

# UNION BUDGET 2024 - 25

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## TAX INSIGHT



The Hon'ble Finance Minister Ms. Nirmala Sitharaman presented the Finance (No. 2) Bill, 2024 ("**the Finance Bill**") on July 23, 2024 in the Parliament. We are enumerating key policy initiatives and changes under the specified Indirect Tax Laws.

## Goods & Services Tax (GST)

### 1. Changes coming into force on enactment of the Finance Bill, 2024

#### 1.1 The Central Goods and Services Tax Act, 2017 ("the CGST Act")

##### ► **Exclusion of items from purview of GST**

GST is not leviable on un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption. Similar amendment is proposed under the Integrated Goods and Services Tax Act, 2017 ("**the IGST Act**")

##### ► **Power to regularise non-levy/ short - levy of GST**

The government is empowered to regularise non-levy/ short levy of GST where such non-levy/short levy is due to general trade practice.

##### ► **Time of Supply**

Time of supply for cases where invoices are required to be issued by the recipient of services in reverse charge supplies to be amended.

##### ► **Input Tax Credit (ITC)**

- ✓ Time limit to avail ITC pertaining to invoices or debit notes issued during the period July 2017 - March 2021 extended till 31 November 2021.

- ✓ Further, wef 1 July 2017, ITC pertaining to invoices or debit notes can be claimed for the period from the date of cancellation of registration till the date of order of revocation of cancellation of registration, only if the return claiming such ITC is filed within 30 days of the said revocation order. This is subject to the condition that the time-limit for availing ITC has not expired on the date of order of cancellation of registration.
- ✓ ITC to be availed of tax demanded and paid on seized/ detained & confiscated goods upto FY 2023-24.

► **Tax invoice**

- ✓ The Government may prescribe time limit to issue invoice wrt supplies taxable under reverse charge mechanism.

► **Returns**

- ✓ Time limit removed to file monthly deduction of tax at source (TDS) return in Form GSTR- 7 within 10 days of the next month.
- ✓ TDS return to be filed irrespective whether any tax deducted or not.

► **Refund**

- ✓ No refund of unutilised ITC shall be allowed in case where goods are subject to export duty.

► **Power to Summon**

- ✓ Authorized representative to appear on behalf of summoned person w.r.t summons issued under Section 70 of the CGST Act.

► **Show Cause Notice**

- ✓ Applicability of Section 73 and 74 of the CGST Act restricted upto FY 2023-24 only.
- ✓ New Section 74A introduced with the following provisions:
  - No notice can be issued for demand lower than INR 1,000/-.
  - Notice can be issued within 42 months from due date of filing annual return or date of grant of erroneous refund.

- Demand can be increased post issuance of notice by issuing additional statement subject to condition that the grounds remains the same
- Imposition of penalty:
  - For any reason other than fraud: 10% or 10,000/-, whichever is higher (No Penalty leviable if paid within 60 days of notice)
  - For Fraud: 100% (25% in case tax and interest paid within 60 days of issue of notice, 50% in case where tax and interest paid within 60 days of order)
- ✓ Order to be passed within 12 months from date of issue of notice (Maximum extension of 6 month).
- ✓ Penalty applicable where tax collected or self-assessed tax not paid within 30 days from due date of payment of tax.
- ✓ In case of reasons other than fraud or willful misstatement or suppression of fact, no notice to be issued if tax amount is paid with interest.
- ✓ In case of fraud or willful misstatement or suppression of fact, no notice shall be issued if tax paid with interest and 15% Penalty.

#### ► **Waiver of Interest and Penalty**

Section 128A to be inserted to provide that no interest and penalty is payable in respect of cases involving reasons other than fraud or wilful misstatement or suppression of facts (other than erroneous refund) for the period 1 July 2017 to 31 March 2020, if tax is paid within the specified time. No refund is available where such interest and penalty has been already paid.

