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# BUDGET
# PANORAMA
# 2024

# Contents

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Budget Panorama is an annual edition e-released by Advith Consulting LLP soon after the budget is presented by the Finance Minister of India. This e-release gives a panoramic view of the recently announced budget with the objective of educating the audience. The study is pragmatic and provides a brief overview of the budget. Every attempt is made to make the content lucid so that a layman can easily comprehend the substance.



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# Foreword

## Background

In a remarkable political milestone for India, Shri Narendra Modi has been elected as the Prime Minister for a third consecutive term. This historic achievement marks only the second time in the country's history that a leader has attained this distinction. This victory marked another historic first, as Modi's coalition government consisted of a larger number of parties compared to his previous two terms, where the BJP had secured a majority on its own. The country's history continued to unfold on July 23rd, 2024, when Smt. Nirmala Sitharaman presented the Union Budget for a record-breaking seventh consecutive year.

Given the coalition dynamics, the Union Budget was expected to strike a balance between different party interests and the needs of the people. The budget was presented at a time when the middle class, grappling with rising expenses and reduced job opportunities, was eager for tax relief. Despite their increased earnings, the gap between their expectations and the reality of available services remained vast.

## Job Creation and Infrastructure spending

One of the key strengths of this budget is the emphasis on job creation and skills development, as demonstrated by the government's initiative to provide internships with 500 top companies for youth. This not only bridges the skill gap, but also gives companies access to a larger pool of skilled candidates. Additionally, the government's plan to allocate a significant portion of GDP towards infrastructure development is another positive aspect of the budget. This investment will improve connectivity, ease transportation, and reduce costs, with benefits that will be felt in the mid to long term.

## Direct Tax Proposals

Regarding the proposals on Direct taxes, the Finance Minister’s announcement to comprehensively review the Income Tax Act, 1961 to make the law more concise, lucid, easy to read and understand, is definitely a step in the right direction.

However, one aspect of the proposed amendments in the Income Tax Law that has gathered most criticism is the amendment to Capital Gains Taxation. Though the tax rates on long-term capital gains have been reduced from 20% to 12.50%, the removal of indexation benefit while computing the same can have significant impact on many taxpayers.

The removal of indexation benefits for taxpayers selling immovable property at a low profit margin will be detrimental. Additionally, the higher taxation on short-term capital gains from the sale of listed shares indicates that the government is seeking to take a larger share of these gains, which may limit the taxpayer's ability to reinvest their earnings

The removal of Angel tax, which had only created more room for litigation rather than acting as a deterrent against shady transactions and reduction of TDS rates on a host of transactions; are steps in the right direction.

## GST and Customs Law

Regarding the amendments proposed under Indirect taxes, the proposals are not expected to make any drastic changes to Indirect Tax Laws, as these are regularly amended throughout the year based on GST Council meetings. However, subtle changes to various provisions under GST and customs laws indicate the government's intention to enhance data-driven tax compliance and administration. Industries, including MSMEs, should adapt accordingly.

While the GST amnesty for time-barred Input Tax Credits, interest, and penalty waivers for past periods is welcomed, it seems like a delayed measure for compliant taxpayers who may have already reversed or remitted these amounts. Such measures, while providing relief, may create a sense of injustice and encourage taxpayers to take aggressive positions in the hope of future amnesty. Better timing of these beneficial provisions is hoped for in the future.

Changes in customs rates are mostly due to market factors and follow a consistent approach that was set in earlier Union Budgets by the FM.

## Tax Administration stability

The government should strive to maintain stability in the Tax Laws and resist the temptation to continuously modify them for its own benefit. Making amendments solely to counteract judicial rulings gives taxpayers the impression of being cheated. While the government should certainly address misinterpretations of the law, it should also demonstrate magnanimity when its arguments are rejected in the Court. Moreover, altering tax forms to achieve backdoor adjustments is an ongoing issue that the Tax Department has been exploiting in recent years. This blatant manipulation undermines taxpayers' trust in the system.

## Conclusion

In a country as large and diverse as India, with a population of 1.4 billion and an abundance of hopes and expectations, the task of satisfying everyone is formidable. It becomes even more challenging when individual income tax, which accounts for 19% of the government's revenue, is derived from a mere 3% of the population. Despite their small voting power, this 3% represents the country's most aspirational and capable individuals, who can significantly contribute to the nation's growth. It is essential to recognize the valuable role they play in driving India's progress.

Although the contribution of the agrarian population to the country's growth cannot be undermined, it is crucial to acknowledge that the taxpaying population has higher expectations of quality of life. They are disheartened when fundamental services such as roads, sanitation, education, and healthcare are inadequate or exorbitantly priced. The tax-paying population expects their contributions to translate into better amenities and a higher standard of living, which is often not the case. This has led to discontent among this critical segment of the population.

We sincerely hope that the Government is listening to this section of the people and that something tangible is done for them!

