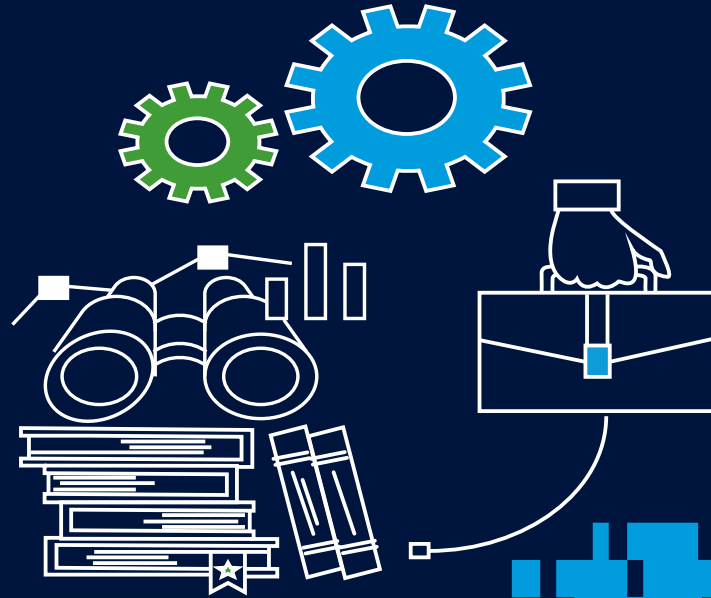


INDIA INTERIM BUDGET 2024

Key Aspects in a
Nutshell



Review of Indian Economy 2023-24

The Department of Economic Affairs has released a report 'The Indian Economy : A Review' in January 2024. The key economic highlights as per the aforesaid report and certain significant aspects as announced by the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman in the Interim Union Budget on 1 February 2024 are as under:

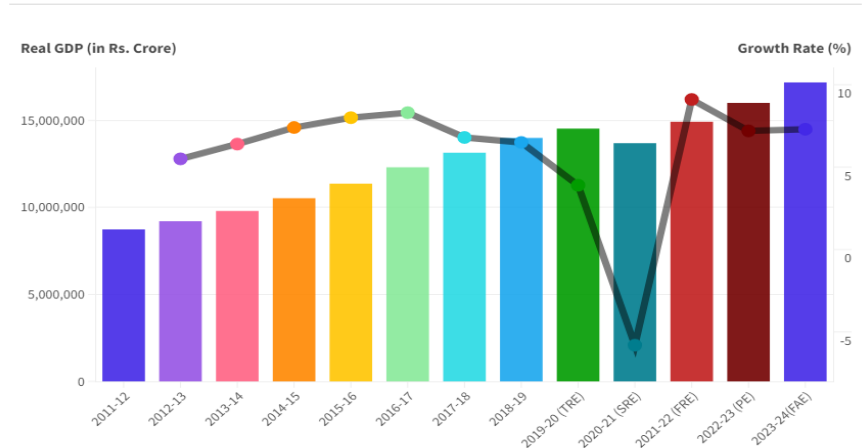
GDP GROWTH

- The India's real GDP is estimated to grow at 7.3% for FY 2023-24. With this, India marks the 3rd successive year of a strong growth above 7%.
- India is the 5th largest economy in the world with a GDP of US\$ 3.7 trillion (estimated for FY 2023-24). In the next 3 years, India is expected to become the 3rd largest economy in the world with a GDP of US\$ 5 trillion.

FISCAL DEFICIT

- The revised estimate of the fiscal deficit for FY 2023-24 is 5.8% of GDP.
- The fiscal deficit for FY 2024-25 is estimated at 5.1% of the GDP.

Annual GDP Estimates (in Rs. Crore) and Growth Rates (%) at Constant Prices (Base 2011-12)



Review of Indian Economy 2023-24

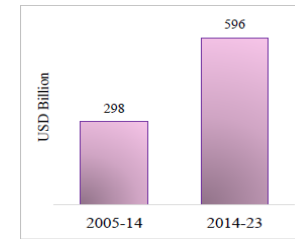
INFLATION

- RBI has projected that inflation would average to 5.4% in FY 2023-24.