#### ► **Appeal**

- ✓ Maximum amount of pre-deposit of filling appeal before the First Appellate Authority reduced from INR 25 crores to 20 crores each in CGST and SGST.
- ✓ Wef 1 August 2024, time limit to file appeal before the Appellate Tribunal shall be the three months from the date of receipt of order or date as may be prescribed, whichever is later.
- ✓ Amount of pre-deposit for filling appeal to the Appellate Tribunal reduced to 10% of the disputed tax or maximum of twenty crores each in CGST and SGST.

## ► **Penalty**

Penalty prescribed under sub-section 1B of Section 122 of the CGST Act restricted to E-commerce operators liable to collect tax at source.

## ► **Anti-Profitteering**

Time limit to be notified for non-acceptance of application for cases related to anti-profitteering.

## ► **Activities or transactions which shall be treated neither as supply of goods nor supply of services**

The following new entries to be inserted:

- ✓ Activity of apportionment of insurance premium by the lead insurer to the co-insurer for insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements, subject to the condition that the tax has been paid by lead insurer.
- ✓ 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 tax is paid by the reinsurer on the gross reinsurance premium.



# The Customs Act, 1962

## Changes coming into force on enactment of the Finance Bill, 2024

### ► Procedure regarding claim of preferential rate of duty

- ✓ Different types of proof of origin to be accepted in order to align with new trade agreements providing for self-certification. In this regard, the term 'certificate of origin' has been replaced by words 'proof of origin'.
- ✓ Further, terms 'certificate of origin' and 'Issuing Authority' defined in explanation to Section 28D A.

### ► Manufacture and other operations in relation to goods in a warehouse

- ✓ The Central Government empowered to specify certain manufacturing processes and other operations in relation to a class of goods that shall not be permitted in a warehouse.

### ► Others

- ✓ Compensation Cess exempted wef 1 July, 2017, if imported by a unit or a developer in the Special Economic Zone for authorised operations, as notified vide Notification no. 27/2024-Customs dated 12 July, 2024 retrospectively.
- ✓ The Finance Bill seeks to amend the exemption from Basic Custom Duty ("**BCD**") and Agriculture Infrastructure and Development Cess on Crude Soya-bean oil and Crude sunflower seed oil vide Notification No. 37/2023- Customs dated 1 May, 2023 retrospectively wef 1 April, 2023. Further, consequential refund shall be allowed for the period 1 April, 2023 to 10 May, 2023, if refund application is filed before 31 March, 2025.



# The Customs Tariff Act, 1975 (the Customs Tariff Act)

## Amendments to the Customs Tariff Act

The Finance Bill seeks to omit the powers of the Government to levy protective duties as prescribed under Section 6 of the Customs Tariff Act, as the Tariff Commissions has been wound up by resolution dated 1 June, 2022.

### Changes in rate of Custom Duty

| S. No.                                              | Heading/sub-heading tariff item | Commodity/ Description                                        | Existing Rate          | Revised rate           | Rate Move ment |
|-----------------------------------------------------|---------------------------------|---------------------------------------------------------------|------------------------|------------------------|----------------|
| <b>Plastics (w.e.f. 24 July, 2024)</b>              |                                 |                                                               |                        |                        |                |
| 1.                                                  | 3920, 3921                      | Poly vinyl chloride (PVC) flex films                          | 10%                    | 25%                    | ↑              |
| <b>Chemicals (w.e.f. 24 July, 2024)</b>             |                                 |                                                               |                        |                        |                |
| 1.                                                  | 9802 00 00                      | Laboratory chemicals                                          | 10%                    | 150%                   | ↑              |
| <b>Agricultural Products (w.e.f. 24 July, 2024)</b> |                                 |                                                               |                        |                        |                |
| 1.                                                  | 1207 99 90                      | Shea nuts                                                     | 30%                    | 15%                    | ↓              |
| <b>Steel Sector (w.e.f. 24 July, 2024)</b>          |                                 |                                                               |                        |                        |                |
| 1.                                                  | 7202 60 00                      | Ferro Nickel                                                  | 2.5%                   | Nil                    | ↓              |
| 2.                                                  | 7204                            | Ferrous Scrap                                                 | Nil (till 30.09.20 24) | Nil (till 31.03.20 26) |                |
| 3.                                                  | 7225                            | Certain specified raw materials for manufacture of CRGO steel | Nil (till 30.09.20 24) | Nil (till 31.03.20 26) |                |
| <b>Copper (w.e.f. July 24, 2024)</b>                |                                 |                                                               |                        |                        |                |
| 1.                                                  | 7402 00 10                      | Blister Copper                                                | 5%                     | Nil                    | ↓              |