**Team**
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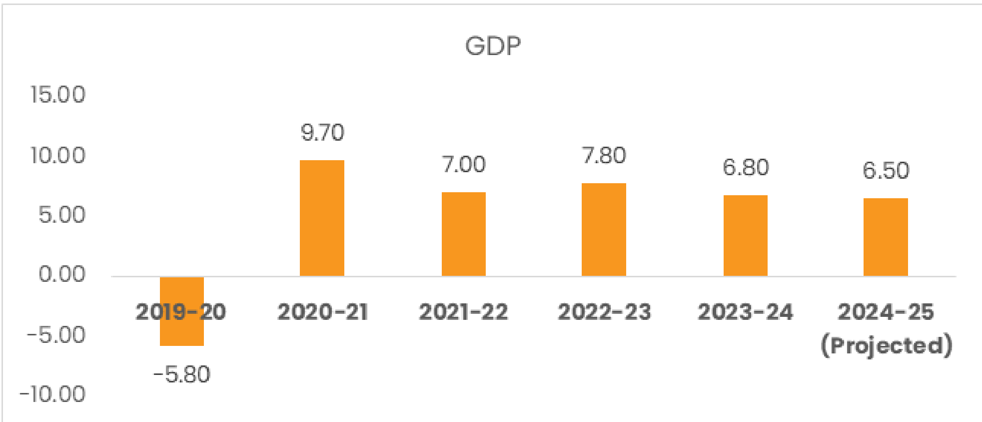
## MACRO ECONOMICS PROCESS

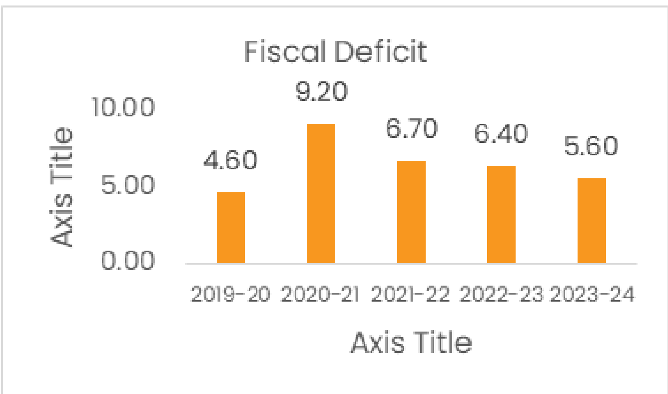
The Hon'ble Finance Minister of India, Ms. Nirmala Sitharaman, presented the Union Budget on 23rd July, 2024 with the focus continuing to be on 'Viksit Bharat.'

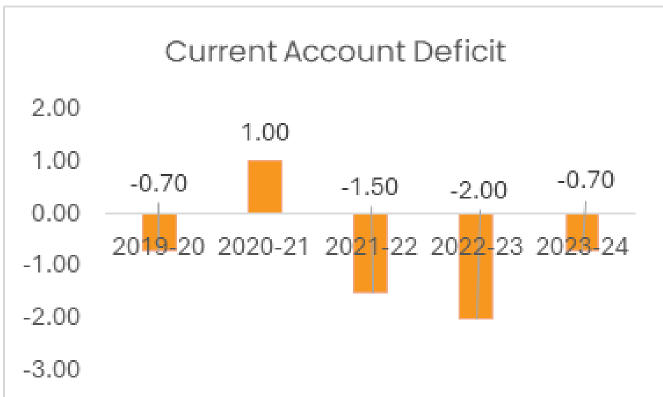
### Theme of the Budget


India's real GDP growth of 8.2% in FY 2023-24 is a sign of stability amongst the uncertainties that exist in the global economy.



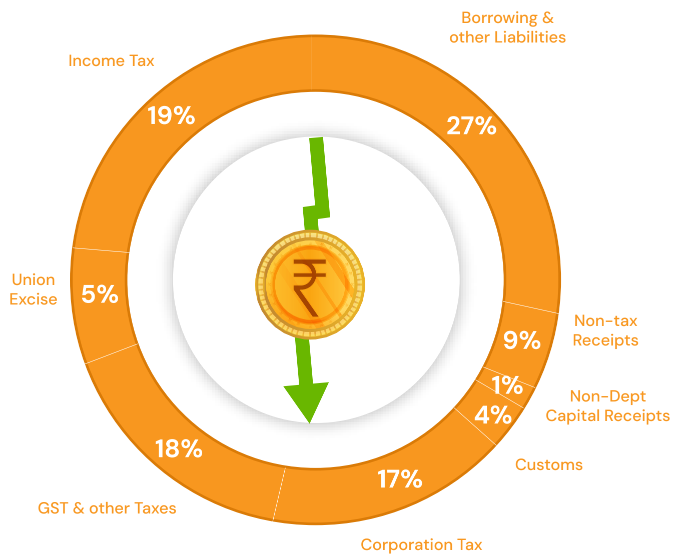

India's current account deficit narrowed from USD 67 billion (2% of GDP) in FY23 to USD 23.2 billion (0.7% of GDP) in FY24. The fiscal deficit decreased from 6.4% of GDP in FY 2022-23 to 5.6% in FY 2023-24.



