

BUDGET 2024

A digital dashboard with various charts and icons. The word "BUDGET" is prominently displayed in the center. The background features a grid of icons including a play button, a group of people, a pie chart, a bar chart, a line graph, a target, a mail envelope, and a smartphone. The overall theme is financial and technological.

BUDGET

**Direct Tax Reforms:
Introductory Analysis**



INDIVIDUAL & CORPORATE TAX RATES

➤➤➤ INDIVIDUAL TAXATION

1. Revised Tax Rates under New Regime (Section 115BAC) (effective from 1 April 2024):

For FY 2023-24	For FY 2024-25 (Revised)	Tax Rates
0 – 3 Lakhs	0 – 3 Lakhs	Nil
3 - 6 Lakhs	3 - 7 Lakhs	5%
6 - 9 Lakhs	7 - 10 Lakhs	10%
9 – 12 Lakhs	10 – 12 Lakhs	15%
12-15 Lakhs	12-15 Lakhs	20%
Above 15 Lakhs	Above 15 Lakhs	30%

The tax rates under the old regime remains unaltered.

2. Income from Salary & Other Sources (effective from 1 April 2024):

- Standard deduction increased to Rs. 75,000 (from existing Rs. 50,000)
- Amount of deduction allowed to employer for contribution to New Pension Scheme (NPS) under section 80CCD increased to 14% of employee salary (from existing cap of 10%). Further under the new tax regime, the benefit of deduction of contribution to NPS @ 14% of employee's salary currently available only to government employees has been extended to non-government employees.
- Credit of TCS to be allowed while computing the TDS deductible on Salary income.
- So now, salaried assesseees can save up to Rs. 18,200 (including cess) under the revised tax rates and increased standard deduction
- **Income from Other Sources:** Limit for claiming deduction of family pension under section 57 increased to **Rs. 25,000** (from existing Rs. 15,000)



INDIVIDUAL & CORPORATE TAX RATES

3. Corporate Tax Rates and amendments to Head of Income (House Property/PGBP) (effective from 1 April 2024)

- **Rate:** There are no changes in rates for corporate tax, except the base tax rate applicable to foreign companies has been reduced from 40% to 35%.
- **Income from House Property** - Income from letting out of property can now only be offered to tax under the head 'Income from House Property', and will not be allowed to be offered as business income under PGBP. Section 28 amended accordingly.
- **PGBP** - Any expenditure incurred by any assessee to settle any proceedings w.r.t. contravention of any law as may be notified by the Central Govt. shall be disallowed under section 37.

4. Partnership Firms:

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

Existing Limit

Particulars	Maximum remuneration allowable
On first Rs. 3,00,000 book profit/in case of loss	Higher of Rs. 1,50,000 or 90% of the book profit
Balance book-profit	60% of book profit

Revised Limit

Particulars	Maximum remuneration allowable
On first Rs. 6,00,000 book profit/in case of loss	Higher of Rs. 3,00,000 or 90% of the book profit
Balance book-profit	60% of book profit

5. Insurance taxation:

Amount of expenditure in contravention of section 37 to be disallowed in case of life insurance companies.

This amendment is prospective in nature.



CAPITAL GAINS

»»» CAPITAL GAINS

1. Changes in Tax Rates (effective from 23 July 2024)

Sl no.	Type of Asset	Old			New				
		Holding in Months [*]	LTCG Rate ^{**}	STCG Rate ^{**}	Holding in Months [*]	LTCG Rate ^{**}	STCG Rate ^{**}		
A] Securities:									
1 Listed Securities:									
	Equity Shares	12	10%	15%	12	12.50%	20%		
	Equity Oriented Fund	12	10%	15%	12	12.50%	20%		
	Units of Business Trust	36	10%	15%	12	12.50%	20%		
	Units of UTI	12	20%	Normal Tax	12	12.50%	Normal Tax		
	Preference Shares	12	10%/		12	12.50%			
	Debentures	12	20% ***		12	12.50%			
	Zero Coupon Bonds	12			12	12.50%			
	Other Bonds	12			12	12.50%			
	Other Securities	12			12	12.50%			
2 Unlisted Securities:									
	Equity Shares	24	20%		Normal Tax	24		12.50%	Normal Tax
	Equity Oriented Fund	24	20%	24		12.50%			
	Units of Business Trust	36	20%	24		12.50%			
	Units of UTI	12	20%	24		12.50%			
	Other Units	36	20%	24		12.50%			
	Preference Shares	24	20%	24		12.50%			
	Other Securities	36	20%	24		12.50%			
3 Special Provision (Sec 50AA):									
	Market Linked Debentures	Treated as STCA	NA	Normal Tax	Treated as STCA	Normal Tax			
	Specified Mutual Funds								
	Unlisted Debentures		36			20%			
	Unlisted Bonds		36			20%			
	Debt Mutual Funds		36			20%			
B] Other Assets:									
	Immovable Property (Land or building or both)	24	20%	Normal Tax	24	12.50%	Normal Tax		
	Any other Asset	36	20%		24	12.50%			

