



**PUNE BRANCH OF WIRC OF
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(Set up by an Act of Parliament)**

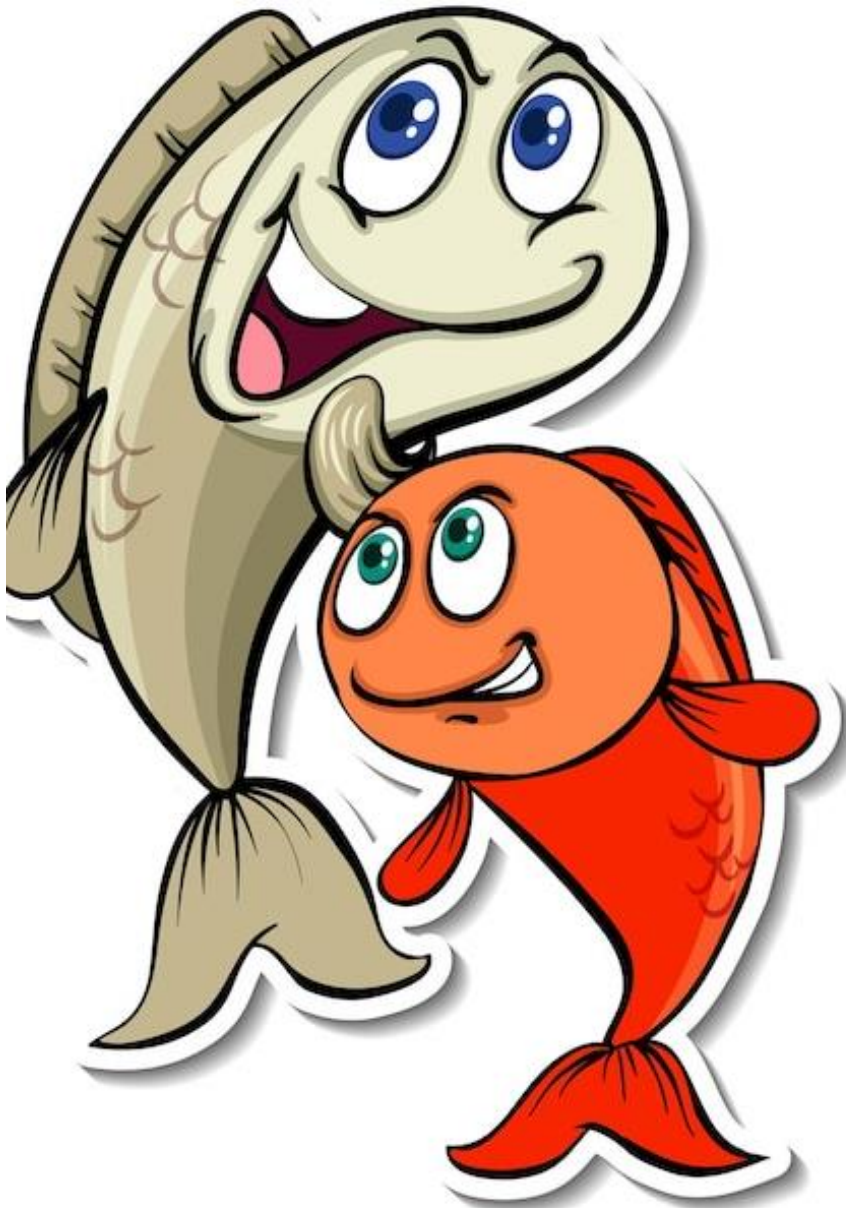
FINANCE ACT (NO. 2) 2024

CA Chandrashekhar V. Chitale
Central Council Member

Simple Income tax Act

- **Comprehensive Review of the Income-tax Act, 1961**

137. I am now announcing a comprehensive review of the Income-tax Act, 1961. The purpose is to make the Act concise, lucid, easy to read and understand. This will reduce disputes and litigation, thereby providing tax certainty to the tax payers. It will also bring down the demand embroiled in litigation. It is proposed to be completed in six months.