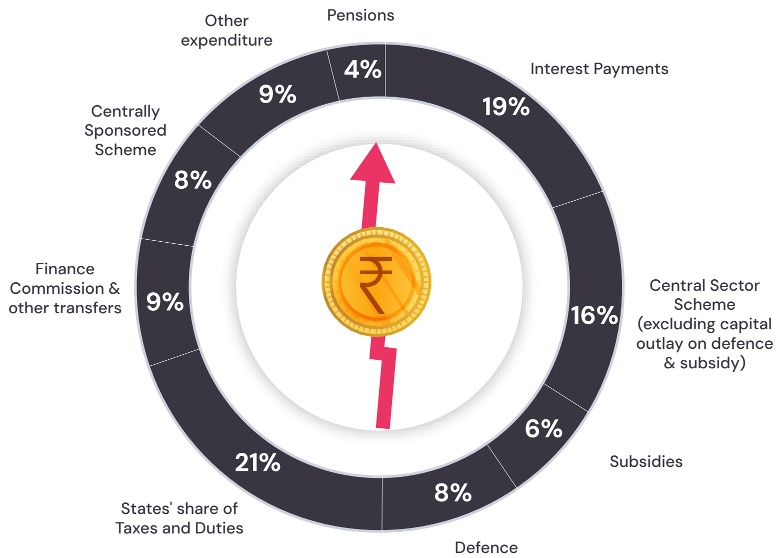



As a part of the Budget Highlights that were released by the Government of India, this is a representation of sources of funds (income) and areas of spend (expenditure).

**Income**




**Expenditure**




The Budget emphasized the need for sustained efforts in the 9 areas, all of which will be significant to ensure ample opportunities

## 1) Productivity & Resilience in Agriculture

- An increase from the previous year's Rs. 1.25 lakh crores to Rs. 1.52 lakh crores was made for agriculture & allied sectors.
- Government to facilitate the implementation of the Digital Public Infrastructure (DPI) in agriculture for the coverage of farmers and their lands in 3 years. This will enable the development of innovative farmer-centric digital services and make timely and reliable agricultural information available.
- Various schemes are to be floated, and funds are to be allocated.
    - to promote natural farming
    - make available high-yielding and climate-resilient varieties of seeds.
    - transform agricultural research.

## 2) Employment & Skilling

- 3 schemes for Employment Linked Incentives are floated.

**First Timers** - One-month wage to all persons newly entering the workforce in all formal sectors. The eligibility limit will be a salary of Rs. 1 lakh per month.

**Job Creation in Manufacturing** - An incentive will be provided at a specified scale directly to both the employee and the employer with respect to their EPFO contribution in the first 4 years of employment.

**Support to employers** - The government will reimburse employers up to Rs 3,000 per month for 2 years towards their EPFO contribution for each additional employee.

- Initiatives shall be undertaken to encourage the participation of women in the workforce and to educate youth on various skills.

- Model Skill Loan Schemes of up to ***Rs. 7.5 lakhs*** and Education Loans of up to ***Rs. 10 lakhs*** for education in domestic institutions at minimal interest rates will be provided.

## 3) Inclusive Human Resource Development and Social Justice

- Various initiatives like Purvodaya for the development of the Eastern States, PM Awas Yojana, Pradhan Mantri Janjatiya Unnat Gram Abhiyan are among other initiatives undertaken to promote human resource development, infrastructure, and the generation of economic opportunities across India.

## 4) Manufacturing & Services

- **Credit Guarantee Scheme:** will be introduced for MSME's in the Manufacturing Sector to facilitate term loans to MSMEs for the purchase of machinery and equipment without collateral or a third-party guarantee.

- **New assessment model for MSME credit:** Public sector banks will build their in-house capability to assess MSMEs for credit and will take the lead in developing a new credit assessment model based on the digital footprint of MSME's.

- **SIDBI Branches in MSME Sectors:** SIDBI will open new branches to expand its reach to serve all major MSME clusters within 3 years and provide direct credit to them.

- **E-Commerce Export Hubs:** Hubs will be set up in public-private-partnership (PPP) mode to enable MSMEs and traditional artisans to sell their products in international markets.

- **Mudra Loans:** The limit of Mudra loans will be increased from the current Rs 10 lakh to Rs 20 lakh for those entrepreneurs who have availed the loans and successfully repaid previous loans under the 'Tarun' category.

- The government will launch a comprehensive scheme for providing internship opportunities in 500 top companies to 1 crore youth in 5 years. For 12 months, the youth will gain exposure to real-life business environment, varied professions, and employment opportunities.

- The limit for onboarding the Trade Receivables Discounting System (TReDS) platform has been reduced from Rs. 500 crores to Rs. 250 crores to facilitate more MSME's to convert their receivables in cash.

## 5) Urban Development

- Transit Oriented Development Plan: Development plan for 14 large cities, with a population of over 30 lakhs, will be formulated.

