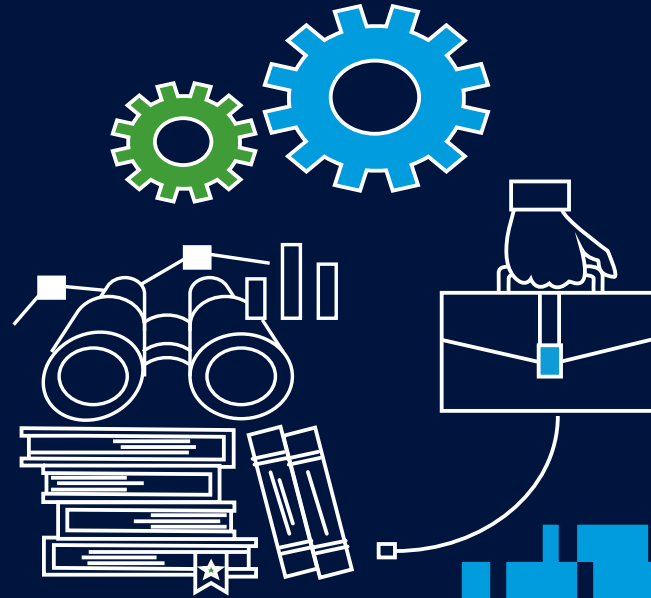


INDIA BUDGET 2024

Key Aspects in a
Nutshell



Macro Economic Analysis - Economy Survey 2023-24

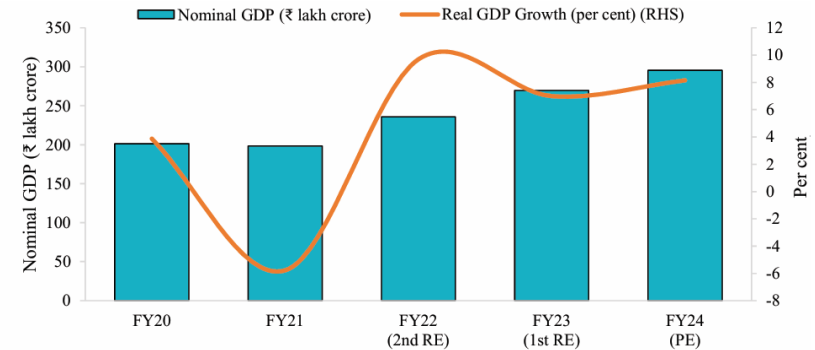
The Department of Economic Affairs has released a report the 'Economic Survey 2023-24' in July 2024. The key economic highlights as per the aforesaid report and certain significant aspects as announced by the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman in the Union Budget on 23rd July 2024 are as under:

GDP GROWTH

- In FY 2023-24, India's real GDP grew by 8.2% posting growth of over 7% for a third consecutive year.
- India's real GDP in FY 2023-24 is projected to be 20% higher than the pre COVID (FY 2019-20) levels, implying a CAGR of 4.6% from FY 2019-20, despite a 5.8% decline in FY 2020-21 due to pandemic.
- The Survey conservatively projects a real GDP growth of 6.5% – 7% for the future, with risks evenly balanced, acknowledging that market expectations are on the higher side.

FISCAL DEFICIT

- The fiscal deficit of the Union Government has been brought down from 6.4% of GDP in FY 2022-23 to 4.9% of GDP in FY 2024-25. The fiscal deficit of the Government is expected to drop to 4.5% of GDP or lower by FY 2025-26.



INFLATION

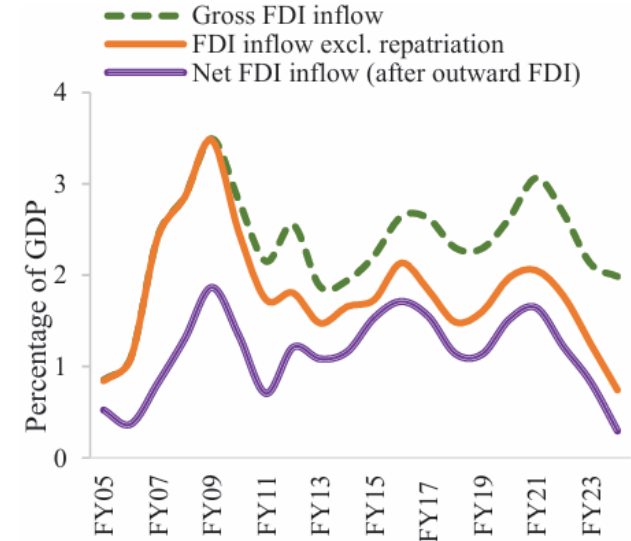
- India successfully managed to keep retail inflation at 5.4% in FY 2023-24, the lowest level since the Covid-19 pandemic period.

