

UNION BUDGET 2024 - TAX PROPOSALS

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FOREWORD:

The provisions of Finance (No. 2) Bill, 2024 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue reforms in direct tax system through tax reliefs, removing difficulties faced by taxpayers and rationalisation of various provisions. The Bill also seeks to amend the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, Chapter VII of Finance (No. 2) Act, 2004 ('Securities Transaction Tax', STT in short), Chapter VIII of Finance Act, 2016 ('Equalisation Levy') and Prohibition of Benami Property Transaction Act, 1988 ('Benami Act').

With a view to achieve the above, the various proposals for amendments are organized under the following heads:—

- Rates of Income-Tax
- Measures to promote investment and employment
- Simplification and Rationalisation
- Widening and deepening of tax base and Anti-Avoidance
- Tax administration

We have made our best effort to summarise the key changes in simpler manner under this budget highlights. Trust the same would be found useful in understanding the taxation proposals.

Best Regards,

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EXECUTIVE SUMMARY

Section	Description	Particulars	Reference (Click on the link for detailed analysis)														
Rates of income tax	The detailed annexure of rates of income tax for all categories of assessees.	<p>Proposed slab rate in new scheme of individual taxation u/s 115BAC:</p> <table border="1" data-bbox="695 604 1279 934"> <thead> <tr> <th>Total income</th> <th>Tax rate</th> </tr> </thead> <tbody> <tr> <td>Up to 3,00,000</td> <td>Nil</td> </tr> <tr> <td>From Rs. 3,00,001 to Rs. 7,00,000</td> <td>5%</td> </tr> <tr> <td>From Rs. 7,00,001 to Rs. 10,00,000</td> <td>10%</td> </tr> <tr> <td>From Rs. 10,00,001 to Rs. 12,00,000</td> <td>15%</td> </tr> <tr> <td>From Rs. 12,00,001 to Rs. 15,00,000</td> <td>20%</td> </tr> <tr> <td>Above Rs. 15,00,000</td> <td>30%</td> </tr> </tbody> </table> <p>Rate of tax for foreign Companies is reduced from 40% to 35%</p>	Total income	Tax rate	Up to 3,00,000	Nil	From Rs. 3,00,001 to Rs. 7,00,000	5%	From Rs. 7,00,001 to Rs. 10,00,000	10%	From Rs. 10,00,001 to Rs. 12,00,000	15%	From Rs. 12,00,001 to Rs. 15,00,000	20%	Above Rs. 15,00,000	30%	A1
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Up to 3,00,000	Nil																
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16(ia) and 57(ia)	Increase of standard deduction in 115BAC and Increase in the deduction of family pension	<p>For those opting for the new tax regime under Section 115BAC, the deduction will increase from ₹50,000 to ₹75,000.</p> <p>For those under the new tax regime, the deduction for family pension will increase from ₹15,000 to ₹25,000.</p>	A2														
80CCD and 36(1)(iva)	Increase in amount allowed as deduction to non-government employers and their employees for NPS contribution	Employer contribution to NPS is increased from 10% to 14%	A3														
	Tax incentives to IFSC units		A4														
56(2)(viib)	Taxation on angel investments	Proposal to abolish ANGEL tax for all classes of investors	A5														

44BBC, 44B, 10(15B)	Simpler tax regime to operate domestic cruise	New presumptive taxation regime for non-residents operating cruise ships at 20% of the total amount received or paid for passenger carriage as profits.	A6
275	Rationalisation of provisions relating to period of limitation for imposing Penalties		A7
10,11 to 13	Rationalisation of the provisions of charitable trusts and institutions	Explained in detail below	A8
111A, 112, 112A	Rationalisation and Simplification of taxation of Capital Gains	<ul style="list-style-type: none"> ➤ Short-term capital gains on certain securities (like stocks) will be taxed at 20% instead of 15%. ➤ Long-term capital gains will have a flat rate of 12.5% for all assets. ➤ No indexation on long term capital assets 	A9
50AA	Amendment to definition of Specified Mutual Fund under section 50AA	<p>A specified mutual fund will now mean:</p> <ul style="list-style-type: none"> ➤ A mutual fund that invests more than 65% of its total proceeds in debt and money market instruments. ➤ A fund that invests 65% or more of its total proceeds in units of another fund that meets the above criteria. 	A10
Chapter XVIIIB	Rationalisation of Tax Deducted at Source rates	Reduction in TDS rates in various sections	A11
192(2B)	Ease in claiming credit for TCS collected/TDS deducted by salaried employees	TCS and other TDS: Proposed to be considered when calculating TDS on salary.	A12
206C(7)	Alignment of interest rates for late payment to Government account of TCS Current Situation	Increase the interest rate for late payment of TCS from 1% to 1.5% per month.	A13

40(b)(v)	Increase in limit of remuneration to working partners of a firm allowed as deduction	It is proposed that on the first Rs 6,00,000 of the book-profit or in case of a loss, the limit of remuneration is increased to Rs 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more	A14
206C	Claiming credit for TCS of minor in the hands of parent	It is proposed to allow the tax credit to be given to someone other than the person from whom it was collected, like a parent.	A15
115QA	Tax on distributed income of domestic company for buy-back of shares	It is proposed to tax income received on buy back of shares in the hands of the recipient.	A16
Finance (No.2) Act 2004	Revision of rates of securities transaction tax by amendment to the Finance (No.2) Act, 2004	Options: Increase STT from 0.0625% to 0.1% of the option premium. Futures: Increase STT from 0.0125% to 0.02% of the trading price.	A17
Section 28	Reporting of income from letting out of house property under 'Income from House Property'	Rental income from a residential house must be reported as "Income from house property" and not as "Profits and gains of business or profession."	A18
47	Amendment of section 47 for capital gain	Proposed to amend 'gift by only individual and HUF' under a Gift Deed or WILL or irrevocable Trust.	A19
194T	TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners	New provision to deduct tax on payment made to partner by way salary, remuneration, commission, bonus or interest in excess of Rs. 20,000 per annum at 10%	A20
206C	TCS under sub-section (1F) of section 206C on notified goods	Proposed to include few other luxury goods under the TCS bracket when there is more than 10 lakhs sale.	A21
194 -IA	Amendment of provisions of TDS on	While calculating the limit of 50 lakhs, the total property value would be considered and not the individual payments.	A22

	sale of immovable property		
198	Inclusion of taxes withheld outside India for purposes of calculating total income	Proposed to state that payments covered under Section 194J (professional or technical services) should not be considered as “work” under Section 194C (contractors).	A23
194C	Excluding sums paid under section 194J from section 194C (Payments to Contractors)	Payments covered under Section 194J (professional or technical services) should not be considered as “work” under Section 194C (contractors).	A24
37	Disallowance of settlement amounts being paid to settle contraventions		A25
55	Amendment of Section 55 of the Act	Computation of FMV in certain cases	A26
	Direct Tax Vivad se Vishwas Scheme, 2024	Details to be notified	A27
Finance (No.2) Act 2004	Amendment of provisions related to Equalisation Levy		A28
Amendments in section 42 and 43 of the Black Money Act, 2015	Penalty for failure to disclose foreign income and asset in the ITR	Threshold for imposing penalty for non-disclosure of foreign assets in ITR of residents is increased to 20 lakhs.	A29
197, 206C	Extending the scope for lower deduction / collection certificate of tax at source	Proposed to amend Section 197 to include Section 194Q. Proposed to amend Section 206C(9) to include Section 206C(1H).	A30
80G	Amendment of Section 80G	The description of the fund changed from “to be constituted” to “constituted by Central Government”	A33