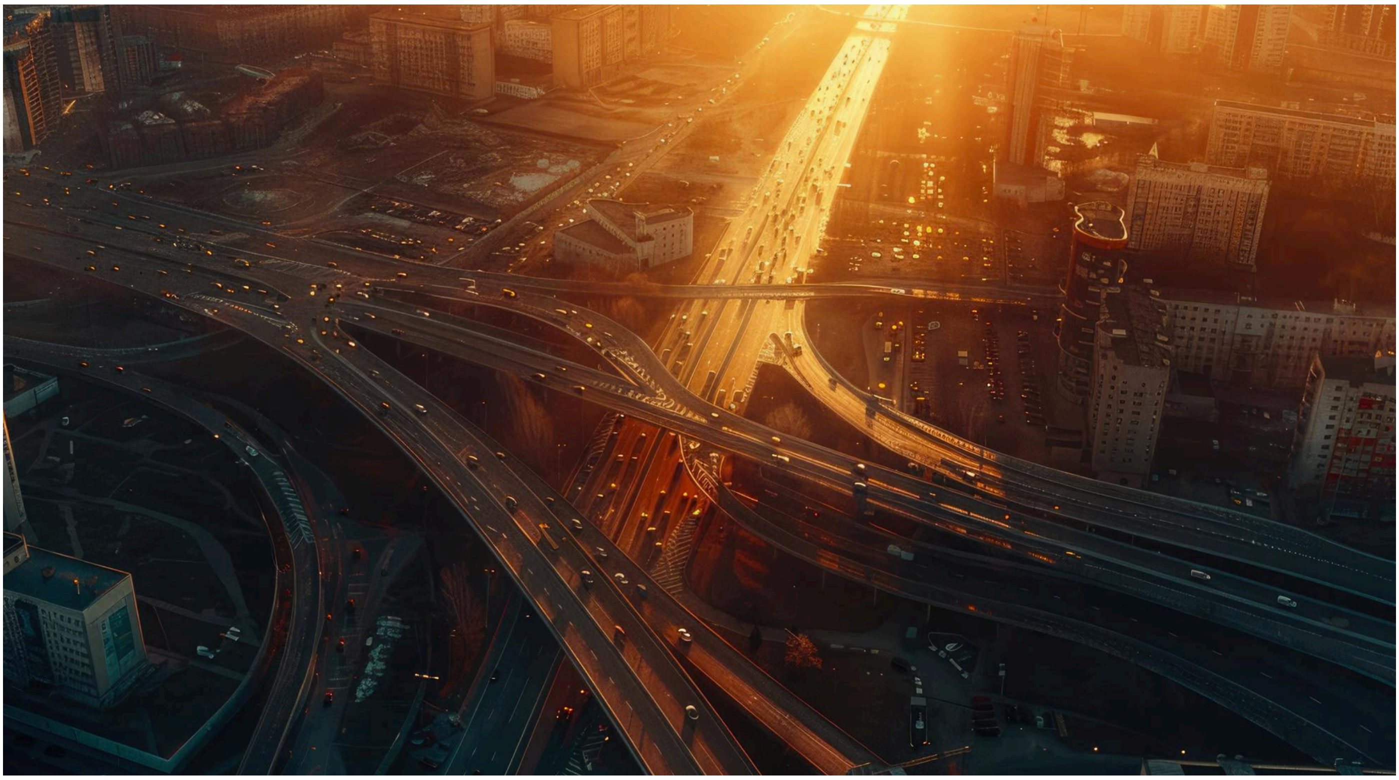
## 6) Energy Security

- The government emphasized the need of the hour in terms of sustainable energy sources through the ***PM Surya Ghar Muft Bijli Yojana***, Pumped Storage Policy, Advanced Ultra Super Critical Thermal Power Plants and by encouraging R&D on Nuclear Energy.

- Financial support will be provided to traditional micro & small industries in 60 sectors to encourage them to shift to cleaner forms of energy and implement energy efficiency measures.

## 7) Infrastructure

- An investment of Rs. 11,11,111 crores equivalent to 3.4% of our GDP, has been provided for capital expenditure.
- A provision of Rs. 1.5 lakh crore for long-term interest free loans has been made to support the states in their resource allocation towards infrastructure development.
- Irrigation and Flood Mitigation Mechanisms for various states, including Bihar, Assam, Himachal Pradesh, Uttarakhand, and Sikkim.



## 8) Innovation Research & Development

- Proposal to set up a mechanism for spurring private sector-driven research and innovation at commercial scale with a financing pool of Rs. 1 lakh crore.
- Venture Fund of Rs. 1,000 crores for the Space Economy.

## 9) Next Generation Reforms

- **FDI & Overseas Investment:** Proposal to simplify the rules and regulations for Foreign Direct Investment and Overseas Investments to facilitate foreign direct investments, nudge prioritization, and promote opportunities for using Indian Rupee as a currency for overseas investments.
- Promotion of 'Ease of Doing Business' through the **Jan Vishwas Bill 2.0.**

# Direct Tax Related Proposals

*All the proposed amendments relating to Income tax law are applicable from FY 2024-25(AY 2025-26) unless specifically mentioned.*

## 1) Individual Tax

- Old Tax Regime
  - No change in income tax rates or slabs.

- New Tax regime u/s 115BCA
  - Taxation under the New tax regime for FY 2024-25(AY 2025-26) is proposed to be changed. A comparison report of the position so far and the proposed change is as under:

| Tax % | Income Limit | |
|---|---|---|
| | For FY 2023-24 (AY 2024-25) | Proposed change for FY 2024-25 (AY 2025-26) |
| Nil | Up to Rs. 3,00,000 | Up to Rs. 3,00,000 |
| 5% | From Rs. 3,00,001 to Rs. 6,00,000 | From Rs. 3,00,001 to Rs. 7,00,000 |
| 10% | From Rs. 6,00,001 to Rs. 9,00,000 | From Rs. 7,00,001 to Rs. 10,00,000 |
| 15% | From Rs. 9,00,001 to Rs. 12,00,000 | From Rs. 10,00,001 to Rs. 12,00,000 |
| 20% | From Rs. 12,00,001 to Rs. 15,00,000 | From Rs. 12,00,001 to Rs. 15,00,000 |
| 30% | Above Rs. 15,00,000 | Above Rs. 15,00,000 |

- **Standard Deduction from salary:** Increased from Rs. 50,000 to Rs. 75,000

- **National Pension Scheme (NPS) Employer Contribution**

    - Deduction u/s 80CCD(2) increased from 10% to 14% of the salary for Private Sector employees who are eligible for the enhanced limits. This aligns with the benefit already extended to Central Government employees in the earlier years.

