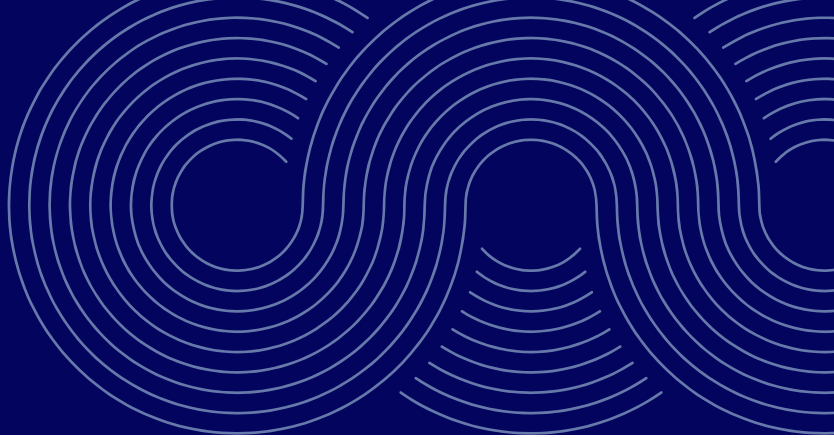


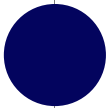

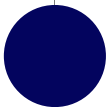
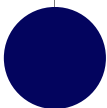
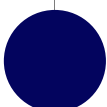

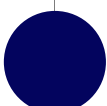


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FOREWORD



BUDGET 2024: A PROGRESSIVE AND BALANCED BUDGET!

The record-seventh consecutive budget proposal presented by Hon'ble FM Nirmala Sitharaman highlighted nine priorities to achieve the pursuit of 'Vikasit Bharat' and revolves around Productivity and Resilience in Agriculture, Employment and Skilling, Improved Human Resources, Social Justice, Manufacturing and Services, Urban Development, Energy Security, Infrastructure, Innovation, Research and Development, and Next-gen Reforms.

In this budget, which also marks first of the third consecutive term of the NDA government, the FM projected fiscal deficit at 4.9% of GDP as against 5.1% in Interim Budget and re-assured that government is committed to reduce deficit below 4.5% in the upcoming year.

On Policy level, the proposals include INR 2 lakh crore for 5 new schemes focused on jobs and skilling of 4.1 crore youth, introduces Digital Public Infrastructure for Agriculture, provides INR 1.52 lakh crore for the agriculture and allied sectors, allocates INR 1.48 lakh crore for education, employment and skill development, retains capex outlay of INR 11.11 Lakh Crore as announced during the interim budget, proposes reforms of IBC and strengthening of Tribunals and much more. The proposals also announced investment ready plug and play Industrial parks to be developed in or near 100 cities.

The MSME sector continued to be at the forefront of fiscal benefits. The budget proposed continuation of bank credit during stress period, enhanced limit of Mudra loan, reduced turnover threshold for TReDS benefit, E-Commerce Export Hubs to be set up in PPP mode to enable MSMEs to reach international markets.

On tax side, the much-welcomed revision in income tax structure in the new regime was coupled with hike the long-term capital gains tax. We gain some, we lose sum! The budget also proposes to abolish Angel tax for all classes of investors and announced a reduced corporate tax of 35% from 40% for foreign companies. It proposed to increase securities transaction tax from 0.0625% to 0.1%. Further, the income from buy-back of shares by companies will now be chargeable in the hands of the recipient investor as dividend. The obscure removal of indexation from the computation of LTCG in real estate has sparked some serious concerns though.

Amongst the Indirect tax proposals, change in BCD is the most significant. The budget announced reduction in BCD of mobile phone and related parts citing recent growth of domestic industry. It also took cognizance of the need to promote domestic solar energy industry and announced withdrawal of exemption in import of solar glass and tinned copper interconnect which is a key component in manufacturing solar panels. The budget further exempted import of capital goods meant for manufacturing solar panels.

The Finance bill on the other hand have implemented several of the recommendations of the 53rd GST Council such as common time limit for adjudication of disputes irrespective of allegations of mala fide, empowering Central Government to regularise short or non-levy in common industry practices, Clarifications of time of supply under reverse charge, relaxation in limitation under Section 16(4), capping amounts of pre-deposit and several other changes.

FOREWORD

Notably, this budget also announces sumptuous benefits to Bihar and Andhra Pradesh. While JDU-ruled Bihar is bestowed with allocation of INR 26,000 crore for highway development, including the construction of a two-lane bridge over the Ganga and the development of highways like the Patna-Purnea Expressway and Buxar-Bhagalpur Expressway; the TDP-ruled Andhra Pradesh will receive INR 15,000 crore in financial assistance, financial assistance to the lifeline for Andhra's farmers 'Polavaram Irrigation Project' and announcement of Visakhapatnam-Chennai and Hyderabad-Bangalore industrial corridors. These significant financial aid for Bihar and Andhra Pradesh appears to be aimed at long term stability of the NDA government at the Centre comprising 16 and 12 MPs from these states respectively!

