

INDIA
**budget
statement**
2024



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The Leh-Manali highway, just before it enters the Atal Tunnel, a strategic road infrastructure project that provides all-weather connectivity between Manali and the Lahaul-Spiti valley.

Foreword

Union Finance Minister Nirmala Sitharaman presented her seventh Union Budget, which was also the first Budget of the third NDA Government under Prime Minister Narendra Modi.

Coming in the backdrop of the less than expected majority secured by the Modi Government in the recent elections, the budget predictably walked the fine line between securing political stability for the government and at the same time, macroeconomic stability for the country. Politically significant states such as Bihar and Andhra Pradesh were expectedly the largest beneficiaries in the allocation mathematics of the budget. It goes to the credit of this NDA government that despite political compulsions it never had to face before, the budget stayed the course of the fiscal path by trimming the fiscal deficit to 4.9%, well on the way to meet the target of 4.5% by 2025-26.

The budget hit the right notes with its focus on 4 major castes,

namely ‘Garib’ (Poor), ‘Mahilayen’ (Women), ‘Yuva’ (Youth) and ‘Annadata’ (Farmer).

Keeping in mind the vision of Viksit Bharat by 2047, the FM presented a finely tuned budget with a strong emphasis on employment, skilling, MSMEs and the middle class, with the following nine key priorities:

- Productivity and resilience in Agriculture
- Employment & Skilling
- Inclusive Human Resource Development and Social Justice
- Manufacturing & Services
- Urban Development
- Energy Security
- Infrastructure
- Innovation,
- Research & Development and
- Next Generation Reforms

In the next two years, 1 crore



Entry to the Atal Tunnel

farmers across the country are targeted to be initiated into natural farming, supported by certification and branding. Further, 6 crore farmers to be brought into the farm and land registry and Kisan credit cards to be provided. DPI, an area where the government has a successful track record, is now planned to be extended in the agriculture sector for coverage of farmers and their lands in 3 years. Other initiatives in this sector talk about strengthening production, storage, and marketing for self-reliance in pulses and oilseeds and facilitating the implementation of digital public infrastructure for farmers in association with states. A National Cooperation Policy will be framed for the systematic, orderly development of the cooperative sector.

Similarly, digitization of urban land records through GIS mapping and an IT-based system for property records management is proposed to be carried out. This would help urban local bodies increase their



In August 2023, the Indian Navy commissioned its first indigenously built aircraft carrier, INS Vikrant, boosting the country’s naval capabilities.

property tax collections, thereby improving their finances.

On the skilling front, 20 lakh youth are intended to be skilled over a 5-year period. 1,000 Industrial Training Institutes will be upgraded in hub and spoke arrangements with outcome orientation. For promoting women-led development, the FM announced that the budget carries an allocation of more than INR 3 lakh crore (INR 3 trillion) for schemes benefitting women and girls.

To enhance credit flow to MSME’s, a new credit assessment model, based on the scoring of

digital footprints of MSMEs in the economy is proposed to be developed. Reduced turnover threshold of buyers for mandatory onboarding on the TReDS platform from INR 500 crore (INR 50 billion) to INR 250 crore (INR 2.5 billion) would also help MSMe’s access working capital by converting their trade receivables into cash.

On the infra front, the development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector is a good step. An investment of

INR 10 lakh crore (INR 10 trillion) for the construction of 1 crore houses in cities under Pradhan Mantri Awas Yojana-Urban 2.0, of which INR 2.2 lakh crore (INR 2.2 trillion) is proposed under central assistance over five years.

The FM also announced an INR 1,000 crore (INR 10 billion) venture capital fund to give a push to the space economy, towards the goal of five-fold expansion of the sector in the next ten years.

The budget was encouraging for the Indian startup ecosystem also. The proposal to completely remove rather than tinker with the Angel Tax has come as a big

relief and will help the ecosystem to flourish. It was a long-standing demand of the industry. Start-ups and investor ecosystem require an environment of faith and trust to grow and contribute innovatively to the economy.

Further, to enhance revenue, a hike in Long Term Capital Gains tax has been announced, from 10% to 12.5%, with no indexation benefits, which will be a dampener for the real estate industry. With a small reduction in tax rate slabs, individual taxpayers are being nudged to go for the new tax regime. Further, reassessment provisions are proposed to be rationalized and the outer time limit to reopen assessment is proposed to be reduced from 10 years to 5 years from end of the assessment year in certain cases. This will help usher in certainty and trust in the business environment.

International tax proposals include expansion of safe harbor rules and streamlining transfer pricing assessments to reduce international tax disputes. Measures have been proposed to attract foreign investments, including reduced tax rate for foreign companies from 40% to 35% and simplifying tax regimes

for foreign shipping and mining entities. However, there was not much hint in the budget on the direction of India’s tax policy for implementing the OECD’s GMT rules. Since a comprehensive review of the income-tax law has been promised in the next 6 months, a staggered implementation of the same is most likely in India.

On the indirect tax front, there is an articulation in this budget of an intent for simplification of GST and Customs duty rate structure and a promise to do so even more in the times to come.

The introduction of amnesty schemes in both direct and indirect tax front were unexpected but welcome steps to reduce litigation and promote ease of doing business.

The Union Budget 2024 seems to have the right mix of fiscal prudence and strategic spending, with the government tightening its purse strings on capital gain benefits, while boosting capital expenditure for infrastructure. Despite this, the unchanged allocations for critical sectors like railways, highways, education and healthcare have left many hoping for more, as these are

key to the nation’s long-term growth and well-being. Essentially, the budget has been cautious with its resources, aiming for economic stability but not at the cost of potential investments in the social fabric of India. While the budget provides a robust framework for growth in the medium term, harnessing the latent demographic dividend to meet the burgeoning aspirations of the country’s youth, being the Gen-Z and Gen-Alpha’s as we now define them, will be the biggest challenge and priority for any government in the years to follow.

Verendra Kalra
Managing Partner

BUDGET FINANCIALS

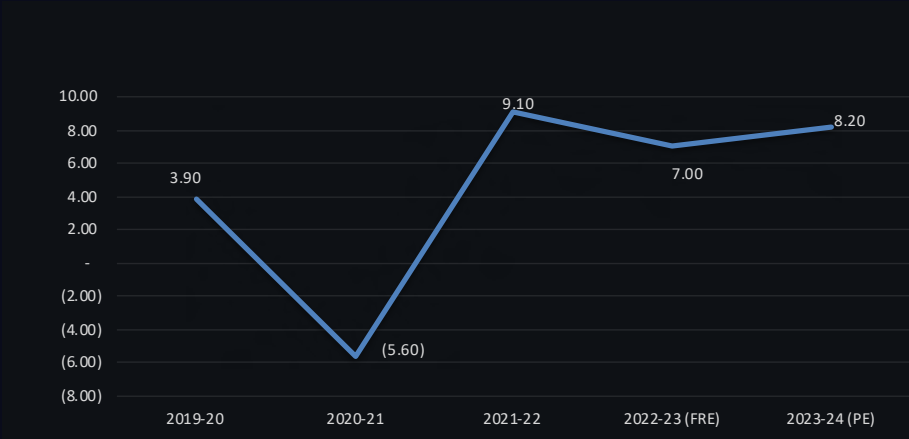
(Amount in INR billion)					
Particulars	2022-23	2023-24	2023-24	2023-24	2024-25
	Actuals	BE	RE	PA	BE
1 Revenue Receipts (2+3)	23,832	26,323	26,997	27,284	31,292
2 Tax Revenue(Net to Centre)*	20,978	23,306	23,239	23,265	25,835
3 Non-tax revenue	2,854	3,017	3757.95	4,019	5,457
4 Capital Receipts(5+6+7)	18,100	18,708	17,908	17,141	16,913
5 Recoveries of loans	262	230	260	273	280
6 Other receipts	460	610	300	331	500
7 Borrowings & other liabilities**	17,378	17,868	17,348	16,537	16,133
8 Total Receipts (1+4)	41,932	45,031	44,905	44,425	48,205
9 Total Expenditure (10+13)	41,932	45,031	44,905	44,425	48,205
10 On Revenue account	34,531	35,021	35,402	34,940	37,094
11 Interest Payments	9,285	10,800	10,554	10,639	11,629
12 Grants in aid for creation of capital assets	3,063	3,700	3,212	3,038	3,908
13 On Capital account	7,400	10,010	9,502	9,485	11,111
14 Effective Capital Expenditure (12+13)	10,463	13,709	12,714	12,523	15,019
15 Revenue deficit (10-1)	10,699	8,699	8,405	7,656	5,802
	(3.9)	(2.9)	(2.8)	(2.6)	(1.8)
16 Effective Revenue deficit (14-12)	7,637	4,999	5,193	4,618	1,894
	(2.8)	(1.7)	(1.8)	(1.6)	(0.6)
17 Fiscal deficit {9-(1+5+6)}	17,378	17,868	17,348	16,537	16,133
	(6.4)	(5.9)	(5.8)	(5.6)	(4.9)
18 Primary deficit (16-11)	8,092	7,068	6,793	5,898	4,504
	(3.0)	(2.3)	(2.3)	(2.0)	(1.4)

* Includes drawdown of cash balance
** RE 2023-24 is reduced by INR 7151crore (INR 71.51 billion) on account of net amount payable by Centre to the states for prior years.

Notes:
1. The GDP for Budget FY 2024-25 (Regular) is estimated at INR 32636912 crore (INR 326369.12 billions) which is 10.5% over the Provisional Estimates of FY 2023-24 at INR 29535667 crore (INR 295356.67 billions).
2. Individual items in this document may not sum up to the totals due to rounding off.
3. Figures in parentheses are as a percentage of GDP.

ECONOMIC INDICATORS

GDP Growth (at constant Market prices)



Year	%
2019-20	3.90
2020-21	(5.60)
2021-22	9.10
2022-23 (FRE)	7.00
2023-24 (PE)	8.20

India's Chandrayaan-3 mission, a follow-up to the previous Chandrayaan-2 mission, successfully landed on the lunar surface in 2023.(AI generated image)

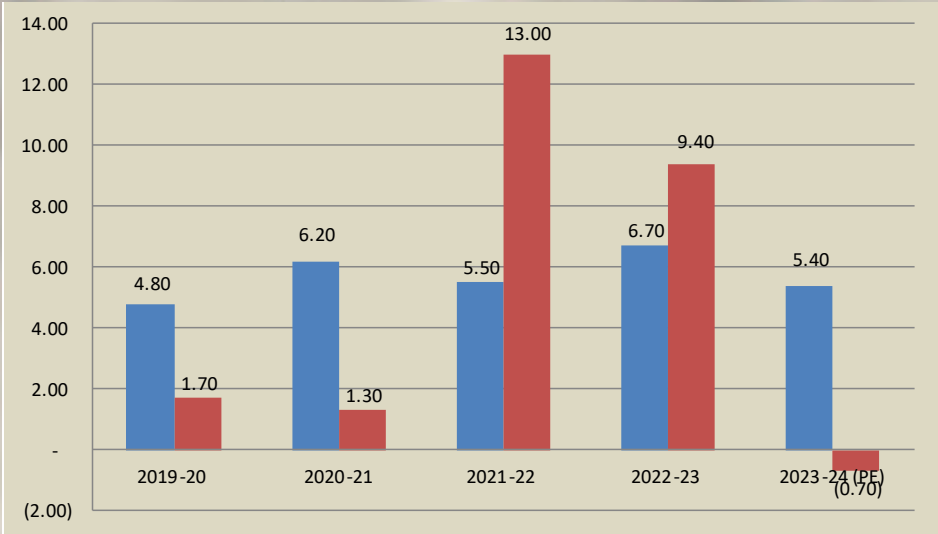
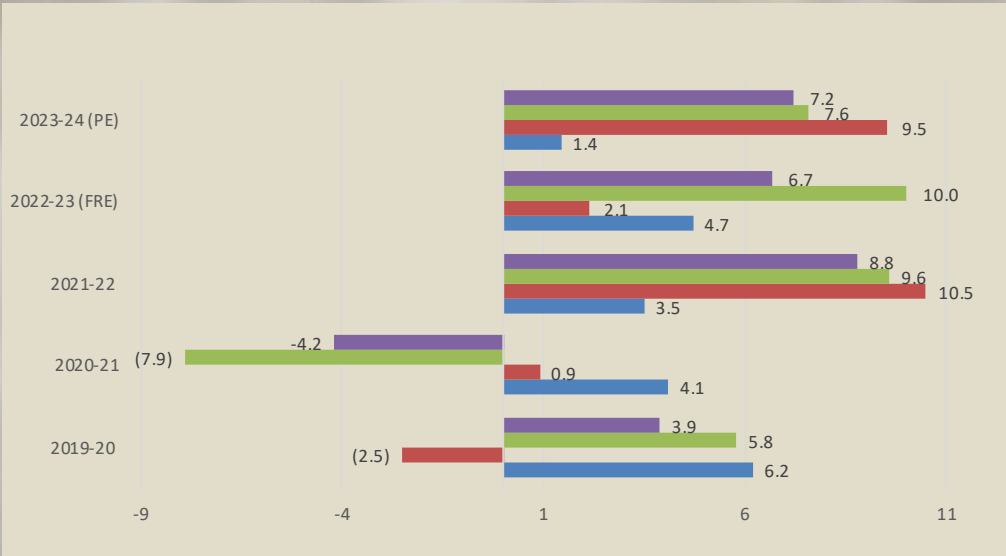