* Holding period for classifying the Asset as Short Term or Long Term

** Rates excluding surcharge and cess

*** 10% without indexation, or 20% with indexation, whichever is less



CAPITAL GAINS

Critical Remarks:

- The benefit of indexation under second proviso to section 48 will no longer be allowed for computing the long-term capital gains. The benefit of first proviso to section 48 applicable in case of non-resident continues but has limited applicability.
- Exemption allowed from long-term capital gains under section 112A is increased to Rs. 1.25 lakhs from Rs. 1 lakhs.
- In case of Non-Resident, income in the nature of LTCG arising from the transfer of shares or securities of a private limited company was earlier taxable at 10% (without giving effect to the first and second proviso of section 48/indexation benefits), which now stands taxable at the uniform rate of 12.50%.
- Earlier, Specified Mutual Fund under section 50AA was defined as 'a Mutual Fund where not more than thirty five per cent of its total proceeds is invested in the equity shares of domestic companies'. From AY 2026-27, the definition of Specified Mutual Fund shall be amended as '(a) a Mutual Fund which invests more than sixty-five percent of its total proceeds in debt and money market instruments; or (b) a fund which invests sixty five percent or more of its total proceeds in units of a fund referred to in sub-clause (a)'
- Securities Transaction Tax on Futures and Options increased to 0.02% and 0.1% respectively, from the current 0.0125% and 0.0625%.

2. Amendment to section 47

- Any gift/will/irrevocable trust by any assessee other than an Individual or HUF shall be treated as transfer and subject to Capital Gains (eg: gift of shares by company, etc.)

3. FMV of unlisted securities as on 31 January 2018 (Retrospective w.e.f. AY 2018-19)

- Unlisted shares as of 31st January 2018 that are subsequently listed on an exchange after the date of transfer under an offer for sale to the public via an IPO, the FMV would be the indexed cost, considering the CII of FY 2017-18 and the first year in which the assets were held by the assessee.



BUY BACK OF SHARES

»»» BUY BACK OF SHARES

- Presently, any income arising on buy-back of shares is exempt in the hands of the recipient under section 10 (34A), and tax is paid by the company on such distributed income under section 115QA.
- However, now the sum received by any person on buy-back of shares is to be treated as Dividend in the hands of the shareholder, and to be taxed at the applicable rates under the head Income from Other Sources. In case on non-resident tax payer, the applicable tax rate for dividend income would be 20% u/s 115A or such lower tax rate as per tax treaty.
- No deduction of any expenses shall be allowed against the above dividend income
- The cost of acquisition of the bought-back shares will to be allowed as 'capital loss' in the hands of the investor. Such capital loss will be allowed to be carried forward and set-off against any income arising from capital gains.
- The above amendment is applicable from 1 October 2024.



START-UPS

➤➤➤ AMENDMENTS IMPACTING START-UP SECTOR

1. Removal of Angel Tax provisions under Section 56(2) (viib) (Effective Date 01st April 2024)

- Under the existing provisions of Section 56(2) (viib) , if an unlisted company or closely held company, receives any consideration towards issue of share capital, which is not in accordance with the prescribed valuation methodology under Income Tax Rules, then the excess consideration received by company is liable to be taxed as Income in its hands.
- This provision led to significant amount of litigation and disputes between startups, investors and tax authorities as valuation is very subjective exercise. The provisions was subject to lot of criticism from industry bodies and investors.
- Realising the fact that this provision was acting as impediment to free flow of capital in Indian startup ecosystem, it is proposed in Budget 2024 to abolish the angel tax provisions.
- This is a significant positive step and would pave a long way in raising the capital and fueling the growth of Indian startup ecosystem.