In all, despite few criticisms, this budget is being hailed as progressive and balanced owing to its focus on multiple sectors including agriculture, rural development, MSMEs, women, employment and skill development. With a clear emphasis on capital spending to generate growth and a strong focus on employment along with some tax benefits, consumption is expected to improve leading to spur economic growth.

We at **TIOL**, in association with **Taxcraft Advisors LLP**, **GLS Corporate Advisors LLP** and **VMGG & Associates**, have ventured to analyse its nitty-gritties for our esteemed readers.

We do hope that the booklet helps you to decipher key proposals of this budget. As always, we look forward to receiving your inputs, thoughts and feedback.

Happy Reading!

Best Regards,

Team Vision 360

KEY POLICY INITIATIVES

AGRICULTURE

The Government re-prioritises its intent on transforming agricultural research with a focus on enhancing productivity and developing climate resilient varieties of crops. It announced release of 109 high-yielding, climate resilient varieties of horticulture crop.

Stepping up to promote agricultural sector, this policy initiative seeks to leverage the increased internet connectivity in rural area and set up a robust Digital Public Infrastructure (DPI). DPI will enable digital crop survey for Kharif crops in 400 districts as well as record details of close to 6 crore farmers and lands owned by them in digital registries, eventually empowering most important social strata - 'the Farmers'. Farmers can also benefit from data available in DPI for better credit risk assessment, soil analysis, market conditions, weather forecasts, etc. It will improvise sustainable and scientifically advanced farming techniques. Harnessing DPI in agriculture will set a strong precedent for digitisation of traditional sectors.

Development of co-operative sector has always been inherently linked with growth of agricultural sector. Taking cognisance of this nexus the Government has also introduced National Cooperation Policy to develop the co-operative sector in a systematic manner, give a push to growth of rural economy and generate employment opportunities on a large scale.

Initiative are also taken to strengthen availability of credit by way of Jan Samarth based Kisan Credit Card that will add greater transparency as opposed to loans from local moneylenders. Entire outlay for, agriculture and allied sectors is pegged at INR 1.52 lakh crore.

The agricultural sector is a critical pillar of the Indian Economy, therefore the focus on the agriculture sector is a necessity. Whilst agriculture provides a much-needed support to the domestic eco-system it is the need of the hour for India to make critical decisions in the agriculture sector which will help establish it as a major player in the global market.

Highlights

- * New 109 high-yielding, climate-resilient varieties of crops
- * 1 crore farmers in natural farming to be supported by certification and branding
- * Digital crop survey using the DPI
- * INR 1.52 lakh crore for agriculture and allied sector

INFRASTRUCTURE

Highlights

- * INR 11,11,111 crore capital expenditure
- * INR 1,50,000 crore for long-term interest free loans to assist states
- * INR 11,500 crore for irrigation and flood mitigation

While the FM re-affirms the allocation of INR 11,11,111 crore from the interim budget for capital expenditure on building and improving infrastructure, it has now also announced a market-based financing framework through viability gap funding enabling investment by private sector in infrastructure. This two-fold approach will certainly provide a boost to the infrastructure development and corresponding employment generation. The policy also encourages state governments to fuse infrastructure investments, and also enable them with a provision of INR 1.5 lakh crore for long-term interest free loans during the year. The infrastructure sector continues to witness ambitious and transformative steps for a long term future that is aligned with the agenda of 'Amrit Kaal'.

The Pradhan Mantri Gram Sadak Yojana (PMGSY) introduced in 2012 to develop rural road connectivity is revitalised with the launch of its 'Phase IV'. This phase will provide all weather connectivity to 25,000 rural habitations. In recent years,

Bihar, Assam, Himachal Pradesh, Uttarakhand, Sikkim has suffered substantial losses due to floods and

KEY POLICY INITIATIVES

landslides. Accordingly, an outlay of INR 11,500 crore is announced for irrigation and flood mitigation in these states.

Taking into consideration Bharat's rich tradition of spiritual 'yatras' and the indic resurgence in recent years, the Government has announced development of multiple religious corridors and temples to transform them Bharat's religious sites into world class destinations for pilgrimage and tourism.

RE-INFORCING MSMEs

Strengthening MSMEs sector is a significant facet of inclusive economic growth. The introduction of credit guarantee scheme, enhanced credit support during stress period, new assessment model for MSME credit acknowledges a deeper role of MSMEs in overall economic growth.