Economic Indicators

Growth in GVA
at constant Market prices

Year	Agriculture & Allied				Industry	Services	GVA
2019-20	6.2		(2.5)	5.8		3.9	
2020-21	4.1		0.9	(7.9)		(4.2)	
2021-22	3.5		10.5	9.6		8.8	
2022-23 (FRE)	4.7		2.1	10.0		6.7	
2023-24 (PE)	1.4		9.5	7.6		7.2	



Inflation CPI
and WPI
[Average]%

Year	Inflation CPI		Inflation WPI
	[Combined]	[Average]	
2019-20	4.80		1.70
2020-21	6.20		1.30
2021-22	5.50		13.00
2022-23	6.70		9.40
2023-24 (PE)	5.40		(0.70)

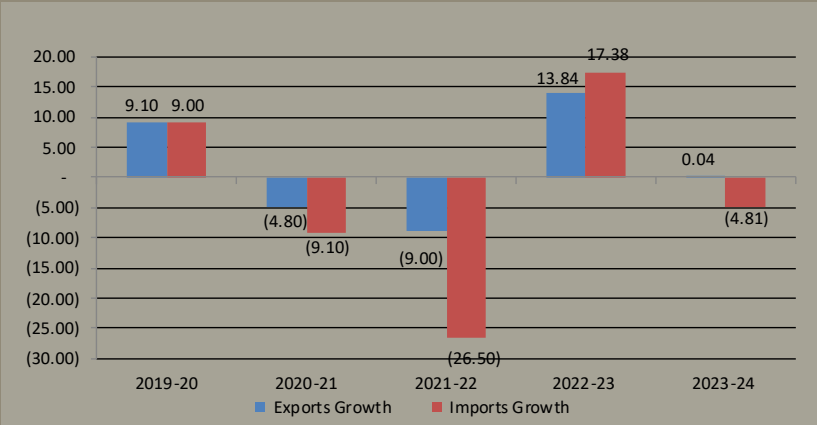
* Average April- December 2023

On 21 September, Indian legislators passed the first legislation considered in the country's new Parliament building: the Women's Reservation Bill, 2023.

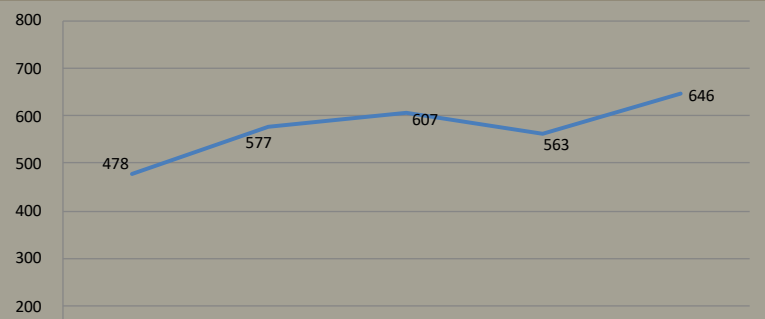
Economic Indicators

Growth in Foreign Trade [Average]%

Year	Exports Growth	Imports Growth
2019-20	9.10	9.00
2020-21	(4.80)	(9.10)
2021-22	(9.00)	(26.50)
2022-23	13.84	17.38
2023-24	0.04	(4.81)

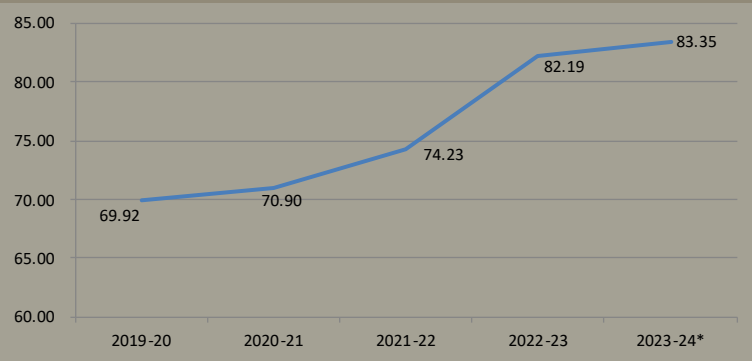


* Average April- December



Forex Reserves

Year	In USD billion
2018-19	478
2019-20	577
2020-21	607
2022-23	563
2023-24	646



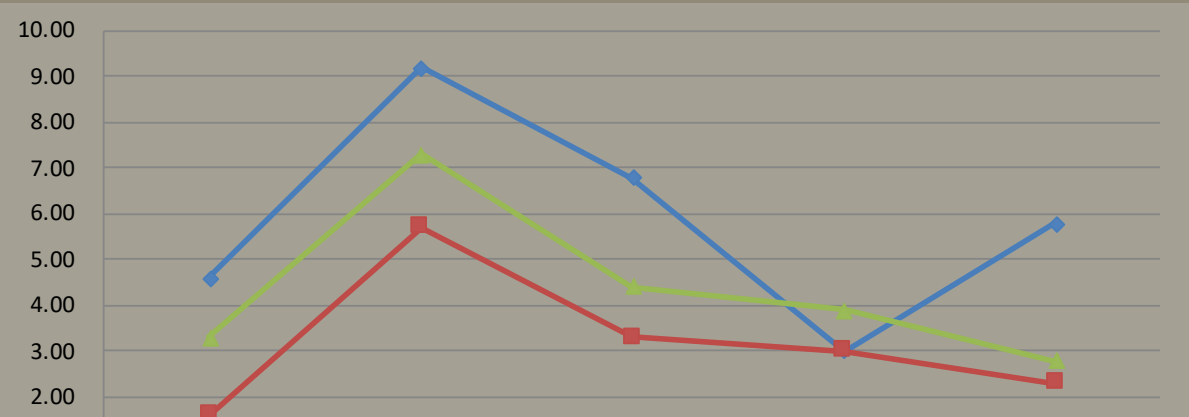
Exchange Rate

Year	Exchange Rate (INR per USD)
2019-20	69.92
2020-21	70.90
2021-22	74.23
2022-23	82.19
2023-24*	83.35

* 29 March 2024

Deficit Trends (% of GDP)

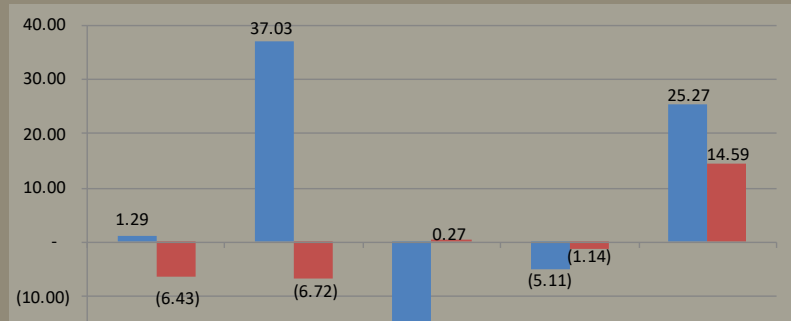
(As per the new classification of expenditure)



Year	Fiscal Deficit	Primary Deficit	Revenue Deficit
2019-20	4.60	1.60	3.30
2020-21	9.20	5.70	7.30
2021-22	6.80	3.30	4.40
2022-23	3.00	3.00	3.90
2023-24(RE)	5.80	2.30	2.80

Foreign Investment

(FPI/FII Net investment in USD billion)



Year	Equity	Debt
2019-20	1.29	(6.43)
2020-21	37.03	(6.72)
2021-22	(18.47)	0.27
2022-23	(5.11)	(1.14)
2023-24	25.27	14.59

BUDGET AT A GLANCE

Where the money comes from

Borrowing and other liabilities	27%	
Corporate Tax	17%	
Non-debt capital receipts	1%	
Income Tax	19%	
Goods and Services Tax	18%	
Non-Tax receipts	9%	
Union Excise Duties	5%	
Customs	4%	

Where the money goes

Interest payments	19%	
States' share of Taxes & duties	21%	
Finance commission & other transfers	9%	
Central Sector Scheme	16%	
Centrally Sponsored Scheme	8%	
Other expenditure	9%	
Defence	8%	
Subsidies	6%	
Pensions	4%	



ECONOMIC SURVEY 2023-24

The Economic Survey 2023-24 highlights India’s economic resilience despite global uncertainties. The report emphasizes sustained post-Covid recovery, stable inflation, and a positive investment climate driven by public and private sectors.

High economic growth in FY24 came on the heels of growth rates of 9.7% and 7.0%, respectively, in the previous two financial years. The headline inflation rate is largely under control, although the inflation rate of some specific food items is elevated.

The trade deficit was lower in FY24 than in FY23, and the current account deficit for the year is around 0.7% of GDP. In fact, the current account registered a surplus in the last quarter of the financial year. Foreign exchange reserves are ample. Public investment has sustained capital formation in the last several years even as the private sector shed its balance sheet blues and began investing in FY22. Now, it must receive the baton from the public sector and sustain the investment momentum in the economy.

The survey calls for continued domestic efforts to maintain growth and highlights the importance of a tripartite compact involving the

government, private sector, and public.

Foreign Direct Investment, the subject of much analysis, has held up. RBI data on India’s Balance of Payments shows us that the investment interest of external investors, measured in terms of dollar inflows of new capital, was USD 45.8 billion in FY24 compared to USD 47.6 billion in FY23. This slight decline is in line with global trends.

The agriculture sector is one area ripe for and in need of a pan-India dialogue. A case can be made

that they can be served better with some re-orientation of existing and new policies.

Other priorities, such as energy transition and mobility, may pale compared to the complexity of getting the farm sector policies right. Still, they have one thing in common with it. They require getting many things across several ministries and states aligned.

Another area where policy intentions have yet to manifest in desired outcomes is with respect to small, medium, and large enterprises. Earlier, several products were reserved for small-scale industries. That was phased out as it benefitted neither the small-scale industries nor the overall economy. Recent concerted efforts at formalizing them are making progress.

The Survey therefore emphasizes that policymakers – elected or appointed – must rise to the challenge. There must be conversation, cooperation, collaboration, and coordination across ministries, states, and between the union and states.

While contemplating the challenges that lie ahead, one should not be daunted because the social and economic transformation of democratic India is a remarkable success story. We have come a long way. The economy has grown from around USD288 billion in FY93 to USD3.6 trillion in FY23.

India has generated more growth per dollar of debt than other comparable nations. Abject poverty has all but been eliminated. Human development indicators have improved, and more Indians, especially women, are getting educated. For all its flaws and warts, the system has delivered accountability through the democratic process and public discourse, where the occasional and rarer mature commentary proves effective. We should not lose sight of that.

GDP Growth

India’s economy carried forward the momentum it built in FY23 into FY24 despite a gamut of external challenges. India’s real GDP grew by 8.2% in FY24 exceeding 8% mark in 3 out of 4 quarters of FY24. The focus on maintaining macroeconomic stability ensured that external challenges have minimal impact on India’s economy. The GDP growth is driven by a stable consumption demand steadily improving investment demand. On

the supply side, GVA at 2011-12 prices grew by 7.2% in FY24, with growth remaining broad-based. Net taxes at constant (2011-12) prices grew by 19.1% in FY24, aided by reasonably strong tax growth, both at the center and state levels and rationalization of subsidy expenditure. This led to the difference between GDP and GVA growth in FY24.

Agriculture

GVA in the agriculture sector continued to grow, albeit at a slower pace of 1.4%. Erratic weather patterns during the year and an uneven spatial distribution of the monsoon in 2023 impacted overall output.

The performance of the agriculture sector remains critical for the economy’s growth and has been growing at an average growth rate of 4.18% over the last five years. The country also has a comfortable stock of foodgrains, around 40% of which is distributed to two-thirds of the population free of cost. India exports more than 7% of its food grains. Specific challenges remain. Low productivity levels, the impact of variability in weather, fragmented land holdings and inadequate marketing infrastructure affect agriculture performance.



Hydrogen powered trains - coming soon to India



Economic Survey



The growing significance of allied sectors such as animal husbandry, dairying, and fisheries in enhancing farmers' income suggests that greater emphasis should be placed on tapping into the potential of these activities to boost farmers' incomes.

Industry and Infrastructure

Economic growth of 8.2% in FY24 was supported by an industrial growth of 9.5%. Among the four sub-sectors of industry, manufacturing and construction achieved close to double-digit growth, while mining & quarrying and electricity & water supply also recorded strong growth in FY24. This reflects the broad-based acceleration of industrial output.

Government has taken many

recent initiatives to improve ease of doing business, reduce compliance burden and to alleviate logistic and infrastructural bottlenecks.

Over the last decade, there has been a significant realignment of output shares among industrial segments. Sectors like chemicals, wood products and furniture, pharmaceuticals, transport equipment, steel and machinery and equipment have gained in strength. Some of these are important industrial intermediates and consumer goods, while the others cater to requirements of capital formation. On the other hand, sectors like textiles, food products, beverages and tobacco and petroleum products and leather lost their relative positions.

Two common requirements across industries relate to incentivizing R&D and innovation and improving the skill levels of the workforce. Sectors with widely scattered production units like textiles, and the MSME sector in general, seek solutions to constraints of supply chain management, market access and formalization.

Services Sector

The services sector continues to be a significant contributor to India's growth, accounting for about 55% of the total size of the economy in FY24.

