



# UNION BUDGET 2024

S.R. DINODIA & Co. LLP  
CHARTERED ACCOUNTANTS

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# Foreword





# Foreword

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**Pradeep Dinodia,**  
Managing Partner

The global economic situation has largely been stable in 2023 after a year of volatility and uncertainties, nonetheless the global economic landscape continues to face uncertain geopolitical developments. As per World Economic Outlook[1], the global economy has grown at the rate of 3.2% in 2023 compared to 3.5% in 2022. Almost all major economies have surpassed the pre-pandemic GDP levels. There has been a moderation of global trade due to geopolitical tensions, cross border restrictions and slower growth of advance economies combined with higher inflationary pressures on back of higher core inflation.

India, despite the global headwinds and external challenges, carried forward its growth momentum built in past into FY2024 as well. It is heartening to see that country's real GDP has grown at 8.2% in FY24 compared to 7% in FY 23. This growth has been driven by stable consumption demand and steadily improving investment demand. The real GDP for FY25 is projected at 6.5% - 7%.

**Budget theme and priorities:** This year budget's theme has been the employment, skilling, MSME's and Middle class. The finance minister, in her budget speech laid down 9 Priorities under which the various budget announcements were made namely; (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.

Subsequent budgets will build on these priorities and add more priorities and actions.

**Employment and Skilling:** The Budget has proposed 3 new schemes for employment linked incentives on the basis of enrolment in the EPFO. This includes direct benefit transfer of one-month salary upto fifteen thousand to first time employees. The eligibility limit will be salary of 1 lakh per month. Other scheme will benefit additional employment in manufacturing sector as well support to employers on employment generation. Further, new centrally sponsored scheme will ensure the skilling of 20 lakh youth over five years. The focus of government is thus very clear to push the additional employment generation by incentivising the private sector.

[1] International Monetary Fund, World Economic Outlook, April 2024

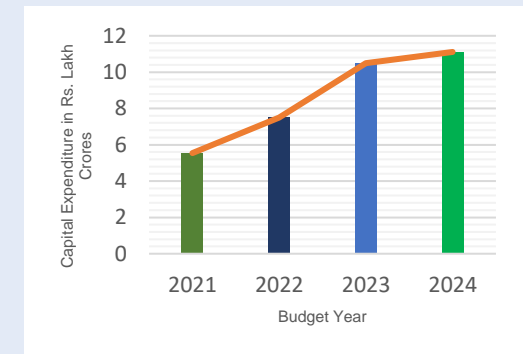
# Foreword

**MSMEs:** Special attention has been given to MSME which is labour intensive sector and afford to generate more employment opportunities. This budget emphasises the financing, regulatory changes and technology support for MSMEs to help them grow and make them competitive. The initiatives proposed for this sector includes Credit guarantee scheme for MSMEs in manufacturing sector, new assessment model for MSME credit, credit support to MSMEs during the stressed period. Moreover, the limit for Mudra loan has been enhanced to INR 20 Lakhs from INR 10 Lakhs.

**Infrastructure:** Investment in infrastructure has a strong multiplier effect on the other sectors of economy. The government’s capital expenditure has increased steadily from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 3.3 per cent of GDP in FY23. This year too, commendably, the government has continued its endeavour for infrastructure development by providing an enhanced allocation of INR 11.11 Lakh Crores for capital expenditure which would be 3.4% the GDP.

Further, the state governments are encouraged to spend on infrastructure by providing for INR 1.5 lakh crores of long-term interest free loan. Similar investment is expected by private sector by way of viability gap funding and enabling policies and regulations.

On **Direct tax front**, clearly the government’s focus is on the simplification and rationalisation of the tax provisions rather than to overhaul the tax structure, or play with exemptions or deductions. Comprehensive review of the Income-tax Act, 1961 is one of such proposal which would make the Act concise, lucid and easy to understand. Contrary to the general expectations, there is no major relief to the individual taxpayers even in the Modi 3.0 government. The government has chosen to tread the difficult path of the fiscal prudence, fiscal consolidation, policy improvements over the populist measures. That said, something is better than nothing, with marginal increase in standard deduction of INR 25 thousand and selective raise of INR 1 lakhs in certain slabs of new tax regime may provide slight relief to taxpayers. No raise in limits of small savings like PPF is saddening to taxpayers in general.



# Foreword

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I would like to highlight the two key proposals which would foster investment especially foreign investments. First is abolishment of '**angel tax**'. With introduction in 2012, the angel tax has been a nightmare for investors and corporates particularly the start-ups with no end in litigation in sight nevertheless of various clarifications by the government. Just last year in 2023, the angel tax was imposed on the foreign investments as well which had a dampening effect on the foreign investments and sentiments of investors community in general. The proposal to remove the angel tax would undoubtedly boost the investor's sentiments, provide tax certainty, encourage foreign as well domestic investments, promote capital formation and generate more employment opportunities. This is definitely a welcome move and will unleash the suppressed potential of corporate India. Second proposal is reduction of tax rate on foreign companies from 40% to 35%. This reduction in tax rate, however small, will also support and incentivise the MNCs which operate from India or propose to set up projects in India.

As a measure of simplification, the capital gain tax structure has sought to be rationalised. The short-term capital gain on certain financial assets will be taxed at 20% (earlier 15% or 30%). The new long-term capital gain tax rate has, however been strategically pegged at 12.5% [earlier 10% - 20%] for all asset class. The cost indexation benefit has however been withdrawn for long term capital gains which is going to affect the tax burden on long term assets especially real estate depending on the specifics of each case. The legacy assets will now be taxed at 12.5% without any benefit of cost indexation.

As for measures for reducing the litigations, the government has done well by first raising the monetary limits for filing appeals by the tax department and secondly by introducing the Vivad se Vishwas Scheme, 2024. Further, the time limits of reopening of assessments have been abridged from 10 years to 5 years (6 years in search cases). The search and seizure assessment regime has yet again been completely overhauled.

On the **Indirect taxes**, as expected, the changes were in nature of exempting / reducing the custom duties on selective items of production with focus on promoting exports and domestic manufacturing. Among others, the custom duties were exempted / reduced on certain medicines and medical equipments, mobile phones, critical minerals, marine products, leather and textiles, certain metals etc.

# Foreword

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Overall, the government has done well in this budget following a balanced approach and continuing making policy improvements and remaining on the path of fiscal consolidation. The fiscal deficit has been estimated at 4.9% of the GDP which is aimed to be further reduced to 4.5% next year. Many expectations of taxpayers remained unfulfilled although no major tweak in tax rate or structure is a reason for relief to many. That said, this budget like the previous budgets is going to set the growth momentum rolling forward.



# Economic Indicators



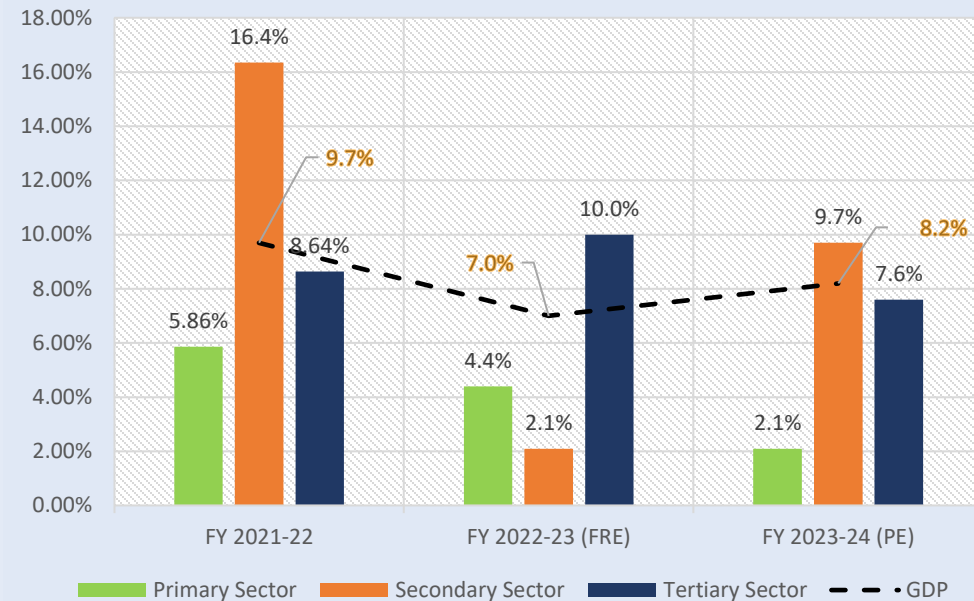


# Economic Indicators

## Sectoral and GDP Growth

- The real GDP has grown at 8.2% in FY24 compared to 7% in FY 23. This growth has been driven by stable consumption demand and steadily improving investment demand. The real GDP for FY25 is projected at 6.5% - 7%.
- The shares of the agriculture, industry and services sector in overall GVA at current prices were 17.7 per cent, 27.6 per cent and 54.7 per cent respectively in FY24.
- GVA in the agriculture sector continued to grow, albeit at a slower pace.
- Within the industrial sector, manufacturing GVA shrugged off a disappointing FY23 and grew by 9.9 per cent in FY24. Manufacturing activities benefitted from reduced input prices while catering to stable domestic demand.
- Contact-intensive services—prominently trade, transport, real estate and their ancillary services that were impacted the most during the pandemic have emerged much stronger in the post-pandemic period, embedding greater technology and digital content in them and transforming the nature of the service delivery in India. The proliferation of global capability centres (GCCs) has also imparted resilience to India's services exports, giving further thrust to the sector.

## Sectoral and GDP Growth



Note: Provisional Estimates (FAE) by NSO [31st May, 2024] & Economic Survey 2023-24

\*FRE-First Revised Estimate; \*\*PE-Provisional Estimate.

**[Primary Sector:** Agriculture, Livestock, Forestry & Fishing and Mining & Quarrying

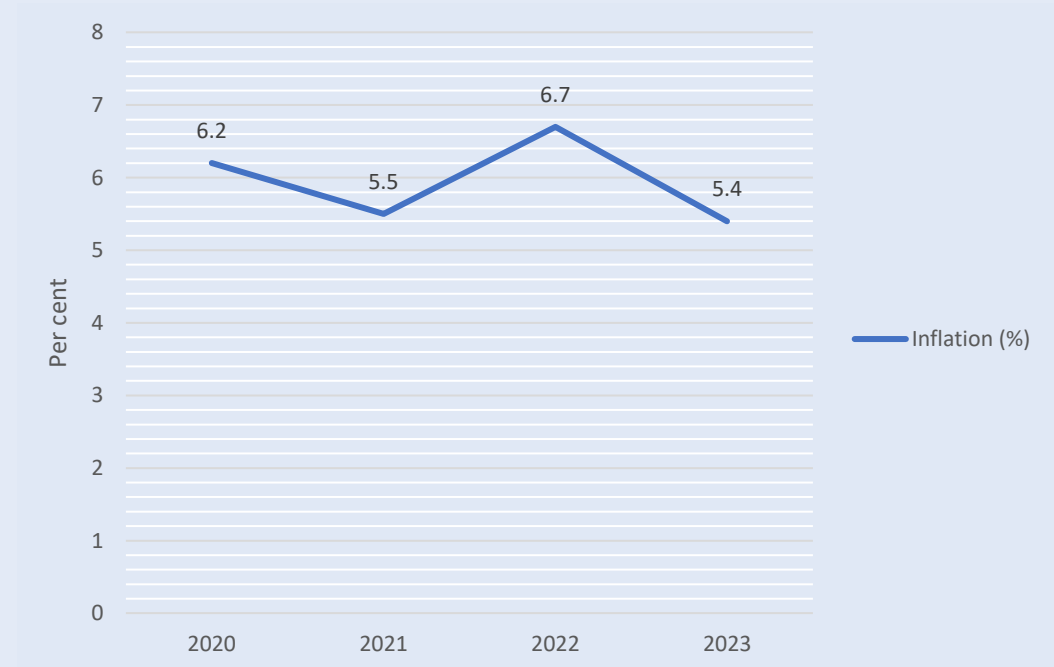
**Secondary Sector:** Manufacturing, Electricity, Gas, Water supply & Other Utility Services and Construction

**Tertiary Sector:** Trade, Hotels, Transport, Communication and Services related to Broadcasting, Financial, Real Estate & Professional Services and Public Administration, Defence & Other Services]

# Economic Indicators

## Inflation and Monetary Conditions

- Despite global supply chain disruptions and adverse weather conditions, domestic inflationary pressures moderated in FY24. After averaging 6.7 per cent in FY23, retail inflation declined to 5.4 per cent in FY24.
- The Union Government undertook prompt measures such as open market sales, retailing in specified outlets, timely imports, reduced the prices of Liquefied Petroleum Gas (LPG) cylinders and implemented a cut in petrol and diesel prices.
- The RBI raised policy rates by a cumulative 250 bps between May 2022 and February 2023.