The limit of Mudra loans is strategically increased to INR 20 lakh from the current INR 10 lakh for those entrepreneurs who have availed and successfully repaid previous loans under the 'TARUN' category, allowing additional capital boost. The continuation of bank credit during the stress period prevents MSME's from becoming non-performing assets. This credit availability will be supported through a guarantee from a government promoted fund. Reduction in turnover criteria for the benefit of TReDS assures additional liquidity. E-commerce export hubs to be set up in PPP mode will enable MSMEs to reach international markets. New branches of SIDBI will expand its reach to serve all major MSME cluster to provide direct credit.

These reinforcements into MSMEs will strengthen the small business with adequate funds and will ensure that organisations are achieving their growths and objectives and in turn bolstering the country's overall economic growth.

Highlights

* INR 100 Crore guarantee cover

* Reduced turnover limit of INR 250 Crore for TReDS

* Enhanced Mudra Loan limits of INR 20 Lakhs

* 100 food quality and safety testing labs

NEXT GENERATION REFORMS

Highlights

* Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands

* E-shram portal for labor reforms

* E-shram portal for labor reforms

The Budget has succinctly suggested reforms concerning economic policy framework, land, labor, capital and entrepreneurship. It also emphasizes the use of technology as a key enabler in these reforms.

The economic policy framework earmarks a significant part of the 50-year interest free loan to the states to spur other reforms concerning land, labor, capital and entrepreneurship. This framework will strengthen collaborative approach between the Centre and the States, build consensus and foster overall economic growth by way of development of the States.

Land-related reforms comprising planning, usage, administration, byelaws shall be incentivized for their completion within the next 3 years through fiscal support. The initiative extends to the ambitious digitization of land records based on GIS mapping.

While employment and skilling remain at the forefront of labor reforms, the Government vouched facilitation of databases providing one stop solution for rapidly changing labour market, skill requirements and available job roles, and a mechanism to connect job-aspirants with potential employers and skill providers.

KEY POLICY INITIATIVES

The FM has undertaken to bring out vision and strategy document which will assist in finance requirement to various stakeholders of the economy for the next 5 years. It further took cognisance of Foreign Direct Investment and proposed to simplify the rules and regulations so as to facilitate FDI, nudge prioritization and promote opportunities for using Indian rupee as currency for overseas investments. The proposals also touch base development of taxonomy for climate finance to support countries climate commitments and green transition.

Public investment in digital infrastructure is pivotal to all the aforesaid reforms. The budget proposes to step up faster adaptation of technology towards digitalization for enhancing ease of doing business, improving governance, collection, processing, management of different sectoral databases.

EMPLOYMENT AND SKILLING

The Government has unveiled three key schemes under the 'Employment Linked Incentive' program comprising of (i) 'Support for First-Time Employees' by providing one-month wage to new entrants in all formal sectors, (ii) Job Creation in the Manufacturing Sector that offers incentives for both employees and employers concerning EPFO contributions for the first four years of employment, encouraging sustained job growth, and (iii) Employer Support scheme reimbursing EPFO contributions up to INR 3,000 per month for two years for all new hires.

Other key proposals include introduction of new centrally sponsored scheme for skilling of 20 lakh youth over five years, introduction of new courses for emerging needs, financial support for loans up to INR 10 lakh for higher education, Model Skill Loan up to INR 7.5 lakh with a guarantee from a Government-backed fund, etc. The budget also seeks to increase women's workforce participation by establishing working women hostels and creches in collaboration with industry.

In a significant move to further bolster employment through startup ecosystem, the FM has proposed abolition of angel tax. A total of INR 1.48 lakh crore are allocated for all the education, employment, and skilling initiatives.

Highlights

* 1,000 Industrial Training Institutes in hub and spoke

* Skilling Loans up to INR 7.5 lakh

* Higher education Loans up to INR 10 lakh

URBAN DEVELOPMENT

Highlights

* INR 10 lakh crore under PM Awas Yojna Scheme

* Water supply, solid waste management projects and services for 100 large cities

* 100 weekly 'haats' or street food hubs in select cities

The FM set out a comprehensive approach of 'promoting sustainable growth' coupled with 'improving urban living conditions' in collaboration with state governments to transform urban cities into vibrant, resilient centres of economic and social advancement. The proposals comprise TOD plans for 14 major cities with populations exceeding 3 million, integrating transit infrastructure with urban growth.

As part of this urban developments the budget also announces central assistance of INR 2.2 lakh crore in the next 5 years under PM Awas Yojana Urban 2.0 to address the housing needs of 1 crore urban poor and middle-class families.