Several demand and supply side factors determine the

performance of the services sector. The significant domestic demand for services such as education, healthcare, finance, tourism, hospitality, and entertainment are underpinned by a large and young population. Rapid urbanization supports transportation, housing, sanitation, and utility services. The expansion of e-commerce platforms has generated heightened requirements for logistics, digital payments, and related services.

Focus areas should include blockchain, AI, machine learning, Internet of Things, cybersecurity, cloud computing, big data analytics, augmented reality, virtual reality, 3D printing, and web and mobile development.

Prices and Inflation

The pandemic and subsequent geo-political tensions presented considerable challenges to the global economy in inflation management. The supply disruptions inflicted by the pandemic and increased commodity prices caused by heightened global conflicts markedly affected India. As a result, FY22 and FY23 witnessed price pressures in core consumer goods and services. Food prices were affected by adverse weather conditions in the last two years. The net impact of these developments was elevated inflationary pressures in FY23 and FY24. Prudent monetary policy response and calibrated

trade policy measures by the Government, coupled with strong output growth, helped reduce core inflation to a four-year low in FY24.

Appropriate administrative actions, including dynamic stock management, open market operations, subsidized provision of essential food items and trade policy measures, helped mitigate food inflation to a great extent. The expectation of a normal monsoon and moderating global prices of key imported items give credence to the benign and range-bound inflation projections for India made by the Reserve Bank of India and the International Monetary Fund.



Economic Survey

External Sector

India’s external sector remained strong amidst ongoing geopolitical headwinds accompanied by sticky inflation. Though merchandise exports moderated owing to lower demand from major trading partners, services exports continued to perform well, cushioning the overall trade deficit from USD 121.6 billion in FY23 to USD 78.1 billion in FY24. Lower prices of imported commodities, including crude oil, also helped.

The moderation in merchandise imports and rising services exports have improved India’s

current account deficit (CAD). Amongst services exports, software/IT services have driven an increase in overall exports; at the same time, business services exports have also been rising, supported by India emerging as a hub for Global Capability Centres (GCCs).

India witnessed positive net foreign portfolio investment (FPI) inflows in FY24 of USD 44.1 billion, supported by strong economic growth, a stable business environment, and increased investor confidence.

Rising FPI inflows kept the Indian Rupee in a manageable range

of INR 82 to INR 83.5/USD in FY24. The Rupee emerged as the least volatile currency among its emerging market peers and a few advanced economies in FY24.

The shock absorbers of India’s external sector - forex reserves, sustainable external debt indicators, and market-determined exchange rate, are in place to cushion the global headwinds.

In the future, the changing composition of India’s export basket, enhancement in trade-related infrastructure, enhanced quality consciousness and product safety considerations

in the private sector and stable policy environment are expected to play a significant role in driving India’s rise as a global supplier of goods and services.

Fiscal Developments

The fiscal deficit of the Union Government has been brought down from 6.4% of GDP in FY23 to 5.6% of GDP in FY24, according to provisional actuals data released by the Office of Controller General of Accounts (CGA).

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. In combination with restrained revenue expenditure, these buoyant revenues ensured lower deficits. A decomposition of the fiscal deficit over the past few years reveals that with a narrowing revenue deficit, a larger share of the fiscal deficit is being accounted for by capital outlay. This suggests that

the productivity of borrowed resources has improved.

Significant fiscal consolidation post-pandemic could be achieved largely due to buoyant revenues. Revenue receipts of the union government consisting of tax revenue (net to center) and non-tax revenue (NTR) increased YoY by 14.5% in FY24 (PA), with robust growth in both tax and non-tax revenues.

DIRECT TAXES



India launches eRupee

RATES OF INCOME TAX

Individual Income Tax Rates

Tax Slabs

With effect from AY 2025-26, revised slab rates applicable to an Individual, HUF, AOP/BOI or Artificial Judicial Persons

under concessional tax regime (commonly referred to as new regime) under section 115BAC are as under:

Total Income	Rate
Up to INR 3.0 lac (INR 0.30 million)	Nil
INR 3.00 lac to INR 7.00 lac (INR 0.30 million to INR 0.70 million)	5%
INR 7.00 lac to INR 10.00 lac (INR 0.70 million to INR 1.00 million)	10%
INR 10.00 lac to INR 12.00 lac (INR 1.00 million to INR 1.20 million)	15%
INR 12.00 lac to INR 15.00 lac (INR 1.20 million to INR 1.50 million)	20%
Above INR 15.00 lac (INR 1.50 million & above)	30%

Slab rates applicable for the individual, HUF, AOP/BOI or Artificial Judicial Persons opting for old scheme continue to be the same as that specified for AY 2024-25

Surcharge

From AY 2025-26 onwards, applicable rates of surcharge, applicable for an individual, HUF, AOP, BOI, AJP (including non-residents) continue to be the same and are as under:

Total Income	New tax regime	Old tax regime
Exceeding INR 50 lac (INR 5 million) to INR 1 crore (INR 10 million)	10%	10%
Exceeding INR 1 crore (INR 10 million) to INR 2 crore (INR 20 million)	15%	15%
Exceeding INR 2 crore (INR 20 million) to INR 5 Crore (INR 50 million)	20%	25%
Exceeding INR 5 Crore (INR 50 million)	25%	37%

Marginal relief is provided in all cases where surcharge is proposed to be imposed.

Surcharge rates of 25% or 37% will not apply to the income from dividends and capital gains taxable under section 111A (STCG on Shares), 112A (LTCG on Shares), and 115AD (Tax on the income of Foreign Institutional Investors). Therefore, the highest

surcharge rate on the tax payable for such incomes will be 15%.

It is proposed that the surcharge shall not apply on advance tax / tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of Section 10) that is chargeable under clause (a) of sub-section (1) of Section 115AD of the Act.

Firms/ Local authorities

The rates of tax continue to be the same as that specified for AY 2024-25.

Co-operative societies

The rates of tax continue to be the same as that specified for AY 2024-25.

Direct Taxes

Domestic companies

The rates of tax continue to be the same as that specified for AY 2024-25.

Foreign company

In the case of a company other than a domestic company, it is proposed that the rates of tax shall be reduced from 40%

to 35%, on income other than income chargeable at special rates, specified in respective sections of Chapter XII of the Act.

VKC Insights

The proposed reduction of tax rates for foreign companies from 40% to 35% is expected to boost Foreign Direct Investment (FDI) in India. This move aims to make India a more attractive destination for foreign investors, encouraging them to set up operations and create jobs in the country. The reduced tax rate will help India compete with other emerging markets and foster a more business-friendly environment.

SOCIO ECONOMIC WELFARE MEASURES

Increase in Standard Deduction and deduction from family pension for tax- payers in tax regime

With the aim of encouraging and incentivizing taxpayers (specially the salaried taxpayers) to shift to the new tax regime, it is proposed to increase the limit of Standard Deduction from existing INR 50,000 to INR 75,000 under the new regime to salaried individuals and pensioners.

It is also proposed to increase the deduction by inserting a proviso in clause (ii a) of Section 57 by enhancing the existing limit from INR 15,000 to INR 25,000 in the new regime.

These amendments will take effect from April 1, 2025 and will accordingly apply to the AY 2025-26 and subsequent AYs.

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

It is proposed to amend clause (iva) of sub-section (1) of Section 36 of the Act, to increase the amount of employer contribution allowed as deduction to the employer, from the extent of 10% to the extent of 14%

of the salary of the employee in the PY.

It is also proposed to amend sub-section (2) of Section 80CCD of the Act, to provide that where such contribution has been made by any other employer (not being CG or SG), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This pertains only to the case where the employee's salary is chargeable to tax under sub-section (1A) of Section 115BAC of the Act.

These amendments will take effect from April 1, 2025 and will accordingly apply to the AY 2025-26 and subsequent AYs.

MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

Tax incentives to International Financial Services Centre

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

- Item (l) of sub-clause (i) of clause (c) of Explanation to clause (4D) of Section 10, is to be amended to expand the ambit of specified funds which can claim exemption under the said



To use a digital rupee, you don't need to open a bank account.

- section, so as to include retail funds and Exchange Traded Funds in IFSC.
- Specified funds shall now include funds established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which have been granted a certificate as a retail scheme or an Exchange Traded Fund and are regulated under the International Financial Services Centres Authority (Fund Management)

- Regulations, 2022, made under the International Financial Services Centres Authority (IFSCA) Act, 2019 and satisfy such conditions as may be prescribed.
- Specified income of Core Settlement Guarantee Funds set up by recognized clearing corporations in IFSC, is proposed to be exempted by amending the definition of recognized clearing corporation and regulations in the Explanation to the clause (23EE) of Section 10 of the Act.

- The definition of recognized clearing corporation shall now 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. The definition of regulations shall now include the IFSCA (Market Infrastructure Institutions) Regulations, 2021.
- 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. Section 68 accordingly makes a reference to the definition of VCF/VCC in the Explanation to clause (23FB) of Section 10.

- It is now proposed to extend the relaxation in place for VCFs registered with SEBI, to those VCFs which are regulated by IFSCA. It is therefore, proposed to amend the definition of VCF in the Explanation to clause (23FB) of Section 10, to include VCFs in IFSC.
- Section 94B of the Act puts in place a restriction on deduction of interest expense in respect of any debt issued by a non-resident, being

an associated enterprise of the borrower. It applies to an Indian company, or a Permanent Establishment of a foreign company in India, who is a borrower. If such person incurs any expenditure by way of interest or of similar nature exceeding INR 1 crore (INR 10 million) which is deductible in computing income chargeable under the head Profits and gains of business or profession, the interest deductible shall be restricted to the extent of 30% of its earnings before interest, taxes, depreciation and amortization so as to avoid thin capitalization of a corporate entity.

- 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.
- It is now proposed that the provisions of this section shall also not apply to finance companies, located in IFSC, as defined in clause (e) of sub-regulation (1) of Regulation 2 of the

IFSCA (Finance Company) Regulations, 2021 made under the IFSCA Act, 2019, which satisfy such conditions and carry on such Activities as may be prescribed.

These amendments will take effect from April 1, 2025 and will accordingly apply to the AY 2025-26 and subsequent AYs.

Amendment to Section 56 of the Act

It has been decided by the Government to sun-set the provisions of clause (viib) of sub-section (2) of Section 56 of the Act. Consequent to said decision, amendment to clause (viib) of sub-section (2) of Section 56 of the Act is being carried out to provide that the provisions of this clause shall not apply from the AY 2025-26.

This amendment will take effect from April 1, 2025 and will accordingly apply to the AY 2025-26 and subsequent AYs.

VKC Insights

Removal of angel tax was a long pending demand of the start-up industry. The government has done well to completely abolish the tax, thereby encouraging an environment of trust to promote innovation.

Promotion of domestic cruise ship operations by non-residents

In order to provide clarity, certainty and simple structure for the business of cruise-shipping, which may be operating as multi-layer entities, the following is proposed:

- A presumptive taxation regime is being put in place for a non-resident, engaged in the business of operation of cruise ships, along with exemption to income of a foreign company from lease rentals, if such foreign company and the non-resident cruise ship operator have the same holding company.
- It is, therefore, proposed to insert a new Section 44BBC, which deems 20% 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. Applicability of this section, will be subject to prescribed conditions.
- Provisions of Section 44B relating to presumptive taxation for shipping business of non-residents, shall

therefore, no longer apply to cruise-ship business.

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

This amendment will take effect from April 1, 2025 and will accordingly apply to the AY 2025-26 and subsequent AYs.

VKC Insights

This will promote domestic tourism through cruise liners, as presumptive taxation is always simple and litigation free to comply with.

SIMPLIFICATION AND RATIONALISATION

Re-introduction of block assessment provisions in cases of search under Section 132 and requisition under Section 132A

In order to make the procedure of assessment of search cases cost-effective, efficient and meaningful, it is proposed to re-introduce the scheme of block assessment for the cases in which search under section 132 or requisition under Section 132A has been initiated or made. It is therefore proposed to amend the provisions of Chapter XIV-B of the Act, to provide the following for assessment of search cases:

- Where on or after the September 1, 2024, a search is initiated under Section 132, or books of account, other documents or any assets are requisitioned under Section 132A, in the case of any person, the AO shall proceed to assess or reassess the total income of such person in accordance with the provisions of the said Chapter.
- The block period shall consist of PYs relevant to 6 AYs preceding the PY in which the search was initiated under Section 132 or any requisition



was made under Section 132A and shall include the period starting from the April 1, of the PY in which search was initiated or requisition was made and ending on the date of the execution of the last of the authorizations for such search or date of such requisition.

- Regular assessments for the block period shall abate. There will be one consolidated assessment for the block period. Till block assessment is complete, no further assessment/ reassessment proceeding shall take place in respect of the period covered in the

block.

- The AO shall assess the total income of the assessee, including the undisclosed income which shall include any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for

the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be incorrect.

- The undisclosed income falling within the block period, forming part of the total income, shall be computed in accordance with the provisions of this Act, on the basis of evidence found as a result of search or survey in consequence of such search or requisition of books of account or other documents and such other materials or information as are either available with the AO or come to his notice by any

means during the course of proceedings under the said Chapter.