FOREIGN DIRECT INVESTMENT

- The FDI Inflow during years 2014-2023 was US\$ 596 billion which is twice the inflow during years 2005-14.
- The Foreign Exchange Reserves have stood at US\$ 623.20 billion as of 29 December 2023.

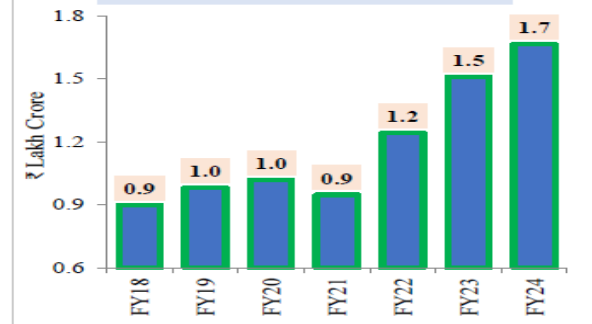
Doubling of FDI Inflow



DIRECT TAX AND GST

- Over the last 10 years, the direct tax collections have more than trebled and the return filers have increased to 2.4 times.
- The GST system has shown improved buoyancy over the pre-GST regime with consistent rise in average monthly gross collections from Rs. 90 Lakh Crores in FY 2017-18 to Rs. 1.66 Lakh Crores in FY 2023-24. The number of GST taxpayers have increased from 66 Lakhs at its introduction to 1.40 Crores in 2022.

Rise in average monthly gross GST collections



Review of Indian Economy 2023-24

OTHER ASPECTS

- India has become the 4th largest stock market in the world by market capitalisation reaching US\$ 4.33 trillion due to significant interest from domestic and global investors in the Indian stock market.
- GIFT IFSC and the unified regulatory authority, IFSCA has created a robust gateway for global capital and financial services for the economy. To boost foreign investment inflows, the government has allowed direct listing of equity shares of public Indian companies on international exchanges of GIFT IFSC.
- India is negotiating bilateral investment treaties with its foreign partners for encouraging sustained foreign investment in the spirit of 'first develop India'.
- The number of recognised start-ups has increased from 452 in 2016 to more than 98,000 in 2023.



RATES OF INCOME-TAX – Individuals & HUFs

FY 2024-25 - Old tax regime

Total Income (Rs.)	Tax rate
Upto 2,50,000	Nil
2,50,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

FY 2024-25 - New tax regime

Total Income (Rs.)	Tax rate
Upto 3,00,000	Nil
3,00,001 to 6,00,000	5%
6,00,001 to 9,00,000	10%
9,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%

FY 2024-25 – Surcharge rate

Total Income (Rs.)	Surcharge
50,00,001 to 1,00,00,000	10%
1,00,00,001 to 2,00,00,000	15%
2,00,00,001 to 5,00,00,000	25%
Above 5,00,00,000	37%

Note: Rebate of Rs. 12,500 available in case of old tax regime for total income upto Rs. 5,00,000 and Rs. 25,000 in case of new tax regime upto total income of Rs. 7,00,000.

- Maximum rate of surcharge capped @ 15% in case of dividend (for residents), long-term capital gains and short-term capital gains (under section 111A)
- Maximum rate of surcharge capped @ 25% in case of new tax regime

Health and education cess applicable @ 4%



RATES OF INCOME-TAX –Corporate Entities

Tax Rates for Domestic Companies unchanged for FY 2024-25

Particulars	Maximum Effective Tax Rate	Effective MAT Rates
Opting for Concessional Tax Regime		
Domestic companies opting for concessional corporate tax regime - Tax under section 115BAA - Irrespective of the level of total income	25.168%	Not Applicable
New domestic companies with manufacturing activity opting for concessional corporate tax regime - Tax under section 115BAB - Irrespective of the level of total income (Applicable to new companies set-up after 1 October 2019 and commenced manufacturing on or before 31 March 2024)	17.16%	
Not Opting for Concessional Tax Regime		
Having total turnover / gross receipts in FY 2022-23 upto Rs. 400 crore	29.12%	17.472%
Having total turnover / gross receipts in FY 2022-23 exceeding Rs. 400 crore	34.944%	17.472%