## 2) Buyback Taxation

- **The position so far**

    - A Buyback is a scenario where a company buys back its own shares from shareholders after complying with certain rules as available under the Companies Act in India. It is a method in which the company distributes their reserves to shareholders.

    - Till date, buyback had a separate taxation methodology, whereby the company buying back the shares would pay a Buy Back Tax (BBT) of 20%. While computing the BBT, the amount distributed in excess of the value received when the shares were initially allotted was considered for the purpose of taxation (Section 115QA).

    - The amount received by the shareholders were exempt from tax u/s 10(34A) of the Act.

- **Proposed amendment**

    - The Buyback of shares which is done after 1st October, 2024 is proposed to be treated on par with the distribution of dividends and is proposed to be taxed in the hands of the shareholders.

    - The taxation, therefore, will be according to the tax slabs that each shareholder is subject to.

    - While computing the tax, it is also proposed that no expenses will be allowed to be deducted.

    - An amendment is also proposed in the Capital gain rules to state that the cost of acquisition of the share bought back will be treated as a Capital loss and is available to be offset against any other Capital gains.

    - An illustration is as under:

| Particulars | Workings | Implications |
|---|---|---|
| Shares purchase in 2021: 100 shares for Rs. 500 each | Cost of buying the shares: 100 x 500 = 50,000 | No tax implications |
| Company buys back those shares on 10th November 2024 for Rs. 750 per share | Amount received by the shareholder: 100 x 750 = 75,000 | Taxed as dividend in FY 2024-25 |
| Capital loss in the hands of the shareholder | Rs. 50,000 being the cost of acquiring the shares | Loss to be recognized in FY 2024-25* |

**Loss can be setoff with other Capital gains in the same year or carried forward for setoff in the future.*

- Amendment is proposed to include such buyback consideration for the purpose of deducting tax at source u/s 194.

## 3) Capital Gains Taxation

- Transfer of any capital asset attracts a separate tax under the head Capital gains under the Indian Income Tax Act.
  - While computing the capital gains, the following concepts are relevant:
    - **Period of holding:** Based on the period of holding, assets are categorised as Long term and Short term assets.
    - **Indexation:** In some categories of long-term assets (Immovable property, unlisted shares of companies etc), while computing the capital gains, an adjustment of the cost of buying the asset based on inflation is allowed. This process was called indexation.
    - The rate of tax ranged from 10% to regular income tax rates depending on the nature of the asset, the period of holding, and other criteria.
  - There are substantial amendments proposed regarding capital gains taxation, which are captured hereunder.

- Proposed amendments

  - The period of holding for long term and short term had 3 categories: 12 months, 24 months and 36 months. It is now proposed to have only 2 categories of holding period: 12 months and 24 months.
  - For securities listed on the stock exchange in India, the period of holding to be categorised as long-term asset will be 12 months. This was so, except for units of a listed Business trust, which has also been brought under the 12-month holding criteria.
  - The benefit of indexation for all categories of capital assets is proposed to be removed. The capital gains hereafter will be computed without any inflation adjustment.
  - For all other capital assets, the period of holding to be categorised as long term would be 24 months. [Immovable property, unlisted shares and securities, gold, etc.]

  - The tax rates for various classes of assets are as follows:

| Particulars | Long Term Capital Asset | | Short Term Capital Asset | |
|---|---|---|---|---|
| | Earlier (up to 23.07.2024) | Proposed change | Earlier (up to 23.07.2024) | Proposed change |
| Securities Listed in India | | | | |
| Equity shares | 10% | 12.50% | 15% | 20% |
| Equity mutual funds | 10% | 12.50% | 15% | 20% |
| Debt and Non-equity Mutual Funds | 20% | 12.50% | Slab rates | Slab rates |
| Bonds | 20% | 12.50% | Slab rates | Slab rates |
| Business Trust (REITs/InvITs) | 10% | 12.50% | 15% | 20% |
| All other listed securities | 20% | 12.50% | Slab rates | 20% |
| Unlisted Securities | 20% | 12.50% | Slab rates | Slab rates |
| Immovable property | 20% | 12.50% | Slab rates | Slab rates |
| Foreign equity or debt securities | 20% | 12.50% | Slab rates | Slab rates |
| Other capital assets | 20% | 12.50% | Slab rates | Slab rates |

- The capital gains on the transfer of a listed equity share or listed equity oriented mutual funds to the extent of Rs. 1,00,000 were exempt from tax. It is now proposed to increase the limit to Rs. 1,25,000.
- The Securities transaction tax paid for transacting on the stock exchange is proposed to be changed as follows:
  - Future transactions: increase from 0.0125% to 0.02% of the trade price
  - Options transactions: increase from 0.0625% to 0.1% of the option premium
- Gifting of capital assets was exempt from taxation in the hands of the donor and was taxable in the hands of the recipient as income from other sources. There was no restriction on who can give a gift for claiming this exemption. It is now proposed that gifting will be exempt only if the donor is an Individual or Hindu Undivided Family (HUF). Companies and other forms of entities gifting shares or capital assets are proposed to be removed from the exemption list.
- Consideration accruing or received on transfer or redemption, or maturity of Unlisted bonds or unlisted debentures are proposed to be treated as Short term capital gains irrespective of the period of holding. This amendment would apply for transactions post 23rd July, 2024.
- It is to be noted that the period of holding for a slump sale is not amended and continues to be 36 months.