- The assessment in respect of any other person shall be governed by the provisions of Section 158BD, which provides that where the AO is satisfied that any undisclosed income belongs to or pertains to or relates to any person, other than the person with respect to whom search was made or whose books of account or other documents or any assets were requisitioned, then, any money, bullion, jewellery or other valuable article or thing, or assets, or expenditure, or books of account, other documents, or any information contained therein, seized or requisitioned shall be handed over to the AO having jurisdiction over such other person and that AO shall proceed under Section 158BC against such other person and the provisions of the said Chapter shall apply accordingly.
- The tax shall be charged at 60% for the block period, as per Section 113 of the Act. The proviso to Section 113 has been amended to provide that the tax chargeable under this section shall be increased

by a surcharge, if any, which may be levied by any Central Act. However, presently, no surcharge is proposed for income chargeable to tax for the block period. No interest under the provisions of section 234A, 234B or 234C or penalty under the provisions of section 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.

- Penalty on the undisclosed income of the block period as determined by the AO shall be levied at 50% of the tax payable on such income. No such penalty shall be levied if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return.
- The time-limit for completion of block assessment of the searched assessee shall be 12 months from the end of the month in which the last of the authorizations for search under section 132, or requisition under Section 132A, was executed or made. The time-limit for completion of block assessment of any other person shall be 12 months from the end

of the month in which the notice under Section 158BC in pursuance of Section 158BD, was issued to such other person. However, an exclusion of nearly 6 months shall be available in respect of period from date of search to the date of handing over of seized material to the AO.

- Where any evidence found as a result of search or requisition relates to any international transaction or specified domestic transaction referred to in Section 92CA, pertaining to the period beginning from the April 1, of the PY in which last of the authorizations was executed and ending with the date on which last of the authorizations was executed, such evidence shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act.
- The notice under clause (a) of sub-section (1) of Section 158BC requiring the searched assessee to furnish his return of income for the block period, as well as the order of assessment for the block period shall be

issued or passed, as the case may be, with the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

- The provisions of Section 144C of the Act shall not apply to any proceeding under the said Chapter.

This amendment will take effect from September 1, 2024.

VKC Insights

Search-based assessments, commonly known as Block Assessments following search and seizure Actions, have been reinstated for searches conducted on or after September 1, 2024. Provisions towards search assessments have seen constant changes since 2003. Hopefully, with the new provisions, there shall be stability in this critical area for a long time to come.

Rationalisation of provisions relating to assessment and reassessment under the Act

The Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from April 1, 2021. The said amendment modified, Section 148, Section 149 and also introduced a new Section 148A in the Act. It is expected that the new system would provide ease of doing business to taxpayers as there is a reduction in time limit by which a notice for assessment or reassessment or re-computation can be issued. The salient features of the proposed amendments are as follows:

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

Further, it is proposed to provide that no notice under this Section

shall be issued unless there is information with the AO which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant AY.

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

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

- It is further proposed to substitute the Section 148A so as to provide that where the AO has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant AY, he shall, before issuing any notice under Section 148, provide an

opportunity of being heard to such assessee, by serving upon him a notice to show cause as to why a notice under Section 148 should not be issued in his case, and such notice shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant AY. Thereafter, on receipt of notice under sub-section (1), the assessee may furnish his reply, within such time, as may be specified in such notice.

The AO shall, on the basis of material available on record and taking into account the reply of the assessee furnished under sub-section (2), if any, pass an order with the prior approval of the specified authority under sub-section (3) of Section 148A, determining whether or not it is a fit case to issue notice under Section 148.

It is further proposed that the provisions of this Section shall not apply in the case of an assessee where the AO has received information under the scheme notified under Section 135A pertaining to income chargeable to tax escaping assessment for any AY in his case.

- The time limitation for issuance of notice under Section 148A and Section 148 of the Act is proposed to be provided in Section 149 of the Act as follows:
 - * in normal cases, no notice under Sections 148A shall be issued if 3 years have elapsed from the end of the relevant AY. Notice beyond the period of 3 years from the end of the relevant AY can be taken only in a few specific cases;
 - * in normal cases, no notice under Section 148 shall be issued if 3 years and 3 months have elapsed from the end of the relevant AY. Notice beyond the period of 3 years and 3 months from the end of the relevant AY can be taken only in a few specific cases;
 - * in specific cases, where as per the information with the AO, the income escaping assessment amounts to or is likely to amount to INR 50 lac (INR 5 million) or more, notice under Section 148A can be issued beyond the period of 3 years but not beyond the period of 5 years from the end of the relevant AY;
 - * in specific cases, where the AO has in his possession books of account or other documents or evidence related to any asset or expenditure or transaction or entry (or entries) which reveal that

the income chargeable to tax, which has escaped assessment amounts to or is likely to amount to INR 50 lac (INR 5 million) or more, notice under Section 148 can be issued beyond the period of 3 years and 3 months but not beyond the period of 5 years and 3 months from the end of the relevant AY.

- 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.
- It is proposed to amend the Section 152 of the Act so as to provide that where a search has been initiated under Section 132 or requisition is made under Section 132A or a survey is conducted under Section 133A [other than under sub-section (2A)] on or after the 1st day of April, 2021 but before the September 1, 2024, the provisions of Section 147 to 151 shall apply as they stood immediately before the commencement of the Finance (No. 2) Act, 2024.

- It is also proposed to amend the Section 152 of the Act so as to provide that where a notice under Section 148 has been issued or an order under clause (d) of Section 148A has been passed, prior to September 1, 2024, the assessment, reassessment or recomputation in such case shall be governed as per the provisions of Sections 147 to 151, as they stood prior to their amendment by Finance (No. 2) Act, 2024.

This amendment will take effect from September 1, 2024.

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The maximum period for reopening assessments under Section 149 has been reduced from 10 years to 5 years. These amendments ensure that the threat of reopening assessments under Section 148 does not linger for an extended period of 10 years, thereby bringing enhanced certainty for the business community.

Amendment in provisions relating to set off and withholding of refunds

From bare reading of Section 245, it is seen that there are two requirements which the AO is supposed to fulfill. One is that he should form opinion that the grant of refund is likely to adversely affect the revenue and the second is that he has to record the reasons in writing for withholding the refund. The second condition of recording of reasons takes care of the first condition as even if an opinion is formed, it has been expressed in terms of reasons recorded in writing. Thus, for the phrase “*is of the opinion that the grant of refund is likely to adversely affect the revenue*”, the phrase “*he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax*” is proposed to be retained. Further, the period of withholding the refund ‘up to the date of assessment’ is inadequate as the demand itself becomes due after thirty days of the date of assessment. Hence, the period of withholding of the refund is proposed to be extended up to 60 days from the date on which such assessment or reassessment is made.

Consequential amendment has been proposed in Section 244A of the Act to allow non-payment

of additional interest up to the date till which such refund is withheld under the provisions of sub-section (2) of Section 245 of the Act.

This amendment will take effect from October 1, 2024.

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

It is proposed to amend sub-section (3) of Section 253 to provide that the appeal before the ITAT may be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner, as the case may be. Earlier, the time limit was ‘within 60 days of the date on which the order sought to be appealed against is communicated to the assessee or to the PCIT/CIT, as the case may be’.

This amendment will take effect from October 1, 2024.

RATIONALISATION OF THE PROVISIONS OF CHARITABLE TRUSTS AND INSTITUTIONS

Transition of trusts from first regime to second regime

In order to take forward the process of simplification of procedures and to reduce administrative burden, it is proposed that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner. It is, therefore, proposed that:

- Applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of Section 10, and filed on or after October 1, 2024, shall not be considered.
- Applications filed under these sub-clauses before October 1, 2024, and which are pending would be processed and considered under the extant provisions of the first regime itself.
- Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via)



The Indian Army successfully completed the trials of the indigenously developed Arjun Mark-1A main battle tank, paving the way for its induction.

of clause (23C) of Section 10, till the validity of the said approval.

- They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been proposed in Section 12A.
- Certain eligible modes of investment, under the first regime (viz. those specified in clause (b) of third proviso to clause (23C) of Section 10) shall be protected in the second regime, by way of amendment in Section 13.

This amendment will take effect from October 1, 2024.

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

At times trusts or institutions are unable to file application within specified timelines. In such a case, it may become liable to tax on accreted income as per provisions of Chapter XII-EB of the Act. A situation of permanent exit of trust or institution from the exemption regime may also arise.

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

This amendment will take effect from October 1, 2024.



Arjun Mark-1A

VKC Insights

Granting condonation for delayed filing of registration applications by trusts or institutions seeking exemption under Section 12AB and 80G is a welcome move.

Rationalisation of timelines for funds or institutions to file applications seeking approval under Section 80G

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

This amendment will take effect from October 1, 2024.

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

For better administration and monitoring, it is proposed to rationalise timelines for disposing applications made by trusts or funds or institutions to 6 months from the end of the quarter in which the application was received.

Thus, where provisionally registered/ approved trusts or funds or institutions apply for registration/ approval or where registered/ approved trusts or funds or institutions apply for further registration/ approval under Section 12AB or Section 80G, as the case may be, the order granting registration/ rejecting application shall be passed before expiry of the period of 6 months from the end of the quarter in which the application was received.

This amendment will take effect from October 1, 2024

Merger of trusts under the exemption regime with other trusts

When a trust or institution which is approved / registered under

the first or second regime, as the case may be merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.

It is proposed that conditions under which the said merger shall not attract provisions of Chapter XII-EB, may be prescribed, to provide greater clarity and certainty to taxpayers. A new Section 12AC is proposed to be inserted for this purpose.

This amendment will take effect from April 1, 2025.

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

Sub-section (7) of Section 11 of the Act lays down that registration under Section 12AB shall become inoperative, if the trust or institution is approved/ notified under clause (23C), (23EC), (46) or (46A) of Section 10. Such trust or institution has a one-time option to apply to make its registration under Section 12AB operative. Thus, a trust or institution may choose the provisions under which it seeks to claim exemption.

It is proposed to amend sub-section (7) of Section 11 of the Act to include reference of clause (23EA), clause (23ED) and clause (46B) of Section 10 of the Act, to enable trusts under the second regime to claim exemption under the above-noted specific clauses of Section 10.

This amendment will take effect from April 1, 2025.

Rationalisation and Simplification of taxation of LTCG

The taxation of capital gains is proposed to be rationalized and simplified. Firstly, it is proposed that there will only be two holding periods, 12 months and 24 months, for determining whether the capital gains is STCG or LTCG. For all listed securities, the holding period is proposed to be 12 months and for all other assets, it shall be 24 months.

Accordingly, it is proposed that units of listed business trust will now be at par with listed equity shares at 12 months instead of earlier 36 months. The holding period for bonds, debentures, gold will reduce from 36 months to 24 months. For unlisted shares and immovable property, it shall remain at 24 months.

Secondly, the rate for STCG under provisions of Section 111A of the Act on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust is proposed to be increased to 20% from the present rate of 15% as the present rate is too low and the benefit from such low rate is flowing largely to high-net-worth individuals. Other STCG shall continue to be taxed at applicable rate.

The rate of LTCG under provisions of various Sections of the Act is proposed to be 12.5% in respect of all categories of assets. This rate earlier was 10% for STT paid listed equity shares, units of equity-oriented fund and business trust under Section 112A and for other assets it was 20% with indexation under Section 112.

However, an exemption of gains upto INR 1.25 lac (INR 0.125 million) (aggregate) is proposed for LTCG under Section 112A on STT paid equity shares, units of equity-oriented fund and business trust, thus, increasing the previously available exemption which was upto INR 1 lac (INR 0.10 million) of income from long term capital gains on such assets.

For bonds and debentures, rate for taxation of LTCG was 20% without indexation. For listed bonds and debentures, the rate shall be reduced to 12.5%. Unlisted debentures and unlisted bonds are of the nature of

debt instruments and therefore any capital gains on them should be taxed at applicable rate, whether short-term or long-term. It is proposed accordingly.

Thus, unlisted debentures and unlisted bonds are proposed to be brought to tax at applicable rates by including them under provisions of Section 50AA of the Act. This amendment in Section 50AA shall come into effect from July 23, 2024.

Thirdly, simultaneously with rationalisation of rate to 12.5%, indexation available under second proviso to Section 48 is proposed to be removed for calculation of any LTCG which is presently available for property, gold and other unlisted assets. This will ease computation of capital gains for the taxpayer and the tax administration.

To bring parity of taxation between residents and non-residents, corresponding amendments to Section 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of LTCG

proposed under Section 112A and 112 and rates of short-term capital gains proposed under Section 111A.

Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the proposed changes in rates of capital gains tax are being made under Section 196B and 196C as under:

Total Income	Rate of TDS for transfers taking place before July 23, 2024	Rate of TDS for transfers taking place on or after July 23, 2024
LTCG referred to in Section 115E	10%	12.50%
LTCG referred to in sub-clause (iii) of clause (c) of sub-Section (1) of Section 112	10%	The clause is not applicable for transfers on or after July 23, 2024
LTCG referred to in Section 112A exceeding INR 1.25 lac (INR 0.125 million)	10%	12.50%
LTCG [not being LTCG referred to in clauses (33) and (36) of Section 10]	20%	12.50%
STCG referred to in Section 111A	15%	20%



India's 5G network was rolled out across major cities in 2023, with the government aiming to achieve pan-India coverage by the end of 2024.

