex depreciation benefit should be available

#### Other important takeaways





There is no announcement of Pillar 2 or Global Minimum Tax.

Reduction in period of holding from 36 months to 24 months to determine long term capital gains is not applicable to slump sale taxation. Additionally, slump sale will incur an effective tax rate of 12.5% for LTCG.

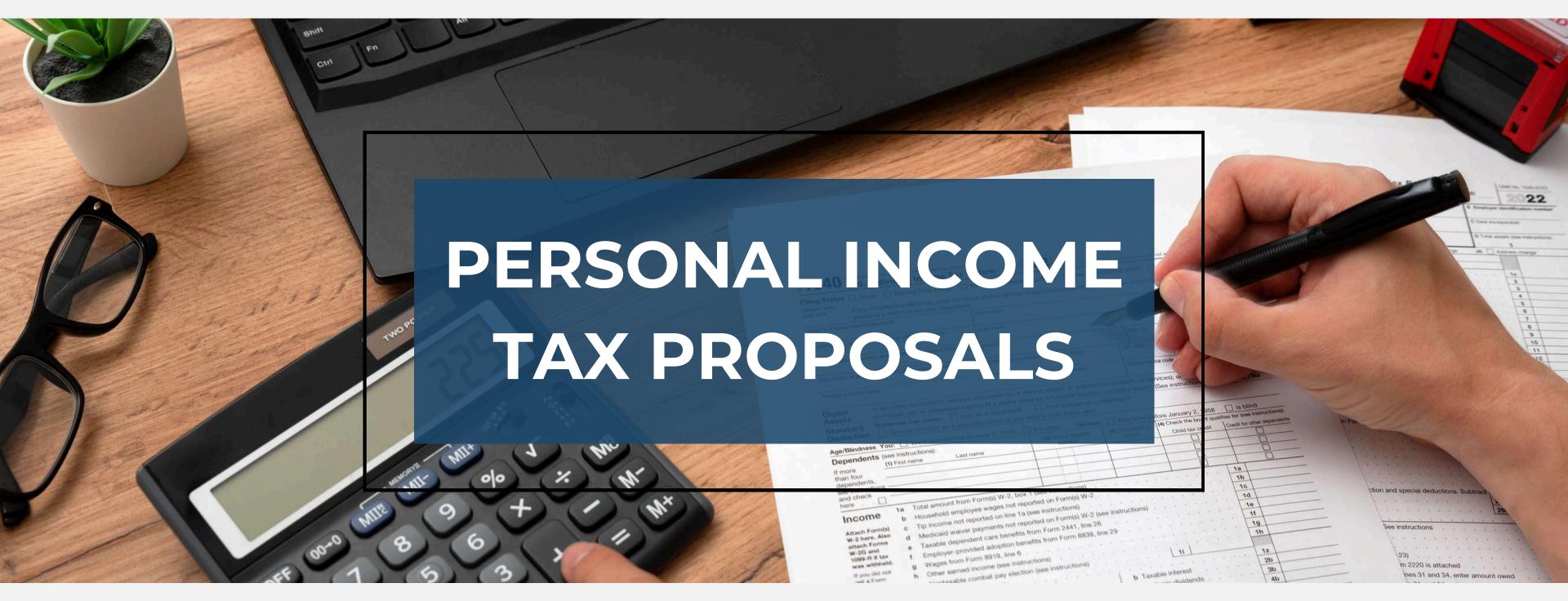


Sunset clause for eligible manufacturing companies under 115BAB has not been extended.

Reduction of tax rate for foreign companies from 40% to 35% will benefit unlisted share sale held for a period less than 24 months.

Fixation of 6 years timeline to close withholding tax proceedings will help in deal certainty involving withholding tax indemnity period on cross border deals









- No change in taxation under the old tax regime.
- Standard deduction under the new regime has been increased from INR 50,000 to 75,000.
- Employer contribution to National Pension Scheme has been increased from 10% to 14%.
- Family pension deduction enhanced from INR 15,000 to INR 25,000
- TCS credit to be taken into consideration for WHT on salary
- Penal provisions have been deleted for non-disclosure of specific foreign assets (other than immovable property) up to aggregate value of INR 20 lakh under the Black Money Act.