INDUSTRY SPEAKS



The Budget has allocated INR 2,143 crore for PLI for the pharmaceutical industry and proposed the exemption of three cancer medications from Customs Duties. The Budget stressed on reducing litigation under all Tax Regulations by way reducing period of limitation for the Department to complete assessment.

There was market expectation that the budget could be a populist one and would introduce increase the threshold for personal Tax. The budget promotes the adoption of the new tax regime by revising the slab rates resulting in potential tax savings of up to INR 17,500. Further, there was rationalisation of capital gains in certain cases while the rate of LTCG and STCG has increased to 12.5% and 20% considering recent growth in returns on securities. The exemption in respect of securities covered under section 112A has been increased from INR 1,00,000 to INR 1,25,000. Further, Angle Tax and Equalization Duty has also been abolished.

Basic Customs Duty has been reduced for various products such as mobile phones, chargers, gold, silver, marine exports, and exemptions critical minerals have been introduced to encourage domestic manufacturers.

The Finance Minister has delivered the budget keeping in mind the vision of Viksit Bharat which would require huge capital investments to improve infrastructure, ensure business friendliness, generate employment and improve quality of life of the citizens.

Mr. V S Mani

Global Tax Head

Glenmark Pharmaceuticals

Continuing the pursuit of 'Viksit Bharat', the union budget primarily focuses on 9 key themes including urban development and innovation/research while laying out and ensuring a fiscal consolidation roadmap. Positive & Growth oriented inclusive budget touching important aspects of employment, skilling, rural development, infrastructure, manufacturing, etc. should help private sector to revive capital expenditure.

The Finance Bill embodies a strategic blueprint for India's economic trajectory under Modi 3.0 government, combining stability with progressive reforms. By addressing immediate fiscal challenges and laying the groundwork for sustainable growth, the budget highlights the government's commitment to inclusive development and global competitiveness. The Budget sticks to the fiscal discipline which has come to be the hallmark of Modi's Govt in all terms.



Mr. Deepak Goel

Chief Financial Officer

BSE Limited

INDUSTRY SPEAKS



Keeping “Viksit Bharat” central theme, the FM presented a balanced Budget with a strong emphasis on employment, infrastructure, skilling, and the middle class.

On the direct tax front, it is proposed to rationalize and simplify the capital gains tax regime by bifurcating assets into listed securities (eligible for a concessional tax rates) and other assets (subject to higher tax rates). Receipt from buy-back of shares is proposed to be taxed as dividend in the hands of the shareholder. A reduction is proposed in the rates of TDS vis-à-vis certain categories of transactions. With a view to reduce tax uncertainties and disputes, the Government has proposed to launch VSV 2.0 for settlement of pending litigation. Lastly, in order to make the Income-tax Act, 1961 more concise, lucid and easy to understand, the FM has announced a comprehensive review of the Act, within six months.

Furthermore, recognizing the impact of trade practices on tax levies, the government has empowered authorities to waive GST liabilities arising from inadvertent under-levy due to prevailing market norms. This initiative aims to foster equitable treatment across sectors and enhance regulatory clarity in compliance enforcement. On Customs front, duty realignment in line with industry expectations has been done.

To sum up, India's first budget under a new coalition government has taken a balanced approach to achieve its vision of 'Viksit Bharat'.

Mr. Mahesh Barge
Tax Director
CIPLA Limited

Keeping in perspective the vision “Viksit Bharat by 2047”, the Hon'ble FM presented a powered Budget with a strong emphasis on employment, skilling, MSMEs and middle class.

With a view to reduce tax uncertainties and disputes, the FM has proposed to launch VSV 2.0 for settlement of pending litigation. Further, reassessment provisions are proposed to be rationalized and the outer time limit to reopen assessment is proposed to be reduced from 10 years to 5 years from end of the assessment year in certain cases.

On Customs, the Government has unveiled the road map to undertake comprehensive review of customs duty rate structure within next 6 months. On GST front, majority of the announcements in the Budget are around implementing the legislative changes recommended by the 53rd GST Council meeting, including amnesty scheme for ongoing disputes by waiver of interest and penalties for FYs 2018, 2019, and 2020 and sunset date for profiteering complaints.

To sum up, India's first budget under a new coalition government has taken a balanced approach by outlining proposals that shall not only address key issues on the tax front but also help the Government to achieve its vision of 'Viksit Bharat' within defined time-lines.



Mr. Manoj Agrawal

Chief Financial Limited

Gujarat Flourochemicals Limtied

INDUSTRY SPEAKS



A growth-focused approach has been adopted with special prominence on skilling, employment schemes, women focus schemes, creation of industrial centres etc.