## 4) Taxation of Trusts

- The trust that carries out charitable activities has exemption from paying taxes on its surplus provided it is registered under the Income Tax Law and also subject to certain other conditions of using the surplus only for charitable objects .
- There were 2 different provisions under the law governing the registration and the exemptions. It is now proposed to merge the 2 provisions and allow the registrations u/s 12AA/12AB and exemption only u/s 11. The provisions, as existed u/s 10(23C), are proposed to be removed from 1st October 2024.
- All the trusts which were earlier registered u/s 10(23C), will have to register u/s 12A/12AA once their current exemptions expire.
- Further amendments have been proposed to allow 6 months from the end of the quarter in which exemption applications are made u/s 12AB or 80G. This used to be 6 months from the end of the month in which the application was filed.
- In the event of a delay in filing the application for renewal of registration by an exempt trust, there was no provision for condoning the delay with the Tax Officer. Such a delay, if at all, were to be condoned only by the Central Board of Direct Taxes. It is now proposed to bestow the power to condone the delay in making the application to the Principal Commissioner.

- A new section 12AC is proposed to be introduced. This section provides that if any Trust that is registered for tax exemption under the Income Tax Act merges with another similarly registered trust, taxation as provided under Chapter XII-EB on accreted income would not apply.

## 5) Taxation of Business Income

- A clarification is proposed to be inserted in the scope of Business income which states that if a taxpayer is earning income from letting out residential house property or a part of the house, such income will not be taxable as Business income and shall only be taxable as income from house property. The memorandum explains that the intent behind this proposal is to curb wrong reporting and thereby reduce their tax liability, which was being done by a few taxpayers.
- Employer contributions to NPS of up to 14% of salary by employers in the private sector is now proposed to be allowed as deduction while computing Profits from Business. Hitherto, this was 10%.
- Section 37 of the Act provides a general deduction of expenses while computing Business income. It also provides for such expenses, which are not allowable in general. It is now proposed to add that any compensation paid for settlement of proceedings initiated in relation to contravention of any law that will be notified by the Government; will not be allowed as an expenditure.
- Remuneration paid to Partners by a Firm or LLP is allowed as an expenditure subject to certain limits. These limits are prescribed u/s 40(b) of the Income Tax Act. An amendment is proposed to make certain changes to the limits, which are as follows:

| Current limits | | Proposed increase | |
|---|---|---|---|
| Income Limit | Remuneration` | Income Limit | Remuneration |
| Up to Rs. 3,00,000 of book profits | Rs. 1,50,000 or 90% of the book profit | Up to Rs. 6,00,000 of book profits | Rs. 3,00,000 or 90% of the book profit |
| On the balance book-profit | 60% of the book profit | On the balance book-profit | 60% of the book profit |

## 6) International Taxation related provisions

- The rate of taxation foreign companies is reduced from 40% to 35%.
- Equalisation levy
  - The Equalisation levy refers to a levy of 2% on the amount of consideration received or receivable by a foreign e-commerce operator from e-commerce supply or services. The levy is on consideration received from the online sale of goods, the provision of services or both from a person resident in India.
  - Starting on 1st August, 2024, it is proposed that such an equalisation levy will be removed.
  - However, the equalisation levy on online advertising continues.
  - The income of the e-commerce player to whom equalisation levy was applicable, was exempt u/s 10(50). In the background the levy is removed, and the exemption is therefore removed as well.
- The power of the Transfer Pricing officer is proposed to be expanded to include that during the course of assessment, if they discover a Specified Domestic Transaction that is unreported, then they are allowed to carry out an assessment for the same. Hitherto, such power was not available, and they could carry out assessment only on International Transactions discovered, if any, during the course of the assessment.
- The Income Tax Law provides that in the case of an Indian company or a Permanent establishment of a foreign company has a foreign currency borrowing, interest beyond a certain limit is not allowable. These provisions are generically called Thin Capitalisation rules. It is proposed that these provisions will not be applicable for units in the International Financial Service Centre.

## 7) Other Income

- **Angle Tax**
  - A provision existed in the Act that, in the case of a closely held company issuing shares at a premium, if the premium is in excess of Fair Market Value (FMV) as determined based on the rules, the differential would be taxed as income in the hands of the company.
  - It is now proposed to delete this provision from the Act. There would be no test for angle tax henceforth.
- In case a tax deductor deducts taxes and does not remit them, then it is considered that it is his/her income, and he/she is required to pay taxes on that. It is now proposed that any taxes withheld outside India on foreign income shall also be considered a part of income. While the taxpayer can claim it as Foreign Tax credit from the taxes, it is required to include that as a part of the income also.