FOREIGN DIRECT INVESTMENT

- In FY 2023-24, net FDI inflows to India declined to US\$ 26.5 billion from US\$ 42 billion in FY 2022-23. However, gross FDI inflows only moderated slightly by 0.6% from US\$ 71.4 billion in FY 2022-23 to just under US\$ 71 billion in FY 2023-24.
- The Foreign Exchange Reserves have stood at US\$ 653.7 billion as of 21st June 2024.

INFRASTRUCTURE THRUST

- The Union Budget provides for an outlay of Rs. 11.11 lakh crores (~US\$ 134 billion) for infrastructural sector for FY 2024-25.



Direct Tax



Indirect Tax



Other Proposals

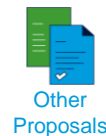
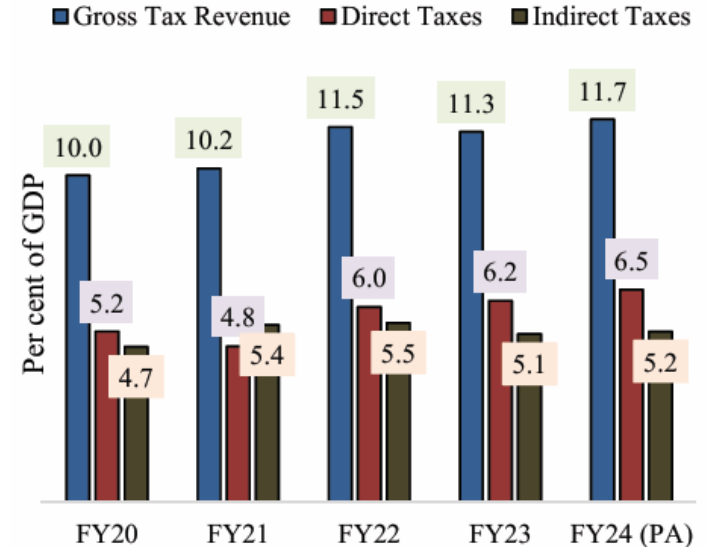


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DIRECT TAX AND GST

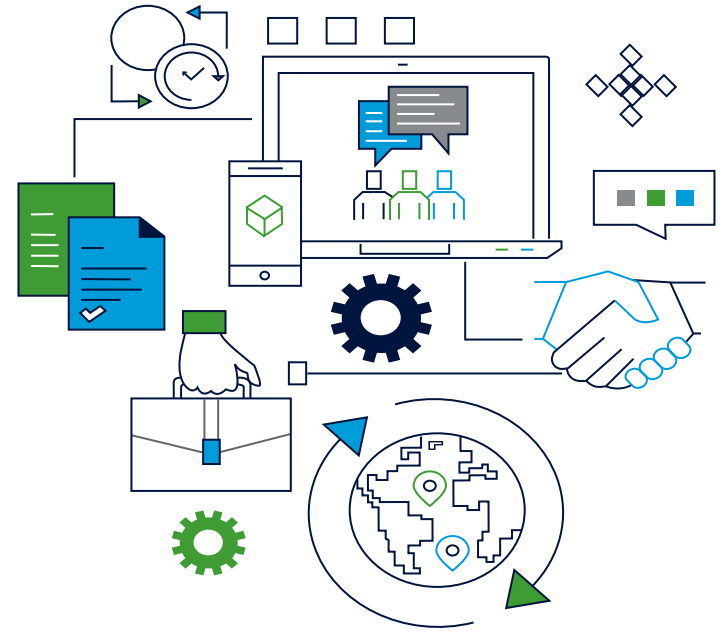
- The growth in gross tax revenue was estimated to be 13.4% in FY 2023-24. Broadly, 55% of Gross Tax Revenue accrued from direct taxes and the remaining 45% from indirect taxes.
- Over the last 10 years, the direct tax collections have more than trebled and the return filers have increased to 2.4 times.
- The increase in indirect taxes in FY 2023-24 was mainly driven by a 12.7% growth in GST collection. The GST system has shown improved buoyancy over the pre-GST regime with consistent rise in average monthly gross collections from Rs. 90,000 Crores in FY 2017-18 to Rs. 1.66 Lakh Crores in FY 2023-24.
- The gross GST collection reached Rs. 20.18 lakh crore in FY 2023-24, marking 11.7% increase from the previous year.



Macro Economic Analysis - Economy Survey 2023-24

OTHER ASPECTS

- During FY 2023-24, ₹39,024 crore was raised by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), more than five times compared to FY 2022-23, supported by the Government's thrust on infrastructure development.
- India's unique digital architecture has imbued the capital market regulator with the confidence to switch to the "T+1 settlement regime" comfortably, a feat followed by very few countries worldwide.
- As per the Economic Survey 2023-24, the next big step in the coming years is likely to be towards Artificial Intelligence/ Machine Learning, Decentralised Finance, Internet of Things (IoT), etc., which have a vast potential to disrupt the digital payments ecosystem.
- From around 300 startups in 2016, the number of recognized start-ups increased to more than 1.25 Lakh by end-March 2024.