Summarized chart of changes in Capital Gain rates			
Asset Class	Period of Holding	Long-term	Short-term
Listed Indian Securities (excluding MFs)			
Equity Shares / Securities (e.g. CCPS)	> 12 months	12.50%	20%
OFS Equity Shares	> 24 months	12.50%	20%
Sale of Bonds / Debentures / ZCBs (excluding MLDs)	> 12 months	12.50%	Slab rate
MLDs	No period of holding	Slab rate	Slab rate
REIT / InvIT	> 12 months	12.50%	20%
Unlisted Indian Securities			
Equity Shares / Securities (e.g. CCPS)	>24 months	12.50%	Slab Rate
Transfer / Maturity of Bonds / Debentures / ZCBs / MLDs	No period of holding	Slab rate	Slab rate
REIT / InvIT	>24 months	12.50%	Slab rate
Other Assets			
Real Estate	>24 months	12.50%	Slab rate
Other Assets (gold, art, silver, all foreign assets incl. international funds, VCC)	>24 months	12.50%	Slab rate
Mutual Funds			
Equity oriented MF (>= 65% Indian Equity)	>12 months	12.50%	20%
Specified MF / Debt oriented MF (>= 65% SEBI Regulated Debt and Money Market)			
Acquired prior to 1st April 2023 and sold			
From 1st April 2024 to 22nd July 2024	>36 months	20%	Slab rate
23rd July 2024 to 31 March 2025 and onwards	>12 months	12.50%	Slab rate
Acquired post 1st April 2023 and sold on any date	No period of holding	Slab rate	Slab rate
Other MFs (Gold, Silver, Index, International Equity / Debt Fund - FOF)			
Acquired prior to 1st April 2023 and sold			
From 1st April 2024 to 22nd July 2024	>36 months	20%	Slab rate
23rd July 2024 to 31 March 2025 and onwards	>12 months	12.50%	Slab rate
Acquired post 1st April 2023 and sold			
From 1st April 2024 to 22nd July 2024	No period of holding	Slab rate	Slab rate
23rd July 2024 to 31 March 2025	No period of holding	Slab rate	Slab rate
From 1st April 2025 onwards	>12 months	12.50%	Slab rate

These amendments will take effect immediately i.e. with effect from July 23, 2024.

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To simplify matters and ensure uniformity in taxation between resident and non-resident assesses, amendments to Sections 115AD, 115AB, 115AC, 115ACA, and 115E of the Act have been proposed. These changes aim to align the tax rates for LTCG as proposed under Sections 112A and 112 of the Act, as well as for STCG under Section 111A of the Act.

Indexation benefit available under second proviso to Section 48 is proposed to be removed for all LTCG income even in case of land & building with reducing the existing tax rate from 20% to 12.5%.



Amendment to definition of Specified Mutual Fund under Section 50AA

The Finance Act, 2023 had introduced special taxation regime of deemed STCG taxation for Market Linked Debentures and Specified Mutual Funds by way of introduction of Section 50AA of the Act. The gains in such cases were to be taxed as STCG irrespective of period of holding. The requirement of investment of not more than 35% in equity shares has also impacted other funds which are not debt-oriented funds, but invest below 35% in equity shares. Such funds which are adversely impacted include Exchange Traded Funds (ETFs), Gold Mutual Funds and Gold ETFs. In the case of Fund-of-Funds (FoFs) as well, wherein the underlying fund further invests in other instruments, there is ambiguity as to whether they

will be considered Specified Mutual Funds as defined in Section 50AA.

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

- a Mutual Fund by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments; or
- a fund which invests 65% or more of its total proceeds in units of a fund referred to in sub-clause (a).

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

Rationalisation of Tax Deducted at Source rates

To improve ease of doing business and better compliance by taxpayers, the TDS rates are proposed to be reduced. Rationalisation of TDS rates is proposed as below:

Total Income	Present TDS Rate	Proposed TDS Rate	Rate
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	April 1, 2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	October 1, 2024
Section 194G – Commission etc. on sale of lottery tickets	5%	2%	October 1, 2024
Section 194H - Payment of commission or brokerage	5%	2%	October 1, 2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	October 1, 2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	1%	0.1%	October 1, 2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	20%	Proposed to be omitted	

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

Credit of TCS paid is proposed to be allowed while computing the amount of tax to be deducted on salary income of the employees as this will help in avoiding cash flow issues for employees.

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

This amendment will take effect from October 1, 2024.

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

To align the rates of interest applicable for late collection/late deposit of TCS with the provisions of sub-section (1A) of Section 201 pertaining to late deduction/deposit of TDS, it is proposed to amend sub-section (7) of Section 206C, to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased from 1%. to 1.5%. for every month or part thereof on the amount of such tax from the date on which such tax was collected

to the date on which such tax is Actually paid.

This amendment will take effect from April 1, 2025.

Increase in limit of remuneration to working partners of a firm allowed as deduction

Section 40 of the Act provides for amounts that shall not be deducted in computing the income chargeable under the head “Profits and gains of business or profession”. Sub-clause (v) of clause (b) of the said Section 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 PY exceeds the aggregate amount computed as

hereunder:

(a)	on the first INR 3 lac (INR 0.30 million) of the book profit or in case of a loss	INR 1.50 lac (INR 0.150 million) or at the rate of 90% of the book profit, whichever is more;
(b)	on the balance of the book-profit	at the rate of 60%:

This limit was put in place on the statute w.e.f AY 2010-11. It is now proposed to amend the limit of remuneration to working partners in a partnership firm, which is allowed as deduction. It is proposed that on the first INR 6 lac (INR 0.60 million) of the book-profit or in case of a loss, the limit of remuneration is increased to INR 3 lac (INR 0.30 million) or at the

rate of 90% of the book-profit, whichever is more as follows:

(a)	on the first INR 6 lac (INR 0.60 million) of the book- profit or in case of a loss	INR 3 lac (INR 0.30 million) or at the rate of 90% of the book- profit, whichever is more;
(b)	on the balance of the book-profit	at the rate of 60%

The amendments to sub-clause (v) of clause (b) of Section 40 of the Act will take effect from April 1, 2025 and will, accordingly, apply in relation to AY 2025-26 and subsequent years.

Claiming credit for TCS of minor in the hands of parent

There is no provision in the Act for allowing credit of TCS to any other person (eg. parent) other than the collectee. However, there is no provision for the parent to claim the same in their tax return.

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

This amendment will take effect from January 1, 2025.

VKC Insights

This would cover cases such as in respect of 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.

WIDENING AND DEEPENING OF TAX BASE AND ANTI-AVOIDANCE

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

Pay-outs on buy-back of shares were not being taxed in hands of recipients, in line with the similar regime in place for taxation of dividend, even though both dividend as well as buy-back are methods for the company to distribute accumulated reserves and hence should have been treated similarly.

Therefore, it is proposed as under:

- That the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates.
- No deduction for expenses shall be available against such dividend income while determining the income from other sources.
- COA of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore, when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original COA of all the shares (i.e. the shares earlier bought back plus shares finally sold). It shall be computed as follows:
 - * deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil
 - * allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;
 - * allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

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

VKC Insights

The buyback taxation change can lead to litigation as buyback under Companies Act can be done in other ways whereas this provision only covers a particular way of buyback to be considered as dividend income for the recipient. Mandating the shareholder to pay tax on gross consideration at marginal rate is a bit harsh. The cost of acquisition of those shares will be available as deduction only against future gains and hence will be of no use if there is no gain from such shares in future.

Revision of rates of STT by amendment to the Finance Act 2004

The levy of STT on transaction in specified securities was introduced vide Finance Act 2004. As per the provisions of the STT, RSEs, mutual funds (having equity-oriented scheme), insurance company or lead merchant banker appointed by the company in respect of an initial public offer or an initial offer are liable to collect the tax on specified securities and pay the same to the credit of the Central Government within 7 days from the end of the month in which STT is collected.

Over the years there has been an exponential growth of derivative (future and option) markets and trading in such derivatives accounts for a large proportion of trading in stock exchanges.

Owing to this exponential growth of the derivative markets, it is proposed to increase the rates of STT on sale of an option in securities from 0.0625% to 0.1% of the option premium, and on sale of a futures in securities from 0.0125% to 0.02% of the price at which such “futures” are traded.

This amendment is proposed to be made effective from October 1, 2024.

Reporting of income from letting out of house property under the head ‘Income from house property’

It has been observed that some taxpayers have been substantially reducing their tax liability by showing house property income under the wrong head of income. They have taken to reporting their rental income generated by letting out the house property, under the head “Profits and gains of business and profession”, instead of reporting it under the head “Income from house property”.

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

This amendment will take effect from April 1, 2025 and will, accordingly, apply in relation to AY 2025-26 and subsequent AYs.

VKC Insights

This shall now also cover cases of unsold flats given on rent by builders, who used to earlier offer it under business income.

Amendment to Section 47

Section 47 of the Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under ‘Capital Gains’ under Section 45. Clause (iii) of Section 47 provides that nothing contained in Section 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. The first proviso to the said clause makes an exception to the clause in respect of specified ESOPs.

It was observed that the taxpayers have argued before judicial fora that transaction of gift of shares by company is still not liable to capital gains tax, in view of the provisions of Section 47(iii) of the Act.

In view of the same and in addition to the fact that a gift is given out of natural love and affection, it is proposed to substitute clause (iii) of Section 47 and its proviso, to provide that nothing contained in Section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, provided it is given only by an individual or an HUF.

This amendment is proposed to be made effective from April 1, 2025 and will accordingly apply to AY 2025-26 and subsequent AYs.



In May 2024, India held its general elections, with the incumbent National Democratic Alliance (NDA) led by Prime Minister Narendra Modi retaining power with a not-so-comfortable majority.



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

Presently there is no provision for TDS on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm.

Therefore, it is proposed that a new TDS Section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than INR 20,000 in the FY.

The Applicable TDS rate will be 10%.

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

VKC Insights

Given the presence of numerous small-scale entities in the form of partnership firms, requiring TDS compliance for payments to partners may seem excessively strict, particularly due to the relatively low threshold limit of INR 20,000. Henceforth, partners salaries and interest will have to be finalized before the due dates of deposit of TDS.

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

In view of the increase in expenditure on luxury goods by high-net-worth persons and for proper tracking of such expenses as well as widening the tax net, it is proposed to amend sub-section (1F) of Section 206C to also levy TCS on any other goods of value exceeding INR 10 lac (INR 1 Million) as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods.

The amendment will take effect from January 1, 2025.

Amendment to provisions of TDS on sale of immovable property

Section 194-IA of the Act provides for deduction of tax on payment of consideration for transfer of certain immovable property other than agricultural land. It has been observed that some taxpayers are interpreting the consideration being paid or credited as each individual buyer's payment rather than the total consideration paid for the immovable property.

Through this misinterpretation, the buyer is paying less than INR 50 lac (INR 5 Million), no tax is being deducted, even if the value of the immovable property

and stamp duty value exceeds INR 50 lac (INR 5 Million), which is against the intention of legislature.

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

The amendments will take effect from October 1, 2024.

TDS on Floating Rate Savings (Taxable) Bonds 2020

Section 193 of the Act provides for deduction of tax at source on payment of any income to a resident by way of interest on securities. The Government has introduced Floating Rate Savings (Taxable) Bonds 2020.

The provisions of Section 193 of the Act are proposed to be amended to allow for TDS to be deducted at the time of payment of interest exceeding INR 10,000 on –

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

The amendments will take effect from October 1, 2024.

Preventing misuse of deductions of expenses claimed by life insurance business

Section 44 of the Act provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance

company or by a co-operative society, to be in accordance with First Schedule of the Act, notwithstanding other specific provisions of the Act.

It has been noticed that there have been instances where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies. In order to ensure that provisions are not misused to claim deduction for expenses which are otherwise not admissible under the provisions of Section 37 of the Act.

Therefore, it is proposed to amend Rule 2 of the First Schedule of the Act to provide that any expenditure which is not admissible under the provisions of Section 37 in computing the Profits and gains of a business shall be added back to the profits and gains of the life insurance business.

The amendment will take effect from April 1, 2025 and will accordingly apply from AY 2025-26 onwards.

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

Section 198 of the Act provides that all tax deducted, in accordance with the provisions of Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received.

In order to prevent double deduction on account of income not being included in total income but credit for foreign taxes withheld taken, it is proposed to amend Section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, will be deemed for the purpose of computing the income of the assessee, to be income received.

This amendment will take effect from April 1, 2025.

Excluding sums paid under Section 194J from Section 194C (payments to contractors)

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

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

The amendment will take effect from October 1, 2024.

Disallowance of settlement amounts being paid to settle contraventions

Section 37 of the Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession.

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

The amendment is proposed to be made effective from April 1, 2025 and will accordingly apply from AY 2025-26 onwards.

Amendment to Section 55 of the Act

Prior to Finance Act 2018, Section 10 (38) of the Act provided for exemption in respect of gains arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust where the transaction is subject to STT. The Finance Act 2018 withdrew the exemption on LTCG from the transfer of equity shares if STT is paid on both acquisition and

transfer.

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

This amendment is proposed to be deemed to have been inserted with effect from the April 1, 2018 and shall accordingly apply retrospectively from AY 2018-19 onwards.

TAX ADMINISTRATION

Direct Tax Vivad se Vishwas Scheme, 2024

In view of the fact that the pendency of litigation at various levels has been on the rise due to larger number of cases going for appeal than the number of disposals and in light of the success of the previous VsV Act, 2020, the introduction of a Direct Tax VsV Scheme, 2024 is proposed with the objective of providing a mechanism of settlement of disputed issues, thereby reducing litigation without much cost to the exchequer.