## 8) Assessment and Appeals

- Whenever the income tax department has reasons to believe that there is black money that needs to be unearthed, a procedure called Search & Seizure is initiated. Once the search is initiated, a completely revamped method for carrying out the assessment is proposed.
- Provisions of Sections 148 and 148A that prescribes the method of carrying out reassessment, are revamped.
- Further, the time limit for issuing notice for reassessment or reopening of assessment is proposed to be revised to 3 years and 3 months (from the end of the relevant assessment year.
- It is also proposed that if the income escaping assessment is estimated to be in excess of Rs. 50,00,000 (INR 5mn), then the notice for reassessment can be issued for up to a period of 5 years and 3 months from the end of the assessment year. This was earlier 10 years, which is now proposed to be reduced.
- In case where a Best Judgement Assessment was passed by the Tax Officer and thereafter an appeal was filed by the Taxpayer, the matter had to be decided by the First Appellate authority. It is now proposed that the Commissioner (Appeals) shall have the power to remand it back to the Tax Officer to make the assessment in such cases, if he deems it fit.
- In order to allow a window for taxpayers to pay taxes and withdraw the appeals filed by them at various fora, a new scheme called Vivad Se Vishwas Scheme 2024 is introduced. This scheme provides for graded payments of taxes or taxes plus a certain amount in addition based on when the Taxpayer wishes to pay to them. Thereafter, the taxpayer will withdraw the appeals filed, and they shall be provided immunity on interest, penalty, or prosecution for such disputed taxes.

## 9) Other Administrative provisions

- As of now, those who are eligible to obtain Aadhar could quote the Aadhar enrollment ID while applying for PAN. It is now proposed to discontinue the same. It would henceforth be mandatory to obtain Aadhar and then apply for PAN. The PANs issued using only the enrollment ID, will need to be updated with Aadhar by 1st October, 2024.

- The Income Tax form requires a resident filing their tax returns to declare foreign assets. This mandate originates from the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. It is also prescribed that non-disclosure would result in a penalty of Rs. 10,00,000 (INR 1mn). This is applicable even if one asset is missed to be disclosed. It is now proposed that the penalty shall not apply if the aggregate value of undisclosed assets does not exceed Rs. 20,00,000 (INR 2mn). However, this limit is not applicable for the non-disclosure of immovable properties.

## 10) Tax Deduction and Tax Collection at Source

- Section 192 provides for deduction of tax by employers on salaries paid to employees. While deducting the taxes, the employer is required to collect a declaration of investments made by the employee that would be tax deductible, as well as other incomes and taxes withheld. It is now proposed that the declaration towards Tax Collected at source can also be collected and taken into account before deducting taxes on salary.
- In cases where TDS is to be deducted on professional charges, consultancy fees, royalty etc u/s 194J, the same is not covered under the term 'work' for which TDS is deductible u/s 194C.
- Section 194-IA of the Act provides for withholding tax on transfer of an immovable property. The monetary threshold for the same is fixed at Rs. 50,00,000 (INR 5mn). It unclear from the law whether this limit is to be applied to the value of the property as a whole or per person, in case there is more than 1 seller. It is now proposed to clarify that this limit is to be considered based on aggregate value of the property.
- Under various TDS provisions, rates are proposed to be revised. The changes are tabulated as follows:

| Nature of Payment | Rate up to 30th Sep, 2024 | Rate from 1st Oct, 2024 |
|---|---|---|
| Payment in respect of life insurance policy 194DA | 5% | 2% |
| Commission on sale of lottery tickets 194G | 5% | 2% |
| Commission or brokerage 194H | 5% | 2% |
| Payment of rent by certain individuals and HUF 194IB | 5% | 2% |
| Payment of contract charges by certain individuals and HUF 194IB | 5% | 2% |
| Payment of sum by ecommerce operator to ecommerce participant 194O | 1% | 0.1% |

- A new section 194T is proposed to be inserted to enable tax deduction at source by a Firm on payment of salary, interest, remuneration, bonus or commission to Partners of the Firm. The proposed rate of TDS is 10%, to be effected at the time of credit or payment, whichever is early. The TDS under this clause will apply when the payment is in excess of Rs. 20,000.
- Section 197 of the Act provides a mechanism where a deductee can apply to the Tax Officer requesting them to direct the deductor for lower deduction of tax at source, if the standard rate prescribed under law is higher than the final tax position that such deductee would be subjected to. It is now proposed that deductees covered under 194-O: e-Commerce operator to participant TDS and 194-Q – TDS on Purchase of goods, can also apply for such lower deduction orders.
- Time limit for filing TDS and TCS correction statement is now capped at 6 years from the end of the financial year in which the original statement is required to be delivered.
- 206C(1F) of the Act allows TCS to be collected by the seller of motor vehicles, in case the vehicle's value exceeds Rs. 10,00,000 (INR 1mn). It is now proposed to allow the Central Government to notify more products under this clause, required TCS to be collected by the seller from the buyer.