One of the income tax front has been an increase in the capital gains tax rates with a major change being the removal of indexation benefit provided u/s 48 proviso. This may not be welcomed especially in cases of immovable property which has been held for a long period. On the transfer pricing side, budget speech mentioned the expansion of the safe harbour rules, and also streamlining of the transfer pricing procedures. We will have to wait for the revised safe harbour rules to review the fine print.

With aim to reduce tax litigation, the Vivaad se Vishwas scheme 2024 has been announced to resolve pending tax disputes and also the limits for filing appeals have been increased.

Customs duty rates on certain goods have been carefully realigned in line with the needs of the economy to boost domestic manufacture and exemptions thoroughly reviewed. Few changes have been proposed in GST laws in line with the recommendations from the 53rd GST Council Meeting.

In nutshell, Indian budget 2024 emphasizes on simplification and growth.

Mr. Ankush Goel

Senior Director & Head of Tax
Wabtec Corporation – India

Hon'ble FM, Ms. Nirmala Sitharaman, presented her 7th consecutive budget today in the Parliament. The Union Budget 2024-25 endeavors to reinforce the government's ambitious vision of the Viksit Bharat by 2047 by creating a robust and all-encompassing economy. Accordingly, the focus of this budget has been on simplifying the income tax structure, reduce tax disputes & litigation, provide certainty to the taxpayers and improve the ease of doing business in India. It focuses on enhancing foreign direct investments, generating employment, bolstering agriculture and thermal power sectors, empowering women, and advancing infrastructure development. The budget aims to uplift people with low incomes, women, youth, and farmers. Additionally, proposals were introduced to reform the Insolvency and Bankruptcy Code IBC and NCLT frameworks to expedite case resolutions.



I am really glad to see the higher allocation in promoting self-reliance in agricultural commodities like pulses and oilseeds which I am sure will have structural impact on India's food basket. Overall, the Budget is a comprehensive document that lays the groundwork for a resilient and inclusive economy. By addressing immediate needs and setting the stage for long-term growth, the Budget reflects the government's commitment to making India a global economic powerhouse. The focus on job creation, tax simplification, and support for innovation and entrepreneurship will be key drivers in achieving this vision.

Mr. Peeyush Gupta

Group CFO

Viterra India

INDUSTRY SPEAKS



The Budget has brought a mix of opportunities and challenges for the manufacturing sector, particularly for multinational corporations. One of the most promising aspects is the enhanced allocation for the manufacturing and MSME sectors. A substantial funding demonstrates the government's commitment to bolstering industrial growth and innovation. Direct tax measures, including increased income tax exemption limits and the introduction of tax relief for middle-income groups, are expected to boost consumer spending. This, in turn, could lead to higher demand for our consumer and industrial products. The reduction in the turnover threshold for mandatory onboarding on the TReDS platform to Rs. 250 crores will facilitate better working capital management for MSMEs, enhancing their ability to procure and utilize our products.

On the GST front, the amendments aim to simplify compliance and improve the ease of doing business. The empowerment of the government to specify cases heard only by the Principal Bench of the Appellate Tribunal under Section 109 of the CGST Act could expedite resolution times and reduce litigation costs.

The budget's focus on digital public infrastructure and ease of doing business initiatives, such as the Jan Vishwas Bill 2.0, align well with commitment to innovation and operational efficiency. These reforms are expected to create a more conducive environment for business growth and investment in India. Overall, while the increased customs duties present short-term challenges, the strategic focus on digitalization, ease of doing business, and consumer spending augur well for long-term growth and operational resilience in the manufacturing sector.

Mr. Sanjai Gupta

Head, Government Affairs

3M India Limited

Union Budget was expected to be a policy document laying out long term vision of sustained high economic growth, and it would not be wrong to say that the government has done an excellent job of communicating this vision, linking to 9 macro-economic priorities. Focus on inclusive growth is a predominant theme of this budget exercise, as there is a policy push for social and women development, agricultural growth, accelerating growth of manufacturing and services exports. Energy transition and Infrastructure growth has got its due attention, and one should expect more details to come out as the government rolls out Energy transition Pathway document.



Mr. Devesh Singhania

Chief Financial Officer

Wilo Mather & Platt Pumps Private Limited

INDUSTRY SPEAKS

The first budget of the new government proposes significant tax and regulatory changes, while maintaining policy continuity in favour of sustainable economic growth. Fiscal consolidation will be positive to attract investments. Employees are being encouraged to take benefits of EPFO. Several key direct tax changes have been proposed:



1. Rationalization of TDS rates (E.g. on rent, commission, etc. @ 2% Vs 5%).
2. Changes in capital gains tax rate increase covers equity shares, REITS etc. 12.5% for all categories of assets and STCG 20%. Period of holding for listed (12 months) and 24 months for short term across assets.
3. Extra standard deduction of Rs. 25000 if new Tax regime chosen.
4. Foreign companies are to be subjected to 35% tax against 40% currently.
5. Parity in TDS rates @ 0.1% under section 194-0 & section 194Q
6. Section 56(2) (VIIIb) dealing with taxation of any amount received by companies more than fair value being deleted from A.Y. 2025-26.