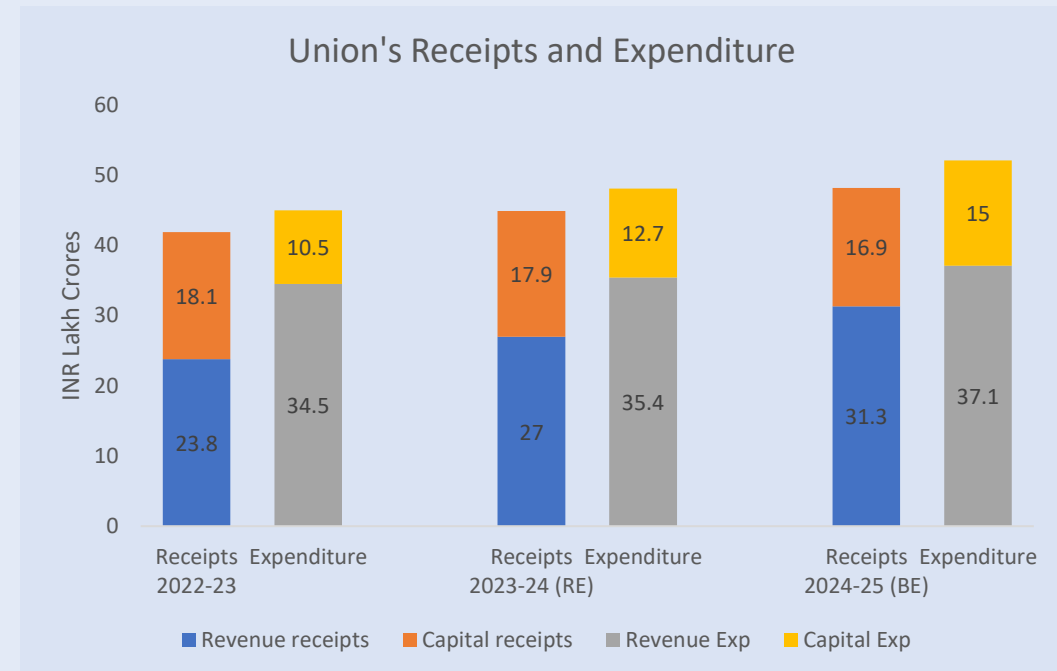


Source: Economic Survey 2023-24

# Economic Indicators

## Government Finances

- Revenue receipts of the union government consisting of tax revenue (net to centre) and non-tax revenue (NTR) increased YoY by 14.5 per cent in FY24 (PA), with robust growth in both tax and non-tax revenues.
- The growth in gross tax revenue (GTR) was estimated to be 13.4 per cent in FY24, translating into tax revenue buoyancy of 1.4. The growth was led by a 15.8 per cent growth in direct taxes and a 10.6 per cent increase in indirect taxes over FY23. Broadly, 55 per cent of GTR accrued from direct taxes and the remaining 45 per cent from indirect taxes.
- The increased contribution of direct taxes to GTR over the years has been in line with the government's effort to enhance progressivity in taxation. The increase in indirect taxes in FY24 was mainly driven by a 12.7 per cent growth in GST collection.
- The government has followed a path of fiscal consolidation while continuing to protect the vulnerable sections and investing in the productive capacity of the economy. The share of total expenditure allotted to capital spending were progressively enhanced, thereby improving the quality of expenditure.

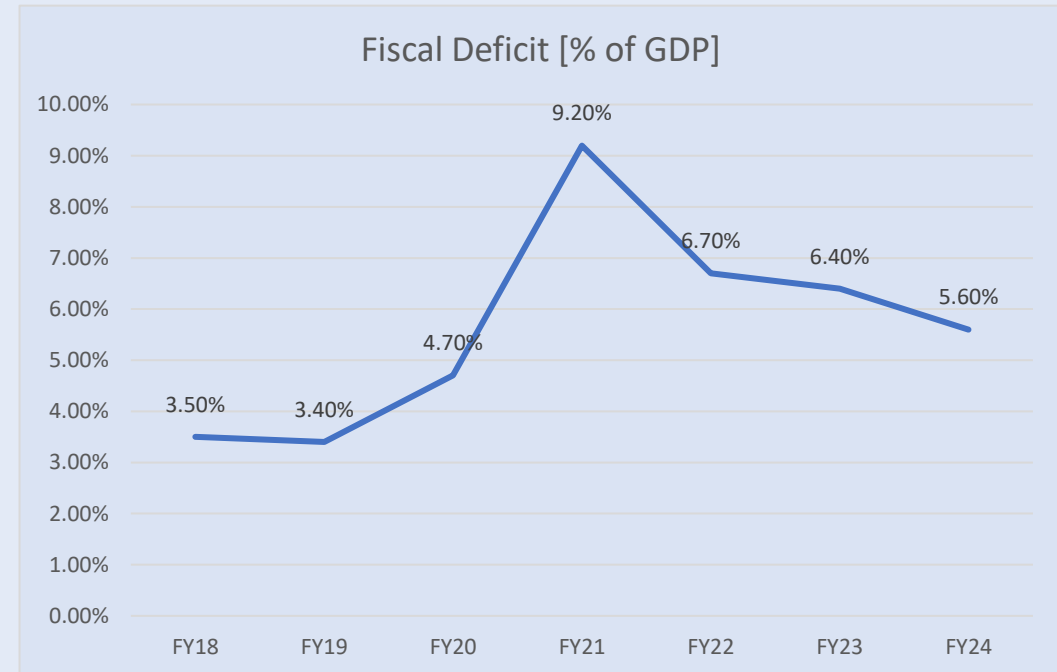


Source: Union Budget 2024

# Economic Indicators

## Fiscal Deficit

- The fiscal deficit of the Union Government has been brought down from 6.4 per cent of GDP in FY23 to 5.6 per cent of GDP in FY24, according to provisional actuals (PA) data released by the Office of Controller General of Accounts (CGA). This gradual decline in the Union government's fiscal deficit as a per cent of GDP, in line with the fiscal glide path envisioned by the government.
- Strong growth in direct and indirect taxes on account of resilient economic activity and increased compliance meant that the tax revenues generated exceeded the conservative budgetary estimates.
- Additionally, higher-than-budgeted non-tax revenue in the form of dividends from the RBI has buffeted revenue receipts.
- The fiscal deficit has been estimated at 4.9% of the GDP which is aimed to be further reduced to 4.5% next year.



Source: Economic Survey 2023-24

# Direct Tax Proposals





# Direct Tax Proposals

## Individuals

### Income Tax Rates for Individuals, HUF, AOP/BOI or artificial juridical person:-

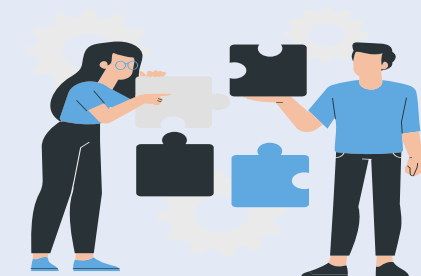
1. There is no change in tax rates in old tax regime including surcharge and education cess for Individuals [even no change in Standard deduction from Salary income], HUF, AOP/BOI or artificial juridical person, Firms, Companies except tax rate for Foreign Companies.

2. However, the Finance Bill, 2024 has proposed the amendment in new personal income tax regime under section 115BAC which was introduced earlier by Finance Act, 2020.

- a) Accordingly, Sub-section 1A of 115BAC is proposed to be substituted with effect from 1st April 2025 i.e. applicable for AY 2025-26 (i.e. Financial Year 01.04.2024 to 31.03.2025). Providing the new slabs for Individuals, HUF, AOP (other than Co-operative society), or BOI or artificial juridical person referred in sub-clause (vii) of clause (31) of section 2.
- b) Slabs of incomes and tax rates under new tax regime as per section 115BAC(1A) along with the comparison to the erstwhile rates is as follows:

Existing Slab	Rate	Proposed Slab	Rate
Upto Rs. 3,00,000	Nil	Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5%	From Rs. 3,00,001 to Rs. 7,00,000	5%
From Rs. 6,00,001 to Rs. 9,00,000	10%	From Rs. 7,00,001 to Rs. 10,00,000	10%
From Rs. 9,00,001 to Rs. 12,00,000	15%	From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%	Above Rs. 15,00,000	30%

c) For taxable income upto Rs. 15,00,000/- after considering standard deduction, the total tax saving is Rs. 17,500/-.



# Direct Tax Proposals

## Individuals

d) There is no change in Surcharge rate under this section and the same continues to be restricted to 25% for total income exceeding Rs. 2 Cr. [total income excluding dividend & income u/s 111A, 112 & 112A (i.e. STCG & LTCG)]. The effective tax rate will be as follows:

Total Income Slab	Rate of Surcharge	Effective Tax Rate (MMR)
Exceeding Rs. 50 Lacs but less than Rs.1 Crore	10%	34.32%
Exceeding Rs. 1 Crore but less than Rs.2 Crore	15%	35.88%
Exceeding Rs. 2 Crore and more	25%	39.00%

e) The present levy of “Health and Education Cess” @ 4% remains same.

**3. Section 16(ia): Standard Deduction:** Through the Finance Bill, 2024, it has been proposed to increase the Standard Deduction **from Rs. 50,000/- to Rs. 75,000/-**, while computing the income under the head “Salaries”, in case the assessee has opted for the new tax regime under clause (ii) of section 115BAC(1A).

**4. Section 57(iia): Deductions:** It has been proposed to increase the deduction available from the income received in the nature of family pension, **from Rs. 15,000/- to Rs. 25,000/-**, while computing the income under the head “Income from Other Sources”, in case the assessee has opted for the new tax regime under clause (ii) of section 115BAC(1A).

## 5. 80CCD: Deduction in respect of contribution to pension scheme of Central Government

Existing Provisions	Proposed Provisions
Earlier provision provides that, the employer other than Central Govt. or State Govt. contributes to the pension scheme notified by the Central Govt. on behalf of the employee or an individual, then the said employee shall be allowed a deduction <u>not exceeding 10% of the employees’ salary</u> in previous year.	Now as per Finance Bill, 2024, it has been proposed that, the employer other than Central or State Govt. contributes to the pension scheme notified by the Central Government on behalf of the employee or an individual, then the said employee shall be allowed a deduction <u>not exceeding 14% of the employees’ salary</u> in previous year.  <u>However, the aforesaid revision of deduction is only allowed to the employee who opted new tax regime.</u>

**6. Section 36(1)(iva) – Other Deductions :** The corresponding amendment has been made in Section 36(1)(iva) of the PGBP for claiming deduction of above contribution incurred by the employer under NPS.