230	Amendment to include the reference of Black Money Act, 2015 for the purposes of obtaining a tax clearance certificate	A clearance under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 is required for a person domiciled in India and want to leave the country	A34
153(3)	Powers of the Commissioner (Appeals)	Power shall be given to Commissioner (Appeals) to refer the case back to Assessing Officer for conducting a fresh assessment if the assessment was made based on the best judgement.	A35
92CA	Determination of Arms Length Price in respect of specified domestic transactions in proceedings before Transfer Pricing Officer	The power is given to Transfer Pricing Officer to determine arm's length price for unreported specified domestic transaction.	A36
285, 271GC	Submission of statement by liaison office of non-resident in India	<ul style="list-style-type: none"> ➤ Time limit for submit statements by liaison office shall be henceforth prescribed under Rules. ➤ Penalty of Rs. 1,000 per day for every day for a period not exceeding three months and a penalty of Rs. 1,00,000 in all other cases shall be levied for non-filing of statement by liaison office. 	A37
271H	Penalty for failure to furnish statements	No penalty shall be levied if TDS / TCS returns are furnished within one month of due date after paying TDS / TCS along with fees and interest.	A38
200 and 206C(3B)	Time limit to file correction statement in respect of TDS/ TCS statements	No correction statement for TDS / TCS shall be filed after the expiry of six years from the end of the financial year in which original statement was filed.	A39
206C	Notification of certain persons or class of persons as exempt from TCS	Exemption or lower rate of TCS shall be provided for specified transaction in case of specified persons as notified by Central Government in the Official Gazette.	A40

132B	Adjusting liability under Black Money Act, 2015 against seized assets	The tax liabilities relating to Black Money Act, 2015 shall be recovered from the seized assets.	A41
24 of Prohibition of Benami Property Transactions Act, 1988	Amendment of Section 24 of the Prohibition of Benami Property Transactions Act, 1988	<ul style="list-style-type: none"> ➤ Maximum time limit for benamidar or real owner to provide explanations or submissions is proposed to be set at 3 months. ➤ The attachment period for the property is proposed to be extended to 4 months. <p>The time limit for the Initiating Officer to submit a statement is proposed to be increased to one month.</p>	A42
55A of Prohibition of Benami Property Transactions Act, 1988	Insertion of Section 55A in the Prohibition of Benami Property Transactions Act, 1988	<ul style="list-style-type: none"> ➤ Initiating Officer can provide immunity from prosecution and penalty to any person other than beneficial owner. ➤ The person to whom immunity is provided should make a true and fair disclosure of circumstances relating to benami transaction. ➤ In case, the person to whom immunity is provided is wilfully concealing or providing false evidence, the immunity shall be withdrawn. 	A43
Custom duty		Duty rate changes and others	B1
GST			B2

DIRECT TAXES

A. RATES OF TAXES – FINANCIAL YEAR 2024-25

For Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person

The rates provided in sub-section (1A) of section 115BAC of the Act shall be applicable, as default, for determining the income-tax payable in respect of the total income. These rates are given in the following table upon satisfaction of certain conditions as per the provisions of section 115BAC.

Total income	Tax rate
Up to 3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5%
From Rs. 7,00,001 to Rs. 10,00,000	10%
From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

If 115BAC is not opted, then the tax rates for Individuals [other than mentioned below], Hindu Undivided Family, Association of Persons, Body of Individuals, Artificial Judicial Person are as below:

Total income	Tax rate
Up to 2,50,000	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

For Resident Individuals who is of the age of 60 years or more but less than 80 years at any time during the previous year

Total income	Tax rate
Less than or equal to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

For Resident Individuals who is of the age of 80 years or more at any time during the previous year.

Total income	Tax rate
Less than or equal to Rs. 5,00,000	Nil
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. The rates of surcharge are as under:

Sr. No.	Particulars	Rate of surcharge for old tax regime	Rate of surcharge for new tax regime (115BAC)
1.	If the total income of the person exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax	10% of income tax
2.	If the total income of the person exceeds Rs. 1 crore but does not exceed 2 crores	15% of income tax	15% of income tax
3.	If the total income of the person exceeds Rs. 2 crores but does not exceed 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	25% of income tax	25% of income tax
4.	If the total income of the person exceeds Rs. 5 crores (excluding the income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act)	37% of income tax	25% of income tax

Note:

- For the income by way of **dividend or income under the provisions of section 111A, 112 and 112A** of the Act, the maximum surcharge would be restricted to 15%
- For the persons who has opted tax slab under section 115BAC (new tax regime) of the Act, the maximum surcharge on the income other than income from dividend and capital gain would be restricted to 25% as against 37%.

- In case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of Income-tax shall not exceed 15%.
- Health and Education Cess – 4% of income-tax including surcharge.

For Cooperative Societies

Total income	Tax rate
Less than or equal to Rs. 10,000	10%
From Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

Additional Points:

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the co-operative society exceeds Rs. 1 crore and does not exceed Rs. 10 crores, surcharge would be 7% of such income tax. If the total income exceeds Rs. 10 crores then the surcharge would be 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

Note:

A co-operative society resident in India shall have the option to pay tax at 22% for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to fulfilment of certain conditions. However, surcharge would be charged at 10% in such cases.

Further, under proposed new section 115BAE of the Act, a new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards. However, surcharge would be charged at 10% in such cases.

For Firm or Local Authority

Total income	Tax rate
On the whole of the total income	30%

Additional Points:

- The amount of income-tax computed as per the above-mentioned provisions shall be increased by surcharge. In case the total income of the firm or local authority exceeds Rs. 1 crore – 12% of such income-tax.
- Health and Education Cess – 4% of income-tax including surcharge.

For Companies

Particulars	Basis	Tax Rate
Domestic Company	Where its total turnover or the gross receipt in the financial year 2022-23 does not exceed Rs. 400 crores.	25%
Domestic Company	Companies other than those referred Above	30%
Domestic Company	Companies opting Section 115BAA subject to fulfillment of certain conditions	22%
Domestic Company	New Manufacturing Companies opting Section 115BAB subject to fulfillment of certain conditions	15%
Foreign Company	Total Income	35%
Minimum Alternate Tax	Book Profits	15%

Additional Points:

The rates of surcharge are as under:

Particulars	Domestic Company	Foreign Company
Total Income less than Rs. 1 crore	0%	0%
Total Income more than Rs. 1 crore but less than Rs. 10 crores	7%	2%
Total Income more than Rs. 10 crores	12%	5%
Companies opting taxation u/s 115BAA and 115BAB (irrespective of the total income)	10%	NA

Health and Education Cess – 4% of income-tax including surcharge.

DETAILED ANALYSIS

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

Current Deductions:

Section 16(ia): Allows a deduction of ₹50,000 or the salary amount, whichever is less, from the income under “Salaries”.

Section 57(ia): Allows a deduction of 33.33% of family pension income or ₹15,000, whichever is less, from the income under “Income from other sources”.

Proposed Changes:

Section 16(ia): For those opting for the new tax regime under Section 115BAC, the standard deduction will increase from ₹50,000 to ₹75,000.

Section 57(ia): For those under the new tax regime, the deduction for family pension will increase from ₹15,000 to ₹25,000.

Effective Date: These changes will start from April 1, 2025, and apply to the assessment year 2025-26 and onwards.

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

Current Deductions:

Section 36(1)(iva): Employers can currently deduct contributions to an employee’s pension scheme up to 10% of the employee’s salary.

Proposed Changes:

Section 36(1)(iva): The deduction limit for employer contributions to an employee’s pension scheme will increase from 10% to 14% of the employee’s salary.

Section 80CCD

Current Rule:

- Central or State Government contributions to an employee's pension scheme are deductible up to 14% of the employee's salary.
- Contributions by other employers are deductible up to 10% of the employee's salary.

Proposed Change: For employees under the new tax regime (Section 115BAC), contributions by other employers will also be deductible up to 14% of the employee's salary.

Effective Date: These changes will start from April 1, 2025, and apply to the assessment year 2025-26 and onwards.

B. MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

Tax incentives to International Financial Services Centre

In order to promote more investment and employment, Union Budget proposes to incentivize the operations from International Financial Services Centre (IFSC);

Proposes the following amendments:

- (i) expand the ambit of specified funds for claiming exemption under Section 10(4D), to include retail funds and Exchange Traded Funds in IFSC,
- (ii) specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC to be exempted by amending the definition of "recognised clearing corporation" and "regulations" in the Explanation to section 10(23EE),
- (iii) amendment in Section 68 to extend the relaxation for not providing the additional onus of proof of satisfactorily explaining the source in the hands of the creditor if the creditor is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI - now includes VCFs which are regulated by IFSCA,
- (iv) the provisions of section 94B shall 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;
- (v) Amendments will take effect from Apr 01, 2025 and apply to the assessment year 2025-26 and subsequent assessment years.

Amendment of Section 56 of the Act: Section 56 of the Act is related to Income from other sources.

Section 56 of the Income Tax Act deals with income from other sources.

Current Rule: Since 2012, if a private company receives money from a resident for issuing shares, and the amount received is more than the face value of the shares, the excess amount received over fair market value is taxed as income from other sources.

Change: The Government has decided to end this rule. Starting from the assessment year 2025-26, this rule will no longer apply.

Effective Date: This change will take effect from April 1, 2025, and will apply to the assessment year 2025-2026 and onwards.

In short, the amendment removes the tax rule for private companies on excess money received from issuing shares, starting from assessment year 2025-26

Promotion of domestic cruise ship operations by non-residents

New Presumptive Taxation for Cruise Ships:

Section 44BBC: Introduces a presumptive taxation regime for non-residents operating cruise ships. It assumes 20% of the total amount received or paid for passenger carriage as profits.

Changes to Existing Provisions:

Section 44B: The existing presumptive taxation for shipping businesses will no longer apply to cruise ship operations.

Lease Rental Exemption:

Section 10(15B): Lease rentals paid by a company under the new Section 44BBC regime will be exempt from tax if the recipient company is a foreign company and both companies are subsidiaries of the same holding company. This exemption is available until the assessment year 2030-31.

Effective Date: These changes will start from April 1, 2025, and apply to the assessment year 2025-26 and onwards.

C. SIMPLIFICATION AND RATIONALISATION

Rationalisation of provisions relating to period of limitation for imposing Penalties.

Limitation Period for Penalties: Section 275 sets the time limits for imposing penalties. It states that penalties cannot be imposed after the end of the financial year in which the penalty proceedings were completed, or six months from the end of the month when the appellate order is received, whichever is later.

Current Ambiguity: The current law mentions the date of receipt of the appellate order by various high-ranking tax officials (like the Principal Chief Commissioner). This has caused confusion about how to calculate the time limit for imposing penalties.

Proposed Change: To remove this confusion, it is proposed to amend Section 275 to remove the reference to the date of receipt of the order by these officials.

Effective Date: This change will take effect from October 1, 2024.

D. RATIONALISATION OF THE PROVISIONS OF CHARITABLE TRUSTS AND INSTITUTIONS

a. Merger of trusts under first regime with second regime

Two Regimes for Exemptions: There are currently two ways for trusts, funds, or institutions to claim tax exemptions. The first is under specific sub-clauses of Section 10, and the second is under Sections 11 to 13 of the Income Tax Act.

Alignment of Procedures: Over the years, the procedures and conditions for both regimes have been made similar to simplify the process.

Transition to One Regime: To further simplify and reduce administrative work, it's proposed to phase out the first regime and transition all entities to the second regime gradually.

Pending Applications: Applications submitted before this date will be processed under the current rules of the first regime.

Existing Approvals: Entities with existing approvals under the first regime will continue to enjoy exemptions until their approval expires.

Future Applications: These entities can later apply for registration under the second regime.

Investment Protections: Certain investment options allowed under the first regime will be protected in the second regime.

Effective Date: These changes will take effect from October 1, 2024.

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

Application Timelines: Trusts or institutions must apply for registration within specific timelines as per Section 12A.

Missed Deadlines: Sometimes, trusts or institutions miss these deadlines. If they do, they might have to pay taxes on their accumulated income and could lose their tax-exempt status permanently.

Condoning Delays: The proposal allows the Principal Commissioner or Commissioner to forgive delays in filing applications if there is a reasonable cause. This means they can treat late applications as if they were filed on time.

Effective Date: These changes will take effect from October 1, 2024.

c. Rationalisation of timelines for funds or institutions to file applications seeking approval under section 80G

Section 80G of the Income Tax Act allows taxpayers to claim deductions for donations made to certain approved funds or institutions. Here's a simplified summary of the proposed changes:

Current Situation: Funds or institutions need to apply for approval within specific timelines to be eligible for donations under Section 80G. Sometimes, they miss these deadlines, which can lead to them losing their approval status permanently.

Proposed Changes: The Government plans to adjust these timelines to make it easier for funds or institutions to apply for approval without risking permanent disqualification.

Effective Date: These changes will start from October 1, 2024.

d. 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.

Current Rule: When trusts or institutions apply for registration under Section 12AB or approval under Section 80G, the tax authorities have six months to process these applications.

Proposed Change: To improve administration, the timeline for processing these applications will be adjusted. Now, the authorities will have six months from the end of the quarter (three-month period) in which the application was received.

Effective Date: These changes will start from October 1, 2024.

e. Merger of trusts under the exemption regime with other trusts

- **Merging Trusts and Taxes:** When two approved or registered trusts or institutions merge, they might have to pay a special tax called "tax on accreted income" under Chapter XII-EB. This tax applies in certain situations to ensure that the assets of charitable trusts continue to be used for charitable purposes.
- **New Rules:** To make things clearer and fairer, new rules will be introduced. These rules will specify the conditions under which merging trusts would not have to pay this special tax. This will help taxpayers understand when they can merge without facing extra taxes.
- **Effective Date:** These changes will start from April 1, 2025.

E. Rationalisation and Simplification of taxation of Capital Gains

Simplified Holding Periods: There will be only two holding periods to determine if capital gains are short-term or long-term:

- a. 12 months for listed securities (like stocks).
- b. 24 months for all other assets (like bonds, gold, and property).

New Tax Rates:

- a. Short-term capital gains on certain securities (like stocks) will be taxed at 20% instead of 15%.
- b. Long-term capital gains will have a flat rate of 12.5% for all assets. Previously, it was 10% for some assets and 20% for others with indexation of cost which is proposed to be dispensed.

Exemptions:

Gains up to ₹1.25 lakh from long-term capital gains on certain securities will be exempt from tax.

Indexation Removal: The adjustment for inflation (indexation) will be removed for calculating long-term capital gains on property, gold, and other unlisted assets. This simplifies the calculation.

Equal Tax Rates for All: The same tax rates will apply to both residents and non-residents to ensure fairness.

Effective Date: These changes will start from July 23, 2024.

Amendment to definition of Specified Mutual Fund under section 50AA

Current Rule: Section 50AA was introduced to tax gains from Market Linked Debentures (MLDs) and certain mutual funds as short-term capital gains, no matter how long they were held. This affected funds like ETFs, Gold Mutual Funds, and Gold ETFs that invest less than 35% in equity shares.

Proposed Change: To clear up confusion, the definition of “Specified Mutual Funds” will be updated. A specified mutual fund will now mean:

- A mutual fund that invests more than 65% of its total proceeds in debt and money market instruments.
- A fund that invests 65% or more of its total proceeds in units of another fund that meets the above criteria.

Effective Date: These changes will start from April 1, 2026, and will apply from the assessment year 2026-27 onwards.

F. Rationalisation of Tax Deducted at Source rates

Overview

Purpose: To make it easier for businesses and taxpayers to comply with TDS rules.

Unchanged Sections: TDS on salary, virtual digital assets, lottery winnings, race horses, transfer of immovable property, and payments to non-residents will remain the same.

Proposed changes

<u>Section</u>	<u>Present TDS rate</u>	<u>Proposed TDS rate</u>	<u>With effect from</u>
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1 st April 2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1 st October 2024
Section 194G – Commission etc on sale of lottery tickets	5%	2%	1 st October 2024

Section 194H - Payment of commission or brokerage	5%	2%	1 st October 2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1 st October 2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1 st October 2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1 st October 2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1 st October 2024

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

Current Situation

Section 192: Deals with tax deduction at source (TDS) on salary income.