| <b>IT and Electronics Sector (w.e.f. 24 July, 2024)</b> |                              |                                                                                                                                 |               |                               |   |
|---------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------------------|---|
| 1.                                                      | 8517 13 00,<br>8517 14 00    | Cellular mobile phone                                                                                                           | 20%           | 15%                           | ↓ |
| 2.                                                      | 8504 40                      | Charger/Adapter of cellular mobile phone                                                                                        | 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%                           | ↑ |
| <b>Renewable Energy Sector (w.e.f. 24 July, 2024)</b>   |                              |                                                                                                                                 |               |                               |   |
| 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. October 01, 2024) |   |
| 3.                                                      | 74                           | Tinned copper interconnect for manufacture of solar cells or solar modules                                                      | Nil           | 5% (w.e.f. October 01, 2024)  |   |
| <b>Shipping (w.e.f. 24 July, 2024)</b>                  |                              |                                                                                                                                 |               |                               |   |
| 1.                                                      | Any Chapter                  | Components and consumables for use                                                                                              | As            | Nil                           |   |

|                                             |             |                                                                                                       |               |     |  |
|---------------------------------------------|-------------|-------------------------------------------------------------------------------------------------------|---------------|-----|--|
|                                             |             | in manufacture of specified vessels                                                                   | applicable    |     |  |
| 2.                                          | Any Chapter | Technical documentation and spare parts for construction of warships                                  | As applicable | Nil |  |
| <b>Capital goods (w.e.f. 24 July, 2024)</b> |             |                                                                                                       |               |     |  |
| 1.                                          | Any Chapter | Goods under S. No. 404 of Notification No. 50/2017 Customs, used for petroleum exploration operations | As applicable | Nil |  |

- ✓ Specified critical minerals exempted from full custom duties
- ✓ End date for various Notifications providing BCD exemption to goods across sectors extended upto 30 September 2024, 31 March, 2026 and 31 March, 2029 as the case may be.
- ✓ Various specified goods exempted from Social Welfare Surcharge w.e.f. 24 July, 2024.



The Hon'ble Finance Minister Ms. Nirmala Sitharaman presented the Finance (No. 2) Bill, 2024 ("**the Finance Bill**") on July 23, 2024 in the Parliament. We are enumerating key policy initiatives and changes under the specified Direct Tax Laws.

## Direct Tax

### ► Rates of income-tax in respect of income liable to tax for the assessment year 2024-25.

- ✓ Income-tax rates (including surcharge, health and education cess) for domestic companies, cooperative societies and firms to remain unchanged.
- ✓ Tax rate applicable on a foreign company on income other than specified income, e.g., royalty and fee for technical service, is reduced from 40% to 35%. Surcharge and health and education cess to remain unchanged
- ✓ Income-tax rates (including surcharge and health and education cess) for individuals to remain unchanged for taxpayers opting for the old tax regime.
- ✓ With effect from AY 2025-2026 slabs for individuals and HUF under New regime are as

### Income tax Rates under the New Regime

| Total Income                | Rate |
|-----------------------------|------|
| Up to 3,00,000              | Nil  |
| From 3,00,001 to 6,00,000   | 5%   |
| From 6,00,001 to 9,00,000   | 10%  |
| From 9,00,001 to 12,00,000  | 15%  |
| From 12,00,001 to 15,00,000 | 20%  |
| Above 15,00,000             | 30%  |

► **Increase in Standard Deduction and deduction from family pension for taxpayers in tax regime**

- ✓ Standard deduction for salaried employees opting for the New Personal Tax Regime (NPTR) is proposed to be increased to INR 75,000 from INR 50,000.
- ✓ Deduction with respect to family pension is proposed to be increased to INR 25,000 from INR 15,000 for taxpayers opting for the New Personal Tax Regime (NPTR)

These amendments will take effect from the 1st day of April, 2025, and will accordingly apply to assessment year 2025-26 and subsequent assessment years.