# Direct Tax Proposals

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## Corporate Tax

### Abolition of Angel Tax-Sunset of Clause (viib) of Sub-section (2) of Section 56 of the Act

The Finance Act of 2012 introduced clause (viib) in sub-section (2) of section 56. This clause stated that if a company, not publicly listed, received consideration for shares exceeding their face value from a resident, the excess amount would be taxable under "Income from other sources."

The government has decided to sunset the provisions of clause (viib) of sub-section (2) of section 56 of the Act. Consequently, an amendment is being made to state that this clause will not apply from the assessment year 2025-26. This amendment is proposed to take effect from April 1, 2025.

### No extension of sunset for establishing the domestic manufacturing companies

The sunset clause in section 115BAB of the Act which provides for concessional tax rate @ 15% to newly established domestic manufacturing companies has not been extended beyond 31<sup>st</sup> March, 2024 in this Finance Bill.

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

#### Insertion of clause (f) in section 2(22) of the Act (Deemed Dividend):

Payments made by a domestic company for the buy-back of its own shares will be treated as dividend income for shareholders. This dividend income will be taxed at applicable rates without any deduction for expenses.

Consequently, Clause (34A) of section 10 and sub section (1) of section 115QA shall not apply in respect of any buy-back of shares, that take place on or after 1st October, 2024.

#### Capital Loss:

The deemed value of consideration for shares under buy-back is nil for computing capital loss. Capital loss on buy-back is computed as nil consideration less the cost of acquisition. This capital loss can be carried forward and set-off against future capital gains.

These amendments will take effect from October 1, 2024, and apply to any buy-back of shares occurring on or after this date.

# Direct Tax Proposals

## Corporate Tax

Withdrawal of exemption on Corporate Gifting-Amendment of section 47(iii) of the Income-tax act

Existing Law	Proposed Law
Section 47(iii) states that “any transfer of a capital asset under a gift or will or an irrevocable trust will not be regarded as transfer of capital assets”. The First Proviso to the said clause makes an exception to the clause in respect of ESOPs, which means ESOPs will be considered as transfer.	Now the section 47(iii) of the Act has been amended; “any transfer of a capital asset by an individual or a Hindu undivided family, under a gift or will or an irrevocable trust”.

Existing provision were applicable to all assessee which are now proposed to be restricted to Individual and HUF.

The above clause shall be substituted with effect from the 1st day of April, 2025 and will accordingly apply to AY 2025-26 and subsequent years



# Direct Tax Proposals

## Capital Gains

The taxation of capital gains is proposed to be rationalized and simplified. There are two components to this simplification. Firstly, the period of holding of capital assets and secondly the rate of the capital gain tax either for short term or long term as the case may be.

### Section 2(42A) – Short Term Capital Asset - Period of holding (w.e.f. 23rd July, 2024)

Earlier there are three period of holding viz. 12 months, 24 months and 36 months. Now it is proposed to hold only two period of holding viz. 12 months & 24 months.

S. No.	Existing Provision	Proposed Provision
1.	The period of holding was 36 Months for all capital assets except mentioned below in (2) to (4).	The period of holding now proposed to 24 Months for all capital assets except mentioned below in (2) to (4).
2.	Capital Assets viz. <ul style="list-style-type: none"><li>- Any security (other than units) listed at recognized stock exchange of India</li><li>- Units of Unit Trust of India</li><li>- Units of Equity Oriented Mutual Funds</li><li>- Zero Coupon Bonds</li></ul> Period of holding was 12 Months	Same as existing provision and now also proposed period of holding of 12 months for listed units of business trust also.
3.	Capital Assets viz. <ul style="list-style-type: none"><li>- Any unlisted security</li><li>- Immovable Property</li></ul> Period of holding was 24 Months	24 Months
4.	Capital Assets viz. <ul style="list-style-type: none"><li>- Units of Debt Oriented Mutual Fund</li><li>- Unlisted Bonds &amp; Debentures</li><li>- Units of Business Trust (unlisted)</li></ul> Period of holding was 36 Months	24 Months



# Direct Tax Proposals

## Capital Gains

For example

S. No.	Type of Capital Assets	Existing Provision	New Provision (w.e.f. 23.07.2024)
1.	Listed Equity Shares	12 Months	12 Months
2.	Listed Preference Shares	12 Months	12 Months
3.	Listed Bonds & Debentures	12 Months	12 Months
4.	Listed Other Security	12 Months	12 Months
5.	Unlisted Equity Shares	24 Months	24 Months
6.	Unlisted Preference Shares	24 Months	24 Months
7.	Unlisted Bonds & Debentures	36 Months	24 Months
8.	Unlisted Other Security	24 Months	24 Months
9.	Units of Unit Trust of India	12 Months	12 Months
10.	Zero Coupon Bonds	12 Months	12 Months
11.	Immovable Property	24 Months	24 Months
12.	Units of Equity Oriented Mutual Funds	12 Months	12 Months
13.	Units of Debt Oriented Mutual Fund	36 Months	24 Months
14.	Units of Listed Business Trust	36 Months	12 Months
15.	Units of Unlisted Business Trust	36 Months	24 Months
16.	Other Capital Assets	36 Months	24 Months



# Direct Tax Proposals

## Capital Gains

### Section 48 – Mode of Computation (w.e.f. 23rd July, 2024)

Existing Provision	Proposed Provision
The benefit of indexation in case of transfer of long term capital asset under section 112 was available.	The benefit of indexation was proposed to be withdrawn for the transfer took place on or after 23.07.2024 including the assets acquired or held by the assessee for the year beginning on 01.04.2001

### Section 111A – Tax on Short Term Capital Gain (w.e.f. 23rd July, 2024)

Existing Provision	Proposed Provision
The tax rate of short term capital gain in case of equity share in a company, unit of an equity oriented mutual fund and unit of business trust on which securities transaction tax paid was 15%.	Such short term capital gain was proposed to be tax @ 20% for the transfer took place on or after 23.07.2024.
<b>Note:</b> For other assets, rate of short term capital gain shall be the same at normal slab rate.	

### Section 112 – Tax on Long Term Capital Gain (for the transfer took place on or after 23.07.2024)

S. No.	Type of Assessee	Existing Rate	Proposed Rate
1.	Individual or HUF being Resident	Tax rate @ 20%	Tax rate @ 12.50%
2.	Domestic Company	Tax rate @ 20%	Tax rate @ 12.50%
3.	Non-Resident or Foreign Company	For unlisted securities @ 10%	For unlisted securities @ 12.50%
		In other cases @ 20%	In other cases @ 12.50%
4.	Other Resident	Tax rate @ 20%	Tax rate @ 12.50%

# Direct Tax Proposals

## Capital Gains

### Section 112A – Tax on Long Term Capital Gain (w.e.f. 23rd July, 2024)

Existing Provision	Proposed Provision
The exemption of Rs. 1 lakh	is substituted with Rs. 1.25 lakh to be seen aggregate for whole financial year
The tax rate of long term capital gain in case of equity share in a company, unit of an equity oriented mutual fund and unit of business trust was 10%.	Such long term capital gain was proposed to be tax @ 12.50% for the transfer took place on or after 23.07.2024.

### Proposed Capital Gain Structure (for the transfer taking place on or after 23.07.2024)

S. No.	Name of the Capital Assets	Period of Holding (≤ST) (>LT)		Short Term Capital Gain		Long Term Capital Gain		Indexation	
		Existing Period	Proposed Period	Existing Rate	Proposed Rate	Existing Rate	Proposed Rate	Existing Provision	Proposed Provision
1	Listed Equity Shares at RSE in India	12 Months	12 Months	15%	20%	10% in excess of Rs. 1 lakh	12.50% in excess of Rs. 1.25 lakh	No	No
2	Units of Listed Business Trust at RSE in India	36 Months	12 Months	15%	20%	10% in excess of Rs. 1 lakh	12.50% in excess of Rs. 1.25 lakh	No	No
3	Units of Unlisted Business Trust	36 Months	24 Months	15%	20%	10% in excess of Rs. 1 lakh	12.50% in excess of Rs. 1.25 lakh	No	No
4	Units of Equity Oriented Mutual Funds	12 Months	12 Months	15%	20%	10% in excess of Rs. 1 lakh	12.50% in excess of Rs. 1.25 lakh	No	No
5	Listed Preference Shares at RSE in India	12 Months	12 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
6	Listed Other Security at RSE in India	12 Months	12 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No

# Direct Tax Proposals

## Capital Gains

Proposed Capital Gain Structure (for the transfer taking place on or after 23.07.2024)

S. No.	Name of the Capital Assets	Period of Holding (<=ST) (>LT)		Short Term Capital Gain		Long Term Capital Gain		Indexation	
		Existing Period	Proposed Period	Existing Rate	Proposed Rate	Existing Rate	Proposed Rate	Existing Provision	Proposed Provision
7	Unlisted Equity Shares	24 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
8	Unlisted Preference Shares	24 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
9	Units of Unit Trust of India	12 Months	12 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
10	Units of Debt Oriented Mutual Fund	36 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
7	Unlisted Equity Shares	24 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
8	Unlisted Preference Shares	24 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
11	Immovable Property	24 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No
12	Other Capital Assets	36 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20%	12.50%	Yes	No

# Direct Tax Proposals

## Capital Gains

Proposed Capital Gain Structure (for the transfer taking place on or after 23.07.2024)

S. No.	Name of the Capital Assets	Period of Holding (≤ST) (>LT)		Short Term Capital Gain		Long Term Capital Gain		Indexation	
		Existing Period	Proposed Period	Existing Rate	Proposed Rate	Existing Rate	Proposed Rate	Existing Provision	Proposed Provision
13	Listed Bonds & Debentures at RSE in India	12 Months	12 Months	Normal Slab Rate	Normal Slab Rate	20% (10% without indexation always)	12.50%	No	No
14	Unlisted Bonds & Debentures & Gold	36 Months	24 Months	Normal Slab Rate	Normal Slab Rate	20% (10% without indexation always)	12.50%	No	No
15	Zero Coupon Bonds	12 Months	12 Months	Normal Slab Rate	Normal Slab Rate	20% (10% without indexation always)	12.50%	No	No
16	Depreciable Assets	Always Short Term	Always Short Term	Normal Slab Rate	Normal Slab Rate	Not Applicable	Not Applicable	Not Applicable	Not Applicable



# Direct Tax Proposals

## Capital Gains

Consequential amendments made in following sections (for the transfer took place on or after 23.07.2024)

Section	Particulars	Existing Rate	Proposed Rate
115AB	Tax on income from units purchased in foreign currency or capital gain arising from their transfer	Tax rate @ 10%	Tax rate @ 12.50%
115AC	Tax on income from bonds or global depository receipts purchased in foreign currency or capital gain arising from their transfer	Tax rate @ 10%	Tax rate @ 12.50%
115ACA	Tax on income from global depository receipts purchased in foreign currency or capital gain arising from their transfer	Tax rate @ 10%	Tax rate @ 12.50%
115AD	Tax on income of foreign institutional investors from securities or capital gain arising from their transfer	Tax rate @ 10%	Tax rate @ 12.50%
115E	Tax on investment income and long term capital gain for Non-Resident Indian	For specified assets viz. shares / debentures / deposit in Indian Company & security of Central Govt. - tax rate @ 10%	For specified assets viz. shares / debentures / deposit in Indian Company & security of Central Govt. - tax rate @ 12.50%
196B	Income from units	Capital gain arising from transfer of units purchase in foreign currency referred to in section 115AB – tax rate @ 10%	Tax rate @ 12.50%
196C	Income from foreign currency bonds or shares of Indian company	Capital gain arising from transfer of bonds or global depository receipts referred to in section 115AC – tax rate @ 10%	Tax rate @ 12.50%