Introduction
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Introduction



Direct Tax



Indirect Tax



Other
Proposals



Contact Us



Introduction to Union Budget 2024

In the backdrop of the Economic Survey, the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman presented the Union Budget on 23 July 2024.

We present the tax proposals for amendments under the Finance (No. 2) Bill, 2024 under the following heads:

A. Direct Tax Proposals

1. Rates of Income-tax –Corporate Entities and Individual & HUFs
2. Capital Gain Tax Rates
2. Significant tax announcements
 - a) Business Entities
 - b) General
 - c) TDS & TCS Provisions
 - d) Charitable Entities
 - e) Introduction of Vivad se Vishwas Scheme, 2024

B. Indirect Tax Proposals

C. Other Significant Proposals

The said proposals will be effective after the Finance (No. 2) Bill, 2024 (as finally approved by the legislature) receives assent of the Hon'ble President of India.

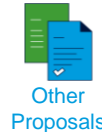


Direct Tax - Rates of Income-tax –Corporate Entities

A. 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%

B. The tax rate for foreign companies reduced from 40% to 35% (on income other than income chargeable at special rates)



Direct Tax - Rates of Income-tax – Individuals & HUFs RSM

FY 2024-25 - Old tax regime - unchanged

FY 2024-25 - New tax regime – **changed**

FY 2024-25 – Surcharge rate – both regimes

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%

Total Income (Rs.)	Tax rate
Upto 3,00,000	Nil
3,00,001 to 7,00,000	5%
7,00,001 to 10,00,000	10%
10,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%

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%

- 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

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.

Further, the standard deduction available for salaries taxpayers increased from Rs. 50,000 to Rs. 75,000 in case of new tax regime.

Health and education cess applicable @ 4%

Rationalisation of Capital Gain Taxation (w.e.f. 23 July 2024)

Sr. No.	Class of Capital Asset	Holding Period for classification as LTCA		Short Term		Long Term	
		Existing	Proposed	Existing Tax Rates	Proposed Tax Rates	Existing Tax Rates	Proposed Tax Rates
1	Listed equity shares or units of equity oriented mutual funds / Listed units of business trusts (REITs / InVITS)	>12 months (36 months for units of business trust)	>12 months	15%	20%	10% [on gains exceeding Rs. 1,00,000]	12.5% [on gains exceeding Rs. 1,25,000]
2	Unlisted shares	>24 months	>24 months	Applicable rates	Applicable rates	10% without indexation (for non-residents) 20% with indexation (for residents)	12.5% without indexation



Rationalisation of Capital Gain Taxation (w.e.f. 23 July 2024)

Sr. No.	Class of Capital Asset	Holding Period for classification as LTCA		Short Term		Long Term	
		Existing	Proposed	Existing Tax Rates	Proposed Tax Rates	Existing Tax Rates	Proposed Tax Rates
3	Listed securities (other than units) or zero-coupon Bonds (including listed debentures / bonds*)	>12 months	>12 months	Applicable rates	Applicable rates	Lower of 10% without indexation or 20% with indexation*	12.5% without indexation
4	Unlisted debentures and bonds	>36 months	>24 months	Applicable rates	Applicable rates	20% with indexation	Applicable rates
5	Market linked debentures and Debt Mutual Funds	>36 months	>24 months	Applicable rates	Applicable rates	Applicable rates	Applicable rates

* Indexation benefit was not available for debentures and bonds, as such, the rate was 10% without indexation



Rationalisation of Capital Gain Taxation (w.e.f. 23 July 2024)

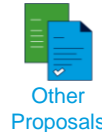
Sr. No.	Class of Capital Asset	Holding Period for classification as LTCA		Short Term		Long Term	
		Existing	Proposed	Existing Tax Rates	Proposed Tax Rates	Existing Tax Rates	Proposed Tax Rates
7	Land & Building	>24 months	>24 months	Applicable slab rates	Applicable slab rates	20% with indexation	12.5% without indexation
8	Any other capital asset	>36 months	>24 months	Applicable slab rates	Applicable slab rates	20% with indexation	12.5% without indexation



SIGNIFICANT TAX ANNOUNCEMENTS – Business Entities

- **Abolition of Angel Tax** – As per provisions of section 56(2)(viib) of the IT Act, where a company, not being a company in which the public are substantially interested, receives, in any financial year, any consideration for issue of shares, if the consideration so received for issue of shares exceeded the face value of such shares, the aggregate consideration received for such shares exceeding its fair market value was chargeable to income tax under the head “Income from other sources”. The said provision has been abolished from AY 2025-26 onwards.
- **Abolition of equalisation levy on e-commerce supply or services by non-resident e-commerce operator** - It is proposed that this equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services on or after 1 August 2024.
- **Increase in limit of deduction in respect of remuneration payable to working partners of a firm** – The remuneration paid / payable to working partners of a firm shall be allowable business expenditure subject to the applicable revised limits as tabulated below:-

Sr. No.	Particulars	Allowable Limit
1	On the first Rs. 6,00,000 (earlier Rs. 3,00,000) of the book profits or in case of a loss	Rs. 3,00,000 (earlier Rs. 1,50,000) or 90% of the book profit, whichever is lower
2	On the balance book-profits	60%



SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Comprehensive review of IT Act** – The government announced for a comprehensive review of the Income-tax Act, 1961 with an expected completion timeline of 6 months
- **Tax on buyback of shares** – Any sum received by shareholder on buyback of shares shall be treated as dividend income in the hands of shareholders and shall be taxable at applicable rates. No deduction for expenses shall be available against such dividend income. Further, the cost of acquisition of shares bought back will be treated as a capital loss and shall be available for set-off / carry forward against other capital gains income as applicable. The amendment shall be applicable w.e.f. 1 October 2024.
- **Amendment to section 47(iii) of the Act** – It is proposed to amend section 47(iii) of the Act and its proviso to provide that transfer of capital asset under a gift or will or an irrevocable trust **only by individuals and HUFs** shall not be regarded as transfer for the purpose of section 45 of the Act.
- **Clarification on reporting of income under the head Income from House Property** – It has been clarified that any income from letting out of a residential house or part of the house shall not be chargeable under the head Income from Business & Profession and shall be chargeable under the head Income from House Property.
- **Revision of rates of Securities Transaction Tax (STT)** – It is proposed to revise the STT rates applicable on futures & options as under:

Sr. No.	Particulars	Existing STT rates	Revised STT rates
1	Sale of options (% of option premium)	0.0625%	0.1%
2	Sale of futures (% of traded price)	0.0125%	0.02%

The amendment shall be applicable w.e.f. 1 October 2024.



SIGNIFICANT TAX ANNOUNCEMENTS – General

Significant amendments in Search and Seizure Cases

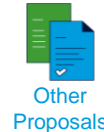
- Block Assessment Scheme reintroduced in case a search is initiated under section 132 or where books, documents, or assets are requisitioned under section 132A on or after 1 September 2024. The block period includes six assessment years preceding the year in which the search was initiated and ending on the date of the execution of the last of the authorisations for such search or date of such requisition.
- Tax on undisclosed income will be charged at 60%. Penalty shall be levied at 50% of the tax payable. No penalty if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return.

Significant amendments in Reassessment Provisions

- It is proposed to rationalize the provisions of reassessment by reducing the time limit for issue of notice for assessment/ reassessment with effective from 1 September 2024.

- Section 148 covers the provision relating to issue of notice where income has escaped assessment and section 148A covers the procedure to be followed by the AO before issuance of notice under section 148. The revised timeline for issue of notice under section 148A and 148 are captured below -

Cases	Existing Time limit	Proposed Time limit with effect from 1 September 2024	
	Notice – S. 148	Notice – S. 148A	Notice – S.148
Normal Case	Within 3 years from end of AY	Within 3 years from end of AY	Within 3 year 3 months from end of AY
Specific Case (Income escaping assessment >= Rs. 50,00,000)	Within 10 years from end of AY	Within 5 years from end of AY	Within 5 year 3 months from end of AY



SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Determination of cost of acquisition in case of equity shares transferred under offer for sale as a part of IPO –** Section 55 of the IT Act amended to specifically provide that in case of transfer of unlisted equity shares under an offer for sale in an IPO, “fair market value”, for computation of cost, would mean indexed cost of acquisition (taking CII of FY 2017-18).
- **Amendment in section 37 relating to allowability of business expenses** - It is proposed to amend section 37 of the IT Act to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law" shall include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force.
- **Presumptive taxation introduced for domestic cruise operations by non-residents** - It is proposed to insert a new section 44BBC to deem 20% of the aggregate amount on account of the carriage of passengers as profits and gains of cruise-ship operator. Further, lease rental paid by such operator shall be exempt in hands of recipient subject to fulfilment of conditions. Exemption shall be available up to AY 2030-31.
- **Power of CIT(A) to set-side cases** - It is proposed that the cases where assessment order was passed as best judgement case under section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the AO for making a fresh assessment.
- **Tax incentives in IFSC** - Exemption under section 10(4D) to be proposed for retail funds and exchange traded funds regulated under IFSCA Act. Venture Capital Funds regulated by IFSCA are proposed to be excluded from applicability of section 68 wherein nature and source of funds is to be explained to the tax officer. Further, thin capitalization provisions are proposed not to be applicable to finance companies located in IFSC.

SIGNIFICANT TAX ANNOUNCEMENTS – General

- **Increase in monetary limits for filing of appeals** - In the Budget Speech, it has been announced that the monetary limits for filing appeals (by the tax department) related to direct taxes, excise and service tax in the Tax Tribunals, High Courts and Supreme Court have been increased to Rs. 60 lakh, Rs. 2 crore and Rs. 5 crore respectively.
- **Safe harbour rules** - With a view to reduce litigation and provide certainty in international taxation, it is proposed to expand the scope of safe harbour rules and make them more attractive. It is further proposed to provide for safe harbour rates for foreign mining companies selling raw diamonds in the country.