► **Increase in amount allowed as deduction to non-government employers and their employees for employer contribution to a Pension Scheme referred in Section 80CCD**

- ✓ The deduction with respect to the National Pension Scheme is proposed to be extended to 14% in cases of non-government employees opting for taxation under the New Personal Tax Regime.
- ✓ The amendments will take from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

► **Tax incentives to International Financial Services Centre**

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

- ✓ Retail schemes and Exchange Traded Funds in IFSC, shall enjoy tax exemptions along similar lines as available to specified funds.
- ✓ Specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, is proposed to be exempted.



- ✓ Where a venture capital fund (VCF) located in IFSC extends a loan / other amount to an assessee, it shall no longer be called upon to explain the source of funds under Section 68 of the Income tax Act.
- ✓ Exclusion of the applicability of section 94B to certain finance companies located in IFSC.
- ✓ Surcharge shall not apply on income-tax payable on income from securities by specified funds.

The amendments will take from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards

► **Promotion of domestic cruise ship operations by non-residents**

- ✓ Presumptive tax regime that is **Section 44BBC** introduced for non-resident engaged in the business of operation of cruise ship to deem 20% of the aggregate amount received/ receivable by the non-resident from such activity as profit/ gains from business of cruise ship operation.
- ✓ Income from lease rentals of cruise ship of a foreign company received from another foreign company opting for presumptive tax regime applicable for operator of cruise ships shall be exempt from tax in the hands of a foreign entity provided that both the companies are held by same parent up to financial year 2029-30.

The amendments will take from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

► **Introduction of block assessment provisions in cases of search under section 132 and requisition under section 132A**

- ✓ Block assessment procedure for search proceedings reintroduced for searches conducted on or after 1 September 2024. Block assessment will now cover a period of

6 years preceding the year of search. Total income so assessed (undisclosed or disclosed) under block assessment will be taxed at a flat rate of 60% (plus applicable cess at 4%).

- ✓ Reduction in limitation period for reopening of high value cases involving undisclosed income over INR50 lakhs represented in the form of an asset, expenditure or book entry reduced from 11 years from the end of the relevant financial year sought to be reopened up to six years and three months from the end of the relevant financial year sought to be reopened.

► **Rationalisation of the time-limit for filing appeals to the Income Tax Appellate Tribunal**

- ✓ Taxpayer will now be able to appeal before the Income tax appellate tribunal (ITAT) against the penalty orders under Section 158BFA issued in case of search proceedings.
- ✓ With effect from 1 October 2024, the time limit for appeal before ITAT is revised to two months from the end of the month in which order sought to be appealed is communicated to the taxpayer or Principal Commissioner or Commissioner of income tax as the case may be.

► **Amendments in Income Escaping Assessment or Re-assessment u/s 148 r.w.s 148A, 149 and 151**

- ✓ The procedure of the income escaping assessment or reassessment is same as it was before amendment, the sections has been re-drafted to make it more clear and easy to understand.
- ✓ The main amendments in income escaping assessment or reassessment u/s 148 is with respect to the time limit for opening or reopening of the cases (i.e., issuance of Notice u/s 148), earlier it was 3 years and 10 years from the end of the relevant Assessment

year, depending upon the quantum of the income escaped or likely to be escaped. Now this time limit has been reduced to 3 years 3 months and 5 years 3 months from the end of the relevant assessment year, depending upon the quantum of the income escaped or likely to be escaped.