2. Reduction in TDS rate for E Commerce operators (Effective Date 01st Oct-2024)

- Under the existing provisions, e-commerce operators are required to deduct TDS @ 1% on the of the gross amount of such sales or services or doth, paid or credited to e-commerce participant.
- The existing 1% TDS rate was high and discriminatory in nature compared to the TDS rates on offline transactions which attract lower TDS under Section 194Q or Section 206C(1H).
- To promote digital infrastructure and cashless economy, the TDS rates on e-commerce transactions are proposed to be brought down from existing 1% to 0.1%



CHARITABLE TRUSTS/ INSTITUTES

➤➤➤ AMENDMENTS IMPACTING CHARITABLE TRUSTS/INSTITUTES

- **Merger of trust regimes** - The parallel provisions of section 10(23C) and section 11 to 13 of the Act, laying down conditions, approval mechanism, etc are integrated.
- **Condonation of delay** - Pr. CIT/ CIT shall now have powers to condone the delay in filing the application for approval/ registration of trust.
- **Increase in time limit for processing 12AB and 80G application** - Time limit for processing of applications filed under section 12AB or 80G extended from 6 months from the end of the month in which application is received to 6 months from the end of the Quarter in which application is received.
- **80G application** – Earlier provisions unintentionally barred 80G applications for the even subsequent years in case the same is was not made within the prescribed time lines. This led to permanent denial of 80G benefit. This said anomaly has been rectified. The Trusts can apply for 80G for subsequent years in case it has missed the timelines for initial years. Possible to reapply for 80G for subsequent years in case of rejection of 80G application earlier.

The above amendments are effective from 1 October 2024.

**BUDGET**

TDS & TCS

➤➤➤ TDS AND TCS AMENDMENTS:

1.Rationalization of TDS/TCS Rates: TDS rates will be reduced from 5% to 2% for several sections, effective from different dates:

Section	Present TDS Rate/Scope	Proposed TDS Rate/Scope	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G - Commission etc on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or HUF	5%	2%	1.10.2024
Section 194O - Payment of certain sums of e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194T - Payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm	Nil	10% (aggregate amounts more than Rs. 20,000)	1.4.2025
Section 206C(1F) – tax collected at source	1% (consideration for sale of a motor vehicle of value exceeding ₹10 lakh)	1% (additionally applicable to notified luxury goods with a value exceeding ₹10 lakh)	1.01.2025
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024



TDS & TCS

➤➤➤ TDS AND TCS AMENDMENTS:

2. Other amendments:

- **Section 194-IA TDS on Sale of Immovable Property:** The threshold of INR 50 lakhs to trigger TDS to be considered in totality in case of multiple transferors/transferees
- **TDS on Floating Rate Savings Bonds (FRSB) 2020:** TDS will apply to interest exceeding ₹10,000 on FRSB 2020 or any other notified government security.
- **Section 194J:** Payments for professional or technical services under section 194J will not be considered "work" under section 194C.
- **Lower Deduction/Collection Certificate:** section 197/ 206C(9) – Proposed to be extended even to deduction of tax under section 194Q (0.1%) and 206C(1H) (0.1%), applicable from 1 October 2024.
- **Time Limit for Correction of Statements:** Correction statements for TDS/TCS must be filed within six years from the end of the financial year of the payment.
- **Penalty for Late Filing of Statements:** Penalty will be imposed for late filing of TDS or TCS statements if delayed by more than one month, replacing the current 12-month period.
- **Alignment of interest rate on delayed payment on TCS with TDS:** It is proposed to increase the rate of simple interest from 1 per cent to 1.5 per cent on delayed payments of TCS after collection, as in the case of TDS.
- **TDS Prosecution provision:** It is proposed that exemption shall be provided if the payment of TDS in respect of a particular quarter has been made on or before the time prescribed for filing the statement of such quarter under section 200(3) of the Act.
- **TDS/TCS proceedings:** it is proposed that the time limit of 7 years from end of FY to be reduced to 6 years from the end of FY and these provisions should also be extended to transactions entered with non-residents. Applicable from AY 2025-26.
- **Exemptions from TCS:** The government shall notify certain persons or classes of persons to be exempt from TCS or to be charged at a lower rate for specified transactions.



DIRECT TAX LITIGATION

➤➤➤ DIRECT TAX LITIGATION

1. Vivad Se Vishwas Scheme, 2024

Similar to VSVS, 2020, a scheme shall be announced. The salient feature of VSVS, 2024:

- Coverage - The Scheme covers all appeals/writ petitions before all the appellate forums –CIT(A), DRP, PCIT, ITAT, HC and SC.
- Cases not covered – Search, Case where prosecution has been initiated, Case relating to undisclosed income from foreign source, Case under assessment pursuant to information received under Information Exchange, in respect of person who has violated the provisions of specified laws connected to economic offences, etc.
- Clarity required for cases where time limit to file an appeal has not expired
- Covers disputed tax, disputed interest, disputed penalty/ fee/ TDS/ TCS
- Benefits – Waiver of interest (associated with tax), waiver of penalty and prosecution. Waiver of portion of interest, penalty, fee in case the dispute arises solely on account of the same.