Sub-section (2B): Allows employers to consider other income and TDS on that income when calculating TDS on salary, under certain conditions.

Proposed Changes

Issue: Employees face cash flow issues because Tax Collected at Source (TCS) and other TDS are not considered when calculating TDS on salary. This often leads to employees having to claim refunds, adding to compliance burdens.

Solution: Proposed to amend sub-section (2B) to include any tax deducted or collected under Chapter XVII-B or XVII-BB. This means:

TCS and other TDS: Will be considered when calculating TDS on salary.

Benefit: Reduces cash flow issues for employees and simplifies the compliance process.

Effective Date From: October 1, 2024.

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

Section 206C: Deals with the collection of tax at source (TCS) on certain businesses like trading in alcoholic liquor, forest produce, scrap, etc.

Sub-section (7): If someone fails to collect or deposit TCS, they must pay simple interest at 1% per month on the unpaid tax.

Proposed Changes

Issue: The interest rate for late collection/deposit of TCS (1%) is lower than the rate for late deduction/deposit of TDS (1.5%). This discrepancy causes issues similar to those faced by TDS deductees.

Solution: Increase the interest rate for late payment of TCS from 1% to 1.5% per month. This aligns it with the interest rate for TDS, ensuring consistency and addressing the same difficulties faced by TCS collectees.

Effective Date: From 1st April 2025.

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

Section 40: Lists amounts that cannot be deducted when calculating business or professional income.

Sub-clause (v) of clause (b): Limits the amount of remuneration paid to working partners that can be deducted:

Existing		Proposed	
Particulars	Remuneration deductible	Particulars	Remuneration deductible
on the first Rs. 3,00,000 of the bookprofit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the bookprofit, whichever is more;	on the first Rs. 6,00,000 of the bookprofit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the bookprofit, whichever is more
on the balance of the book-profit	at the rate of 60 per cent	on the balance of the book-profit	at the rate of 60 per cent :

Effective Date: From: April 1, 2025, applicable for the assessment year 2025-2026 and onwards.

Claiming credit for TCS of minor in the hands of parent

Tax Collection at Source (TCS): Section 206C of the Income Tax Act requires businesses trading in items like alcohol, forest produce, and scrap to collect tax at the source.

Current Issue: There's no rule allowing someone other than the person from whom the tax was collected (like a parent) to claim this tax credit.

Example: If money is sent abroad under the Liberalized Remittance Scheme in a minor's name, the tax is collected from the minor. Currently, parents can't claim this tax credit in their tax returns.

Proposed Change: A new rule will allow the tax credit to be given to someone other than the person from whom it was collected, like a parent. However, this will only apply if the minor's income is included in the parent's income, as per section 64(1A) of the Act.

Effective Date: This change will start from January 1, 2025.

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

Background: Previously, companies had to pay a tax called Dividend Distribution Tax (DDT) on profits distributed as dividends. This tax was removed in 2020.

Current Issue: Some people believe that payments from buying back shares should be taxed similarly to dividends since both are ways for companies to distribute profits.

Proposed Change: The money paid by a company to buy back its own shares will be treated as dividend income for the shareholders. This means shareholders will pay tax on this income at the applicable rates.

No Expense Deductions: Shareholders cannot deduct any expenses against this dividend income.

Capital Loss: When shares are bought back, shareholders will have a capital loss because the shares are considered extinguished. This loss can be used to offset other capital gains in the future.

Example:

100 shares bought in 2020	@Rs. 40/- per share
Total cost of acquisition	Rs. 4000/-
20 shares bought back in 2024	@Rs. 60/- per share
Income taxable as deemed dividend	Rs. 1200/-

Capital loss on such buyback (Rs. 40 *20)	Rs. 800/-
50 Shares sold in 2025	@Rs. 70 per share
Capital Gain (3500 – 2000)	Rs. 1500
Chargeable capital gain after set off (1500-800)	Rs. 700

Effective Date: These changes will apply from October 1, 2024, for any buy-back of shares happening on or after this date.

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

Background: Securities Transaction Tax (STT) was introduced in 2004. It applies to transactions in specified securities, and entities like stock exchanges and mutual funds are responsible for collecting and paying this tax to the Government.

Current Rates:

Options: 0.0625% of the option premium.

Futures: 0.0125% of the trading price.

Equity Shares: 0.1% on both purchase and sale transactions.

Exercised Options: 0.125% of the intrinsic price (difference between settlement and strike price), paid by the purchaser.

Growth in Derivatives: The market for derivatives (futures and options) has grown significantly, leading to a proposal to increase STT rates.

Proposed Changes:

Options: Increase STT from 0.0625% to 0.1% of the option premium.

Futures: Increase STT from 0.0125% to 0.02% of the trading price.

Effective Date: These changes will start from October 1, 2024.

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

Current Rule: Section 28 of the Income Tax Act lists types of income that are taxed as business profits.

Issue: Some people are incorrectly reporting rental income from their house as business income instead of house property income. This reduces their tax liability.

Proposed Change: The amendment will clarify that rental income from a residential house must be reported as “Income from house property” and not as “Profits and gains of business or profession.”

Effective Date: From: April 1, 2025, applicable for the assessment year 2025-2026 and onwards.

Amendment of section 47 for capital gain

Current Rule: Section 47 of the Income Tax Act excludes certain transactions from being considered as transfers for capital gains tax purposes. This includes gifts, wills, and irrevocable trusts.

Issue: Some taxpayers argue that gifting shares by a company is not subject to capital gains tax, leading to tax avoidance and loss of tax revenue.

Proposed Change: The amendment will clarify that gifts of capital assets by individuals or Hindu Undivided Families (HUFs) are not subject to capital gains tax. This aims to prevent misuse and ensure that only genuine gifts given out of love and affection are excluded.

Effective Date: This change will apply from April 1, 2025, for the assessment year 2025-26 and onwards.

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

It is proposed to introduce a new TDS section, 194T, which will bring certain payments made by partnership firms to their partners under the purview of TDS. Here are the key points:

Payments Covered: Salary, remuneration, commission, bonus, and interest to any account (including capital account) of the partner.

Threshold: Aggregate amounts exceeding Rs 20,000 in a financial year.

TDS Rate: 10%.

Effective Date: From April 1, 2025.

This means that starting from the specified date, partnership firms will need to deduct TDS at 10% on the specified payments if they exceed the threshold amount.

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

Current Rule: Sellers must collect 1% tax on the sale of motor vehicles worth more than ₹10 lakh.

Proposed Change: From January 1, 2025, this tax will also apply to other luxury goods worth more than ₹10 lakh, as specified by the Government.

Reason: To track spending on luxury items by wealthy individuals and expand the tax base.

Effective Date: From January 1, 2025.

Amendment of provisions of TDS on sale of immovable property

Current Rule: When buying immovable property (except agricultural land), buyers must deduct 1% tax on the higher of the sale price or stamp duty value if it exceeds ₹50 lakh.

Issue: Some buyers are not deducting tax if their individual payment is less than ₹50 lakh, even if the total property value is more than ₹50 lakh.

Proposed Change: From October 1, 2024, the rule will be clarified to ensure that the total value of the property is considered, not individual payments. This means tax must be deducted if the combined value exceeds ₹50 lakh.

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

Section 198: This section states that any tax deducted at source (TDS) is considered as income received by the taxpayer for calculating their total income.

Issue Noticed: Some taxpayers were not including taxes withheld outside India in their total income calculation. This led to underreporting of income because they were only showing their net income. However, they were still claiming credit for the foreign taxes withheld, resulting in a double benefit.

Proposed Amendment: To fix this, the law will be changed to ensure that any tax deducted outside India, for which a credit is claimed, will also be considered as income received for calculating total income.

Effective Date: This change will start from April 1, 2025.

Excluding sums paid under section 194J from section 194C (Payments to Contractors)

Section 194C: This section deals with TDS (Tax Deducted at Source) on payments to contractors. The TDS rate is 1% for payments to individuals or Hindu Undivided Families (HUF) and 2% for others.