Overall, said tax proposals bring certainty and stability to tax policies, which is crucial in creating a positive foreign and domestic investment climate in India. The clear trajectory of fiscal consolidation, with the fiscal deficit of 4.9% to GDP from 5.6% and 6.4% in FY 24 and FY 23, respectively, will significantly boost the economy to match international standards and set a growth path for India's future.

Mr. Jitin Diwan

Chief Financial Officer

IndiaMART InterMESH Ltd



The Union Budget aims to stimulate growth and employment by focusing on key sectors such as agriculture, services, manufacturing, and urban development. It emphasizes infrastructure development, energy security, and innovation, with initiatives like solar power programs and investment in space technology.

The changes in GST laws are proposed largely to implement the changes recommended by the 53rd GST Council meeting. Accordingly, provisions allowing ITC to be taken till 30th November 2021, classifying no supply of transactions between co-insurer and lead insurer, exemption from compensation cess on supplies to SEZ developers, units etc have been duly incorporated.

The initiative taken qua reduction in the corporate tax rate for the foreign companies, expanding tax benefits to funds & entities in IFSC, abolition of equalization levy for e-commerce, abolition of angel tax etc. are also aimed at providing much needed boost to the Indian economy by attracting more investments in India.

Ms. Divya Verma

Chief Financial Officer

Welspun One Private Limited

INDUSTRY SPEAKS



The Union Budget for 2024-2025 emphasizes fiscal responsibility while reducing tax litigation, stimulating the economy, enhancing skill training for employability, and increasing foreign investment."

In a significant boost to the domestic Maintenance, Repair, and Overhaul (MRO) industry for aircraft and vessels, the budget allows the import of foreign-origin articles for repair, provided they are re-exported within two years. Additionally, the extension of Basic Customs Duty exemptions until March 31, 2026, for sectors such as the textile industry and lithium-ion battery packs for electric vehicle (EV) manufacturing, aims to drive growth

in these targeted areas, subject to specific conditions.

An Amnesty scheme offering a waiver of interest and penalties on outstanding GST demands from FY 2017-18 to FY 2019-20, provided the principal tax amount is settled in full by March 31, 2025, has also been proposed. The budget also introduces rationalization and increases in Capital Gains Taxes while adjusting tax slabs under the new tax regime to reduce the tax burden for personal income taxpayers. These measures collectively aim to create a more robust and transparent economic environment, fostering sustainable growth and attracting foreign investment.

Mr. Anumodh Nair
Finance Controller

Synergix Services Private Limited

The Budget 2024-25 announcements, aims to boost manufacturing, ease compliance, reduce litigation and rationalize rates under GST and Customs. The budget proposes significant changes to Customs Law and Basic Customs Duty (BCD) rates to enhance domestic value addition and economic growth. In this budget, the Hon'ble FM proposes to review exemptions/concessional rates for more than 180 items. It is also proposed to exempt Clean Environment Cess on excisable goods if in stock since 30th Day of June, 2017; and GST Compensation Cess on imports by SEZ units from July 1, 2017. ITC blocking is proposed to be limited to cases involving fraud, collusion and suppression of facts. Certain conditional waivers are provided for demands which do not involve allegation of fraud or suppression.



On direct tax front, this Budget proposes several incentives for operations in the International Financial Services Centre (IFSC) to encourage more investment and job creation. FM also announces comprehensive review of Income tax Act within 6 months. Therefore, Government appears to be taking steps to consolidate several changes in the Income Tax Act over the years, into consolidated Direct Tax Code. Rationalisation of TDS rates come as a welcome step, while seizure of indexation benefit for capital gains tax may not go down well with investors. While short term capital gains on certain financial assets have been kept at 20%, Long-Term Capital Gains have been reduced to 12.5% while exemption limits have been enhanced to 1.25 lakhs. Abolition of Agel tax shall give a significant impetus to the start-up ecosystem.

Mr. Ajay Gupta

Group Sr. VP – Finance & Accounts

Conscient Infrastructure Private Limited

INDUSTRY SPEAKS



The budget has proposed some eye-catching Urban development proposals. While 'creative re-developments of cities' and turning cities into 'growth hubs' appear ambitious, the vision to address housing needs of 1 crore urban poor and middle-class families ensure a balanced and sustainable growth. An outlay of INR 10 Lakh crore out of PM Awas Yojna, interest subsidy to facilitate loans at affordable rates, policies and regulations for efficient and transparent rental housing markets are likely to ensure that the policy initiative will see light of the day.