It is proposed that this Scheme shall come into force from the date to be notified by the Central Government. The last date for the Scheme is also proposed to be notified.

VKC Insights

Introduction of Direct Tax Vivad se Vishwas Scheme 2024 is a welcome move thereby reducing the amount of pending litigation, ensuring timely revenue generation for the government, and providing taxpayers with savings, certainty, and peace of mind by minimizing time and costs associated with litigation.

Amendment to provisions related to equalisation levy

Chapter VIII of the Finance Act 2016 related to equalisation levy was amended by Finance Act 2020 to provide for imposition of equalization levy of 2% on the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services.

It is proposed as follows:

- This equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after August 1, 2024.
- Consequently, as the 2% levy is being made inapplicable, it is proposed that income arising from e-commerce supply or services made or provided or facilitated on or after April 1, 2020 but before August 1, 2024 only, shall fall in the ambit of clause (50) of Section 10 of the Act.

These amendments will take effect from August 1, 2024.

VKC Insights

The abolishment of equalization levy of 2% on e-commerce transactions is an appreciable step by alleviating the tax burden on foreign digital companies. It showcases the inclination of India's tax system to harmonize with the International Tax Landscape.

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

Section 42 of the Black Money Act, 2015 provides for penalty for failure to furnish details of foreign income and assets in the return of income.

It is proposed to amend the provisos to Sections 42 and 43 of the Black Money Act, 2015 to provide that the provisions of the said Sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed INR 20 lac (INR 2 Million).

This amendment will take effect from October 1, 2024.

VKC Insights

Under India's Black Money Law, a penalty of INR 10 lakhs was previously levied for failing to report foreign assets exceeding INR 5 lakhs in bank accounts on income tax returns. This high penalty particularly affected Indian employees of multinational companies receiving ESOPs and individuals investing in foreign shares who unintentionally omitted these assets in their tax filings. The Government's step to levy penalty only when the aggregate undisclosed foreign by pass the threshold limit of INR 20 lac (INR 2 Million) offers much needed relief to small taxpayers.

Amendments proposed in Section 276B of the Act for rationalisation of provisions

Section 276B of the Act states that, if a person fails to pay to the credit of the Central Government, the tax deducted at source by him as required by or under the provisions of Chapter XVII-B, he shall be punishable with rigorous imprisonment for a term which shall not be less than 3 months but which may extend to 7 years and with fine.

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

This amendment will take effect from October 1, 2024.

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

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

It is proposed to amend sub-section (3) of Section 201 and insert new sub- Section (7A) in Section 206C of the Act to provide that:

No order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of 6 years from the end of the FY in which payment is made or credit is given or tax was collectible or 2 years from the end of the FY in which the correction statement is delivered, whichever is later.

The amendments will take effect from April 1, 2025.

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

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

- to amend sub-section (1) of Section 197 to bring Section 194Q in its ambit.
- 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 October 1, 2024.



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

Section 206C of the Act provides for TCS on business of trading in alcoholic liquor, forest produce, scrap etc.

It is 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 October 1, 2024.

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

In order to put certainty and

finality on the filing process of TDS and TCS statements, it is proposed to amend Section 200 and sub-section (3B) of Section 206C to provide that no correction statement shall be delivered after the expiry of 6 years from the end of the FY 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.

The amendments will take effect from April 1, 2025.

Penalty for failure to furnish statements

Section 271H of the Act relates to penalty for failure to file TDS or TCS returns/ statements within the due date.

In order to ensure better compliance, it is proposed to amend sub-section (3) of Section 271H to provide that no penalty

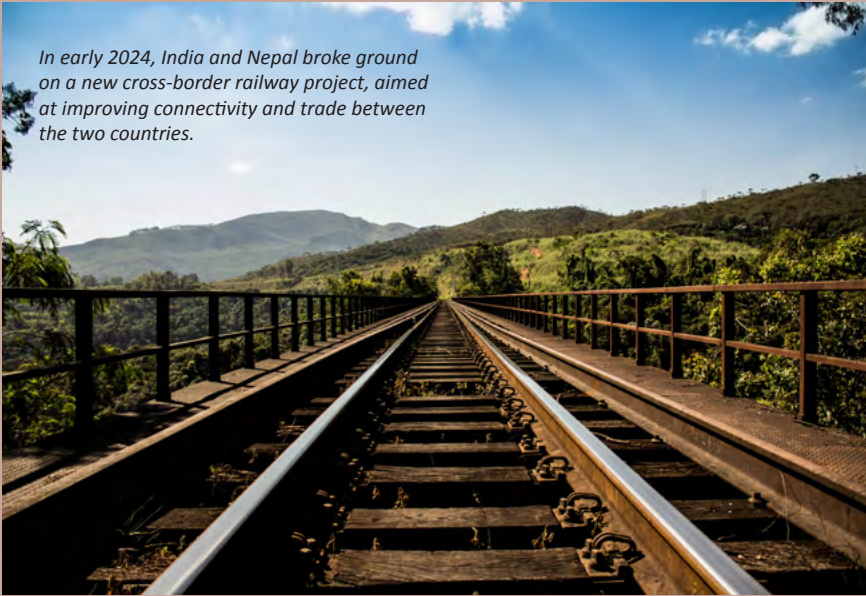
shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of 1 month from the time prescribed for furnishing such statement.

This amendment will take effect from April 1, 2025.

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

A non-resident having a liaison office in India, is required to prepare and deliver a statement in respect of its Activities in a FY to the AO within 60 days from the end of such FY under Section 285 of the Act.

- It is proposed that the period within which such statement is to be filed, be henceforth 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 INR 1000 for every day for which the failure continues, if the period of failure does not exceed 3 months and INR 1 lac (INR 0.1 Million) in any other case. A new Section 271GC is proposed to be inserted in this regard.
- 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.

These amendments will take effect from the 1st day of April, 2025.

Determination of Arm’s Length Price in respect of specified domestic transactions in proceedings before TPO

Section 92CA of the Act provides that the AO, if he considers it necessary or expedient to do so, may with the previous approval of Principal Commissioner or the Commissioner, refer the matter of determination of ALP in respect of an international transaction or SDT to the TPO.

It is proposed to amend sub-sections (2A) and (2B) of Section 92CA to enable the TPO to deal with Specified Domestic Transactions which have not been referred to him by the AO and/or in whose respect audit report under Section 92CE has not been filed.

These amendments will take effect from April 1, 2025 and will, accordingly, apply in relation to the AY 2025-26 and subsequent AYs.

Discontinuation of the provisions allowing quoting of Aadhaar enrolment ID in place of Aadhaar Number

The existing provisions of Section 139AA of the Act mandate, that every person who is eligible to obtain Aadhaar number shall, on or after July 1, 2017, quote Aadhaar number—

- in the application form for allotment of Permanent Account Number (PAN);
- in the return of income.

Further, said Section also provides that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or in the return of income furnished by him.

Owing to the fact that the majority of the population now holds an Aadhaar No., it is proposed that proviso to sub-section (1) of Section 139AA shall not apply from October 1, 2024. It is further proposed that every person who



Throughout 2023-24, India continued to implement the sweeping reforms outlined in the National Education Policy 2020, including changes to school curricula and the introduction of a four-year undergraduate program.

has been allotted PAN on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

This amendment will take effect from October 1, 2024.

Amendments in Sections 245Q and 245R related to advance rulings

The Finance Act 2021 provided that the Authority for Advance Rulings (AAR) shall cease to operate with effect from such date, as may be notified by the Central Government in the

Official Gazette. Sections 245N to 245W of the Chapter XIX-B provide for the power the Central Government to constitute Board for Advance Ruling (BAR).

Sub-section (3) of Section 245Q of the Act provides that an applicant may withdraw an application within 30 days from the date on which such application is made. After AAR was made ineffective, certain applications which were filed before the erstwhile AAR, in which no order under sub-section (2) of Section 245R had been passed, were transferred to the newly constituted BAR under sub-section (4) of

Section 245Q. In case of all those pending applications transferred to the BAR, the period of 30 days has already elapsed.

It is proposed to amend Section 245Q to allow application for withdrawal by October 31, 2024 for the transferred applications before BAR (from AAR) in cases where order under sub-section (2) of Section 245R has not been passed. It is further proposed to provide that on receipt of an application under the proviso to sub-section (4) of Section 245Q, the BAR may, by an order, reject the application referred to in sub-section (1) thereof as withdrawn

on or before December 31, 2024.

This amendment will take effect from October 1, 2024.

Powers of the Commissioner (Appeals)

In view of the huge pendency of appeals and disputed tax demands at the Commissioner (Appeals) stage, it is proposed that the cases where assessment order was passed as best judgement case under Section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the AO for making a fresh assessment.

Further, it is proposed to make consequential amendment in Section 153(3) of the Act in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).

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

It will be applicable to appellate orders passed by the Commissioner (Appeals) on or after October 1, 2024.

Amendment to Section 271FAA to comply with the Automatic Exchange of Information framework

The provisions of Section 271FAA apply in case the specified person furnishes inaccurate statement of the financial transactions / reportable account as prescribed under Section 285BA of the Act. While reviewing India's CRS legislative framework under the Automatic Exchange of Information framework, the Global Forum on Transparency and Exchange of Information for Tax Purposes has formed a view that the penal sanction available under the said Section for inaccuracies would not automatically extend to all cases where due diligence was not correctly done if the information did not lead to incorrect reporting.

In view of the above, it is proposed to make the following amendments in Section 271FAA to clarify that penalty under the said Section shall be attracted in any of the following circumstances–

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

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

This amendment will take effect from October 1, 2024.

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

The existing provisions of sub-section (1A) of Section 230 of the Act specify that, no person who is domiciled in India, shall leave India, unless he obtains a certificate from the Income Tax Authorities stating that he has no liabilities under the Income tax Act 1961, or the Wealth Tax Act 1957, The Expenditure-tax Act 1987, the Gift-tax Act 1958, or he makes satisfactory arrangements for the payment of all or any of such taxes which are or may become payable by that person. Such certificate is required to be obtained where circumstances exist which, in the opinion of an Income Tax Authority render it necessary for such person to obtain the same.

<p>In view of the same, it is proposed to insert the reference of liabilities under Black Money Act, 2015 in the sub-section (1A) of the Section 230 of the Act, for the purposes of obtaining a tax clearance certificate.</p> <p>This amendment will take effect from October 1, 2024.</p> <p>Rationalisation of provisions related to time-limit for completion of assessment, reassessment and recomputation</p> <p>The existing provisions of Section 153 of the Act specify the various time-limits for completion of assessment, reassessment and recomputation under various provisions of the Act. To reduce procedural difficulties in implementation of the provisions of the said Section, the following changes have been proposed for amendment in Section 153 of the Act:</p> <ul style="list-style-type: none"> Sub-section (1) of said Section provides, inter-alia, that assessment under Section 143 or Section 144 shall be completed within 12 months from the end of 	<p>the AY in which the income was first assessable. In this regard, it is proposed to insert a 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 12 months from the end of the FY in which such return is furnished.</p> <ul style="list-style-type: none"> Sub-section (3) of the said Section provides the time-limit for passing the fresh assessment order in pursuance of an order under Section 254 or Section 263 or Section 264 setting aside or cancelling an assessment. In this regard, it is proposed to insert the reference of Section 250 in this sub-section in order to provide the time-limit for disposal of cases which are proposed to be set aside by the Commissioner (Appeals). Further, it is proposed to amend sub-section (8) of the said Section to provide the timeline for passing of order in the case of revived assessment or re- 	<p>assessment proceedings as a consequence of annulment of block assessments under Chapter XIV-B of the Act.</p> <ul style="list-style-type: none"> 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 considering the exclusion provided in the explanation. <p>Moreover, the existing provisions of the Section 139 prescribe, that every person, being a company or a firm, or being a person other than a company or a firm whose total income exceeds the maximum amount which is not chargeable to income-tax, shall, furnish a return of his income. A consequential amendment is proposed in the said Section to provide that where any return of income is furnished in pursuance of an order under clause (b) of sub-section (2) of Section 119, the provisions of this Section 139 shall apply.</p> <p>These amendments will take effect from October 1, 2024.</p>	<p>Amendment to Section 80G</p> <p>The provisions of sub-section (1) of Section 80G provide that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of the Section, the sums as specified in sub-section (2) of the same Section.</p> <p>It is proposed to amend sub-clause (iii hg) of clause (a) of sub-section (2) of Section 80G of the Act to provide that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this Section, any sums paid by the assessee in the PY as donations to the National Sports Development Fund set up by the Central Government.</p> <p>This amendment will take effect from April 1, 2025 and will accordingly apply to AY 2025-26 and subsequent AYs.</p> <p>Removing reference to National Housing Board in Section 43D of the Act</p> <p>The Finance Act 2019 had amended the National Housing Board Act, 1987 (NBHA)</p>	<p>conferring powers for regulation of HFCs with RBI. Consequently, HFCs have come under the purview of the RBI as a category of NBFCs. In the Act, separate provisions already exist in Section 43D with respect to NBFCs.</p> <p>Hence, it is proposed to remove reference to NHB by omitting clause (b) of Section 43D of the Act and clause (a) and (b) of Explanation to Section 43D of the Act.</p> <p>The amendment will take effect from April 1, 2025 and shall accordingly apply in relation to AY 2025-26 and subsequent AYs.</p> <p>Adjusting liability under Black Money Act, 2015 against seized assets</p> <p>Section 132B of the Act in its existing form provides that any existing liability under the Income Tax Act 1961, the Wealth Tax Act 1957, The Expenditure-tax Act 1987, the Gift-tax Act 1958 and the Interest-tax 1974 Act and the amount of liability determined on completion of the assessment or reassessment in consequence of search or requisition, may be recovered from the taxpayer</p>	<p>out of the seized assets under Section 132 or requisitioned under Section 132.</p> <p>It has been observed that most of the liabilities arising under the Acts administered by the CBDT have been covered in Section 132B of the Act, for the purpose of extinguishment of liability by recovery out of the seized assets, except the liabilities arising under Black Money Act,2015.</p> <p>In view of the above, it is proposed to insert the reference of Black Money Act in the Section 132B of the Income-tax Act, 1961 so as to recover the existing liabilities under the Black Money Act,2015.</p> <p>This amendment will take effect from October 1, 2024.</p>
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India successfully hosted the 2023 ICC Cricket World Cup, with the final held at the refurbished Narendra Modi Stadium in Ahmedabad.