# Direct Tax Proposals

## Capital Gains

### Amendment to the Section 50AA

Existing Provision	Proposed Provision
<p>The capital Gains on a unit of a Market Linked Debenture or Specified Mutual Fund acquired on or after the 1<sup>st</sup> day of April, 2023 were to be treated as Short term capital gain (STCG) irrespective of the Period of Holdings.</p> <p>No expense were to be allowed,</p> <p>Specified Mutual Fund as defined earlier, includes Mutual Fund by whatever name called, where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies.</p>	<p>Now it is proposed to include unlisted bond or an unlisted debenture which is transferred or redeemed or matures on or after the 23<sup>rd</sup> day of July, 2024 apart from the existing two categories. On which capital gain, if any, shall be treated as STCG, irrespective of the Period of Holdings. No expense will be allowed.</p> <p>Specified Mutual Fund as proposed to be defined includes, –</p> <p>(a) 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</p> <p>(b) a fund which invests sixty-five per cent or more of its total proceeds in units of a fund referred to in (a).</p>

### Amendment of Section 55 of the Act

Provision	Amendment	Effect of Amendment
<p><b>Section 55(2)(ac)</b></p> <p><b>There was no specific provision.</b></p>	<p>Sub-clause (iii) of clause (a) of the Explanation to clause (ac) of sub-section (2) of section 55</p> <p>In the case of FMV of Equity shares not listed on Jan 31, 2018, but listed subsequent to transfer.</p>	<p>Provides a method to compute "fair market value" for unlisted equity shares transferred through OFS route</p> <p>Fair market value = (Cost Inflation Index for 2017-18 / Cost Inflation Index for the first year held by assessee or FY 2001-02) x Cost of Acquisition</p>
<p><b>Effective Date</b></p>	<p>April 1, 2018</p>	<p>Retrospective amendment, applicable from AY 2018-19 onwards</p>

# Direct Tax Proposals

## Charitable Trust

### Rationalisation of the provisions of Charitable Trusts and Institutions (1/4)

#### I. Merger of trusts under first regime with second regime

Income Tax Act provides two main regimes for trusts, funds, or institutions to claim exemption:

1. First Regime: This is governed by sub-clause(s) (iv), (v), (vi), or (via) of clause (23C) of section 10 of the Act. Under this regime, trusts or institutions can apply for approval or registration to claim tax exemption.
2. Second Regime: This is governed by sections 11 to 13 of the Act. Similar to the first regime, trusts, funds, or institutions can claim tax exemption under these sections..

Over the years, the procedures and conditions for both regimes have been aligned to provide similar benefits through successive Finance Acts.

Therefore, in an effort to simplify procedures, reduce administrative burden and ensure consistency in the tax benefits provided under both regimes, it is proposed that the first regime (sub-clause(s) (iv), (v), (vi), or (via) of clause (23C) of section 10) be sunset and trusts, funds or institutions registered under first regime be transited to the second regime (sections 11 to 13 of the Act) in a gradual manner.

The finance bill proposes:

- Applications for approval under clauses of Sec 10(23C) must be submitted before October 1, 2024; no applications will be accepted thereafter.

- Applications filed before October 1, 2024, will be processed under the existing first regime.
- Approved trusts under clauses of Sec 10(23C) will retain their validity until expiration of their approval.
- Certain eligible modes of investments specified under the first regime will be protected in the second regime.

This amendment will effective from 1st day of Oct, 2024.

#### II. Allow condonation of delay in filing application for registration by trusts or institutions

The charitable trusts or institutions must apply for registration under section 12AB within specified timelines as per clause (ac) of sub-section (1) of section 12A, and failure to apply within the specified timelines may lead to tax liability on accreted income under Chapter XII-EB of the Act, or result in permanent exit from the exemption regime.

To accommodate legitimate reasons for delayed registration applications, it is proposed to empower the Principal Commissioner/ Commissioner to condone the delay in filing the application of registration u/s 12(1)(ac) of the Act and treat it as filed within time, provided there is a reasonable cause for the delay.

This amendment will effective from 1st day of Oct, 2024.

# Direct Tax Proposals

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## Charitable Trust

### Rationalisation of the provisions of Charitable Trusts and Institutions (2/4)

#### III. Enabling the merger provision for charitable trusts

Earlier, there is no enabling provision of merger of one charitable trust into another charitable trust and the tax implications under Chapter XII-EB may get trigger (i.e. tax on accreted income) when trust or institution registered under the first or second regime merges with another registered trust.

The Finance Bill 2024 proposes to introduce a new section 12AC in the Income Tax Act. This section provides that tax implications under Chapter XII-EB will not get trigger in case of merger of one charitable trust to another charitable trust, **if fulfill following conditions;**

- i. the other trust or institution has same or similar objects;
- ii. the other trust or institution is registered trust under section 12AA/12AB or approved under sub-clause (iv) or sub-clause (v) or sub-clause (vi) or sub-clause (via) of clause (23C) of section 10, as the case may be; and
- iii. the said merger fulfills such conditions as may be provided by rules.

This amendment will effective from 1st day of April, 2024.

#### IV. Rationalise the timelines and procedure for filing an application as well as disposing of approval u/s 12AB and 80G of the Act.

To cover the situations where trust or institutions was unable to file an application for seeking approval u/s 80G of the Act under the earlier law, the timeline and procedure for filing an application as well as disposing of application u/s 12AB and 80G has been changed and corresponding amendment made in first, second and third proviso to sub-section (5) of section 80G of the Act as well as sub-section (3) of the 12AB of the Act and introduce the forth proviso to sub-section (5) of section 80G of the Act.

Thereby, the time limit of granting/rejecting the final registration u/s 12AB and 80G of the Act shall be extended to '6 months from the end of quarter in which application was received' from '6 months from the end of month in which application is received'

This amendment will effective from 1st day of Oct, 2024.

# Direct Tax Proposals

## Charitable Trust

### Rationalisation of the provisions of Charitable Trusts and Institutions (3/4)

#### V. Amendment in Section 80G

The amendment proposes to change sub-clause (iiihg) of clause (a) of Section 80G(2) to include donations made to the 'National Sports Development Fund' instead of the 'National Sports Fund'.

**This amendment will effective from 1st day of April, 2025**



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

<u>Current Provision:</u>	<u>Proposed Amendment:</u>	<u>Impact:</u>
Sub-section (7) of section 11 of the Income Tax Act states that the registration under section 12AB (which deals with the registration of trusts and institutions for availing tax exemptions) becomes inoperative if the trust or institution is approved or notified under certain clauses of section 10. These clauses are (23C), (23EC), (46), or (46A) of section 10.	The proposed amendment of sub-section (7) of section 11 to include references to additional clauses of section 10. Specifically, it aims to add clause (23EA), clause (23ED), and clause (46B) of section 10 to this list.	By including these clauses u/s 11(7) of the Act, now trusts and institutions falling under clause (23EA), clause (23ED), and clause (46B) of section 10, would not be eligible to claim tax exemption benefits u/s 12AB of the Act.

This amendment will effective from 1st day of April, 2025

# Direct Tax Proposals

## International Tax

### Provisions Related to IFSC (1/2)

1. Section 10(4D) of the Act provides for tax exemption to any income which accrues to a specified fund as a result of transfer of capital asset referred to in Section 47(viiab) on a recognized stock exchange located in the IFSC provided that the consideration is received in convertible foreign currency or as a result of transfer of any securities other than shares of a company resident in India or as a result of transfer of securities issued by a non-resident.

Definition of a specified fund is provided in item I of sub clause (i) of clause (c) of Explanation to Clause (4D) of section 10 which means a Category III AIF regulated by SEBI or IFSCA.

The Finance Bill 2024 has proposed to amend the definition of **specified fund** to include retail funds and Exchange Traded Funds regulated by IFSCA, which can now claim exemption under the said section.

2. Section 10(23EE) of the Act provides for tax exemption to any **specified income** which accrues to a **Core Settlement Guarantee Fund** set up by a recognized clearing corporation in accordance with the regulations as the Central Government may specify.

The bill has now proposed to amend the definition of “recognized clearing corporation” which shall include recognized clearing corporation as defined in clause (n) of sub-regulation (1) of regulation 2 of the IFSCA (Market Infrastructure Institutions) Regulations, 2021 made under the IFSCA Act, 2019. Further the definition of “regulations” shall now include the IFSCA (Market Infrastructure Institutions) Regulations, 2021.

3. **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. Finance Act, 2023 amended the provisions of section 68 so as to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of an assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider. However, this additional 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.

# Direct Tax Proposals

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## International Tax

### Provisions Related to IFSC (2/2)

Section 68 accordingly makes a reference to the definition of VCF/VCC in the Explanation to clause (23FB) of section 10.

The bill has now proposed to amend the definition of VCFs to extend the relaxation to the VCFs registered under IFSCA as well.

**4. Section 94B** of the Act provides for restriction on allowability of interest as an expense to a Indian Company or a permanent establishment of a Foreign Company (i.e. borrower) on any debt issued by a non-resident being an associated enterprise of the borrower.

However, at present, 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.

The bill has now proposed that the provisions of this section shall not apply to finance companies, located in IFSC, regulated by IFSCA, which satisfy such conditions and carry on such activities as may be prescribed.

### New tax regime related to operations of Cruise ships by Non Residents

Insertion of a new **Section 44BBC** to provide for a presumptive taxation of non-residents engaged in business of operations of cruise ships. The, finance bill 2024 has proposed to provide altogether a different mechanism of taxation of cruise ship non-resident operators and Section 44B shall no longer will apply to cruise ship business.

The section provides for deeming 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 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 a new clause (15B) in section 10.

The above amendment will take effect from the 1st day of April, 2025 and will accordingly, apply in relation to the assessment year 2025-26 and subsequent assessment years.



# Direct Tax Proposals

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## International Tax

### Inclusion of taxes paid outside India in total income

Section 198 of the Act provides that all sums deducted as TDS, for the purpose of computing taxable income be deemed to be income received and shall be included within the total income of the assessee.

It was noticed that many of the resident individuals are not including taxes paid abroad in their total income and reporting only the net income being offered to taxation while also claiming foreign tax credits which was resulting in unintended double deduction.

In order to address the issue, the bill has now proposed to amend Section 198 to provide that all sums deducted as TDS or any tax paid outside India whose credit is allowed against the tax payable in the Act shall be deemed to be income received and shall be included within the total income of the assessee.

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

### Withdrawal of 2% Equalization levy on e-commerce

Chapter VIII of the Finance Act, 2016 related to equalisation levy was amended by Finance Act, 2020 to provide for imposition of equalization levy (EL) of two per cent on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services.

The bill has now proposed to withdraw the above equalization levy of 2% to the consideration received or receivable for e-commerce supply or services, on or after the 1st day of August, 2024.

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

# Direct Tax Proposals

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## International Tax

### Submission of statement by liaison office of NR

Section 285 of the Act provides for preparation and delivery of a statement in respect of activities of a non-resident having a liaison office in India in a financial year to the Assessing Officer within sixty days from the end of such financial year.