Section 194J: This section covers TDS on fees for professional or technical services. The TDS rate is 2% or 10%, depending on the type of payment.

Issue Noticed: Some people were incorrectly deducting TDS under Section 194C (for contractors) when they should have been using Section 194J (for professional or technical services).

Proposed Amendment: To fix this, the law will be updated to clearly state that payments covered under Section 194J (professional or technical services) should not be considered as “work” under Section 194C (contractors).

Effective Date: This change will start from October 1, 2024.

Disallowance of settlement amounts being paid to settle contraventions

Section 37: This section allows businesses to deduct expenses that are solely for business purposes.

Explanation 1: If an expense is related to something illegal or prohibited by law, it cannot be deducted as a business expense.

Explanation 3: This further clarifies that illegal expenses include those incurred for any illegal activity, whether inside or outside India, or to provide benefits that violate any law.

Settlement Amounts: Expenses related to settling legal issues or violations are also not allowed as business expenses.

Proposed Amendment: The Government plans to update Explanation 3 to make it clear that expenses for settling legal issues are not deductible. This change will take effect from April 1, 2025, and apply to the 2025-2026 tax year onwards.

Amendment of Section 55 of the Act

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 recognised stock exchange as on the 31st day of January, 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 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, “fair market value” would mean an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index 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 1st day of April, 2018 and shall accordingly apply retrospectively from assessment year 2018-19 onwards.

G. TAX ADMINISTRATION

Direct Tax Vivad se Vishwas Scheme, 2024

- The Income-tax Act, 1961 allows both taxpayers and the tax department to appeal against decisions. Appeals can be made to various authorities, including the Joint Commissioner of Income-tax (Appeals), Commissioner of Income-tax (Appeals), the Income-Tax Appellate Tribunal, High Courts, and the Supreme Court.
- To speed up the resolution of these appeals, the Government introduced the Direct Tax Vivaad Se Vishwas Act, 2020, which was very successful and brought in a lot of revenue.
- However, there are still many pending cases. To address this, the Government is proposing a new scheme called the Direct Tax Vivad se Vishwas Scheme, 2024. This scheme aims to settle disputed tax issues quickly and reduce the number of pending appeals.
- The details of when this new scheme will start and end will be announced by the Government soon

Amendment of provisions related to Equalisation Levy

The Finance Act of 2020 introduced a 2% tax called the “equalization levy” on money earned by foreign companies from online sales or services in India. This tax applies to:

- Online sales of goods owned by the company.
- Online services provided by the company.
- Online sales or services facilitated by the company.

- Any combination of the above.

However, this tax does not apply if the company has a permanent office in India and the sales or services are connected to that office.

The tax is charged on money earned from:

- Sales to people living in India.
- Sales to non-residents from
 - a. Advertisements targeting Indian customers or viewed in India.
 - b. Data collected from Indian residents or users in India.
- Sales to anyone using an IP address in India.

Some of the stakeholders have raised concerns and found this tax confusing and burdensome. Therefore, starting August 1, 2024, this 2% tax will no longer apply to money earned from online sales or services. The tax will only apply to earnings from April 1, 2020, to July 31, 2024.

These changes will take effect on August 1, 2024.

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

The Black Money Act of 2015 imposes penalties on Indian residents who fail to report foreign income and assets in their tax returns. Specifically:

Section 42: Penalty for not reporting foreign income and assets.

Section 43: Penalty for providing incorrect information about foreign assets.

These penalties apply to residents who:

- Have assets or income from outside India.
- Are beneficiaries of foreign assets.

Residents must disclose all foreign assets and income in their tax returns. Failure to do so can result in a penalty of ₹10 lakh, regardless of the asset's value.

However, if the total value of foreign bank accounts is less than ₹5 lakh, these penalties do not apply. Due to concerns that this threshold is too low, it will be increased to ₹20 lakh starting October 1, 2024. This change aims to reduce unnecessary penalties for small amounts.

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

Lower Tax Deduction and Collection Rates:

Section 197: Allows for a certificate to deduct tax at a lower rate for certain payments.

Section 206C(9): Allows for tax collection at a lower rate for certain sums.

Tax Deduction for Buyers:

Section 194Q: Buyers must deduct 0.1% tax on purchases exceeding ₹50 lakh in a year.

Tax Collection for Sellers:

Section 206C(1H): Sellers must collect 0.1% tax on sales exceeding ₹50 lakh in a year.

Issues and Proposed Amendments:

Problems: Taxpayers facing losses have their funds blocked due to tax deductions, and sellers have extra compliance burdens.

Solutions:

Proposed to amend Section 197 to include Section 194Q.

Proposed to amend Section 206C(9) to include Section 206C(1H).

Effective Date: These changes will start from October 1, 2024.

Amendment of Section 80G

- Section 80G of the Income Tax Act allows taxpayers to deduct certain donations from their total income, reducing their taxable income.
- **Current Rule:** Donations to the “National Sports Fund to be set up by the Central Government” are eligible for this deduction.
- **Change:** The Government has amended this to “National Sports Development Fund set up by the Central Government” since the Fund was set up on November 12, 1998.
- **Effective Date:** This change will start from April 1, 2025, and will apply to the tax year 2025-2026 and onwards.

In short, these amendments aim to streamline the assessment process and clarify timelines for tax assessments and returns.

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

- **Current Rule:** The person domiciled in India and want to leave the country, need a certificate from the income-tax authorities confirming there are no unpaid taxes or have made arrangements to pay them. This includes taxes under various acts like Income-tax, Wealth-tax, Gift-tax, and Expenditure-tax.
- **Approval Needed:** The tax authorities shall not mandate any person who is domiciled in India to get this certificate unless they record the reasons and obtains prior approval of the Principal Chief Commissioner or Chief Commissioner of Income-tax.
- **New Addition:** The rule currently covers most tax liabilities but not those under the Black Money Act.
- **Proposed Change:** The government plans to include liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the list of taxes for which you need a clearance certificate under Section 230(1A) of the Income-tax Act.
- **Effective Date:** This change will start from October 1, 2024.

Powers of the Commissioner (Appeals)

- **Current Powers:** As per the provisions of Section 251, the Commissioner (Appeals) may confirm, reduce, enhance or annul the assessment in case of an appeal against the order of assessment and he may confirm, cancel, or vary to enhance or reduce, the penalty order, in case of an appeal against an order imposing a penalty.
- **Seeking Reports:** The Commissioner (Appeals) can seek the report from the Assessing Officer after making further inquiry, before disposing any appeal.
- **Issue:** Sometimes, taxpayers ignore notices from the Faceless Assessing Officer and directly file the appeal to the Commissioner (Appeals).

- **Proposed Change:** To reduce the backlog of appeals, if an assessment was made based on the best judgment (due to non-response) under section 144 of the Act, the Commissioner (Appeals) can set aside the assessment and refer the case back to the Assessing Officer for a fresh assessment. Further, section 153(3) shall be amended in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).
- **Effective Date:** These changes will start from October 1, 2024, and will apply to orders passed on or after this date.

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

- **Current Rule:** The Assessing Officer can refer to the Transfer Pricing Officer (TPO) to determine the correct price for international or specified domestic transactions. The TPO has the same powers as the Assessing Officer for this task. Taxpayers must file an audit report detailing these transactions.
- **Audit Report:** This report is crucial because it informs the Assessing Officer about the transactions. Without it, the Assessing Officer might not know about certain transactions to refer to the TPO.
- **TPO's Role:** If the TPO discovers an unreported international transaction during their review, they can determine its price even if it wasn't initially referred to them.
- **Proposed Change:** Currently, the TPO cannot do this for specified domestic transactions (SDTs). Hence, it is proposed to amend Section 92CA(2A) and 92CA(2B). The proposed amendment enables the TPO to handle unreported SDTs as well.
- **Effective Date:** These changes will start from April 1, 2025, and apply to the assessment year 2025-26 and onwards.