AMENDMENTS TO THE PROHIBITION OF BENAMI PROPERTY TRANSACTIONS ACT, 1988

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

Section 24 of the PBPT Act relates to notice and attachment of property involved in Benami transaction, with respect to which the following amendments are proposed:

- Insertion of sub-section (2A) to provide a maximum time limit of 3 months from the end of the month in which notice is issued under sub-section (1) for the benamidar or the beneficial owner to file their explanations or submissions.
- Amendment to sub-section (3) and sub-section (4) of Section 24 of the PBPT Act to increase the said period to 4 months from the end of the month in which notice under sub-section (1) of the said Section is issued.
- Amendment to sub-section (5) of Section 24 to increase the said period to 1 month from the end of the month in which the order under sub-clause (i) of clause (a), or



The government unveiled the National Logistics Policy in 2023, which aims to reduce logistics costs and improve the efficiency of supply chains.

under sub-clause (i) of clause (b) of sub-section (4) of the said Section 24 of the PBPT Act, has been passed.

These amendments will take effect from October 1, 2024.

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

As per Section 53(2) of the PBPT Act, this penalty levied for the offence of benami is the same for a benamidar or a beneficial

owner or any person who abets or induces any person to enter into a benami transaction. It is observed that due to the same quantum of penalty and prosecution as leviable on a beneficial owner and abettor, benamidars do not come forward to give evidence against the beneficial owner.

Thus, it is proposed as follows:

To insert a new Section 55A in the PBPT Act, to provide that the Initiating Officer may, with a view to obtaining the evidence of the benamidar or any other person

as referred to in Section 53, other than the beneficial owner, tender to such person immunity from penalty for any offence under Section 53, with the previous sanction of the competent authority as referred to in Section 55, on condition of his making a full and true disclosure of the whole circumstances relating to the benami transaction.

A tender of immunity made to, and accepted by, the person concerned, shall, render him immune from prosecution for any

offence in respect of which the tender was made and from the imposition of any penalty under Section 53 of the Act.

Further, if it appears to the IO that any person to whom immunity has been tendered under this Section has violated the condition on which the tender was made or is willfully concealing anything or is giving false evidence, the IO may record a finding to that effect, and thereupon, with the previous sanction of the competent authority (as referred to in

Section 55), the immunity shall be deemed to have been withdrawn. Additionally, such person may be tried for the offence in respect of which the tender of immunity was made or for any other offence of which he appears to have been guilty in connection with the same matter.

This amendment will take effect from October 1, 2024.

VKC Insights

It remains to be seen what kind of ‘conditions’ that can be included within the tender of immunity. Status of other civil proceedings as well as penalty proceedings under the Benami Act can continue against such Benamidars when immunity is provided solely from ‘prosecution’ needs to be clarified.

INDIRECT TAXES



The Indian Parliament passed the Women's Reservation Bill that reserves 33 per cent of seats in the Lok Sabha and state assemblies for women.

Unless specified otherwise, amendments proposed in the Finance (No. 2) Bill, 2024, vide clause 110 to 153 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.

GOODS AND SERVICES TAX (GST)

Amendments in the CGST Act, 2017:

- Section 9 is being amended to take Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption out of purview of central tax. Similar amendments are also proposed in IGST Act and UTGST Act.
- Section 11A is being inserted to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.

VKC Insight

It intends to empower the government to waive off recovery of taxes which were non-levy or short levy has continued as a result general practice. This will help reduce litigation due to genuine non-compliances.

- Amendment is proposed in sub section (3) of Section 13 of CGST Act to provide for time of supply of services where the invoice is required to be issued by the recipient of services in cases of reverse charge supplies. Consequently, Clause (f) of sub-section (3) of section 31 of the CGST Act is being amended, so as to incorporate an enabling provision for prescribing the time period for issuance of invoice by the recipient in case of reverse charge mechanism supplies.

VKC Insight

Self-invoicing under RCM has to be done within prescribed time limit i.e. within a period of thirty days. This compliance may impact time of supply for RCM liability and time limit to avail ITC.

- Sub-section (5) is being inserted in section 16 of the CGST Act, so as to carve out an exception to the existing

sub-section (4) and to provide that in respect of an invoice or debit note under the said sub-section, for the FY 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the November 30, 2021.

Sub-section (6) is being inserted in the said section so as to allow the availment of input tax credit in respect of an invoice or debit note in a return filed for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, filed within 30 days of the date of order of revocation of cancellation of registration, subject to the condition that the time-limit for availment of credit in respect of the said invoice or debit note should not have already expired under sub-section (4) of the said section on the date of order of cancellation of registration.

The aforesaid amendments are made effective from the July 01, 2017.

Further, where the tax has been paid or the input tax credit has been reversed, no refund of the same shall be admissible.

VKC Insight

Relaxation in time limit for input tax credit for FY 2017-18 to 2020-21 to allow input tax credit on an invoice or debit note for FY 2017-18 – 2020-21 availed in any GSTR-3B filed upto November 30, 2021. This will help in reducing the litigation in cases where ITC was availed after time limit. This benefit should have been extended to later years as well.

- Sub-section (5) of section 17 of the CGST Act is being amended, so as to restrict the non-availability of input tax credit in respect of tax paid under section 74 of the said Act only for demands upto FY 2023-24. Reference to sections 129 and 130 in the said sub-section has also been removed.
- A new proviso is being added to sub-section (2) of section 30 of the CGST Act, introducing an enabling clause that allows for the prescription of conditions and restrictions for the revocation of registration cancellation.

- Sub-section (3) of section 39 of the CGST Act is being replaced to require registered persons obligated to deduct tax at source to electronically file a return each month, regardless of whether any deductions were made that month. Additionally, it authorizes the Government to establish rules regarding the form, manner, and timing for filing such returns.
- Sub-section (3) of section 54 of the CGST Act is being amended, and a new sub-section (15) is being added to stipulate that no refund of unutilized input tax credit or integrated tax will be permitted for zero-rated supplies of goods that are subject to export duty.
- Sub-section (1A) is being inserted in section 70 of the CGST Act to allow an authorized representative to appear on behalf of the summoned person before the proper officer, in compliance with the summons issued by the said officer.

VKC Insights

Investigating Authorities earlier used to summon key managerial persons such as CEO/CFO/ Directors including foreign managerial persons. This amendment will now expressly give relief to such KMP’s.

- Sub-section (12) is being inserted to restrict Section 73 of CGST Act applicability upto FY 2023-24 for determination of tax not paid or short paid or erroneously refunded, or where input tax credit has been wrongly availed or utilized for any reason, other than the reason of fraud or any wilful-misstatement or suppression of facts to evade tax.
- Sub-section (12) is being inserted to restrict Section 74 of CGST Act applicability upto FY 2023-24 for determination of tax not paid or short paid or erroneously refunded or where input tax credit has been wrongly availed or utilized by reason of fraud, or any wilful-misstatement or suppression of facts to evade tax.
- Section 74A introduced for issuing demand notices

and order from FY 2024-25 onwards. It intends to set a common time line for tax determination due to any reason which are as under:

- SCN can be issued within 42 months from the due date of filing Annual

Return for the financial year.

- An order can be issued within 12 months from the date of the Show Cause Notice (SCN). This period can be extended by up to six

additional months if the Joint Commissioner or Commissioner provides a written explanation for the delay.

- Penalty shall be as under:

Period of Payment of Tax & Interest (Along with reduced penalty)	Determination of tax other than the reason of fraud	Determination of tax by the reason of fraud
Before serving of SCN	NIL	15%
Within 60 days of issue of SCN	NIL	25%
Within 60 days of issue of Order	NIL	50%

VKC Insights

This will rationalize the earlier multiple provisions contained in Section 73 & 74 into a uniform limitation period structure.

Sub-section (2A) is being inserted in section 75 in the CGST Act, so 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.

Sub-section (6) of section 107 of the CGST Act is being amended to lower the maximum amount of pre-deposit required for filing an appeal before the Appellate Authority from INR 250 million to INR 200 million in central tax cases.

VKC Insights

The maximum amount payable for filing appeal before the Appellate Authority as pre-deposit is reduced from INR 250 million to INR 200 million in central tax.

- Section 109 of the CGST Act is being amended, so as to empower the Government

to notify types of cases that shall be heard only by the Principal Bench of the Appellate Tribunal.

- Sub-sections (1) and (3) of section 112 of the CGST Act are being amended, the Government is empowered to notify the date for filing appeals before the Appellate Tribunal and to provide a revised time limit for filing appeals or applications before the Appellate Tribunal. These amendments shall take effect 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, the maximum amount of pre-deposit for filing appeals before the Appellate Tribunal is reduced from twenty percent to ten percent of the tax in dispute. Additionally, the maximum amount payable as pre-deposit is reduced from INR 500 million to INR 200 million in central tax.

VKC Insights

This will reduce the financial burden for taxpayers to pursue appeals. These amendments will make the appellate process more accessible and efficient for both taxpayers and the department.

- Section 128A in the CGST Act is being inserted, to provide waiver of interest and penalty for the FY 2017-18 to 2019-20 to SCN/Order in scenarios as under:
 - * SCN issued under Section 73 but no order passed

- * Order passed under Section 73 but Appellate/ Revision order not passed
- * Appellate/Revision order passed with respect to order under Section 73 but GST Tribunal order not passed.

Subject to following compliance & conditions, the amount of interest and penalty levied with respect to demand made under Section 73 shall be waived off:

- * On payment of full amount of tax payable as per SCN/Order or Appellate/Revisional Order on or before the notified date
- * If in an Appeal already filed by the Department or revisional proceedings initiated by the Department, the amount of tax payable is increased, the same shall be payable within 3 months
- * Appeal/Writ filed by the Taxpayer to be withdrawn on or before the notified date.
- * No further Appeal can be filed in the matter concluded under this Scheme.

- * No refund of interest/ penalty already paid.

VKC Insights

This amendment offers a substantial benefit to taxpayers by reducing their financial burden during the specified periods where they have received SCN to deposit tax with interest and penalty. The waiver should have been extended to later years as well.

- A proviso and an explanation are being added to sub-section (2) of section 171 of the CGST Act to authorize the Government to specify the date from which the Authority under this section will cease accepting applications for anti-profiteering cases.
- Following goods and services will be inserted in Schedule III to the CGST Act which shall be treated neither as a supply of goods nor a supply of services:
 - * 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.

- * 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.

- No refund shall be made of all the tax paid or the input tax credit reversed, which would not have been so paid, or not reversed had the said clause 114 been in force at all material times.

VKC Insights

No refund on tax paid or input tax credit reversed due to time limit of availing ITC for FY 2017-18 to 2020-21 will be allowed.

Consequential amendments have been made in IGST ACT, 2017, UTGST ACT, 2017, GST (Compensation to States) Act, 2017 to give effect to the aforesaid provisions.

CUSTOMS

Amendments in The Customs Act, 1962

- Section 28 DA is being amended to enable the acceptance of different types of proof of origin provided in trade agreements in order to align the said section with new trade agreements, which provide for self-certification.
- A proviso to sub-section (1) of Section 65 is being inserted to empower the Central Government to specify certain manufacturing and other operations in relation to a class of goods that shall not be permitted in a warehouse.

Amendments in The Customs Tariff Act, 1975

- Section 6 of the Customs Tariff Act, 1975 which provided for levy of protective duties in certain cases by the Central Government on the recommendations of the Tariff Commission is being omitted, as the Tariff Commission has been wound up by resolution dated 1st June 2022 by the Government of India. This change will come into effect from the date of enactment of the Finance (No. 2) Bill, 2024.



Please scan the above QR code from your mobile phone, or [CLICK HERE](#) to read Amendments to the First Schedule to The Customs Tariff Act, 1975

SECTOR WISE IMPACT



INFRASTRUCTURE AND INVESTMENT SECTOR

- All-round development of the eastern region of the country covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh
- On the Amritsar Kolkata Industrial Corridor, development of an industrial node at Gaya.
- Road connectivity projects, namely (1) Patna-Purnea Expressway, (2) Buxar-Bhagalpur Expressway, (3) Bodhgaya, Rajgir, Vaishali and Darbhanga spurs, and (4) additional 2-lane bridge over

river Ganga at Buxar at a total cost of INR 26,000 crore (INR 260 billion).