Taxable Income (INR)	Proposed rates under new regime
Up to 3,00,000	_
3,00,000 – 7,00,000	5
7,00,001 – 10,00,000	10
10,00,001 – 12,00,000	15
12,00,001 – 15,00,000	20
Above 15,00,000	30





## **Customs Amendments (1/4)**





#### Relaxations of compliance

Aligns Customs provisions with new trade agreements, allowing importers to claim preferential duty rates based on either a certificate issued by an authority or through self-certification.

The time limit for re-exporting aircraft and vessels imported into India for maintenance, repair, and overhauling has been extended from six months to one year, with the possibility of a further one-year extension.

The time period for duty-free re-import of goods (excluding those under export promotion schemes) that were exported from India under warranty has been extended from three years to five years. Additionally, this period can be further extended by an additional two years.

GST Compensation Cess has been exempted on imports of goods by Special Economic Zone (SEZ) units or developers for authorized operations, effective from July 1, 2017. This exemption applies retroactively to SEZ units and developers from that date.



#### **MOOWR Scheme**

Section 65 has been amended to empower the government to notify specific classes of goods that are not allowed under the Manufacturing and Other Operations in Warehouse (MOOWR) Scheme. A new proviso will be added to Section 65(1), enabling the Central Government to specify certain manufacturing processes and operations related to classes of goods that are prohibited in a warehouse.



## **Customs Amendments (2/4)**



Product	Existing Rate	Proposed Rate
Gold bar	15	6
Gold dore	14.35	5.35
Silver bar	15	6
Silver dore	14.35	5.35
Ferrous Scrap	Nil (till 30.09.2024)	Nil (till 31.03.2026)
Cellular Mobile Phone	20	15
Charger/Adapter of cellular mobile phone	20	15
Printed Circuit Board Assembly (PCBA) of cellular mobile phone	20	15
Specified goods for use in manufacture of connectors	5/7.5	Nil
X-ray tubes and Flat panel detectors (including scintillators) for use in manufacture of medical, surgical, dental or veterinary X-ray machines	15	5 (till 31.03.2025) 7.5 (from 01.04.2025 to 31.03.2026) 10 (from 01.04.2026 onwards)



## **Customs Amendments (3/4)**



#### Amendment in Customs Tariff – Effective from 01/10/2024

Existing	Description	Amended Tariff	Description	Tariff Rate
85371000	For a voltage not exceeding 1,000 V	853710	For a voltage not exceeding 1,000 V	
		85371010	For use in goods of Chapter 88 or 89 or 93	15%
		85371090	Others	15%
88073000	Other parts of aeroplanes, helicopters or unmanned aircraft	880730	Other parts of aeroplanes, helicopters or unmanned aircraft	
		88073010	Of aeroplanes, helicopters	2.5%
		88033020	Of unmanned aircraft	2.5%



## **Customs Amendments (4/4)**



#### Extension of Exemption on certain imports

Particulars	Notification Reference	Current Validity	Proposed Validity
Import of items for manufacture in IT/Electronic Industry	25/1999-cus dtd 28.02.1999	30.09.2024	31.03.2029
Import of certain CG for use in IT/ Electronic Industry	25/2002- Cus dtd 01.03.2002	30.09.2024	31.03.2029
Import of Lithium Ion Cells for manufacture of battery or battery pack of electrically operated vehicle or hybrid motor vehicle	50/2017-Cus dtd 30.06.2017	30.09.2024	31.03.2026
Exemption from custom duty on import of goods for repairs, reconditioning, reengineering, testing, calibration or maintenance (including service)	134/94-Cus dtd 22.06.1994	30.09.2024	31.03.2029
Exemption to research equipment imported by public funded research institutions or a university of an Indian Institute of Technology or Indian Institute of Science, Bangalore or Regional Engineering College, non-commercial institutions	51/1996-Cus dtd 23.07.1996	30.09.2024	31.03.2029
Exemption to goods imported for execution of an export order for jobbing	32/1997-Cus dtd 01.04.1997	30.09.2024	31.03.2029
Time period for Re-import of exported goods (other than those under export promotion schemes)	45/2017-cus dtd 30.06.2017	Three Years	Five Years plus two years