Simple Income tax Act

**Will that be a
Tie-Tie Fish?**

Dates for Changes

- 1.6.2018 - S 55 Cost of acquisition - unlisted share going for listing OFS
- 23.7.2024 - Capital Gain Exemption 1.25L
- 1.8.2024 - Equalisation Levy / exemption
- 1.10.2024 - TDS, Repurchase of Shares
- 1.1.2025 - 206C - clubbing minor's TDS TCS
- 1.4.2025 - Angle Tax
- 1.4.2026 - MF Definition 50AA

Section 10(4D)/10(23EE) - International Financial Services Centre – [BAT A]

- **IFSC** is a jurisdiction that provides financial services to non-residents and residents, as permissible, in any currency except Indian Rupee. Several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.
- Amendments relate to section 10(4D)- Any income accrued or arisen to or received by a specified fund;
- Section 10(23EE)- Any specified income of Core Settlement Guarantee Fund;
- Section 68- Cash Credits; and section 94B- Limitation on interest deduction in certain cases – IFSC Excluded.
- *(Effective from 1 April 2025 i.e. AY 2025-26).*

Section 10(4D)/10(23EE) - International Financial Services Centre – [BAT A]

- **BAT A Services allowed from GIFT City**
- **B – Bookkeeping**
- **A – Accounting**
- **T – Taxation**
- **A – AML Counculting**

Section 230 - Tax clearance certificate.

(1A) Subject to such exceptions as the Central Government may, by notification in the Official Gazette, specify in this behalf, every person, who is domiciled in India at the time of his departure from India, shall furnish, in the prescribed form to the income-tax authority or such other authority as may be prescribed¹³—

(a) the permanent account number allotted to him under section 139A; (b) the purpose of his visit outside India; (c) the estimated period of his stay outside India:

Provided that no person—

Section 230 - Tax clearance certificate.

- (i) who is domiciled in India at the time of his departure; and (ii) in respect of whom circumstances exist which, **in the opinion of an income-tax authority render it necessary for such person to obtain a certificate under this section,**
- shall leave the territory of India
- **Provided** that no income-tax authority shall make it necessary for any person who is domiciled in India to obtain a certificate under this section unless he records the reasons therefor and obtains the prior approval of the PCIT or CIT

Section 230 - Tax clearance certificate.

- shall leave the territory of India by land, sea or air unless he obtains a certificate from the income-tax authority stating that he has no liabilities under this Act, or the Wealth-tax Act, 1957, or the Gift-tax Act, 1958, or the Expenditure-tax Act, 1987, or that satisfactory arrangements have been made for the payment of all or any of such taxes which are or may become payable by that person:
- **ADDITION - Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 - FROM 1 October 2024**

Section 230 - Tax clearance certificate.

Ministry of Finance

CBDT issues clarification in respect of Income-tax clearance certificate (ITCC)

- It is being erroneously reported that all Indian citizens must obtain income-tax clearance certificate (ITCC) before leaving the country - a position that is factually incorrect
- Posted On: 20 AUG 2024 9:19PM by PIB Delhi

Section 230 - Tax clearance certificate.

- Section 230 requires an individual to obtain a TCC while leaving India in certain specified circumstances that would differ basis the individual's domicile status.
- TCC in Form No. 33 requires tax authorities to certify that he has no outstanding liabilities or that he has made satisfactory arrangements to pay taxes under the Act, Wealth-tax Act, Gift-tax Act, or Expenditure-tax Act.
- CBDT¹ also clarifies: Only amendment made is to include the BMA, The CBDT reiterated that the TCC is needed by residents domiciled in India, only in certain situations mentioned in the ensuing para.
- **vide Press Release dated 20 August 2024**