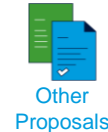
SIGNIFICANT TAX ANNOUNCEMENTS – TDS / TCS provisions

- TDS proposed @ 10% under section 194 on any payment by company on buyback of shares in accordance with the provisions of section 68 of the Companies Act, 2013.
- **TDS on payments by firm to partner** - New section 194T is proposed to levy TDS @ 10% on any sum payable by firm to a partner of the firm in the nature of salary, remuneration, commission, bonus or interest, in excess of Rs. 20,000 during a financial year.
- While computing TDS liability on salary, TCS credit also proposed to be reduced along with TDS on other income, if any.
- Aggregate of amount payable by all transferee(s) to all transferor(s) (instead of one to one) in respect of an immovable property proposed to be compared with threshold limit of Rs. 50,00,000 under section 194-IA to determine TDS liability.
- Application for LDC is proposed to be allowed for TDS / TCS on purchase / sale of goods under section 194Q / section 206C(1H) with effect from 1 October 2024.
- It is proposed to insert time limit to file TDS / TCS correction statement of upto 6 years from the end of the financial year in which regular statement was required to be filed.
- Time limit to pass order under section 201 or section 206C has been proposed to be reduced from 7 years to 6 years from the end of the financial year.
- Interest on late deposit of TCS is proposed to be increased from 1% p.m. to 1.5% p.m. with effect from 1 April 2025.
- Exemption granted for prosecution on non-payment of TDS under section 276B if payment made before time limit of TDS return.



SIGNIFICANT TAX ANNOUNCEMENTS – Amendment in TDS rates (w.e.f 1 October 2024 unless specified)

Section	Particulars	Existing TDS rate	Proposed TDS rate
193	Interest payable on Floating Rate Savings Bonds, 2020 (Taxable)	Nil	10%
194DA	Payment in respect of life insurance policy	5%	2%
194F	Payments on account of repurchase of ELSS units or termination of plan by Mutual Fund or Unit Trust of India (section proposed to be omitted)	20%	Nil
194G	Commission, etc. on sale of lottery tickets	5%	2%
194H	Commission or brokerage	5%	2%
194-IB & 194M	Payment by Individual or HUF who are not liable to deduct tax under section 194-I or any other section on said sums	5%	2%
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%
194T	Payment to partners by firm (w.e.f 1 April 2025)	NA	10%



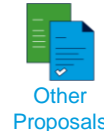
SIGNIFICANT TAX ANNOUNCEMENTS – Charitable Entities

- **Rationalization of the tax regimes applicable to Charitable entities** – At present, there are 2 regimes for registration as charitable entity i.e. section 10(23C) (referred to as first regime) and section 11 to 13 of the IT Act (referred to as second regime). It is proposed to merge the first regime with that of second regime. Approved trusts, funds or institutions would continue to get the benefit of exemption under first regime till the validity of the said approval. Post that they would be eligible to apply for registration under the second regime.
- **Condonation of delay in filing application by the Principal Commissioner / Commissioner of Income-tax** - A trust or institution seeking registration under section 12AB is required to apply within timelines specified in section 12A(1)(ac) of the IT Act. Where the trusts or institutions are unable to file application within specified timelines, it may become liable to tax on accreted income or situation of permanent exit of trust or institution from the exemption regime may also arise.

In order to avoid such a scenario, the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time provided if he thinks that there is reasonable cause for not making the application in time.

➤ **Relaxation in Timeline for Processing the application by the income-tax authorities** –It is proposed to relax the timeline for processing the application for registration u/s 12AB and 80G within 6 months from the end of the quarter in which the application is made (earlier 6 months from the end of the month of application).

➤ **Clarificatory amendment proposed in respect of Merger of registered charitable entity with another charitable entity** - It is proposed to insert section 12AC to provide for tax neutral merger of charitable entities on satisfaction of specified conditions.

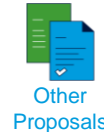


SIGNIFICANT TAX ANNOUNCEMENTS – Introduction of Vivad se Vishwas Scheme, 2024

- It is proposed to introduce Vivad se Vishwas Scheme, 2024 for settlement of disputed issues pending before any appellate forums, thereby reducing litigation and costs for taxpayers and the government. The detailed scheme is specified in the Finance Bill and shall come into force from the date to be notified by the government. Highlights of the scheme are as under:

Sr. No.	Nature of tax arears	Pending Dispute by Appellant	Amount payable on or before 31 December 2024	Amount payable on or after 1 January 2025 but before the last date
1	Disputed tax, interest and penalty	After 31 January 2020 but before 22 July 2024	100% of disputed tax	110% of disputed tax
2		before 31 January 2020 and pending in same appellate forum	110% of disputed tax	120% of disputed tax
3	Disputed interest or penalty or fee	After 31 January 2020 but before 22 July 2024	25% of disputed interest or disputed penalty or disputed fee	30% of disputed interest or disputed penalty or disputed fee
4		before 31 January 2020 and pending in same appellate forum	30% of disputed interest or disputed penalty or disputed fee	35% of disputed interest or disputed penalty or disputed fee

In case of department appeal or favorable order in own case from higher appellate authority, the above amount payable to be reduced by 50%.