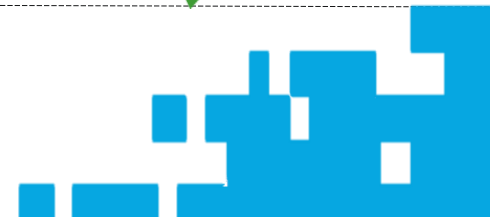
RATES OF INCOME-TAX – Partnership firms / LLP and foreign companies

Tax Rates for Partnership firm / LLP unchanged for FY 2024-25

Total income	Effective Tax Rate
Upto Rs. 1,00,00,000	31.20%
Above Rs. 1,00,00,000	34.944%

Tax Rates for foreign companies unchanged for FY 2024-25

Total income	Effective Tax Rate
Upto Rs. 1,00,00,000	41.60%
Rs. 1,00,00,001 to Rs. 10,00,00,000	42.432%
Above Rs. 10,00,00,000	43.68%



Extension of sunset date to 31 March 2025 to claim certain tax benefits:

Section	Extension for	Extension to
10(4D)	Commencement of operation	Investment division of offshore banking unit located in IFSC or investment division of offshore banking unit granted registration as a Category-I FPI
10(4F)		IFSC unit paying royalty or interest to non-resident on account of lease of aircraft or ship
80LA		IFSC unit earning income from transfer of aircraft or ship
80-IAC	Incorporation	Eligible start-ups

Note: Section 115BAB (concessional tax regime for new manufacturing companies) provided sunset date of 31 March 2024 for commencement of manufacturing activity. **No extension proposed in this respect.**



The Finance Act 2023 had made certain changes in the TCS provisions under section 206C(1G) which were effective from 1 July 2023. Subsequently, the CBDT issued various Press Releases / Circulars revising / clarifying such TCS rates from time to time. These changes have been proposed to be inserted by way of Finance Bill 2024. The applicable TCS rates under section 206C(1G) are tabulated below:

Sr. No.	Nature of transaction (Type of remittance)	Provisions applicable till 30 September 2023		Provisions applicable w.e.f. 1 October 2023	
		Threshold	TCS rate	Threshold	TCS rate
1	LRS for the purpose of educational loan obtained from financial institution mentioned under section 80E	Upto Rs. 7,00,000 p.a.	Nil	Upto Rs. 7,00,000 p.a.	Nil
		Above Rs. 7,00,000 p.a.	0.50%	Above Rs. 7,00,000 p.a.	0.50%
2	LRS for the purpose of education other than mentioned in Sr. No. 1 above and for medical treatment	Upto Rs. 7,00,000 p.a.	Nil	Upto Rs. 7,00,000 p.a.	Nil
		Above Rs. 7,00,000 p.a.	5%	Above Rs. 7,00,000 p.a.	5%
3	Any other LRS remittance other than mentioned in Sr. No. 1 and 2 above	Upto Rs. 7,00,000 p.a.	Nil	Upto Rs. 7,00,000 p.a.	Nil
		Above Rs. 7,00,000 p.a.	5%	Above Rs. 7,00,000 p.a.	20%
4	Purchase of overseas tour program package	No threshold	5%	Upto Rs. 7,00,000 p.a.	5%
				Above Rs. 7,00,000 p.a.	20%



Proposed waiver of old unreconciled outstanding income-tax demands

- Budget 2024 has proposed to withdraw petty, non-verified, non-reconciled or disputed outstanding direct tax demands up to Rs. 25,000 pertaining to the period up to FY 2009-10 and up to Rs. 10,000 for FY 2010-11 to FY 2014-15.
- No specific mention has been made whether this tax proposal is applicable for individual or corporate taxpayers. Though, it seems that the proposal covers both corporate and individual taxpayers and is expected to overall benefit about a crore tax-payers.
- There are no specific proposals in the Finance Bill 2024 on the above and it is expected that a separate circular may be issued by the CBDT to provide the aforesaid relief announced in the interim budget presentation.