- ✓ Earlier, Section 149 only deals with time limit for issuance of Section 148. The amended Section 149 deals with time limit for issuance of Notice u/s 148 as well as Notice u/s 148A
- ✓ The meaning of the specified authorities u/s 151 also amended by the Finance Bill, 2024. 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, as the case may be.

#### ► **Simplification of Taxation of Capital Gains**

- a. For classifying assets into long-term and short-term, there will only be two holding periods: 12 months and 24 months. The 36-month holding period has been removed.
- b. The holding period for all listed securities is 12 months. All listed securities with a holding period exceeding 12 months are considered Long-Term. The holding period for all other assets is 24 months.
- c. Unlisted bonds and debentures are brought in line with the taxation on debt mutual funds and market-linked debentures. They will attract tax on capital gains at applicable slab rates. (i.e., they will be treated as short-term irrespective of the period of holding.)
- d. The taxation of Short-Term Capital Gain for listed equity shares, a unit of an equity-oriented fund, and a unit of a business trust has been increased to 20% from 15%. Other financial and non-financial assets which are held for short term shall continue to attract the tax at slab rates.
- e. For the benefit of the lower and middle-income classes, the limit on the exemption of Long-Term Capital Gains on the transfer of equity shares or equity-oriented units or

units of Business Trust has increased from Rs.1 Lakh to Rs.1.25 lakh per year. However, the rate at which it is taxed has increased from 10% to 12.5%.

- f. The exemption limit to Rs. 1.25 lakhs has been increased for the whole of the year, whereas the tax rate changed on 23rd July 2024.
- g. The tax on long-term capital gains on other financial and non-financial assets is reduced from 20% to 12.5%. While on the other hand, the indexation benefit that previously was available on sale of long-term assets, has now been done away with. So, any sale of long term asset made from 23rd July, 2024, will attract tax rate of 12.5% only without indexation benefit
- h. However, it is to be noted that the provision regarding availing the benefit of FMV of asset as on 01.04.2001 as cost while selling the asset, is still available even after the recent changes.

► **Amendment to definition of Specified Mutual Fund under section 50AA**

It is 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
- b) 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.

## ► **Rationalization of the provisions of Charitable Trusts and Institutions**

- ✓ Presently, charitable institutions can claim income exemption either under S. 10(23C) regime or S. 11 regime. Exemption under both these regimes is conditions-ridden and subject to various procedural compliances.
- ✓ In order to merge the two regimes and to phase out section 10(23C) regime, Finance Bill (FB) 2024 now provides that
  - No fresh application can be made for seeking approval under S. 10(23C) regime from 1 October 2024.
  - Existing approved charitable institutions under s. 10(23C) regime shall continue to claim exemption under that regime until expiry of their existing approval. Thereafter, such institutions shall be required to migrate under S. 11 regime for claiming charity exemption.
- ✓ The Finance Bill 2024 provides that merger of one registered charitable institution into another trust will now not be exposed to exit tax levy subject to satisfaction of certain condition.
- ✓ Obtaining charity registration / re-registration within a specified time is condition precedent for claiming charity exemption. Failure to seek charity registration or delay thereof may also expose trust to exit tax levy. Finance Bill 2024 now allows Tax Authority to condone the delay in filing registration or re-registration application if there exist reasonable cause for such delay.

## ► **Changes in Section 80 G**

Section 80G of the Income-tax Act, 1961, provides for the grant of approval to certain funds or institution of receiving donations. Time limit for disposing of application for such approval has been revised to six months from the end of the quarter in which application is received.