CGST ACT AMENDMENTS

- Amendment to Section 9(1), to exclude from purview of GST, undenatured extra neutral alcohol and rectified spirit used in the manufacture of alcoholic liquor for human consumption
- Amendment of Section 13(3) in relation to provisions of time of supply for services taxable under reverse charge where the invoice is required to be issued by the recipient of such services.
- Retrospective insertion of Section 16(5) to permit entitlement to claim input tax credit (ITC) in respect of invoices/debit notes pertaining to the period FY 2017-18 to FY 2020-21 subject to claim in Form GSTR 3B and filing of Form GSTR 3B return up to 30 November 2021.
- Amendment in Section 31(3)(f) to provide time limit for issuing self-invoice in case of reverse charge transactions where the supplier is not registered under GST.
- Insertion of second proviso to Section 30(2) to provide for revocation of cancellation of GST registration by the proper officer on fulfilment of prescribed conditions and restrictions.
- Insertion of Section 16(6) retrospectively to facilitate availment of ITC by registered persons where the registration is cancelled and subsequently restored, if ITC was otherwise not barred from availment as per timelines under Section 16(4) as on the date of order of cancellation of registration.
- Section 17(5)(i) is being amended to release the blocking of ITC on tax paid under Section 129 and 130 of the Act i.e. tax imposed in cases of detention or confiscation of goods or conveyances. Further, ineligibility of ITC in relation to demand of tax paid under Section 74 shall be in effect only till FY 2023-24.
- Substitution of Section 39(3) to mandate filing of returns by persons liable to deduct TDS under Section 51 of the CGST Act, 2017 even in case of 6%.
- Insertion of Section 11A empowering the government, by issuance of notification, to waive the recovery of GST not levied or short levied, where such treatment is as a result of a generally prevalent practice.



CGST ACT AMENDMENTS

- Omission of second proviso to Section 54(3) thereby doing away with the restriction imposed on GST refund claims of unutilised ITC where the supplier is availing the benefit of duty drawback or claiming refund of IGST paid on such supplies.
- Section 54(15) inserted to disallow refunds where the exported goods are subject to export duty as per Customs provisions.
- Insertion of Section 70(1A) applicable for Summons proceedings, necessitating personal appearance by the person so summoned, either in person or through their authorized representative and directions to comply with the requirements of the summon issued.
- Limiting the applicability of Section 73 and Section 74 of the CGST Act to cases till FY 2023-24 by way of insertion of sub-section (11) in the said section. Similarly, sub-section (12) is inserted in Section 74 to make the said section applicable for cases up to FY 2023-24.
- Section 74A introduces new provisions for determining unpaid tax, excess or undue input tax credit, and recovering erroneously sanctioned refunds from FY 2024-25 onwards for all taxpayers. It establishes common timelines for issuing notices and orders and imposes higher penalties for fraud, willful misrepresentation, and suppression of facts.
- Reduction in maximum amount of pre-deposit for filing an appeal before Appellate Authority from twenty-five crore rupees to twenty crore rupees by way of amendment to clause (b) of Section 107(6).
- Retrospective amendment to Section 140(7) thereby allowing entitlement to transition CENVAT credit available to the taxpayer on account of being an Input Services Distributor under the erstwhile Service Tax regime.
- Amendment of Section 122(1B) 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 of the CGST Act, 2017.



CGST ACT AMENDMENTS

- Section 112(1) and (3) of the CGST Act, 2017 is amended with effect from 1 August 2024 to enable the government to notify due-dates for filing of an appeal before the Appellate Tribunal. Further, Section 112(8) is being amended to reduce the maximum amount prescribed to be paid as a pre-deposit from 20% to 10% of the disputed tax and the upper-capping in value of pre-deposit is reduced from fifty crore rupees to twenty crore rupees.
- Insertion of Section 128A in the CGST Act, 2017 to incorporate provisions for conditional waiver of interest and penalty in respect of demands for the period FY 2017-18 to FY 2019-20 in respect of taxpayers who Section 73 of the CGST Act, 2017. Section 128A shall not be applicable to notices issued for recovery of erroneously granted refunds, and in those instances where the interest and penalty demanded are already discharged by the taxpayer.
- Insertion of Paragraph 9 and 10 in Schedule III to the CGST Act, 2017 to provide that 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.