Extension of timeframe for drafting faceless proceedings' scheme

The time limit for drafting schemes for faceless transfer pricing proceedings, faceless Dispute Resolution Panel (DRP) proceedings and faceless ITAT appeals has been extended from 31 March 2024 to 31 March 2025.



OVERVIEW

- Goods and Services Tax (GST) has unified India's fragmented indirect tax system and reduced compliances burden for the trade and industry at large. Further, the decline in logistics costs and taxes resulting in lower prices has proven beneficial to the end customers.
- No changes are proposed in existing tax rates under GST and duties of imports under Customs. Hence, the existing tax rates shall continue to remain in effect.

AMENDMENT IN DEFINITION OF INPUT SERVICE DISTRIBUTOR

- Seeks to propose amendments to the **definition of ISD** laid down under section 2(61) of CGST Act, 2017, **thereby mandating distribution of credit as an ISD prospectively**. Further, the proposition aligns with the recommendations made by the GST council in its 52nd council meeting wherein amendments to section 2(61) and section 20 of CGST Act, 2017 and corresponding CGST Rules were suggested to obligate the

mandatory compliance with ISD mechanism in a prospective manner.

The proposed definition seeks to include services attracting payment under reverse charge (RCM) under sections 9(3) and (4) of CGST Act, 2017 i.e. both in relation to notified goods or services as well as notified registered persons on specified purchases from unregistered suppliers under the ISD mechanism.

It is noteworthy that earlier the compliance with ISD mechanism for distribution of credit allocable to distinct persons was not mandatory. The same was duly clarified vide Circular No. 199/11/2023-GST dated 17 July 2023. However, with the implementation of the proposed change, every registered person shall be compulsorily required to follow the procedure under ISD for distribution of such credits.

With enforcement of the proposed definition, taxpayers would be required to mandatorily obtain an additional registration as an ISD and undertake necessary periodic compliances.



CHANGES IN MANNER OF DISTRIBUTION OF CREDIT BY AN ISD

- Seeks to substitute the existing section 20 of CGST Act, 2017 which deals with the manner of distribution of credit by an ISD. The amended section 20 shall seek to distribute the ISD credit in the following manner:
 - An ISD who is in receipt of services from third party suppliers including services notified under sections 9(3) and (4) of CGST Act, 2017 as applicable to payment under RCM for or on behalf of its distinct registrations in same or different states shall attract mandatory registration under GST.
 - Further, such credit (including input tax credit on account of inward supplies attracting reverse charge payments) recorded at its ISD office shall be distributed to its distinct persons by way of issuance of a document in the said regard and as per the prescribed manner and timelines. Further, the distribution

of ISD credit shall be subject to prescribed conditions and restrictions.

- The manner of distribution of ISD credit in relation to reverse charge inward supplies shall be in accordance with the amended section 20 of CGST Act, 2017 and provisions contained therein.

In contrast to the existing definition, the proposed changes under section 20 seeks to eliminate the criterion to determine the amount of ISD credit to be distributed to several distinct persons. However, since the proposed definition makes reference to manner of distribution as well as conditions and restrictions prescribed, it appears that the procedural aspects may be implemented by way of changes in corresponding CGST Rules.



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This publication is general in nature. In this publication, we have endeavoured to highlight certain significant aspects of the Union Budget 2024, presented by the Honourable Finance Minister Smt. Nirmala Sitharaman on 1 February 2024. The effective dates of budget proposals would vary. It may be noted that nothing contained in this publication should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the topics covered in this publication. Appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this publication.

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1 February 2024

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Introduction



Direct Tax



Indirect Tax



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