The bill has now proposed that the period within which such statement is to be filed, be prescribed under the Rules. Further, in order to ensure better compliance in this respect, it is proposed that failure to furnish statement may attract a penalty of one thousand rupees for every day for which the failure continues, if the period of failure does not exceed three months; and one lakh rupees in any other case. A new section 271GC is proposed to be inserted in this regard for levying penalty for failure to submit the statement u/s 285 of the Act.

**Safeguard** - However, this penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure. It is proposed to amend section 273B to provide for this



# Direct Tax Proposals

## Transfer Pricing

### Determination of Arm's Length Price ('ALP') in respect of Specified Domestic Transactions ('SDTs') under Transfer Pricing ('TP') Assessment Proceedings

- Presently, as per the provisions of sub-section (2A) of section 92CA, during the TP assessment proceedings, the Transfer Pricing Officer ('TPO') can determine the ALP in respect of an international transaction which has not been referred to him by the AO, though comes to the notice of the TPO. Further, the sub-section (2B) of section 92CA provides for computation of ALP by the TPO, of those international transactions, details of which have not been furnished in the Audit Report in Form No. 3CEB under section 92CE.
- Now, the provisions of sub-section (2A) and (2B) of section 92CA are proposed to be extended to SDTs.
- It is proposed to amend sub-sections (2A) and (2B) of section 92CA to enable the TPO to deal with SDTs which have not been referred to him by the AO and/or in whose respect the Audit Report in Form No. 3CEB under section 92CE has not been filed.

These amendments, as summarized in table below, will take effect from April 1, 2025 (i.e. AY 2025-26 onwards).

Determination of ALP by the TPO	Up to AY 2024-25	From AY 2025-26 onwards
<b>International Transaction</b>		
Reported in Form 3CEB and referred to the TPO	✓	✓
Not referred to the TPO but noticed by the TPO	✓	✓
Not reported in Form 3CEB but noticed by the TPO	✓	✓
<b>SDTs</b>		
Reported in Form 3CEB and referred to the TPO	✓	✓
Not referred to the TPO but noticed by the TPO	x	✓
Not reported in Form 3CEB but noticed by the TPO	x	✓

# Direct Tax Proposals

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## Transfer Pricing

### Exclusion of Finance Companies<sup>[1]</sup> located in IFSC from restriction on interest deductibility – Rationalisation of thin capitalisation limitation

- Finance (No. 2) Bill 2024 proposes to amend Section 94B to provide relief to finance companies, located in International Financial Services Centre (IFSC), from the restrictions imposed on excess interest deduction under Section 94B(1) in respect of interest payments to non-resident AEs.
- Currently, the restrictions on such excess interest deductions are not applicable to companies engaged in banking or insurance business and Non-Banking Financial Companies (as may be notified by the Central Government).
- This amendment aims to exempt Finance Companies situated in IFSC from thin capitalisation limitation since they are engaged in similar business of lending and borrowing of money as their primary activity and are subject to similar compliance regulations as that of other banking and non-banking financial companies. This amendment is, thus, proposed to incentivize the operations from IFSC in order to promote more investment and employment.
- This amendment will take effect from April 1, 2025 (i.e. AY 2025-26 onwards).

### Other Changes as per the Budget Speech (though not mentioned in the Finance Bill)

- Safe Harbour Rules<sup>[2]</sup> are proposed to be amended to expand the scope and make it more attractive so that the taxpayers adopt the Safe Harbour Scheme to avoid TP litigation in future.
- TP Assessment procedure is proposed to be streamlined.

#### Notes:

[1] "Finance Company" means a finance company as defined in clause (e) of sub-regulation (1) of regulation 2 of the International Financial Services Centres Authority (Finance Company) Regulations, 2021 made under the International Financial Services Centres Authority Act, 2019 and which satisfies such conditions and carries on such activities, as may be prescribed.

[2] Safe harbour rates provide arm's length price for specified international transactions or SDTs as per the notification issued by the CBDT. In case a taxpayer undertakes such transactions at the specified safe harbour rates, the value of such transactions shall be accepted at ALP by the Income tax authorities and no further TP assessment and consequent adjustment will be made for those transactions.

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Special Procedure for Assessment of search cases. (1/4)

The Finance (No. 2) Bill 2024 proposes to change the basis of making assessments arising out of search cases for the searches conducted on or after 01.09.2024. This topic pertaining to the search related assessments had seen many changes in the past and recently the Finance Act 2021, incorporated the provisions pertaining to the search related assessments in Section 148 of the Income Tax Act. However, the Hon'ble Finance Minister observed in the budget speech that there are certain deficiencies which have been pointed out by the field officers in the existing procedure and therefore a new chapter XIV-B is sought to be reintroduced almost on identical lines as it existed prior to 01.06.2003.

The proposed provisions pertaining to search related assessments as existed after 01.04.2021 and as proposed by the Finance (No. 2) Bill 2024 in a comparative form are broadly explained as under:

Particulars /Features	Assessment procedure in case of Search under section 132/ 132(A): (Before amendment ) for search conducted on or after 1.04.2021	Assessment procedure in case of Search under section 132 and requisition under section 132(A): (After Amendment as per Finance bill 2024 ) for searches conducted on or after 1.09.2024
<b>Search related assessment</b>	Assessment related to search u/s 132 and 132A were being conducted as per the reassessment procedure as per section 147 to 151A of the Income Tax Act after the amendment brought in by the Finance Act. 2021.	Search related assessment shall now be conducted as per the provision of Newly inserted chapter XIV-B Special provision for assessment of search cases under block assessment.
<b>Period of assessment under search</b>	Notice for assessment u/s 148 of the Income Tax Act, as a result of search u/s 132 of the Act can be issued up to a period of 3 year from the end of the relevant assessment year.  However , notice can be issued up to a period of 10 year if in the opinion of AO income escaped is more than 50lakh	If a search is initiated under section 132/132A, on or after the 1st day of September, 2024, the AO shall proceed to assess or reassess total income of such person u/s 158BB and 158BC for block period, the block period shall consist six assessment years preceding the previous year in which the search was initiated  The block period shall also include the first day of April of the previous year in which search was initiated/requisition till and ending on the date of the execution

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Special Procedure for Assessment of search cases. (2/4)

Particulars /Features	Assessment procedure in case of Search under section 132/ 132(A): (Before amendment ) for search conducted on or after 1.04.2021	Assessment procedure in case of Search under section 132 and requisition under section 132(A): (After Amendment as per Finance bill 2024 ) for searches conducted on or after 1.09.2024
<b>Consolidated assessment/ year wise assessment</b>	Year wise assessment was to be done, no block assessment , regular assessment would abate once assessment u/s 148 would initiate as a consequence of search u/s 132/132A	One consolidated assessment for the block period. Until block assessment is complete no further assessment proceeding shall take place under block assessment. Two orders will be passed, one for the block period of 6 years and one for the year of search.
<b>Assessment of total income</b>	Assessing officer shall determine the income which escaped from assessment as per section 147 of the income tax Act.	The assessing officer shall determine the total income for the block period as per section 158BB(1) to 158BB(7). If total income for the block period is loss, it shall be ignored. Any b/f loss or unabsorbed depreciation will not be available for set off against undisclosed income.
<b>Assessment in respect of other person</b>	Assessment in respect of other person other than on whom search was conducted were conducted as per section 147/148 of the Income Tax Act	Assessment in respect of other person shall be governed by the section 158BD, which says that if AO of searched person is satisfied that undisclosed income pertain to other person other than on whom search was conducted, he shall handover to the AO having jurisdiction over such other person.
<b>Abatement of assessment</b>	There was no concept of abatement of any year	All assessments in the block period of six years shall be deemed to have abated.

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Special Procedure for Assessment of search cases. (3/4)

Particulars /Features	Assessment procedure in case of Search under section 132/ 132(A): (Before amendment ) for search conducted on or after 1.04.2021	Assessment procedure in case of Search under section 132 and requisition under section 132(A): (After Amendment as per Finance bill 2024 ) for searches conducted on or after 1.09.2024
<b>Undisclosed Income</b>	The income detected due to search was to taxed u/s 148 as escaped income.	Undisclosed income is defined u/s 158B(b) to include the following in respect of block period: - <ul style="list-style-type: none"> <li>Any undisclosed money, bullion, jewellery or other valuable article or thing,</li> <li>Any expenditure or any income based on any entry in the books of accounts, other documents or transactions which represents not disclosed,</li> <li>Any expense, deduction or allowance claimed under the Act which is found to be incorrect.</li> </ul>
<b>Rate of Tax/Surcharge</b>	No specific rate was mentioned. Tax is charged as per the nature of addition made e.g. if addition is made as per section 68 tax would be levied as per section 115BBE. Surcharge is also levied as per the prescribed rate	Tax shall be charged as per section 113 @ 60% for the block period's total income as determined by the AO. Proviso to section 113 also mentioned that surcharge shall be levied. As of now no surcharge is prescribed  No interest under the provision of section 234A, 234B or 234C.  Interest u/s 158BFA shall be levied @1.5% p.m. from the date mentioned in notice upto date of completion of assessment, if return is not filed in response to notice u/s 158BC on the undisclosed income.



# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Special Procedure for Assessment of search cases. (4/4)

Particulars /Features	Assessment procedure in case of Search under section 132/ 132(A): (Before amendment ) for search conducted on or after 1.04.2021	Assessment procedure in case of Search under section 132 and requisition under section 132(A): (After Amendment as per Finance bill 2024 ) for searches conducted on or after 1.09.2024
<b>Penalty for undisclosed income</b>	Penalty is levied under different section such as 271AAC, 271AAB of the Income Tax Act etc.	Penalty for the undisclosed income of the block period shall be levied @ 50% of the tax payable. No penalty if assessee declares undisclosed income u/s 158BC, pays tax on such income, does not file appeal against such declared income, then no penalty on such amount shall be levied. However, if AO determines higher undisclosed income, then on the differential amount, penalty may be levied.
<b>Time limit for completion of search</b>	As per section 153 time limit for completion of assessment in respect of assessment under section 147/148 is 9 months from the end of relevant F.Y. in which notice under section 148 was served upon assessee.	Assessment under section 158BB/ 158BC of the Income Tax Act shall be completed within 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. This period can be extended under certain circumstances as identified u/s 158BE(4).  In case reference u/s 92CA (1) of the income tax act was made in respect of block period, the time limit for reassessment shall be increased by 12 months
<b>Approval for issuing notice</b>	Notice under section 148 is issued after the prior approval of the Principal Commissioner or commissioner as per	Notice under section 158BC(1) (a) shall be issued with prior approval of Additional Commissioner/ Additional Director/ or Joint Commissioner / Joint Director
<b>Eligible assessee u/s 144C</b>	There was no concept.	A searched person or other person covered u/s 158BD, shall not be treated as eligible assessee.