## ► **Rationalisation of Tax Deducted at Source rates**

Budget 2024 reduced the TDS rates on specified payments to facilitate business and improve taxpayer compliance. However, TDS rates are effective only either after 1st Oct 2024 or 1st April 2025. The table below shows the specified payments.

| <b>Section</b>                                                                                            | <b>Present<br/>TDS Rate</b> | <b>Proposed<br/>TDS Rate</b> | <b>With effect<br/>from</b> |
|-----------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|-----------------------------|
| Section 194D - Payment of insurance commission (in case of person other than company)                     | 5%                          | 2%                           | 1.4.2025                    |
| Section 194DA - Payment in respect of life insurance policy                                               | 5%                          | 2%                           | 1.10.2024                   |
| Section 194G – Commission etc on sale of lottery tickets                                                  | 5%                          | 2%                           | 1.10.2024                   |
| Section 194H - Payment of commission or brokerage                                                         | 5%                          | 2%                           | 1.10.2024                   |
| Section 194-IB - Payment of rent by certain individuals or HUF                                            | 5%                          | 2%                           | 1.10.2024                   |
| Section 194M - Payment of certain sums by certain individuals or Hindu undivided family                   | 5%                          | 2%                           | 1.10.2024                   |
| Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant                  | 1%                          | 0.1%                         | 1.10.2024                   |
| Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India | Proposed to be omitted      |                              | 1.10.2024                   |

### ► **Ease in claiming credit for TCS/ TDS deducted by salaried employees**

Representations have been received that credit of TCS paid should be allowed while computing the amount of tax to be deducted on salary income of the employees as this will help in avoiding cash flow issues for employees. Similarly, all TDS may be taken into account for the purpose of deduction of tax from the salary income of employees. Moreover when the TCS etc is not taken into account, the same is required to be claimed as a refund by the employee which adds to the compliance process.

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

### ► **Increase in limit of remuneration to working partners of a firm allowed as Deduction**

Section 40(b) meant for moderated deduction of working partner salary in the case of firms has been given a liberal deduction by prescribing the threshold limit as Rs.6,00,000 instead of the present limit of Rs.3,00,000 and pushing upward the limit of remuneration to Rs.3,00,000 or at the rate of 90% of the book profit, whichever is more. This amendment would apply from the assessment year 2025-26 onwards. The happiness because of this amendment is short lived as the next amendment relating to tax deduction at source puts the partnership firms in great discomfort.

The Finance (No.2) Bill, 2024 proposes to insert section 194T which is applicable in the case of partnership firms wherein a firm if pays any sum in the nature of salary, remuneration, commission, bonus or interest to a partner, shall, at the time of credit of such amount to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier, deduct income-tax at the rate of 10%. Sub-section (2) to section 194T proposed says that such deduction shall be applicable where

the aggregate of the amounts credited or paid or likely to be credited or paid exceeds Rs.20,000

► **Claiming credit for TCS of minor in the hands of parent**

- ✓ TCS credit of minor allowed to be claimed in hands of parent when income is clubbed w.e.f 1 January 2025.
- ✓ Higher interest rate of 1.5% is now applicable on delayed payment to the government of TCS already collected w.e.f. 1 April 2025.

► **Tax on distributed income of domestic company for buy-back of shares**

With effect from 1 October 2024, changes are proposed in the buyback tax provisions

- ✓ Income to be taxed in the hands of the shareholders as dividend
- ✓ Consideration paid for the buyback of shares is to be taxed without allowing any deduction
- ✓ TDS provisions to apply on payments to shareholders.
- ✓ Cost of acquisition of shares to be considered as capital loss for the shareholders.

► **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.

This amendment is proposed to be made effective from the 1st day of October, 2024.

► **Reporting of income from letting out of house property under 'Income from House Property**

An explanation inserted in section 28 to clarify that any income arising 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"

► **Amendment of Section 80G**

The Government had set up fund by the name National Sports Development Fund w.e.f 12.11.1998. It is proposed to amend sub-clause (iiihg) of clause (a) of sub-section (2) of Section 80G of the Act to provide that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, any sums paid by the assessee in the previous year as donations to the National Sports Development Fund set up by the Central Government.

This amendment will take effect from the 1st day of April, 2025 and will accordingly apply to assessment year 2025-26 and subsequent assessment years

► **Removing reference to National Housing Board in Section 43D of the Act**

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.