Introduction of water supply and sanitation projects, development of street markets, reduction of stamp duty are all aligned with urban development initiative. It is however surprising to see withdrawal of indexation benefit in real estate LTCG. This is likely to dampen the real estate development. In all, the overall urban development initiative coupled with employment generation would form a mutually complementary eco-system.

Mr. Bhargava Jangle

Director

SJ Contracts Private Limited

The Hon'ble FM has proposed some bold direct tax changes in the Union Budget, 2024. This includes abolition of angel tax and 2% Equalization Levy. The rationalization of capital gains tax regime is welcome – however, there are trade-offs as there is an increase in the long-term capital gains tax rate for non-residents and residents (in case of investments in listed securities). Reduction in tax rates applicable to foreign companies from 40% to 35% will bridge the CIT rate gap between Indian companies and foreign companies. The Government has sought to bring about parity in taxation between dividends and share buy-back (however the benefit of cost of acquisition has been deferred, which may not be available as a capital loss to set-off future capital gains). Another big welcome change is reduction in the timelines for reassessment to 5 assessment years (10 assessment years added significant tax uncertainty). More key tax changes relate to removal of tax exemption around corporate gifts (which was in debate). On the indirect tax side, rationalizations have been made in customs duty rates in line with industry demands. In short, the Government has delivered on industry feedback.



Mr. Manish Goyanka

Head of Finance

Devyani International Limited

INDUSTRY SPEAKS



The newly announced budget takes a forward thinking approach, prioritising initiatives that drive economic growth, enhance skill development, boost employment opportunities, empowering women, and youth.

While the budget has lowered the tax rate on long term capital gain to 12.5%, it has also eliminated the indexation benefits. This change may have a particularly significant impact on individuals who have held onto immovable property for an extended period, potentially leading to a higher tax liability.

The budget speech also addressed expansion of safe harbour rules under transfer pricing. However, the details of these changes will only become clear once the revised safe harbour rules are released. Additionally, the budget proposes several changes to GST laws, aligning with recommendations from the 53rd GST Council Meeting. Overall, the Indian budget 2024 prioritizes simplification and growth, aiming to foster a more conducive business environment.

Mr. Saurabh Saxena

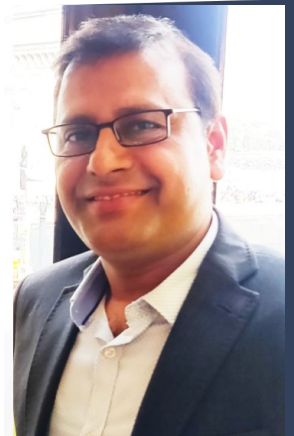
DGM – Finance & Tax

Olam International Group

The Union Budget 2024 has set a fiscal deficit target of 4.9% for FY25 and 4.5% for FY 26 of GDP, reflecting a balanced approach to economic growth. From the industry's standpoint, Section 128A of the GST Act, designed to provide interest relief following the 53rd GST Council meeting, presents a critical conundrum. This section is intended to offer relief where a SCN has been issued u/s 73 and is pending adjudication or appeal. However, one may argue that it misses to address the situations where GST was paid without or prior to issuance of any SCN, leaving a visible inequity among quick complying and litigative taxpayers.

The proposed section seemingly only provides relief from the burden of interest & penalty for those cases where the tax liability has been bonafidely missed to be paid by the taxpayer and such bonafide omission has been unearthed post issuance of SCN u/s 73. The proposed provisions do not cater to relief of interest for cases where GST was bonafidely paid at stages prior to the issuance of SCN, if otherwise if such case would also had been covered in section 128A, it could have provided a significant financial relief to businesses.

Additionally, the time limit to issue SCN u/s 73 for the relevant financial years already stands expired even before the proposed section is enacted. In all probabilities, for pending cases, the Revenue would proceed to issue SCN u/s 74 for the first 3 years even for bonafide cases, which would potentially debar the taxpayers from availing the relief from interest and penalties, unless the matter is taken up to higher fora and if the same is subsequently held to be a bonafide case as referred u/s 75(2). Therefore, even with the enactment of proposed provision, the actual intended relief may only reach in very limited means to the industry at large



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INDUSTRY SPEAKS

The Union Budget proposals announced come at the backdrop of India's sustained growth, which carries a tag of fastest growing large emerging economy in the world. A comprehensive roadmap for the pursuit of its visions covers 9 priorities including agriculture, manufacturing, energy, infrastructure and employments.