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Rationalization of provisions relating to reassessment proceedings (1/2)

Particulars/Features	Existing law	Proposed Amendment in law (w.e.f 01 <sup>st</sup> September, 2024)
<b>Amendment in Section 148</b>	Under Section 148, time period for furnishing of return of income was 3 months which could be further extended.	<p>It has been proposed that the assessing officer shall issue a notice to assessee, along with a copy of order passed u/s 148A(3) to furnish his return of income or income of any other person in respect of whom he is assessable under the act, <b>within a period of three months from the end of month in which such notice is issued.</b></p> <p>It is further proposed to add 'any information in the case of assessee arising from survey conducted u/s 133A' within the definition of 'information'.</p>
<b>Amendment in Section 148A</b>	<p>Section 148A: Assessing officer before issuing of any notice under section 148 shall conduct inquiry with the prior approval of specified authority with respect to information which suggest that income chargeable to tax has escaped assessment.</p> <p>AO shall provide an opportunity of being heard by serving him a notice to show cause within time (7 days to 30 days) to furnish why a notice under section 148 should not be issued.</p> <p>AO shall consider the reply of the assessee furnished if any. And decide on the basis of material available on record</p>	<p>It is proposed that where the Assessing Officer shall <b>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. 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.</b></p> <p>It is further proposed that provisions of Section 148A shall not apply where assessing officer has received information under scheme notified u/s 135A</p>

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Rationalization of provisions relating to reassessment proceedings (2/2)

Particulars/Features	Existing law	Proposed Amendment in law (w.e.f 01 <sup>st</sup> September, 2024)
<b>Approval u/s 151</b>	Approval of As per section 151 of the Act , Specified authority for the purpose of section 148/148A shall be Principal Commissioner or Principal Director or Commissioner or Director , if 3 year or less than 3 year have elapsed from Relevant A.Y. Principal Chief Commissioner or Principal Director General if more than 3 year have elapsed.	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.
<b>Time limit to issue notice</b>	Notice u/s 148A can be issued within 3 years from the end of relevant assessment year. In case, income chargeable to tax is represented in the form of an asset, expenditure, an entry in books which has escaped assessment amounting Rs 50 lacs or more, then notice can be issued after 3 years but within 10 years from the end of relevant assessment year.	In normal cases, notice u/s 148 /148A shall be issued within 3 years/ 3 year 3 month from the end of relevant assessment year.  In Specific case, where income escaped amounts to 50 lacs or more (as per information), notice u/s 148/ 148A shall be issued beyond 3 years/ 3 year 3 months but not beyond 5 years/ 5year 3 month from end of relevant assessment year.

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Rationalisation of period of limitation for imposing penalties

Existing law	Proposed Amendment in law
As per existing law, Section 275 provides for period of limitation for imposing penalties that order of penalty can be made either after the expiry of financial year in which penalty proceedings were initiated or after six months from end of month in which order u/s 250 or 254 is received by Principal Chief Commissioner or Chief Commissioner, Principal Commissioner or Commissioner, whichever is later.	To remove ambiguity in calculation of number of days for imposition of penalties, it is proposed to amend section 275 (w.e.f 01 <sup>st</sup> October, 2024) by omitting the words “Principal Chief Commissioner or Chief Commissioner” in both places where they occur.

### Amendment in provisions of Section 245 and Section 244A (w.e.f 01st October, 2024)

Existing law	Proposed Amendment in law
In existing law, under section 245, assessing officer has to record the reasons in writing after he is of the opinion that grant of refund is likely to adversely affect the revenue.	<p>Amendment in Section 245 has been proposed to omit the phrase ‘is of the opinion that the grant of refund is likely to be adversely affect the revenue’ as recording the reasons in writing to withhold the refund automatically forms an opinion that grant of refund is likely to affect the revenue adversely. Thus, such condition has now been omitted.</p> <p>Further, it is proposed to <b>extend the period</b> of withholding of refund <b>from thirty days to sixty days</b> from date of assessment or reassessment.</p>

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Extension of time-limit for filing appeals to Income Tax Appellate Tribunal (w.e.f 01st October, 2024)

Existing law	Proposed Amendment in law
In existing law, time limit to file appeal to Income Tax Appellate Tribunal is “sixty days from the date on which order sought to be appealed against is communicated to assessee or Principal Commissioner or Commissioner”, as the case may be.	<p>The time limit for filing of appeal before Income Tax Appellate Tribunal has now been revised to <b>“sixty days from the end of the month in which order sought to be appealed against is communicated to assessee or Principal Commissioner or Commissioner”</b>.</p> <p>Further, it has been proposed to include penalty order passed u/s 158BFA under the appealable orders u/s 253(1) of the Income Tax Act.</p>

### Amendment in Section 245Q and 245R (w.e.f 01st October, 2024)

Existing law	Proposed Amendment in law
No such proviso was provided under Section 245Q(4) and 245R(2).	<p>A proviso has been proposed to be inserted to Section 245Q(4), to withdraw application by 31<sup>st</sup> October, 2024, pending before Board for Advance Ruling (BAR) where order u/s 245R(2) has not been passed.</p> <p>Further, it is proposed to insert a proviso to Section 245R(2), that application of withdrawal u/s 245Q(4) may be rejected by BAR on or before 31<sup>st</sup> day of December, 2024.</p>

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Power of the Commissioner (Appeals) (w.e.f 01st October, 2024)

Existing law	Proposed Amendment in law
No such power was provided under Section 251(1)(a) to the Commissioner of Income Tax - (Appeals) to set aside the appeal against any order .	<p>Section 251(1)(a) has been amended to empower the Commissioner of Income Tax - (Appeals) to set aside the appeal filed against the order passed as best judgement case u/s 144 of the Act and refer the case back to assessing officer for making a fresh assessment.</p> <p>Consequential amendment has been made in Section 153(3) to provide time limit for disposal of case which is set aside by CIT-(A) for fresh adjudication by assessing officer.</p>

# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Amendment in section 153 of the Income Tax Act

Existing law	Proposed Amendment in law
Time limit for completion of assessment under section 143 or 144 of the Income Tax Act	New sub-section (1B) 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
Time-limit for passing the fresh assessment order	In the sub section 3 of section 153, reference of section 250 added in order to provide the time-limit for disposal of cases which are proposed to be set aside by the Commissioner (Appeals).
Revival of assessment order	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. Section 158BA shall be substituted
Clause (xii) of Explanation 1 of the section 153	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



# Direct Tax Proposals

## Assessments, litigations, VsVS etc.

### Introduction of Direct Tax Vivad se Vishwas Scheme, 2024

Building on the success of 2020 scheme, Direct tax Vivad se Vishwas Scheme 2024 has now been introduced with an objective of providing a mechanism of settlement of disputed tax issues to reduce burden of litigation and backlog of pending cases at the appellate levels.

- The scheme will be effective from a date to be notified by the Central Government.
- A final date for availing the benefits of the scheme will also be notified.

The objective is to offer taxpayers a cost-effective mechanism to settle disputed tax matters swiftly, benefiting both taxpayers and the government by minimizing litigation and facilitating quicker resolution of appeals.



# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### Amendment relating to Tax Deducted at Source (TDS)

1. TDS Rates reduced for F.Y. 2024-25 for incomes other than “Salaries”, as under: -

S.No.	Particulars	Existing Rate	Proposed Rate
1	TDS on Other Income of Companies other than Domestic Companies	40%	35%

2. TDS Rates revised for Capital gain income of “Non – Residents”, as under: -

S.No.	Nature of Capital gain Income	TDS Rates for transfers before 23 <sup>rd</sup> July, 2024	TDS Rates for transfers on or after 23 <sup>rd</sup> July, 2024
1	LTCG u/s 115E* *Section 115E: Non Resident’s (NR) income from investment or LTCG on assets other than Specified Asset Or LTCG of NR’s.	10%	12.50%
2	LTCG u/s 112(1)(c)(iii) In case of NR or Foreign Company, LTCG on transfer of unlisted securities, calculated without giving benefit of indexation	10%	N.A.
3	LTCG u/s 112(1)(c) In case of NR or Foreign Company	20%	12.50%
4	LTCG u/s 112A, exceeding Rs. 1.25 Lakhs	10%	12.50%
5	STCG u/s 111A on STT paid Securities	15%	20%

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### 3. Rationalization of TDS Rates

❖ To improve ease of doing business and better compliance by taxpayers, the TDS rates are proposed to be reduced.

❖ However, no change in terms of rationalization of rates, in respect of:

- i. TDS on Salary,
- ii. TDS on Virtual Digital Assets,
- iii. TDS on winnings from lottery etc./ race horses,
- iv. TDS on Payment On Transfer of Immovable Property
- v. TDS on Payments to Non-Residents,
- vi. TDS on Contracts.

❖ Rationalization of TDS Rates as under:

Section	Particulars	Existing TDS Rate	Proposed TDS Rate	Applicability w.e.f.
194D	Payment of insurance commission (in case of person other than company) exceeding Rs. 15,000/-	5%	2%	01.04.2025
194DA	Payment in respect of life insurance policy exceeding Rs. 1,00,000/-	5%	2%	01.10.2024

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### ❖ Rationalization of TDS Rates as under:

Section	Particulars	Existing TDS Rate	Proposed TDS Rate	Applicability w.e.f.
194G	Commission etc. on sale of lottery tickets, on amount exceeding Rs. 15,000/-	5%	2%	01.10.2024
<b>194H</b>	Payment of commission or brokerage exceeding Rs. 15,000/-	5%	2%	01.10.2024
194IB	Payment of rent by certain individuals or HUF exceeding Rs. 50,000/-	5%	2%	01.10.2024
194M	Payment of certain sums by certain individuals or HUF, for carrying out any work under Contract other than u/s 194C, by way of commission other than 194D, brokerage other than u/s 194H, or professional services other than u/s 194J exceeding Rs. 50 Lakhs.	5%	2%	01.10.2024
194O	Payment of certain sums by e-commerce operator to e-commerce participant, exceeding Rs. 5 Lakhs where e-commerce participant has provided its PAN/Aadhaar No. to the e-commerce operator [in order to bring parity to TDS u/s 194Q & TCS u/s 206C(1H)]	1%	0.1%	01.10.2024
194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India, as referred u/s 80CCB(2), being payment either by Repurchase of units or payment on termination of plan	20%	Proposed to be omitted	01.10.2024

# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

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

In order to help in avoiding cash flow issues for employees, it is proposed to amend Section 192(2B), to include TCS under Chapter XVII-BB also, along with TDS under Chapter XVII-B, while making deduction u/s 192(1), w.e.f. 01.10.2024.

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

In order to align with section 201(1A), the rate of interest payable on delay in deposit of TCS from date of collection to the date of deposit with the government, the interest rate is proposed to be increased to 1.5% instead of 1%, w.e.f. 01.04.2025.

### 6. Insertion of New Section 194T

New section 194T 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, w.e.f 1st April, 2025 (AY 2025-26 onwards), as under:

- Threshold limit for applicability of this section is ₹20,000 in the Financial Year
- Applicable rate for Deduction of Tax shall be 10%

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### 7. Amendment in TDS provisions

Various provisions of the Act relating to TDS amended as under: -

S.No.	Section	Existing provisions	Proposed Amendment	Purpose	Applicability
1	194-IA- TDS on sale of Immovable property	TDS applicable @ 1% if consideration or Stamp duty value of immovable property to be transferred, is more than 50 lakhs	Proposed Amendment u/s 194IA (2) to provide that consideration of 50 lakhs 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	To plug the loophole wherein the limit of 50 lakhs was interpreted as separate limit for each buyer's payment and to clarify the intention of legislature that threshold limit of 50 lakhs is aggregate limit for all the buyers/sellers of such immovable property	W.e.f 1 <sup>st</sup> October 2024
2	193- TDS on Interest on securities	TDS on applicable rates on interest exceeding ₹10,000 on 8% savings bonds 2003 or 7.75% savings bonds 2018	To include Floating Rate Savings Bond 2020 (Taxable) and any notified Govt. security under the purview of this section	To widen the Tax base and enlarge the scope of section 193	W.e.f 1 <sup>st</sup> October 2024
3	194C - TDS on Payments to contractors for carrying out any work	Section 194C defines 'Work' to specify which all activities would attract TDS under this section	To explicitly exclude the activities u/s 194J (professional and technical services) from the purview of this section	To provide clarification w.r.t the scope of section 194C vis-à-vis section 194J and to prevent the deduction of tax wrongly under 194C instead of section 194J	W.e.f 1 <sup>st</sup> October 2024

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### Section 40(b)(v) - Increase in limit of remuneration to working partners of a firm allowed as Deduction

Section 40(b)(v) of the Act provides for disallowance of any payment of remuneration to any partner who is working partner which is authorized by and is in accordance with the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as the amount of such payment to all partners during the previous year exceeds the aggregate amount computed as hereunder:

Serial	Existing Provision	Proposed Provision
(a)	on the first Rs. 3,00,000 of the book profit or in case of a loss	on the first Rs. 6,00,000 of the book profit or in case of a loss
	Rs. 1,50,000 or at the rate of 90 per cent of the book profit, whichever is more	Rs. 3,00,000 or at the rate of 90 per cent of the book profit, whichever is more
(b)	on the balance of the book-profit	
	at the rate of 60 per cent	

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

### Section 206C - Claiming credit for TCS of minor in the hands of parent

Representations have been received that there is no provision in the Act.

Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. subject to the notification of rules for cases where credit of tax collected are given **to any other person (eg. parent) other than collectee.**

However, 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.



# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

### Section 206C - Claiming credit for TCS of minor in the hands of parent

For example, funds remitted under the Liberalized Remittance Scheme of the Reserve Bank of India may have been remitted in the name of minor and accordingly tax would have been collected under sub-section (1G) of section 206C.

However, there was no provision for the parent to claim the same in their tax return which has now been incorporated by this amendment.

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

### Sec – 28 Reporting of income from letting out of house property under ‘Income from House Property’

In section 28 of the Income-tax Act, after Explanation 2, the new Explanation shall be inserted with effect from the 1st day of April, 2025, namely: —

Explanation 3 - It is hereby clarified 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”.

### Section 206C(1F) - TCS under sub-section (1F) of section 206C on notified goods

It is proposed to substitute sub-section (1F) of the section 206 to extend its scope to, inter alia, provide that every person, being a seller, who receives any amount as consideration for sale of Motor Vehicle or **any other goods (newly inserted)** of value exceeding ten lakh rupees, **as may be** notified by the Central Government shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent. of the sale consideration as income-tax. The list of items still to be notified.

This amendment will take effect from **1st January, 2025**.

# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

### Section – 37 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 with effect from the 1st day of April, 2025 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.**

### Section 201 and section 206C Reducing time limitation for orders deeming any person to be assessee in default

It is proposed to amend sub-section (3) of section 201 and insert new sub-section (7A) in section 206C of the Act with effect from the 1st day of April, 2025, 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 (Old Provision - resident in India), at any time after the expiry of six years (Old Provision – seven 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.

### Section 200 and section 206C(3B) - Time limit to file correction statement in respect of TDS/ TCS statements

It is proposed to amend section 200 and sub-section (3B) of section 206C with effect from the 1st day of April, 2025, 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.

### Section 206C - Notification of certain persons or class of persons as exempt from TCS

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.

# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

### Section 197 and section 206C(9) - Extending the scope for lower deduction / collection certificate of tax at source

Section 197 of the Act provides that payments on which tax is required to be deducted under certain sections of Chapter XVII-B, are eligible for certificate for deduction at lower rate. Further, sub-section (9) of section 206C of the Act provides that sums on which tax is required to be collected under sub-section (1) or subsection (1C), are eligible for collection of tax at lower rate. 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.

### Section 200A - Widening ambit of section 200A of the Act for processing of statements other than those filed by deductor

Section 200A of the Act provides for the manner in which statement of tax deduction at source or a correction statement made by a person deducting any sum under section 200 shall be processed.

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.

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### Preventing Misuse of Expense Deductions by Life Insurance Businesses

Section 44 of the Income Tax Act mandates that profits and gains of any insurance business be computed as per the First Schedule, regardless of other Act provisions. Rule 2 of the First Schedule states that the profits of life insurance business are the annual average of the surplus from the actuarial valuation, excluding surplus or deficit from earlier periods.

To prevent misuse, Rule 2 will be amended to add back any non-admissible expenditure under Section 37 to the profits of life insurance businesses. The amendment will be effective from April 1, 2025, applicable from the assessment year 2025-2026 onwards.

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

Levy of Securities Transaction Tax (STT) on transaction of specified securities was introduced vide Finance (No.2) Act, 2004. In the current Financial Bill presented, the STT rates on derivatives (Futures and Options) has been proposed to be amend. The same has been brief as below: -

S. No.	Derivative	Existing STT rate	Proposed STT rate
1	Futures	0.0125% of the traded price of the future	0.02% of the traded price of the future
2	Options	0.0625% of the option premium	0.1% of the option premium
3	Sale of an option in securities	0.125% of the intrinsic price	NO CHANGE PROPOSED
4	Delivery Trades	0.1% on Sale and purchase transactions	NO CHANGE PROPOSED

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

# Direct Tax Proposals

## TDS, TCS and Miscellaneous

### Amendments to Sections 42 and 43 of the Black Money Act, 2015

#### ➤ **Section 42: Penalty for Failing to Disclose Foreign Income and Assets in the Income Tax Return (ITR)**

Residents, other than those not ordinarily resident, are required to report their foreign income and assets in their ITR. A penalty of ₹10 lakhs is imposed for failing to disclose such information, regardless of the asset's value. However, there is an exemption if the total balance in foreign bank accounts does not exceed ₹5 lakhs during the previous year.

#### ➤ **Section 43: Penalty for Furnishing Inaccurate Particulars about Foreign Assets in the ITR**

In cases where inaccurate particulars about foreign assets are furnished in the ITR, a similar penalty of ₹10 lakhs applies.

The government has proposed to increase the exemption limit from ₹5 lakhs to ₹20 lakhs (excluding immovable property) for the purpose of levy of penalty. However, reposting is still to be done.

These amendments will take effect from October 1, 2024.

### Allowability of adjusting Liability under Black Money Act, 2015 with Seized Assets under section 132 of the Income Tax Act, 1961:

It is proposed to amend Section 132B of the Income-tax Act, 1961 which now includes the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, in addition to the various tax laws for the recovery of tax liabilities out of the assets seized u/s 132 or requisitioned u/s 132 of the Income tax act, 1961.

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

This amendment is aimed at enhancing the enforcement mechanisms against undisclosed foreign income and assets.

### Amendments to the Prohibition of Benami Property Transactions Act, 1988

#### ➤ **Section 24 Amendment:**

**Sub-section (2A):** Benamidar or beneficial owner must reply within three months from the end of month of notice issuance.

# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

**Sub-sections (3) and (4):** Time limit for Initiating Officer extended to four months from earlier provision of 90 days for provisional property attachment and related decisions from the end of month of notice issuance.

**Sub-section (5):** Time for Initiating Officer to prepare case statement extended to one month from relevant order date.

➤ **Insertion of Section 55A:**

Initiating Officer can offer immunity from penalty to benamidar or any other witness assisting in section 53 cases.

Immunity is contingent upon full disclosure; non-compliance leads to withdrawal and potential prosecution.

These amendments will take effect from October 1, 2024.

These amendments aim to streamline procedures, provide adequate time frames, and incentivize cooperation in investigations without unduly penalizing minor actors in Benami transactions.

## Discontinuation of Aadhaar Enrolment ID

The proposed amendment to section 139AA of the Act regarding Aadhaar numbers is as follows:

➤ **Discontinuation of Aadhaar Enrolment ID:** The provision allowing quoting of Aadhaar Enrolment ID in PAN application forms and income tax returns will be discontinued from October 1, 2024.

➤ **Transition requirement:** Individuals who obtained PAN using Aadhaar Enrolment ID must update their PAN with their Aadhaar number by a notified date.

These amendments will take effect from October 1, 2024.

This change aims to prevent duplication and misuse of PAN due to the potential risks associated with Aadhaar Enrolment IDs.

# Direct Tax Proposals

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## TDS, TCS and Miscellaneous

### Amendment for the purposes of obtaining a tax clearance certificate

The proposed amendment to section 230(1A) of the Act regarding tax clearance certificates is as follows:

- **Inclusion of Black Money Act, 2015:** The reference to liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 will be added to section 230(1A) of the Act for obtaining a tax clearance certificate.
- **Purpose:** This ensures that individuals domiciled in India must clear liabilities under the Income-tax Act, 1961, Wealth-tax Act, 1957, Gift-tax Act, 1958, Expenditure-tax Act, 1987, and the Black Money Act, 2015 before leaving the country or making satisfactory arrangements for payment.

These amendments will take effect from October 1, 2024.

This change aims to comprehensively cover all tax liabilities under relevant tax laws for the issuance of tax clearance certificates.

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

To comply with Automatic Exchange of Information (AEOI) framework, amendment made in Section 271FAA of the Act to clarify that penalty under said section shall be attracted in the following circumstances –

- i. furnishing inaccurate information in the statement;
- ii. failing to comply with due diligence requirements in statements.

Additionally, section 273B will be updated to include a reference to section 271FAA, stating that penalties can be avoided if the assessee demonstrates a reasonable cause for the failure in question.

This amendment will be effective from 1st day of Oct, 2024.

# Indirect Tax Proposals





# Indirect Tax Proposals

## AMENDMENTS TO THE CUSTOMS ACT, 1962

Section/Clause	Amendment
Section 28 DA	Accept different types of proof of origin in trade agreements for self-certification
Section 65(1)	Central Government can specify manufacturing/operations not permitted in warehouses for a class of goods
Section 143AA	Substitute "a class of importers or exporters" with "a class of importers or exporters or any other persons" to facilitate trade
Section 157(2)(m)	Substitute "a class of importers or exporters" with "a class of importers or exporters or any other persons"

Amendments carried out through the Finance (No. 2) Bill, 2024, will come into effect on the date of its enactment, unless otherwise specified.

## AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

Section	Amendment
Section 6	Omitting section on protective duties as Tariff Commission has been wound up by resolution dated 1st June 2022

This change will come into effect from the date of enactment of the Finance (No. 2) Bill, 2024.

## AMENDMENTS TO THE EXCISE

Extend time period for submission of Mega Power Project certificate from 120 months to 156 months.

Exempted on excisable goods lying in stock as on 30th June, 2017, subject to payment of GST Compensation Cess on supply from 1st July, 2017.

# Indirect Tax Proposals

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## GOODS AND SERVICE TAX

Amendments proposed in the Finance (No.2) Bill, 2024, will come into effect from a date when the same will be notified concurrently, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

1. Levy and collection of GST: Un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption is out of the levy of GST by inclusion in section 9 sub-section (1) of CGST Act, and similar amendment in IGST Act.
2. Power to grant Exemption: As per newly inserted section 11A of CGST Act, If the Government is satisfied that a practice was, or is, generally prevalent regarding levy of central tax at lower rate (including non-levy thereof) on any supply of goods. The Government may, on the recommendation of the Council, by notification in the Official Gazette, direct that the whole tax or excess tax payable on such supplies shall not be required to be paid.

Similarly, Section 8A is being inserted in the GST (Compensation to States) Act, so as to empower the Government to regularize non –levy or short levy of cess where it is found that such non levy or short levy was a result of general practice.