- Power projects, including setting up of a new 2400 MW power plant at Pirpainti, at a cost of INR 21,400 crore (INR 214 billion).
- New airports, medical colleges, and sports infrastructure in Bihar to be constructed.
- INR 15,000 crore (INR 150 billion) to be arranged, with additional amounts in future years to fulfil the commitments in the Andhra Pradesh Reorganization Act.

- Central assistance of INR 2.2 lakh crore (INR 2.2 trillion) in the next 5 years under the PM Awas Yojana Urban 2.0. A provision of interest subsidy to facilitate loans at affordable rates is also envisaged.
- PM Surya Ghar Muft Bijli Yojana launched to install rooftop solar plants to enable 1 crore households obtain free electricity up to 300 units every month.
- Phase IV of PMGSY to be launched to provide all weather connectivity to 25,000 rural habitations.
- AISC thermal power plants



with much higher efficiency completed. A joint venture between NTPC and BHEL to set up a full scale 800 MW commercial plant using AISC technology.

- Outlay of INR 11.11 lac crore (INR 11.11 trillion) for infrastructural development being 3.4% of the GDP.
- Financial support for projects with estimated cost of INR 11,500 crore (INR 115 billion) such as the Kosi-Mechi intra-state link and 20 other ongoing and new schemes to be provided.
- Assistance for flood management and related projects in Assam, Sikkim & Uttarakhand and assistance for reconstruction and rehabilitation in Himachal Pradesh.
- Development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor modelled on Kashi Vishwanath Temple Corridor

- Comprehensive development initiative for Rajgir to be undertaken which holds religious significance for Hindus, Buddhists and Jains.
- Development of Nalanda as a tourist center besides reviving Nalanda University to its glorious stature and assistance to development of Odisha for making it an ultimate tourism destination.
- 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 INR 1 lakh crore (INR 1 trillion)
- A venture capital fund of INR 1,000 crore (INR 10 billion) to be set up for space economy.

INDUSTRIAL AND CORPORATE SECTOR

- Credit Guarantee Scheme for MSMEs in the Manufacturing Sector for facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee.
- Public sector banks to build their in-house capability to assess MSMEs for credit, instead of relying on external assessment.
- Mudra Loans to be enhanced to INR 20 lakh (INR 2 million) from INR 10 lakh (INR 1 million) for those entrepreneurs who have repaid successfully loans under the 'Tarun' category.
- To enable MSMEs and traditional artisans to sell their products in international markets, E-Commerce Export Hubs to be set up in public private-partnership (PPP) mode.
- A comprehensive scheme for providing internship opportunities in 500 top companies to 1 crore youth in 5 years to be launched.
- "Plug and play" industrial parks with complete infrastructure in or near 100 cities to be developed.
- Twelve industrial parks under the National Industrial Corridor Development Programme to be

sanctioned.

- Rental housing with dormitory type accommodation for industrial workers to be facilitated in PPP mode.
- Ownership, leasing and flagging reforms to be implemented to improve the share of the Indian shipping industry and generate more employment.
- C-PACE to be extended for voluntary closure of LLPs to reduce the closure time.
- Roadmap for moving the 'hard to abate' industries from 'energy efficiency' targets to 'emission targets' to be formulated.
- Investment-grade energy audit of traditional micro and small industries in 60 clusters, including brass and ceramic, to be facilitated.

EDUCATION SECTOR

- 1,000 Industrial Training Institutes to be upgraded in hub and spoke arrangements with outcome orientation.
- Model Skill Loan Scheme to be revised to facilitate loans up to INR 7.5 lakh (INR 0.75 million) with a guarantee from a government promoted Fund.
- Financial support for loans upto INR 10 lakh (INR 1 million) for higher education in domestic institutions.

AGRICULTURE SECTOR

- Government to undertake a comprehensive review of the agriculture research setup to bring the focus on raising productivity and developing climate resilient varieties.
- In the next two years, 1 crore farmers across the country to be

initiated into natural farming.

- To achieve self-sufficiency in pulses and oilseeds their production, storage, and marketing to be strengthened.
- Large scale clusters for vegetable production will be developed closer to major consumption centres.
- Implementation of the DPI in agriculture for coverage of farmers and their lands in 3 years.
- Financing for shrimp farming, processing, and export to be facilitated through NABARD.
- National Cooperation Policy for systematic, orderly, and all-round development of the cooperative sector to be introduced.
- Allocation of INR 1.52 lakh crore (INR 1.52 trillion) for agriculture and allied sector.

OTHER SECTORS

- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands. Establishment of land registry and linkages to farmers' registries.
- Land records in urban areas to be digitized with GIS mapping. Survey of map sub-divisions as per current ownership.
- Enhancing the availability of capital for climate adaptation and mitigation related investments
- FDI and Overseas Investments simplified to facilitate FDIs and promote opportunities for using Indian Rupee as a currency for overseas investments.
- NPS Vatsalya launched as a plan for contribution by parents and guardians for minors into the NPS

scheme.

- Integrated Technology Platform to be set up for improving the outcomes under the Insolvency and Bankruptcy Code.
- States which continue to charge high stamp duty to moderate the rates for all, and also consider further lowering duties for properties purchased by women.
- Incentive to be provided at specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first 4 years of employment to benefit 30 lakh youth entering employment, and their employers.
- All additional employment within a salary of INR 1 lakh (INR 0.1 million) per month to be counted to reimburse to employers up to INR 3,000 per month for 2 years towards their EPFO contribution for each additional employee.

GLOSSARY

AE	Advance Estimates
APA	Advance Pricing Agreement
AIDC	Agriculture Infrastructure and Development Cess
AMT	Alternate Minimum Tax
AIF	Alternative Investment Funds
AVGC	Animation, Visual effects, Gaming, and Comic
API	Application Programming Interface
ALP	Arm's Length Price
AO	Assessing Officer
AY	Assessment Year
AOP	Association of Persons
AAR	Authority for Advance Ruling
BEPS	Base Erosion and Profit Shifting
BaaS	Battery as a Service
BPL	Below Poverty Line
BM Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BAR	Board for Advance Ruling
BOD	Board of Directors
BOI	Body of Individuals
BSE	Bombay Stock Exchange
BE	Budget Estimate
CBDC	Central Bank backed Digital Currency
CBDT	Central Board of Direct Taxes
CGST	Central Goods and Service Tax
CPSE	Central Public Sector Enterprises
C-PACE	Centre for Processing Accelerated Corporate Exit
CIT	Commissioner of Income Tax
CDT	Commodities Transaction Tax
CTT	Commodity Transaction Tax
CBU	Completely Built Unit
CCPS	Compulsory convertible Preference Shares
CFS	Consolidated Financial Statements
CFPI	Consumer Food Price Index
CSI	Continental Shelf of India
CII	Cost Inflation Index
CIF	Cost Insurance Freight
COA	Cost of Acquisition
COI	Cost of Improvement
CVD	Counter Vailing Duty
CbC	County-By-Country
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises
CAD	Current Account Deficit
DFI	Development Financial Institution
DBU	Digital Banking Unit
DPI	Digital Public Infrastructure
DDT	Dividend Distribution Tax
DTA	Domestic Tariff Area
ECS	Electronic Clearing System
EDF	Electronic Development Fund
EGR	Electronic Gold receipt
ECLGS	Emergency Credit Line Guarantee Scheme
EEZ	Exclusive Economic Zones
ECGC	Export Credit and Guarantee Corporation
EOU	Export Oriented Unit
ECB	External Commercial Borrowings
FMV	Fair Market Value
FCP	Final Cane Price
FA	Finance Act
FCI	Food Corporation of India
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FII	Foreign Institutional Investor
FPI	Foreign Portfolio Investors
FTP	Foreign Trade Policy

GOBARdhan	Galvanizing Organic Bio-
GDR	Global Depository Receipt
GST	Goods & Services Tax
GSTN	Goods & Services Tax Network
GTA	Goods Transport Agency
GCF	Gross Capital Formation
GERD	Gross Domestic Expenditure on R&D
GDP	Gross Domestic Product
GIFT	Gujarat International Finance Tec
HSD	High Speed Diesel
HEFA	Higher Education Financing Agency
HUF	Hindu Undivided Family
HFC	Housing Finance Companies
ITAT	Income Tax Appellate Tribunal
ITA	Income-tax Authority
IIFCL	India Infrastructure Finance Company Limited
Ind-AS	Indian Accounting Standards
ICMR	Indian Council of Medical Research
IDR	Indian Depository Receipts
IIM	Indian Institute of Management
IIT	Indian Institute of Technology
INR	Indian National Rupee
IRS	Indian Revenue Service
IMR	Infant Mortality Rate
ICT	Information & Communication Technology
IT	Information Technology
Invit	Infrastructure Investment Fund
IO	Initiating Officer
ICD	Inland Container Depot
ITC	Input Tax Credit
IBC	Insolvency and Bankruptcy Code, 2016
IIT-B	Institute of Information Technology- Bangalore
IRDA	Insurance Regulatory and Development Authority
IGST	Integrated Goods and Service Tax
IRGD	Interest rate growth rate differential
IFSC	International Financial Services Centre
IPTV	Internet Protocol Television
JV/ WOS	Joint Venture/Wholly Owned Subsidiary
LLP	Limited Liability Partnership
LCD	Liquid Crystal Display
LPG	Liquified Petroleum Gas
LTCG	Long-term Capital Gain
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MISHTI	Mangrove Initiative for Shoreline Habitats & Tangible Incomes
MLD	Market Linked Debentures
MRP	Maximum Retail Price
MSP	Maximum Selling Price
MTFP	Medium-Term Fiscal Policy
MSE	Micro and Small Enterprises
MSME	Micro Small and Medium Enterprises
MUDRA	Micro Units Development Refinance Agency
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate affairs
MLI	Multilateral Instrument
MF	Mutual Fund
NHAI	National Highways Authority of India
NHB	National Housing Bank
NHB Act	National Housing Bank Act, 1987
NTLM	National Language Translation Mission
NPS	National Pension Scheme
NSE	National Stock Exchange
NSIL	New Space India Limited
NBFC	Non-Banking Financial Companies
NCD	Non-convertible Debentures

NR	Non-Resident
NRI	Non-Resident Indian
ODI	Offshore Derivative Instruments
ONGC	Oil and Natural Gas Corporation
OPC	One person Company
OTS	One Time Settlement
PAN	Permanent Account Number
PE	Permanent Establishment
POEM	Place of Effective Management
PPA	Power Purchase Agreement
PM-JAY	Pradhan Mantri Jan Arogya Yojana
PY	Previous Year
PACS	Primary Agricultural Credit Societies
PCARD	Primary Co-Operative Agricultural and Rural Development Bank
Pr.CIT	Principal Commissioner of Income-tax
PCBA	Printed Circuit Board Assembly
PLI	Production Linked Incentive
PBPT	Prohibition of Benami Property Transactions Act
PDMA	Public Debt Management Agency
PPP	Public Private Partnership
PSU	Public Sector Undertaking
QFI	Qualified Foreign Investors
QIB	Qualified Institutional Buyer
QIP	Qualified institutional Placement
RAMP	Raising and Accelerating MSME Performance
REIT	Real Estate Investment Fund
RPF	Recognised Provident Fund
RSE	Recognised Stock Exchange
RRB	Regional Rural Bank
R&D	Research & Development
RBI	Reserve Bank of India
RSP	Retail Sale Price
RE	Revised Estimates
RTE	Right to Education
RIC	Road and Infrastructure Cess
SC/ST	Scheduled Cast/Scheduled Tribe
SEBI	Securities & Exchange Board of India
SCRA	Securities Contract (Regulation) Act, 1956
STT	Securities Transaction Tax
SEP	Significant Economic Presence
SIDBI	Small Industries and Development Bank of India
SSI	Small Scale Industry
SITP	Software Information Technology Park
SEZ	Special Economic Zones
SPV	Special Purpose Vehicle
SAD	Specific Advaloram Duty
SDT	specified domestic transaction
SFC	State Finance Corporations
SGST	State Goods and Service Tax
SMP	Statutory Minimum Price
SAF	Superannuation Funds
TCS	Tax Collected at Source
TAN	Tax Collection/ Deduction Account number
TDS	Tax Deducted at Source
TI	Total Income
UTGST	Union Territory Goods and Service Tax
UID	Unique Identification
UIDAI	Unique Identification Authority of India
ULIP	Unit Linked Insurance Plan
UIDF	Urban Infrastructure Development Fund
USD	US Dollar
VCU	Venture Capital Undertaking
VsV	Vivaad se Vishwas
WPI	Wholesale Price Index
WTO	World Trade Organization
YoY	Year on year
ZCBS	Zero Coupon Bonds

- This document summarises the important provisions of the Budget 2024 proposals as placed before the Parliament.
- Topics presented are grouped into chapters and sections to facilitate an understanding of the proposals. These are, however, not mutually exclusive.
- Unless otherwise stated, Direct Tax Proposals will be applicable from AY 2025-26. Indirect Tax Proposals will however, be applicable with immediate effect under the Provisional Collection of Taxes Act, 1931.
- The proposals are subject to amendment as the Finance Bill passes through the Parliament.
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