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

- **Reporting Requirement:** As per Section 285 of the Act, non-residents with liaison offices in India must submit a statement of their activities for the financial year to the Assessing Officer within 60 days from the end of such financial year. It is proposed that the period within which such statement shall be filed, be henceforth prescribed under Rules.

- **Penalties for Late Submission:** It is proposed to insert a new section 271GC to impose a penalty, of ₹1,000 per day for every day for which failure continues, if the period of failure does not exceed three months. If the delay is longer, the fine could be ₹1,00,000.
- **Reasonable Cause Exception:** To amend section 273B to provide that if the assessee proves that there was reasonable cause for the delay, the penalty shall not be levied.
- **Effective Date:** These rules will start from April 1, 2025.

Penalty for failure to furnish statements

- **Current Rule:** As per Section 271H(3) of the Act, there will be no penalty if the person proves that after paying TDS / TCS along with fees and interest, TDS / TCS statement has been filed before the expiry of period of one year from the time prescribed for furnishing such statement.
- **Problem:** The deadline for filing belated returns has been shortened to December 31st of the same assessment year. Late TDS/TCS filings cause issues for taxpayers due to mismatches in their tax records.
- **Proposed Change:** To improve compliance, it is proposed to amend Section 271H(3) to provide that no penalty shall be levied if TDS / TCS returns are furnished within one month of the due date, after paying TDS / TCS along with fees and interest.
- **Effective Date:** This change will start from April 1, 2025.

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

- **Current Rule:** As per Section 200 and proviso to Section 206C(3), person responsible deduct or collect tax, must file a statement detailing the tax deducted or collected within a specified time. The proviso to Section 200 and Section 206C(3B) states that a correction statement can be filed to fix any mistakes or update information.
- **Problem:** There's no time limit for filing correction statements, which can lead to misuse and cause issues for taxpayers.

- **Proposed Change:** It is proposed to amend section 200 and Section 206C(3B) to provide that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the original statement was filed.
- **Effective Date:** This change will start from April 1, 2025.

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

- **Current Rule:** Tax is collected at source (TCS) on certain businesses like trading in alcoholic liquor, forest produce, and scrap.
- **Problem:** Some entities, whose income is exempt from tax and are not required to furnish tax returns, are still having tax collected on their transactions, causing them difficulties.
- **Proposed Change:** It is therefore proposed to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.
- **Effective Date:** This change will start from October 1, 2024.

Adjusting liability under Black Money Act, 2015 against seized assets

- **Current Rule:** Section 132B of the Income-tax Act allows the government to recover any outstanding tax liabilities from a taxpayer using assets that were seized during a search or investigation. This applies to various tax laws, except for the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- **Proposed change:** It is proposed to include this in the Act, so that any existing liabilities can be recovered from seized assets.
- **Effective Date:** The change will take effect from October 1, 2024.

Amendments to the Prohibition of Benami Property Transactions Act, 1988

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

- Notice and Attachment: Section 24 of the Prohibition of Benami Property Transactions (PBPT) Act deals with notices and attaching properties involved in benami transactions.
- Time Limit for Replies: Currently, there's no specific time limit for the person holding the property (benamidar) or the real owner to respond to a notice issued under this section.
- Proposed Change: They want to add a new provision (sub-section 2A) that sets a maximum time limit of three months for the benamidar or real owner to provide their explanations or submissions after receiving a notice.
- Attachment Period: The existing law gives the Initiating Officer 90 days to provisionally attach the property or make related decisions after issuing a notice. It is proposed to extend this period to four months.
- Statement of the Case: Currently, the Initiating Officer has 15 days from the attachment order date to prepare a statement of the case and refer it to the Adjudicating Authority. It is proposed to increase this to one month.
- Effective Date: These changes will come into effect from October 1, 2024.

In simple terms, they're making some adjustments to the process of dealing with benami properties and ensuring timely responses and actions.

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

- New Proposal: It is proposed to insert Section 55A vide which the Initiating Officer may provide immunity from penalty for offence under section 53 to such person other than the actual owner with a view to obtain evidence with previous sanction of the competent authority.
- Conditions: To get this immunity, the person should make a full true and fair disclosure of circumstances relating to the benami transaction.
- What Immunity Means: The immunity shall be provided to the extent of prosecution for any offence in respect of which the tender was made and imposition of any penalty under section 53 of the Act.
- In case the Initiating Officer is of the opinion that the person to whom immunity is provided is wilfully concealing anything or is giving false evidence, then the Initiating Officer may record a finding and remove immunity from prosecution and penalty.
- Effective Date: These changes will come into effect from October 1, 2024.

INDIRECT TAXES

CUSTOMS

I. DUTY RATE CHANGES:

1. Agricultural goods: The BCD on Shea nuts has been reduced from 30% to 15%.

2. Critical Minerals:

- BCD has been reduced to Nil on the following critical minerals: Antimony, Beryllium, Bismuth, Cobalt, Copper, Gallium, Germanium, Hafnium, Indium, Lithium, Molybdenum, Niobium, Nickel, Potash, REE, Rhenium, Strontium, Tantalum, Tellurium, Tin, Tungsten, Vanadium, Zirconium, Selenium, Cadmium, Silicon other than Quartz & Silicon Dioxide.
- BCD has been reduced to 2.5% on following critical minerals: Graphite, Silicon Quartz & Silicon Dioxide

3. Aquafarming and Marine Sector:

- The BCD on Prawn & Shrimps feed and fish feed has been reduced to 5%.
- The BCD on Live SPF Vannamei shrimp (*Litopenaeus vannamei*) broodstock, and Black tiger shrimp (*Penaeus monodon*) broodstock has been reduced to 5%
- The BCD on Artemia and Artemia cysts has been reduced to Nil.
- The BCD on certain ingredients/inputs for use in the manufacture of Prawn and Shrimps feed or fish feed is being reduced subject to IGCR condition.
- BCD has been reduced to 5% on Insect Meal for use in R&D for aquatic feed manufacturing.
- BCD has been reduced to 5% on Single Cell Protein from Natural Gas for use in R&D for aquatic feed manufacturing.
- BCD has been reduced SPF Polychaete worms 30% to 5%.
- BCD has been reduced to Nil on pre-dust breaded powder for use in processing of sea- food.

4. Chemicals and petrochemicals:

- The BCD on Ammonium Nitrate has been increased from 7.5% to 10%.
- The tariff rate of CTH 3920 and 3921 has been increased to 25%. Consequently, from 24.7.2024, PVC Flex Films/Flex Banners will attract 25% by virtue of declaration under Provisional Collection of Taxes Act 2023. However, Notification No 50/2017-Customs has

been amended to maintain the existing rate of 10%/15% on items other than PVC Flex Films/Flex Banners.

5. Drugs:

The BCD has been fully exempted on the following Cancer Drugs:

- Trastuzumab Deruxtecan
- Osimertinib
- Durvalumab

6. Textile and Leather Sector:

- The BCD has been reduced from 7.5% to 5% on MDI for manufacture of spandex yarn to rectify duty inversion. This is subject to IGCR condition.
- The BCD has been reduced from 30% to 10% on Real Down Filling material from duck or goose for use in manufacture of textile or leather garments for export.
- Exemption has been extended to Wet white leather, Crust and finished leather for manufacture of textile or leather garments, leather /synthetic footwear or other leather products for export.
- Exemption has been extended to certain additional accessories and embellishments for manufacture of textile or leather garments, leather/synthetic footwear or other leather products for export.

7. Electronics goods and equipment:

- The BCD on cellular mobile phone has been reduced from 20% to 15%.
- The BCD on PCBA of cellular mobile phone has been reduced from 20% to 15%.
- The BCD on charger/adapter of cellular mobile phone has been reduced from 20% to 15%.
- The BCD on Oxygen Free Copper (OFC) Strip has been reduced from 5% to Nil for use in manufacture of resistors subject to IGCR condition.
- The exemption entries providing concessional BCD rate to mechanics and die-cut parts of chapters 39 and 73 has been expanded to include chapter 40, 70 and 76.
- The exemption entry covering input items/raw material for use in manufacture of connectors has been expanded to add more input items/raw material.
- The BCD rate on PCBA of specified telecom equipment has been increased from 10% to

15%.