## Indirect Tax Related Proposals

### 1) Key changes in GST Act

- Amnesty for demands for FY 17-18, FY18-19, and FY19-20 (Section 128A): conditional waiver of interest and penalty in respect of:
  - demand notices issued under Section 73 (mala fide cases),
  - orders under Section 73(9) (mala fide cases),
  - orders of first appellate authority or revisional authority,
  - except for the demand notices in respect of the erroneous refund,
  - if pending at appeal / writ /etc., the same is to be withdrawn,
  - 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.
- Amnesty provided for time barred credits availed for FY17-18 to FY20-21: if credit availed in any GSTR3B filed before 30th November 2021. However, ITC already reversed or paid cannot be reclaimed or refunded.
- Time limit to file appeal before GSTAT (Tribunal) is extended to date to be notified by Government.
- Pre-deposit for filing an appeal before GSTAT is reduced from 20% (20%+10% paid at the first appeal stage) to 10% (10%+10% paid at the first appeal stage).
- Demands and recovery sections rationalised in terms of time limit for bona fide (3 years u/s 73) and mala fide (5 years u/s 74) cases are clubbed into single Section 74A where the time limit is 3.5 years to issue SCN and 1 year therefrom to pass the order-in-original (1 year can be extended further by 6 months through written approvals).
- Transitional provisions are being amended (sec. 140(7)), so as to enable the 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 activity of apportionment of co-insurance premium by the lead insurer to the co-insurer shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays GST on the entire amount of premium.
- Deduction of the ceding commission or the reinsurance commission from the reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that GST liability on the gross reinsurance premium is paid by the reinsurer.
- Relaxation of time limit for ITC availment in case of cancelled registrations – for period pertaining to cancelled period, ITC can be claimed within 30 days of revocation as long as time limit is not already lapsed for such credits at time of cancellation.
- ITC restriction in respect of tax paid under Section 74 of the said Act only for demands up to FY23-24. No equivalent restriction for tax paid under new Section 74A has been introduced as of now.

- Enabling provisions introduced to permit availment of ITC on RCM paid on supplies from unregistered persons, in the year in which such RCM is paid rather than the year to which the invoice from the vendor pertains to.
- No refund of unutilised ITC or IGST paid on exports shall be allowed in cases of zero-rated supply of goods where such goods are subjected to export duty (currently, only refund of unutilized ITC is restricted u/s 54).

## 2) Key changes in Customs rates

- **Reduction in Basic Customs Duty (BCD) rates for goods such as:**

| Commodity | From | To |
|---|---|---|
| Shea nuts | 30% | 15% |
| Antimony, Beryllium, Bismuth, Cobalt, Copper, Gallium, Germanium, Hafnium, Indium, Lithium, Molybdenum, Niobium, Nickel, Potash, REE, Rhenium, Strontium, Tantalum, Tellurium, Tin, Tungsten, Vanadium, Zirconium, Selenium, Cadmium, Silicon other than Quartz & Silicon Dioxide | 10%, 7.5%, 5%, 2.5% | Nil |
| Graphite, Silicon Quartz & Silicon Dioxide | 7.5%, 5% | 2.5% |
| Prawn and Shrimps feed and fish feed | 15% | 5% |
| Cancer drugs, viz. Trastuzumab Deruxtecan, Osimertinib, Durvalumab | 10% | Nil |
| Cellular mobile phone | 20% | 15% |
| Printed Circuit Board Assembly (PCBA) of cellular mobile phone | 20% | 15% |
| Charger/adapter of cellular mobile phone | 20% | 15% |

- **Precious metals as follow:**

| Commodity | BCD | | AIDC | | SWS | | Total Duty |
|---|---|---|---|---|---|---|---|
| | From | To | From | To | From | To | |
| Gold Bars | 10% | 5% | 5.00% | 1% | Nil | Nil | 6% |
| Gold Dore | 10% | 5% | 4.35% | 0.35% | Nil | Nil | 5.35% |
| Platinum | 10% | 5% | 5.40% | 1.40% | Nil | Nil | 6.40% |
| Silver Bar | 10% | 5% | 5.00% | 1% | Nil | Nil | 6% |
| Silver Dore | 10% | 5% | 4.35% | 0.35% | Nil | Nil | 5.35% |

- **The BCD exemption on Ferrous Scrap has been continued up to 31st March 2026.**

- **Increase in BCD for goods such as:**

| Commodity | From | To |
|---|---|---|
| PVC Flex Films/Flex Banners | 10% | 25% |
| PCBA of specified telecom equipment | 10% | 15% |

- **Export duty rate changes:**

| Commodity | From | To |
|---|---|---|
| Raw Hides & skins, all sorts (other than buffalo) | 40% | 40% |
| Raw Hides & skins of buffalo | 30% | 30% |
| Raw fur and skins including lamb fur skin | 60%, 10% | 40% |
| Wet Blue Chrome Leather | 40% | 20% |
| Crust Leather | 40% | 20% |
| Tanned fur skin | 60% | 20% |
| E.I. Tanned Leather | Nil | Nil |
| Finished leather (as defined by DGFT) | Nil | Nil |

## 3) Other changes:

- **As a trade facilitation measure, Notification No. 45/2017: Customs dated 30th June 2017 has been amended to increase the time-period of duty-free re-import of goods (other than those under export promotion schemes) exported under warranty from 3 years to 5 years, further extendable by 2 years.**
- **Planned rate changes announced in past budgets:**
  - 30 exemptions/ concessional rates are being extended up to 31st March 2029.
  - 126 exemptions/ concessional rates are being continued up to 31st March 2026.
  - 28 exemptions/ concessional rates are being lapsed on their end dates of 30th September 2024.
  - end dates are being removed in 4 exemptions as they are covered by the exclusion clause.
- **GST Compensation Cess is being exempted with effect from 1st July 2017 on imports in SEZ by SEZ units or developers for authorized operations.**

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