IGST ACT AMENDMENTS

- Amendment to Section 16(4) 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 IGST in respect of which can be claimed, in accordance with the provisions of Section 54 of the CGST Act, 2017, subject to such conditions, safeguards and procedures as may be prescribed.
- Insertion of Section 16(5) of the IGST Act, 2017 to provide that no refund of unutilized ITC 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



CUSTOMS ACT AMENDMENTS

- Section 28 DA amended to enable the acceptance of different types of proofs 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 Section 65 (1) inserted to empower the Central Government to restrict certain manufacturing and other operations not permitted in the warehouse.
- To facilitate trade, Section 143AA has been amended to substitute the expression “a class of importers or exporters” with “a class of importers or exporters or any other persons”
- Section 157 (2) (m) is being amended by substituting the expression “a class of importers or exporters” with “a class of importers or exporters or any other persons

CUSTOMS TARIFF ACT AMENDMENTS

- 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. (effective from 24 July 2024)
 - create new tariff lines in respect of defence products, technical textiles, sustainable blended aviation fuel, etc.

CHANGES IN CUSTOM DUTY TARIFF

- Retrospective amendment in notifications issued under Section 25(1) Read with Section 3(12) of Customs tariff act: Exemption limit increased to 3,00,000 from 1,00,000 for samples related to gem and jewellery industry imported by the exporter of gem and jewellery, other conditions remained unchanged



CHANGES IN CUSTOM DUTY TARIFF

- Retrospective amendment in notifications issued under Section 25(1) read with Section 124 of Finance Act: certain additional entries have been added in principal notification No 50/17-Customs for granting customs duty exemption in excess of the amount calculated at the standard rate specified in notification
- Reduction in BCD from 7.5% to 5% on Platinum and Palladium and used in the manufacture of noble metal solutions and bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India
- BCD Exempted for Ferro-Nickel, Blister Copper
- Gold, silver and platinum can be imported with Concessional rate of 4.35% (earlier 9.35%) if imported under specified schemes
- Time limit prescribed under Notification No, 25/99-Customs, has been extended till 31 March 2029 (Earlier 30 September 2024)
- Certain specified capital goods have been added to the list of exempted goods for use in the manufacture of solar cells and modules
- Reduction in customs duty for precious metals. Revised customs duty on Gold and Silver Bars is 6%, Gold and Silver Dore is 5.35% and Platinum is 6.4%
- BCD has been reduced on many items such as Shea nuts (30% to 15%). Graphite , Silicon Quartz & Silicon Dioxide (2.5%)
- BCD Exemption on critical minerals such as Antimony, Beryllium, Bismuth, Cobalt, Copper etc.
- BCD on Ammonium Nitrate has been increased from 7.5% to 10%.
- BCD exemption on specified Cancer Drugs (Trastuzumab Deruxtecan, Osimertinib, Durvalumab)
- BCD has been reduced from 7.5% to 5% on Methylene Diphenyl Diisocyanate (MDI) for manufacture of spandex yarn to rectify duty inversion [subject to Import of Goods at Concessional Rate of Duty condition (IGCR)]
- BCD has been reduced from 30% to 10% on Real Down Filling material from duck or goose.
- Exemption has been extended to Wet white leather, Crust and finished leather for manufacture of textile or leather garments etc.



CHANGES IN CUSTOM DUTY RATES AND EXEMPTIONS

- BCD on cellular mobile phone reduced from 20% to 15%.
- BCD on PCBA of cellular mobile phone reduced from 20% to 15%.
- BCD on charger/adaptor of cellular mobile reduced from 20% to 15%.
- BCD on Oxygen Free Copper (OFC) Strip reduced from 5% to Nil for use in manufacture of resistors subject to import of goods at concessional rate of duty condition (IGCR)
- BCD rate on Printed Circuit Board Assembly (PCBA) of specified telecom equipment has been increased from 10% to 15%.

CHANGES IN AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

- Effective 23 July 2024, change in AIDC has been implemented

CHANGES IN SOCIAL WELFARE SURCHARGE (SWS)

- Exemption/concessional rate of BCD and SWS to critical minerals have been provided under notification effective from 23 July 2024.

AMENDMENT IN COUNTERVAILING DUTY

- Effective 24 July 2024, a new provision for 'New Shipper Review' has been added in The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995

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).
- 30 exemptions/ concessional rates extended till 31 March 2029
- 126 exemptions/ concessional rates continued till 31 March 2026
- 28 exemptions/ concessional rates are lapsed on their end dates

CHANGE IN EXPORT DUTY

- Effective 24 July 2024, export duty on specified items of raw hides, skins and leather has been amended



Other Significant Proposals

- **Employment linked incentive scheme** - The Union Budget has outlined the following 3 schemes for 'Employment Linked Incentive' which would be based on enrolment in the EPFO, and shall focus on recognition of first-time employees, and shall support to employees and employers. This has great significance as it has large number of persons entering workforce every year.
- **Scheme A – First Timers** – This scheme will provide one-month wage to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of one-month salary in 3 instalments to first-time employees, as registered in the Employee's Provident Fund Organisation (EPFO), will be up to Rs. 15,000. The eligibility limit will be a salary of Rs. 1 lakh per month.
- **Scheme B – Job Creation in Manufacturing** – This scheme will incentivize additional employment in the manufacturing sector, linked to employment of first-time employees. An incentive will be provided at specified scale directly both to the employee and the employer with respect to the EPFO contribution in the first 4 years of employment.
- **Scheme C – Support to Employers** – This employer-focused scheme will cover additional employment in all sectors. All additional employment within a salary of Rs. 1 lakh per month will be counted. The government will reimburse to employers up to Rs. 3,000 per month for 2 years towards their EPFO contribution for each additional employee.