Sl No.	Nature of Appeal	Amount payable under this Scheme on or before the 31st day of December, 2024.	Amount payable under this Scheme on or after the 1st day of January, 2025 but on or before the last date.
(a)	Tax appeal filed after 31 January 2020 but on or before 22 July 2024	100% of the disputed tax	110% of disputed tax
(b)	Tax appeal filed before 31 January 2020 and pending before the same appellate forum	110% of disputed tax	120% of disputed tax
(c)	Interest/penalty/fees appeal filed after 31 January 2020 but before 22 July 2024	25% of the disputed interest/penalty/fee	35% of the disputed interest/penalty/fee
(d)	Interest/penalty/fee appeal filed before 31 January 2020 pending before the same appellate forum	30% of the disputed interest/penalty/fee	35% of the disputed interest/penalty/fee

Note: For appeals filed by the Department, issues covered in assessee's own case and issues covered by High Court in other assessee's cases (subject to certain conditions), the above amount payable shall be reduced by 50%



DIRECT TAX LITIGATION

- All issues under a particular appeal needs to be covered. Piecemeal declaration is not permitted.
- If the amount already paid exceeds the amount payable under the scheme, the taxpayer is entitled to refund (but without interest).
- Board has powers to issue directions/guidelines for removal of difficulties.

2. Rationalization of reassessment provisions (effective 01 September 2024):

- Outer time limit for initiation of reassessment proceedings in case where the income escaping assessment exceeds INR 50 Lakhs is reduced to 5 years instead of 10 years.
- Specified authorities for the purpose of section 148/ 148A has been changed to Additional Commissioner/ Director or Joint Commissioner/ Director (instead of Pr CIT/ DIT and Pr CCIT/ DGIT earlier)
- Information collated during the survey proceedings under section 133A (other than TDS survey) is to be regarded as 'Information' which suggest that the income has escaped assessment (similar to any audit objections).
- Action based on information collated under section 135A can be undertaken only after prior approval of specified authority. The provisions of section 148A giving an opportunity to Assessee shall not apply to such information.
- Reassessment provisions shall not apply to search/cases of requisitions after 1st September, 2024.

3. Re-introduction of block assessment for search cases (effective 01 September 2024):

- Block assessment concept reintroduced – one single assessment for six years owing to long drawn litigation cycle under the current provisions and associated difficulties.
- Pending assessments/ reassessments to abate
- Tax to be charged @ 60% for the block period – No surcharge and interest leviable
- Penalty on the undisclosed income to be levied at 50% of the tax payable on such income. Penalty not to be levied if the undisclosed income is offered to tax in return furnished pursuant to search along with payment of tax.



DIRECT TAX LITIGATION

- Time limit for completion is 12 months from the end of the month in which last authorization for search/ requisition was executed or notice under section 158BC was issued. Extension of 6 months provided in respect of period upto handing over the seized material to the Assessing Officer
- Order under section 158BFA for interest and penalty on undisclosed income included as appealable order before the CIT(A).

4. Power of CIT(A)/ JCIT(A) (effective 01 October 2024):

It is proposed that the Appellate Authorities shall be empowered to set-aside the appeal for fresh assessment to the Assessing Officer in cases of best judgment order passed under section 144 of the Act.

5. Time-limit for completion of assessment/ reassessment (effective 01 October 2024):

- For returns furnished in consequence of an order under section 119(1)(b) (Condonation), time limit for completing the assessment shall be 12 months from the end of the FY in which such return is furnished;
- Pursuant to extension of powers of CIT(A)/ JCIT(A) to set-aside the best judgment order, the provisions of section 153(3) are modified to provide for 12 months time-limit to pass the order by the AO
- Pursuant to insertion of Block assessment concept, the provisions of section 153(8) are amended to provide that order of assessment or reassessment relating to any assessment year, which stands revived as a consequence of annulment of the block assessments shall be completed within a period of 1 year from the end of the month of such revival.'
- Procedural amendment to period of exclusion of 180 days in case of search assessment (i.e., from the date of initiation of search action till the date of handing over the material) – It is proposed that the last date in such case shall be the end of the month in which such date is falling.