3. **Time of Supply of Services:** After proposed amendment, reverse charge time of supply, second condition under section 13(3)(b) CGST Act being - "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" with insertion of additional words "in cases where invoice is required to be issued by the supplier". Hence after amendment, in case where invoice is not required to be issued by the supplier, second condition of time of supply will not be applicable.
4. **Eligibility and conditions for taking input tax credit:** Sub-section (5) & (6) being inserted to CGST Act;
  - i. 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 up to the thirtieth day of November,2021.
  - ii. 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 avilment 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 subject to conditions of filing return up to thirtieth November of following financial year, or for the

# Indirect Tax Proposals

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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

5. **Apportionment of credit and blocked credits:** Previous to proposed amendment, ITC is not available for "tax paid in accordance with the provisions of sections 74, 129 and 130". After proposed amendment to Sub-section (5) of section 17 of the CGST Act, ITC is restricted only for demands up to FY 23-24 under section 74, and blockage of credit for demands under section 129 and 130 is removed..
6. **Revocation of cancellation of registration** - With proposed insertion of proviso in sub-section (2) of section 30 of the CGST Act "such revocation of cancellation of registration shall be subject to such conditions and restrictions, as may be prescribed.", proper officer will need to fulfil conditions and restrictions prescribed by further notifications issued under the section.
7. **Tax invoice-** Clause (f) of sub-section (3) of section 31 of the CGST Act is being amended. Accordingly, period for issue of time limit for self-invoicing on supply received under reverse charge from unregistered dealers has been mentioned further to be prescribed by notification. Further, explanation has been inserted, accordingly unregistered supplier includes the supplier who is registered solely for the purpose of deduction of tax under section 51.

8. **Furnishing of returns:** Sub-section (3) of section 39 of the CGST Act is being substituted. so as to mandate the electronic furnishing of return for each month by the registered person required to deduct tax at source, irrespective of whether any deduction has been made in the said month or not. It also empowers the Government to prescribe by rules, the form, manner and the time within which such return shall be filed.
9. **Refund of tax-** Sub-section (3) is being amended and a new sub- section (15) is being inserted in section 54 of the CGST Act.so as to provide that no refund of unutilised input tax credit or integrated tax shall be allowed in cases of zero rated supply of goods where such goods are subjected to export duty. Similar amendments are also made in Sub-section (4) & (5) in Section 16 in the IGST Act.
10. **Power to summon persons to give evidence and produce documents:** Sub-section (1A) is being inserted in section 70 of the CGST Act, 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.
11. **Determination of tax pertaining to the period up to Financial Year 2023-24 not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason other than fraud or any wilful-misstatement or suppression of facts:**

# Indirect Tax Proposals

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Marginal heading of Section 73 amended and sub section (12) inserted. Accordingly, applicability of Section 73 is restricted for determination of tax pertaining to the period up to Financial Year 2023-24.

**12. Determination of tax pertaining to the period up to Financial Year 2023-24 not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any wilful misstatement or suppression of facts:** Marginal heading of Section 74 amended and sub section (12) inserted. Accordingly, applicability of Section 74 is restricted for determination of tax pertaining to the period up to Financial Year 2023-24.

**13. Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to Financial Year 2024-25 onwards: Section 74A is being inserted in the CGST Act :** 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.

**14. General provisions relating to determination of tax:** (2A) is being inserted in section 75 in the CGST Act, as to provide for redetermination of penalty demanded in a

notice invoking penal provisions under clause (ii) of sub-section (5) of the proposed section 74A of the said Act to re-determine the penalty as per clause (i) of the sub-section (5) of the said section, in cases where the charges of fraud, wilful misstatement, or suppression of facts are not established.

## **15. Appeals to Appellate Authority:**

Sub-section (6) of section 107 of the CGST Act is proposed to amend. Accordingly, maximum amount of pre-deposit for filing appeal before the Appellate Authority is reduced from rupees twenty-five crores to rupees twenty crores in central tax.

Section 20 in the IGST is also being amended, so as to reduce the maximum amount of pre-deposit payable for filing appeal before appellate authority from rupees fifty crores to rupees forty crores of integrated tax. Further, it proposes to reduce the maximum amount payable as pre-deposit for filing appeal before the Appellate Tribunal from rupees hundred crores to rupees forty crores of integrated tax.

**16. Constitution of Appellate Tribunal and Benches thereof:** Amendment to Section 109 (1), (5) and (6) empower the Government to notify types of cases that shall be heard only by the Principal Bench of the Appellate Tribunal.

# Indirect Tax Proposals

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**17. Appeals to Appellate Tribunal-** 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. Sub-section (1B) of section 122 of the CGST Act is being amended, so as to restrict the applicability of the said sub-section to electronic commerce operators, who are required to collect tax at source under section 52 of the said Act. The said amendment will be effective from the 1st day of October, 2023.

**18. Penalty for certain offences:** Sub-section (1B) of section 122 of the CGST Act is being amended, so as to restrict the applicability of the said sub-section to electronic commerce operators, who are required to collect tax at source under section 52 of the said Act. The said amendment will be effective from the 1st day of October, 2023.

**19. Power to waive penalty or fee or both:** Section 128A in the CGST Act is being inserted, 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 demands 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.

**20. Transitional arrangements for input tax credit:** Sub-section (7) of section 140 of the CGST Act is being amended, so as to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by an Input Services Distributor prior to the appointed day, for which invoices were also received prior to the appointed date. The said amendment will be effective from 1st day of July, 2017.

# Indirect Tax Proposals

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**21. Ant profiteering measure-** Proviso and Explanation is being inserted in sub-section (2) of section 171 of the CGST Act, so as to empower the Government to notify the date from which the Authority under the said section will not accept any application for anti-profiteering cases.

Explanation in the sub-section (3A) of the said section is being inserted, so as to include the reference of Appellate Tribunal in the Authority under the said section so that the Appellate Tribunal may be notified by the Government to act as an Authority under the said section.

**22. Schedule-III CGST Act:**

i. 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.

ii. Paragraph 9 is being inserted in Schedule III to the CGST Act, so as to provide that the services by the insurer to the re-insurer, for which the ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that tax liability on the gross reinsurance premium inclusive of reinsurance commission or the ceding commission is paid by the reinsurer.

# Sector Announcements



# Sector Announcement

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## Agriculture

- Transforming Agriculture Research: - Comprehensive review of the agriculture research setup to bring focus on raising productivity and developing climate resilient varieties.
- National Cooperation Policy: - For systematic, orderly and all-round development of the cooperative sector
- Atmanirbharta: - For oil seeds such as mustard, groundnut, sesame, soyabean and sunflower
- Vegetable production & supply chain: - Promotion of FPOs, cooperatives & start-ups for vegetable supply chains for collection, storage, and marketing.
- Release of new varieties: - 109 new high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers
- Digital Public Infrastructure (DPI): - Jan Samarth based Kisan Credit Cards will be issued.





# Sector Announcement

## Employment and Skilling

- One-month wage to new entrants in all formal sectors in 3 instalments up to ₹15,000 which is expected to benefit 210 lakh youth. Government will reimburse EPFO contributions of employers up to ₹3000 per month for 2 years for all new hires which is expected to generate 50 lakh jobs.
- Higher participation of women in the workforce through setting up of working women hostels in collaboration with industry, and establishing creches is facilitated.
- Loans up to ₹7.5 lakh with a guarantee from a government promoted Fund which would help 25,000 students every year
- Financial support for loans upto ₹10 lakh for higher education in domestic institutions. By providing direct E-vouchers to 1 lakh students every year at an annual interest subvention of 3%
- 20 lakh youth will be skilled over a 5-year period for which 1,000 Industrial Training Institutes will be upgraded in hub and spoke arrangements with outcome orientation. Course content & design will be aligned as per skill needs of industry.



# Sector Announcement

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## Human Resource Development and Social Justice

- **Purvodaya: Vikas bhi Virasat bhi** :-

- Plan for endowment rich states in the Eastern parts covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh for generation of economic opportunities to attain Viksit Bharat.
- To develop Amritsar Kolkata Industrial Corridor with development of an industrial node at Gaya
- Allocation of more than ₹3 lakh crore for schemes benefitting women and girls.
- **Pradhan Mantri Janjatiya Unnat Gram Abhiyan**: 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.

- **Andhra Pradesh Reorganization Act**:

- Financial support of ₹15,000 crores will be arranged in FY 24- 25.
- Completion of Polavaram Irrigation Project ensuring food security of the nation.
- Essential infrastructure such as water, power, railways and roads in Koppaerthy node on the Vishakhapatnam-Chennai Industrial Corridor and Orvakal node on Hyderabad-Bengaluru Industrial Corridor

# Sector Announcement

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## Manufacturing & Services

- Credit Guarantee Scheme for MSMEs in the Manufacturing Sector and New assessment model for MSME credit
- Mudra Loans: The limit is enhanced to ₹ 20 lakh from the current ₹ 10 lakh under the 'Tarun' category
- Credit Support to MSMEs during Stress Period
- Twelve industrial parks under the National Industrial Corridor Development Programme
- Rental housing with dormitory type accommodation for industrial workers in PPP mode with VGF support.
- Critical Minerals Mission for domestic production, recycling and overseas acquisition.
- Scheme for providing internship opportunities in 500 top companies to 1 crore youth in 5 years and an allowance of ₹5,000 per month along with a one-time assistance of ₹6,000 through the CSR funds.

## 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
- Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability will also be put in place.
- Needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹10 lakh crore

# Sector Announcement

## Infrastructure

- Provision of ₹11,11,111 crore for infrastructure (3.4% of GDP).
- ₹1.5 lakh crore to states as longterm interest free loans to support resource allocation.
- Phase IV of PMGSY will be launched to provide all weather connectivity to 25,000 rural habitations.
- **Irrigation and Flood Management :-**
  - Financial support for projects with estimated cost of ₹11,500 crore such as the Kosi-Mechi intra-state link and 20 other ongoing and new schemes
  - Assistance for flood management and related projects in Assam, Sikkim & Uttarakhand
  - Assistance for reconstruction and rehabilitation in Himachal Pradesh

- **Tourism :-**

- Development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor
- Comprehensive development initiative for Rajgir will be undertaken which holds religious significance for Hindus, Buddhists and Jains.
- The development of Nalanda as a tourist centre besides reviving Nalanda University to its glorious stature.
- Assistance to development of Odisha's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes and pristine beaches making it an ultimate tourism destination.



# Sector Announcement

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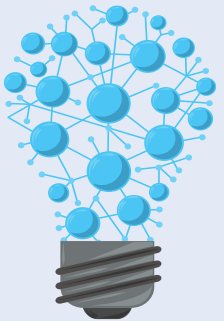
## Energy Security



- For electricity storage and facilitation of smooth integration of the growing share of renewable energy
- A joint venture between NTPC and BHEL will set up a full scale 800 MW commercial plant
- Financial support for shifting of micro and small industries to cleaner forms of energy and Facilitate investment grade energy audit in 60 clusters, next phase expands to 100 clusters
- Setting up Bharat Small Reactors and R&D of Bharat Small Modular Reactor and newer technologies for nuclear energy

## 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
- Space Economy: A venture capital fund of ₹1,000 crore is to be set up.



# Sector Announcement

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## Next Generation Reforms

- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands.
- Survey of map sub-divisions as per current ownership
- Linkages to the farmers' registries
- Digitization of cadastral maps
- Establishment of land registry
- Rural & Urban land related actions Land records in urban areas will be digitized with GIS mapping
- FDI and Overseas Investments: Simplified to facilitate FDIs and promote opportunities for using Indian Rupee as a currency for overseas investments
- NPS Vatsalya: A plan for contribution by parents and guardians for minors.
- Taxonomy for climate finance: Enhancing the availability of capital for climate adaptation and mitigation related investments



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