8. Precious Metals:

The duty rates on precious metals have been revised as under:

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

As a consequential change, the BCD has been reduced from:

- 7.5% to 5% on Platinum and Palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertors.
- 7.5% to 5% on bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India.
- Consequential changes have also been carried out in S. Nos. 357, 357A, 357B, 364A, 364B, 364C, 415, 415A and 442 of Notification No. 50/2017 dated 30.06.2017, Notification No. 22/2022, dated 30.04.2022 and Notification No. 57/2000, dated 08.05.2000 accordingly.

9. Other Metals:

- BCD has been reduced on Ferro-Nickel from 2.5% to Nil.
- BCD has been reduced on Blister Copper from 5% to Nil.
- The BCD exemption on Ferrous Scrap has been continued upto 31.3.2026.
- The concessional BCD rate of 2.5% on Copper scrap has been continued.
- The exemption on specified raw material for manufacture of CRGO steel has been continued upto 31.3.2026. Further, the exemption has also been extended to such specified raw materials for manufacture of CRGO Steel falling under tariff item 7226 11 00.

10. Capital Goods:

- Certain specified capital goods have been added to the list of exempted goods for use in the manufacture of solar cells and modules.
- Certain specified goods have been added in the exemption entry (S. No 404 of Notification no 50/2017-customs) for use in petroleum exploration operations

11. Others:

- The BCD on Garden umbrella has been revised from 20% to 20%, whichever is higher (The duty rate is effective from 24.7.2024 by virtue of declaration under Provisional Collection of Taxes Act 2023).
- The BCD rate on Lab chemicals classified under HS 9802 00 00 has been increased from 10% to 150% (The duty rate is effective from 24.7.2024 by virtue of declaration under Provisional Collection of Taxes Act 2023).
- The tariff rate on areca nuts and prepared/ preserved areca nuts is being enhanced to 150%.
- W.e.f 1.10.2024. However, there is no change in the effective BCD rate which continues at 30%.

12. Export duty:

The effective export duty structure on Raw hides, skins and leather have been simplified and rationalized as under:

S. No.	Commodity	Rate of duties	
		From	To
1	Raw Hides & skins, all sorts (other than buffalo)	40%	40%
2	Raw Hides & skins of buffalo	30%	30%
3	Raw fur and skins including lamb fur skin	60/10%	40%
4	Wet Blue Chrome Leather	40%	20%
5	Crust Leather	40%	20%
6	Tanned fur skin	60%	20%
7	E.I Tanned Leather	Nil	Nil
8	Finished leather (as defined by DGFT)	Nil	Nil

II. REVIEW OF EXEMPTIONS:

A comprehensive review has been undertaken in respect of 188 conditional exemptions/concessional rates (150 entries in notification No. 50/2017-Customs dated 30th June, 2017 and 38 exemptions/concessional rates are standalone Notifications). The summary of changes is as below:

- 30 exemptions/ concessional rates are being extended upto 31.3.2029.
- 126 exemptions/ concessional rates are being continued upto 31.3.2026
- 28 exemptions/ concessional rates are being lapsed on their end dates of 30.9.2024
- end dates are being removed in 4 exemptions as they are covered by the exclusion clause.

III. OTHER PROPOSALS IN THE FINANCE (NO.2) BILL:

- Notification No. 37/2023- Customs dated 10.5.23 is being validated for the period from 1st April, 2023 up to and inclusive of 10th May,2023 to provide exemption from basic customs duty and AIDC on imports of crude soyabean oil and crude sunflower seed oil subject to availability of unutilized quota in TRQ authorization for FY 2022-23 allotted by DGFT and Bill of lading issued on or before 31st March,2023.*[Clause 105 of the Bill]*
- The Clean Environment Cess is being exempted on excisable goods lying in stock as on 30th June, 2017 subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1st July, 2017. *[Clause 109 of the Bill]*
- Based on the recommendations of the GST Council in its 53rd meeting, GST Compensation Cess is being exempted with effect from 1st July, 2017 on imports in SEZ by SEZ units or developers for authorized operations. *[Clause 104 of the Bill]*
- Notification No 12/2012-CE dated 17.3.2012 is being amended to extend the time period for submission of the final Mega Power Project certificate from 120 months to 156 months. *[Clause 108 of the Bill]*
- [These above changes shall come into force from date of assent to the Finance (No.2) Bill].

IV. OTHER CHANGES:

As a trade facilitation measure, Notification No. 45/2017-Customs dated 30.6.2017 has been amended to increase the time-period of duty free re-import of goods (other than those under export promotion schemes) exported under warranty from 3 years to 5 years, further extendable by 2 years.

Similarly, Notification No. 153/94-Customs dated 13 July 1994 has been amended to extend the time limit for export from 6 months to 1 year, further extendable by 1 year, in the case of aircraft and vessels imported for maintenance, repair and overhauling.

V. LEGISLATIVE AMENDMENTS:

Amendments in 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.
- Section 143AA of the Customs Act is being amended to substitute class of “importers or exporters” with “a class of importers or exporters or any other persons” to facilitate trade.
- Clause (m) of subsection (2) of section 157 of the Customs Act is being amended by

[These changes shall come into effect from date of assent to the Finance (No.2) Bill]

VI. AMENDMENTS IN CUSTOMS TARIFF ACT, 1975:

- Section 6 is being omitted on account of winding up of Tariff Commission
- The First Schedule to the Customs Tariff Act, 1975 is being amended to,-
 - increase the rates on certain tariff items. (*The duty rate is effective from 24.7.2024 by virtue of declaration under Provisional Collection of Taxes Act 2023*)
 - create new tariff lines in respect of defence products, technical textiles, sustainable blended aviation fuel, products used in Indian semiconductor machines, e-bicycles, natural menthol, printer cartridge etc. These changes shall come into effect from 1.10.2024.
 - Amendment in Countervailing Duty on Subsidized Articles a Rules, 1995
 - The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 have been amended to insert a provision for, New Shipper Review. This will be effective from 24.07.2024.

GOODS AND SERVICES TAX:

Unless otherwise specified, amendments will come into effect from the 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.

I. AMENDMENTS IN CGST ACT, 2017:

1. Section 9 is being amended to bring **Extra Neutral Alcohol** used in manufacture of alcoholic liquor for human consumption out of purview of central tax. Similar amendments are proposed in the IGST Act and UTGST Act.
2. 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. Similar power is being proposed in the IGST Act, UTGST Act and GST (Compensation to States) Act.
3. New sub-sections (5) and (6) are being inserted in section 16 of CGST act to relax the time limit to avail input tax credit as per section 16(4) of the CGST Act, retrospectively from 01.07.2017, as follows:

- In respect of initial years of implementation of GST, i.e., financial years 2017-18, 2018-19, 2019-20 and 2020-21:

In respect of an invoice or debit note for the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the 30.11.2021.

- With respect to cases where returns have been filed after revocation:

The time limit to avail input tax credit in respect of an invoice or debit note, in cases where returns for the period from the date of cancellation of registration/ effective date of cancellation of registration till the date of revocation of cancellation of the registration, will be extended till the date of filing the said GSTR-3B return, subject to certain conditions, if the said return is filed by the registered person within 30 days of the order of revocation of cancellation of registration.