Other Significant Proposals

- **Internship in top companies** – The government will launch a comprehensive scheme for providing internship opportunities in top 500 companies to 1 crore youth in 5 years. An internship allowance of Rs. 5,000 per month along with one-time assistance of Rs. 6,000 will be provided. Companies will be expected to bear training cost and 10% of the internship cost from their CSR funds.
 - **Reforms under IBC** - An Integrated Technology Platform will be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders.
 - **Voluntary Closure of LLPs** – The services of the Center for Processing Accelerated Corporate Exit (C-PACE) will be extended for voluntary closure of LLPs to reduce the closure time.
- Support for promotion of MSMEs**
 - For facilitating term loans to MSMEs for purchase of machinery and equipment without collateral security of third party guarantee, a credit guarantee scheme will be introduced.
 - The government announced new mechanism for facilitating continuation of bank credit to MSMEs during their stress period where credit availability will be supported through a guarantee from government promoted fund.
 - Financial support for setting up of 50 multi-product food irradiation units in the MSME sector will be provided. Setting up of 100 food quality and safety testing labs with NABL accreditation will be facilitated.
 - To enable MSMEs and traditional artisans to sell their products in international markets, E-commerce Export Hubs will be set up in public-private-partnership (PPP) mode.



Other Significant Proposals

Others

- Ownership, leasing and flagging reforms will be implemented to improve the share of the Indian shipping industry and generate more employment.
- The government will set up a Critical Mineral Mission for domestic production, recycling of critical minerals, and overseas acquisition of critical mineral assets. Its mandate will include technology development, skilled workforce, extended producer responsibility framework, and a suitable financing mechanism.
- Under the PM Awas Yojana Urban 2.0, housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of Rs. 10 lakh crore which will include central assistance of Rs. 2.2 lakh crore in the next 5 years.
- The government would encourage states which continue to charge high stamp duty to moderate rates for all, and also consider further lowering of duties for properties purchased by women.
- Advanced Ultra Super Critical Thermal Power Plants – A joint venture between NTPC and BHEL will be set up a full scale 800 MW commercial plant using AUSC technology where the government will provide fiscal support.
- The rules and regulations for Foreign Direct Investment (FDI) and Overseas Investments (OI) will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization, and (3) promote opportunities for using Indian Rupee as a currency for overseas investments.



Other Significant Proposals

Amendment to Prohibition of Benami Property Transactions Act, 1988

- Time-limit for filing reply to notice – The existing provisions of section 24 of the PBPT Act do not provide for any time limit for benamidar to furnish reply to the notice issued. It is proposed to insert sub-section (2A) to provide for maximum time limit of 3 months from the end of the month in which the notice is issued.
- The existing provisions of sub-section (3) and (4) of section 24 provide for a time limit of 90 days from the last day of the month in which notice is issued for the Initiating Officer to provisionally attach the property or to pass an order for continuing provisional attachment or revoking provisional attachment or deciding not to attach the property. It is proposed to amend the said sub-section to increase the period to 4 months from the end of the month in which the notice was issued.
- The existing provisions of sub-section (5) of section 24 allow for a time period of 15 days from the date of attachment order to the Initiating Officer to draw up a statement of the case and refer it to adjudicating authority. It is proposed to amend the said sub-section to increase the period of 15 days to 1 month from the end of the month in which the order for attachment is passed.
- It is proposed to insert section 55A in the PBPT Act to provide that the Initiating Officer may, with a view to obtaining evidence of the benamidar or any other person, other than the beneficial owner, tender to such person immunity from penalty for any offence under section 53, with previous sanction from the competent authority, on condition of his making full and true disclosure of the whole circumstances relating to the benami transactions. Further, in case if it appears that to the Initiating Officer that any person to whom immunity has been tendered has not complied with the condition on which the tender was made or is wilfully concealing anything or is giving false evidence, the immunity shall be deemed to be withdrawn.



Other Significant Proposals

Amendment to Black Money Act, 2015

- One of the welcome measures proposed by the Budget 2024 is the relief provided to resident taxpayers who are required to disclose details of any foreign assets held by them outside India, while filing their Income-Tax Return in India. In case of any such non-disclosure of foreign income and assets in the tax return, section 42 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) provides for penalty of Rs. 10 lakhs. The provision is not applicable to non-residents and persons who are resident but not ordinarily resident.
- There is currently one exemption from disclosure of foreign assets and that is with respect to one or more foreign bank accounts having an aggregate balance which does not exceed a value equivalent to Rs. 500,000 at any time during the year. The Budget 2024 proposes to relax and provide a blanket exemption from penal provisions under the Black Money Act, in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20 lakhs.



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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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23 July 2024

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Introduction



Direct Tax



Indirect Tax



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