- Significant Changes
from
- Finance Bill (No. 2) 2024

Finance Act (No. 2), 2024

- On August 7, 2024, the Lok Sabha passed the Finance (No. 2) Bill, 2024. Approval put by Hon. President on August 16, 2024
- Over 30 amendments to the original bill, Important are:
- **1. Grandfathering of long-term capital gain from land or building in case of resident individual/HUF**
- **2. The proviso to Section 192(2B) is substituted to allow the benefit of TDS/TCS while computing TDS on salary income**
- The Other amendments are consequential

Section 192(2B)

- **The proviso to Section 192(2B) is substituted to allow the benefit of TDS/TCS while computing TDS on salary income**
- The Finance (No. 2) Bill 2024, as introduced in Lok Sabha, substituted sub-section 192(2B) to allow the benefit of all other TDS/TCS while computing TDS from salary income.

Section 192(2B)

- ‘Provided that this sub-section shall not in any case have the effect of reducing the tax deductible from income under the head “Salaries”, except where the loss under the head “Income from house property” and the tax deducted in accordance with other provisions of Part B and tax collected in accordance with the provisions of Part BB, of this Chapter, has been taken into account.’.

Section 40(b)

- With effect from the 1st day of April, 2025,—
- The threshold limit as Rs.6,00,000 instead of Rs.3,00,000
- Pushing upward the limit of remuneration to Rs.3,00,000 from Rs. 1,50,000 or at the rate of 90% of the book profit, whichever is more.
- On balance profits – 60%
- **Assessment year 2025-26 onwards.**

Section 194T

- **Section 62.** Finance Act (No. 2) 2024
- “194T. (1) Any person, being a firm, responsible for paying any sum in the nature of salary, remuneration, commission, bonus or interest to a partner of the firm, shall, at the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier shall, deduct income-tax thereon at the rate of ten per cent.
- (2) No deduction shall be made under sub-section (1) where such sum or the aggregate of such sums credited or paid or likely to be credited or paid to the partner.

Section 194T

- **If Remuneration or Interest is debited to expenses account and credited to 'Outstanding Expenses Account' or 'Expenses Payable Account' or 'Provision Account' whether time for deduction has reached?**
- In other TDS Sections there is an Explanation as under:
- *Explanation.*—For the purposes of this section, where any income by way of interest as aforesaid is credited to any account, whether called "Interest payable account" or "Suspense account" or by any other name, in the books of account of the person liable to pay such income, such crediting shall be deemed to be credit of such income to the account of the payee and the provisions of this section shall apply accordingly.
- **Such a provision is missing in Section 194T**

Section 194T

- Kedarnath Jute Mfg. Co. Ltd. v. CIT [1971] 82 ITR 363 (SC)
- CIT v. Roberts Mclean & Co. Ltd. [1978] 111 ITR 489 (CAL.)
- Deduction cannot be disallowed merely on ground that no entry in respect thereof was made by assessee in his books due to some misapprehension or mistake on his part
- **Conclusion:**
- **A. Deduction is not dependent upon entry in books of account**
- **B. TDS is to be made only if entry is made in the books of account or payment is made**

CAPITAL GAINS

A. Holding Period

B. Tax Rate

C. Shares and Securities

D. Immovable Property

CAPITAL GAINS - Hoofing Period

Capital Asset	22/7	23/7
Listed Equity, UTI Units, Equity Oriented MF Units, Zero Coupon Bonds,	12 m	12 m
Unlisted Shares, Immovable Property	24 m	24 m
All Other Assets	36 m	24 m
ReITs, InVITs	36 m	12 m
Slump Sale – Section 50B	36 m	36 m
<u>Changes w.e.f. 23 July, 2024</u>		

CAPITAL GAINS - Tax Rate

Catagory	Capital Asset	22/7	23/7
LTCG	All assets	20%	12.5%
LTCG	STT paid Listed Equity Units Equity Oriented / Bus Trust	10%	12.5%
STCG		15%	20%
STCG	All other assets	Slab Rate	Slab Rate