## ► **Amendment of provisions related to Equalisation Levy**

Some stakeholders have raised concerns that the scope of 2% equalization levy is ambiguous and as a result it leads to compliance burden. In view of this 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 ecommerce 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.

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

## ► **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**

Every resident and ordinarily resident, while filing the return of income, shall disclose all foreign assets (including investment in shares and securities) and income from such foreign assets in the Income Tax Return. Failure to furnish the ITR in relation to foreign income and asset or to report such foreign income and assets located outside India in the ITR may attract a penalty under section 42 or 43 of the Black Money Act, of an amount of ten lakh rupees regardless of the value of asset located outside India.

Further, provisos to the aforementioned sections of the Black Money Act state that the provisions of these sections shall not apply in respect of an asset, being one or more bank accounts having an aggregate balance which does not exceed a value equivalent to five hundred thousand rupees at any time during the previous year. Suggestions have been received from various stakeholders that the threshold limit of five lakh rupees is very low which results in many penalties where the asset value itself is less than the penalty amount.

It is proposed to amend the provisos to sections 42 and 43 of the Black Money Act to provide that 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 twenty lakh** rupees.

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

► **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.

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

► **Tax Deduction at source on Floating Rate Savings (Taxable) Bonds (FRSB) 2020**

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.

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



## ► **Direct Tax Vivad se Vishwas Scheme, 2024**

Due to more cases going to appeal than being resolved, there is an increase in the amount of litigation pending at different levels. Given the accomplishments of the prior Vivaad Se Vishwas Act, 2020 and the growing backlog of appeals at CIT(A), the Budget has re-introduced **Direct Tax Vivad se Vishwas Scheme, 2024**

## ► **Determination of Arms Length Price in respect of specified domestic transactions in proceedings before Transfer Pricing Officer**

- ✓ Scope of Transfer Pricing (TP) assessment of Specified Domestic Transactions (SDTs) expanded
- ✓ Scope of Transfer Pricing assessment expanded to enable the Transfer Pricing Officer (TPO) to audit SDTs which-
  - have not been referred by the Assessing Officer (AO) and/ or
  - have been identified by the TPO during the course of the assessment proceeding
- ✓ **Objections to Dispute Resolution Panel (DRP):-** Taxpayers who have undisclosed income pursuant to a search not eligible to file objections before DRP against variations proposed to the income by the Assessing officer. Taxpayers in this category are only permitted to file an appeal with the Commissioner of Income Tax (Appeals)
- ✓ Intention to expand coverage of safe harbour rules and streamline transfer pricing assessment procedure.

## ► **Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number**

It is proposed that proviso to sub-section (1) of section 139AA shall not apply from the 1st day of October, 2024. It is further proposed that every person who has been allotted

permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

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

► **Penalty for failure to furnish statements**

It is proposed to amend sub-section (3) of section 271H 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.

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

► **Angel Tax abolished from 01 April 2024**

- ✓ The Angel tax provisions of Section 56(2)(viib) has been proposed to be removed.
- ✓ Angel is a tax levied on companies that issue fresh shares to investors at a price above the company's Fair Market Value. The excess of the Issue Price over and above the FMV was made taxable u/s 56(2)(viii) as an angel tax in the hands of the Company. This provision is proposed to be removed.
- ✓ The startup ecosystem will benefit considering the frequent fund raise that can happen in startups and the compliance cost and the time that is consumed by the said provision while conducting a fund raise in start up.

► **Submission of statement by liaison office of non-resident in India**

Failure to furnish prescribed statement by the liaison office of the non-resident within the prescribed period is to attract penalty. The penalty under the new section 271GC of the Act is INR1,000 every day for which the failure continues if the period of failure does not exceed three months; it is INR100,000 in any other case.

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

It is proposed to clarify the levy of penalty of INR50,000 for furnishing inaccurate information in the statement of financial transaction or reportable account, or for failing to comply with due diligence requirements in said statement.



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