4. Section 74A has been inserted to effectively replace Section 73 and Section 74 starting from FY 2024-25. Scheme of adjudication will be as below:
 - a. No concept of normal period of limitation and extended period of limitation. In all

- circumstances, SCN is to be issued within 42 Months from the due date of furnishing annual return or the date of erroneous refund
- b. Penalty for cases not involving suppression or fraud would be 10% and for cases involving those ground it would be 100%
 - c. Order should be passed within 12 months from the date of issue of SCN. This time limit can be extended by a further 6 months, for reasons to be recorded, by Commissioner (or any officer above the rank of JC if authorised by Commissioner).
 - d. Reduced penalty would be as below:
 - i. Cases not involving fraud or suppression – No penalty if tax and interest is paid before 60 days of issuing SCN.
 - ii. Cases involving fraud or suppression – Tax, interest and reduced penalty is paid
 - iii. Before SCN is issued – 15% penalty
 - iv. Within 60 days of issuing SCN – 25% penalty
 - v. Within 60 days of issuing order – 50% penalty
- b. For 'self-assessed tax' or 'any amount collected as tax' not paid within 30 days from the due date, 10% penalty would still be applicable and reduced penalty benefit would not be available
- c. Section 73 and Section 74 will cease to be effective after FY 2023-24.
5. Sections 107 and 112 of CGST Act are being amended to reduce the maximum amount of pre-deposit for filing appeal with the Appellate Authority from Rs. 25 crores of central tax to Rs. 20 crore of central tax and to reduce the amount of pre-deposit for filing appeal with the Appellate Tribunal from 20% with a maximum amount of Rs. 50 crores of central tax to 10 % with a maximum of Rs. 20 crores of central tax. Besides, the time limit for filing appeals before the Appellate Tribunal is being modified to avoid the appeals from getting time barred, on account of Appellate Tribunal not coming into operation.
6. Section 128A has been inserted to provide for interest and penalty waiver for period July 2017 to March 2020. Gist of the Section 128A is as below
- a. Interest and penalty waiver is applicable towards taxes payable as per:
 - i. SCN issued under Section 73
 - ii. Order passed under Section 73 (on which no appeal order or revision order has been passed)
 - iii. Appeal order or revision order (on which tribunal has not passed any order)
 - b. Waiver would be applicable if taxes as per above mentioned SCN or Order are paid before the date to be notified.
 - c. Waiver is subject to conditions to be prescribed.
 - d. If any case taken under 74 is later converted to Section 73 based on appeal orders, same

- would be covered within the scheme.
- e. If any case is closed under this Section and the revenue files appeal or revises the original order, then waiver would be applicable if additional tax determined is paid within 3 months.
 - f. Already paid interest and penalty will not be refunded.
 - g. Scheme is not applicable on demand related to erroneous refund.
 - h. Scheme will not be applicable if appeal or petition is not withdrawn before the due date to be notified.
 - i. Once the amount of tax is paid and case is closed as per this Section, no appeal can be filed.
7. Section 140 (7) of CGST Act is being amended, retrospectively with effect from 01.07.2017, to enable availment of transitional credit in respect of input services received by an Input Services Distributor prior to the appointed day, where invoices were also received prior to the appointed day.
 8. Section 171 of CGST Act is being amended to enable the Government to notify the GST Appellate Tribunal to handle anti-profiteering cases and also empowers the Government to notify a date after which the Authority for anti-profiteering shall not accept application for examination.
 9. Paragraphs 8 and 9 are being inserted in Schedule III of CGST Act to provide that the activity of apportionment of co-insurance premiums by the lead insurer to the co-insurers in the co-insurance agreement and the services by insurers to reinsurers in respect of ceding/re-insurance commission will, subject to certain conditions, be treated neither as a supply of goods nor as a supply of services.
 10. Amendment is proposed in Section 13(3) of the CGST Act by amending clause (b) and inserting a clause (c) to provide for a specific provision in section 13(3) for covering the cases where the invoice is required to be issued by the recipient of services in case of RCM supplies.
 11. Clause (i) of Section 17 of the CGST Act is being amended to restrict blockage of input tax credit for tax paid under Section 74 to demands up to FY 2023-24.
 12. A second proviso may be inserted in section 30(2) of the CGST Act to provide for enabling clause to prescribe conditions and restrictions for revocation of cancellation of registration.
 13. Clause (f) of section 31 of CGST Act is being amended to provide for an enabling provision to prescribe the time period within which the invoice has to be issued by the recipient under reverse charge mechanism and to clarify that a person registered solely for purpose of deducting TDS

under section 51 of CGST Act shall be treated as a person not registered for the purpose of clause (f) of section 31(3) of the said Act.

14. Section 39 is being amended to mandate filing of returns by TDS deductor for every month, even if no deductions are made during the said month, and also to provide for an enabling clause for prescribing the time limit for filing these returns.
15. Section 54 of CGST Act and section 16 of IGST Act are being amended to prohibit refund of unutilized input tax credit or of integrated tax on zero-rated supply of goods which are subjected to export duty.
16. Sub-section 1A is being inserted in section 70 of the CGST Act to provide for appearance by an authorized representative on behalf of a summoned person.
17. Section 109 of the CGST Act is being amended to empower the government to specify cases to be heard only by the Principal Bench of the Appellate Tribunal.
18. Section 122(1B) of the CGST Act is being amended to restrict the applicability of penal provisions under this section to only those Electronic Commerce Operators who are required to collect tax at source under section 52.
19. Section 73 and 74 of the CGST Act is being amended to limit the applicability of these sections to demands up to FY 2023-24, since from FY 2024-25 onwards demands are to be ascertained as per provisions of newly inserted section 74A. Also, Section 75 of CGST Act is being amended to allow for redetermination of penalties if the charges of fraud, suppression, or willful misstatement are not established. Further, reference to section 74A or the concerned sub-sections of section 74A is being inserted in section 10, section 21, section 35, section 49, section 50, section 51, section 62, section 63, section 64, section 65, section 66, section 104 and section 127.

II. AMENDMENTS IN THE IGST ACT, 2017:

1. Sub-section (1) in Section 5 in the IGST Act is being amended, so as to not levy integrated tax on Extra Neutral Alcohol used for manufacture of alcoholic liquor for human consumption.
2. Section 6A is being inserted in the IGST Act, so as to empower the Government to regularize non-levy or short levy of integrated tax where it is found that such non-levy or short levy was

a result of general practice

3. Sub-section (4) in Section 16 in the IGST Act is being amended, so as to provide for notification of class of persons who may make zero rated supplies of goods or services or both or class of goods or services which may be supplied on zero rated basis, and refund of integrated tax in respect of which can be claimed, in accordance with the provisions of Section 54 of the Central Goods and Services Tax Act, subject to such conditions, safeguards and procedures as may be prescribed. Sub-section (5) is being inserted in the said Section to provide that no refund of unutilized input tax credit or of integrated tax paid on account of zero rated supply of goods shall be allowed in cases where the zero rated supply of goods is subjected to export duty
4. Section 20 in the IGST Act is being amended, so as to reduce the maximum amount of pre-deposit payable for filing appeal before appellate authority from rupees fifty crores to rupees forty crores of integrated tax. Further, it proposes to reduce the maximum amount payable as pre-deposit for filing appeal before the Appellate Tribunal from rupees hundred crores to rupees forty crores of integrated tax.

III. AMENDMENTS IN THE UT GST ACT, 2017

1. Sub-section (1) in Section 7 in the UTGST Act is being amended, so as to not levy union territory tax on Extra Neutral Alcohol used for manufacture of alcoholic liquor for human consumption.
2. Section 8A in the UTGST Act is being inserted, so as to empower the Government to regularize non –levy or short levy of union territory tax where it is found that such non levy or short levy was a result of general practice.

IV. AMENDMENT IN THE GST (COMPENSATION) ACT, 2017

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

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About Us:

Vishnu Daya & Co LLP is a Professional Services Firm under which dedicated professionals have developed core competence in the field of audit, financial consulting services, financial advisory, risk management, direct and indirect taxation services to the clients. Each Partner is specialized in different service area. The services are structured differently in accordance with national laws, regulations, customary practice, and other factors. We continuously strive to improve these services to meet the growing expectations of our esteemed customers.

Started in the year 1994 as audit firm in Bangalore with an ambition to provide services in the area of accountancy and audit our legacy of vast experience and exposures to different types of industries made us rapidly adaptable to the changing needs of the time and technology by not only increasing our ranges of services but also by increasing quality of service.

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