CAPITAL GAINS - Shares and Securities

- **STT**

- Sale of an option in securities

0.0625 0.1

- Sale of futures in securities

0.0125 0.02

- **Discourage Futures and Options**

CAPITAL GAINS - Immovable Property

- **2nd Proviso inserted in Section 112(a):**
- Provided further that in the case of transfer of a long-term capital asset, being land or building or both, which is acquired before the 23rd day of July, 2024, where the income-tax computed under item (B) exceeds the income-tax computed in accordance with the provisions of this Act, as they stood immediately before their amendment by the Finance (No. 2) Act, 2024, such excess shall be ignored;.

CAPITAL GAINS - Immovable Property

- As indexation benefit removed & a uniform tax rate of 12.5% on LTCG, a grandfathering provision is introduced under section 112
- Features of grandfathering provision:
- Eligible Assessee: resident individuals and resident Hindu Undivided Families (HUFs).
- *Ineligible Assessee*: Any non-resident person, any company, any partnership firm or any other assessee is not eligible for this benefit.

CAPITAL GAINS - Immovable Property

- **Eligible Capital Asset:** It applies only to the transfer of a long-term capital asset, being **land or building or both**.
- **Ineligible Capital Asset:** Not applicable other long-term capital assets and any short-term capital asset including short-term **land or building or both** . .
- **Ineligible Asset:** **Land or building or both** held as stock in trade

CAPITAL GAINS - Immovable Property

- Acquisition: Long Term land or building must have been acquired on or before 22-07-2024
- The provision is applicable if the tax on LTCG from eligible land or building computed under the new law exceeds the tax computed under the old law.
- **Concession: If the amount of tax under the new law exceeds the amount of tax under the old law, the excess amount shall be ignored.**

CAPITAL GAINS - Immovable Property

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No Change for Investment Amount for Exemption Under Sections

- 54
- 54B
- 54EC
- 54F

CAPITAL GAINS – Resident

- **Proviso inserted in Section 112(d):**
- Provided that where the tax payable in respect of any income arising from the transfer of a long-term capital asset which takes place before the 23rd day of July, 2024, being listed securities (other than a unit) or zero coupon bond, exceeds ten per cent. of the amount of capital gains before giving effect to the provisions of the second proviso to section 48, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee:”.

CAPITAL GAINS – Non Resident

- **Clause inserted in Section 112(c):**
- (iii) the amount of income-tax on long-term capital gains arising from the transfer of a capital asset, being unlisted securities or shares of a company not being a company in which the public are substantially interested, as computed without giving effect to the first and second provisos to section 48, calculated on such long-term capital gains,—
- (A) at the rate of ten per cent. for any transfer which takes place before the 23rd day of July, 2024; and
- (B) at the rate of twelve and one-half per cent. for any transfer which takes place on or after the 23rd day of July, 2024;

Deemed Dividend

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In clause (22), with effect from the **1st day of October, 2024**,—

- (l) after sub-clause (e) and before the long line, the following sub-clause shall be inserted, namely:—
- **“(f) any payment by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 68 of the Companies Act, 2013;”**

Residential House Property

- In section 28 of the Income-tax Act, after *Explanation 2*, the following *Explanation* shall be inserted with effect from the 1st day of April, 2025, namely:—
- ***‘Explanation 3.— It is hereby clarified that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head “Profits and gains of business or profession” and shall be chargeable under the head “Income from house property.”***

Residential House Property

- In section 28 of the Income-tax Act, after *Explanation 2*, the following *Explanation* shall be inserted with effect from the 1st day of April, 2025, namely:—
- ***‘Explanation 3.— It is hereby clarified that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head “Profits and gains of business or profession” and shall be chargeable under the head “Income from house property.’.***

Thank you



CA Chandrashekhar V. Chitale CCM