DIRECT TAX LITIGATION

6. Amendment to set-off/ withholding of refunds (effective 01 October 2024)

- The condition provided under section 245(2) relating to withholding of refund that grant of such refund is likely to adversely affect the revenue is omitted since it gets covered by the condition of 'reasons to be recorded in writing and with previous approval of Pr. CIT or CIT'.
- Additionally, the period until which the refund can be withheld under the said provision is extended upto 60 days from the date of completion of the assessment or reassessment.

7. Time limit to file an appeal before ITAT (effective 01 October 2024)

- Time limitation to file an appeal before the ITAT – revised from 60 days to 2 months from the end of the month in which order sought to appeal has been communicated.

8. AAR/ BAR – Withdrawal of application - Section 245Q (effective 01 October 2024)

- Withdrawal application can be filed by 31/10/2024 for pending transferred application to the Board of Advance Ruling (BAR) and the BAR to decide on these applications on or before 31/12/2024.



NON-RESIDENTS TAXATION

➤➤➤ NON RESIDENT TAXATION

1. Reduction in maximum marginal rates (effective from 1 April 2024)

- Maximum Marginal tax rate applicable for business income and other income not covered by the specific provisions of 115A, 115ACA, 115AD etc. is proposed to be reduced from existing 40% to 35%. Surcharge and cess rates remain same.

2. Simplified presumptive tax regime for domestic cruise ship operations by non-residents (effective from 1 April 2024)

- 20% of the gross receipts from cruise operations will be deemed as business income
- Existing presumptive regime for foreign ships u/s 44B will not be applicable to foreign cruise operators
- Exemption from the leasing income of ship income of a foreign company from lease rentals, if such foreign company and the non-resident cruise ship operator have the same holding company

3. Tax Incentives to International Financial Services Centre (IFSC), Gift City (effective from 1 April 2024)

- Extending relaxation in applicability of provisions of Section 68 to venture capital fund or venture capital company located in IFSC.
- Provisions limiting deductibility of interest on payments to associated enterprises under Section 94B, will not be applicable now on the finance company located in IFSC

4. Scrapping of Equalization Levy (effective from 1 Aug 2024)

- Under the existing provisions of Finance Act 2016, equalization levy (EL) of two per cent is applicable on the amount of consideration received/ receivable by a non-resident e-commerce operator from e-commerce supply or services. To ease the compliance burden, the 2% Equalisation levy is proposed to be removed.



NON-RESIDENTS TAXATION

➤➤➤ NON RESIDENT TAXATION

- Consequently, exemption under Section 10(50) will not be applicable from the effective date of removal of Equalisation levy. Meaning thereby, the income of non-resident would not be automatically exempt under Section 10(50) and needs to be independently evaluated for taxability under the domestic tax law and under the tax treaty.

5. Reporting of Foreign Assets in Income Tax Return (Effective from 1st Oct 2024)

Current Provisions:

- Currently, every resident and ordinarily resident, while filing their return of income is required disclosure of all foreign assets (including investment in shares and securities) and income from such foreign assets in the Income Tax Return.
- Failure to furnish the ITR in relation to foreign income and asset or to report such foreign income and assets located outside India in the ITR may attract a penalty under section 42 or 43 of the Black Money Act of an amount of ten lakh rupees regardless of the value of asset located outside India.
- Further, these sections shall not apply in respect of an asset, being one or more bank accounts having an aggregate balance which does not exceed a value equivalent to five hundred thousand rupees at any time during the previous year.

Changes Proposed:

- The Penalty sections for non reporting in foreign assets schedule is proposed to be made not applicable in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed twenty lakh rupees.



TRANSFER PRICING

➤➤➤ TRANSFER PRICING PROVISIONS

1. Enhancement of Power of Transfer Pricing Officer to determine arm's length for non-referred/non-reported Specified Domestic Transactions. Effective Date 01st April 2024

- Under the existing Transfer Pricing provisions, the Transfer Pricing officer is empowered to determine arm's length price of those international transactions as well which were not referred to him by the assessing officer or which were not reported in the TP Form 3CEB by the assessee. However, the said provisions do not apply to specified domestic transactions referred to in Section 92BA.
- In order to plug this anomaly, provisions of Section 92CA are being amended to empower the TPO to determine the ALP for those specific domestic transactions as well which are not referred to by assessing officer or not reported by assessee in Form 3CEB.

2. Expanding the existing safe harbor provisions

- Proposal made in the Budget speech to expand the scope of safe harbour rules and make them more attractive. However, rules have not yet been made available in Public Domain.

The Finance Minister has announced a comprehensive review of the Income-tax Act, 1961 in the next six months.

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