#### GST Amendments (1/3)





#### **Exemptions / Relaxation**

- Exclusion of Extra Neutral Alcohol used in manufacturing alcoholic liquor for human consumption from GST.
- Introduction of Section 11A to the CGST Act, allowing the government to regularize cases of unlevied or short-levied central tax due to general practices in trade
- Co-insurance premium apportionment by the lead insurer to the co-insurer classified as neither supply of goods nor services if the lead insurer pays GST on the entire amount.
- Deduction of ceding or reinsurance commission from the reinsurance premium, also classified as neither supply of goods nor services, provided the reinsurer pays GST on the gross premium.



#### **Input Tax Credit**

- Extension of the time limit for availing input tax credit (ITC) for FY 2017–18 to FY 2020–21, allowing claims for those who filed returns by November 30, 2021, despite usual limits under Section 16(4)
- Taxpayers with revoked GST registration can claim ITC from the cancellation effective date to revocation, filing returns within 30 days; no refunds for already paid tax or reversed ITC.
- Extension of the time limit for availing input tax credit (ITC) for FY 2017–18 to FY 2020–21, allowing claims for those who filed returns by November 30, 2021, despite usual limits under Section 16(4).

### GST Amendments (2/3)





#### Issuance of Self invoice, Time of Supply and Refunds

- Section 31(3)(f) amended to allow for prescribing a time period for issuing self-invoices in Reverse Charge Mechanism (RCM) cases, defined by CGST Rules
- Section 13(3) updated to use the date of self-invoice issuance for determining the time of supply for RCM services.
- Refunds for unutilized ITC and integrated tax (IGST)
  are restricted for zero-rated supplies of goods
  subject to export duty; governed by Section 54 of the
  CGST Act.



#### Miscellanous

- Registered persons required to deduct tax at source must file a monthly return, regardless of deductions made
- Section 109 amended to ensure anti-profiteering matters are reviewed and adjudicated by the Principal Bench of the GST Appellate Tribunal (GSTAT), with the government authorized to designate additional cases for the Principal Bench
- Revision of penalty provisions for e-commerce operators (ECOs) under Section 122(1B) to apply only to those collecting tax at source under Section 52.
- Amendment to Section 39(3) now requires GSTR-7 to be filed even for nil transactions

## GST Amendments (3/3)





Particulars	Section 73 (Upto FY23–24)	Section 74 (up to FY 2023–24)	Section 74A (from FY 2024–25)
Applicability	Without intention to evade tax	By reason of fraud or any wilful misstatement or suppression of facts with an intention to evade tax	Both
Time limit to issue notice	3 months prior to due date to issue order	6 months prior to due date to issue order (4 years, 6 months)	42 months from due date of annual return
Time limit to pass order	3 years from the due date of annual return	5 years from the due date of annual return	12 months from the date of issue of notice
Extended period	NA	NA	JCCT can extend time limit to issue order for further 6 months, with reasons for such extension
Penalty for other than fraud cases	Before SCN- 0% Within 30 days issue of SCN - 0% Subsequent period -10%	NA	Before SCN - 0% Within 60 days of issue of SCN - 0% Subsequent period -10%
Penalty for fraud cases	NA	Before SCN – 15% Within 30 days of issue of SCN– 25% Within 30 days from issue of order – 50% Subsequent period –100%	Before SCN - 15% Within 60 days of issue of SCN - 25% Within 60 days from issue of order -50% Subsequent period -100%
Conclusion	Deemed Closure if	Order is not issued within prescribed	time limit [Section 75(10)]



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