A key highlight of the Budget is its emphasis on job creation and skill development to harness the potential of India's youth. The proposed employment and skilling measures, including incentives for EPFO contributions and the upgrading of 1,000 Industrial Training Institutes, are expected to create lakhs of jobs and enhance workforce participation, particularly among women.

This focus on human capital development is critical for sustaining economic growth and improving living standards.

A slew of measures is proposed to mitigate tax disputes and settle litigation. It includes a comprehensive review of the Income Tax Act, 1961 and announcement for simplification of reassessment regime including transfer pricing assessments. It is proposed to reduce the reopening of assessments upto 5 years if income escaped is more than INR 50 Lakhs. For search cases, the reopening of assessment is proposed to be reduced to 6 years from existing 10 years. Further, Vivad Se Vishwas Scheme 2024 is announced for settling income tax disputes pending in appeal. This is also coupled with increase in monetary limit for filing of appeals to Tribunals, High Courts and Supreme Courts by the tax authorities.

The customs duty rates on certain items have been carefully recalibrated in line with the needs of the economy ostensibly to boost domestic manufacture and exemptions thoroughly reviewed. Certain trade facilitation measures such as increasing the time-period of duty-free re-import of goods (other than those under export promotion schemes) exported under warranty are proposed. The FM in her speech also committed to undertake a comprehensive review of the rate structure over the next 6 months to rationalise and simplify it for ease of trade, removal of duty inversion and reduction of disputes.

However, from a GST standpoint, the Budget mainly followed up on the 53rd GST Council meeting. The introduction of Section 74A is poised to be a game-changer from a litigation perspective, aligning the time limits for issuing notices for alleged fraud, misstatement, or suppression to 3.5 years for all taxpayers. This denotes that authorities may no longer use the extended timeline of Section 74 for issuing notices. For taxpayers, this provides certainty, as they can stop anticipating notices once the 3.5-year timeline is exhausted.

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INCOME TAX ACT

1. Change in Rate of Tax under Section 115BAC (1A):

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

2. Rate of Tax for Foreign Company changed from 40% to 35%

3. Increase in Standard Deduction

The existing provisions of clause (ia) of section 16 of the Act provides that a deduction of fifty thousand rupees or the amount of the salary, whichever is less, shall be made before computing the income under the head "Salaries".

To encourage taxpayers, especially salaried ones, to switch to the new tax regime, it is proposed to amend section 16 to increase the deduction from fifty thousand rupees to seventy-five thousand rupees under section 115BAC(1A).

These amendments will take effect from April 1, 2025, and apply to the assessment year 2025-26 and onward.

AUTHOR'S NOTE

The increase in the standard deduction, apart from family pension deduction and deduction relating to NPS contribution, specifically for those opting for new regime makes all the more clearer, the government's continuing efforts to woo more taxpayers to opt for simplified new tax regime while at the same time giving envy to those opting for the old one.

4. Increase in deduction towards Family Pension

Clause (iia) of section 57 of the Act stipulates that for family pension income, a deduction should be applied equal to either one-third of the income or fifteen thousand rupees, whichever amount is lower, before calculating the income under the head 'Income from other sources'.

It is proposed to amend section 57(iia) to increase the deduction from fifteen thousand rupees to twenty-five thousand rupees if the provisions of section 115BAC(1A) have been opted.

These amendments will take effect from April 1, 2025, and apply to the assessment year 2025-26 and onward.

5. Increased Deduction for Employer Contributions to Pension Schemes under Section 80CCD

Section 36 of the Act covers deductions for 'Profits and gains of business or profession.' Clause (iva) of sub-section (1) allows employers to deduct contributions to a pension scheme under section 80CCD, up to ten

percent of the employee's salary for the previous year.

It is proposed to amend section 36(1)(iva) to increase the employer contribution deduction from 10% to 14% of the employee's salary.

Additionally, section 80CCD(2) will be amended to allow employees to claim deduction up to 14% of their salary for contributions made by non-government employers in addition to government employers, applicable only when the employee's salary is taxed under section 115BAC(1A).

These amendments will take effect from April 1, 2025, and apply to the assessment year 2025-26 and onward.

6. Tax Benefits for International Financial Services Centres

The International Financial Services Centre (IFSC) offers financial services in any currency except Indian Rupees. To foster world-class financial infrastructure in India, the Income Tax Act has provided various tax concessions to IFSC units in recent years. In this year budget, the government is further incentivising the IFSC through following amendments.

- Item (I) of section 10(4D)(c)(i) will be amended to expand the exemption for specified funds to include retail funds and Exchange Traded Funds in IFSC. These funds must be established in India as a trust, company, LLP or body corporate, certified as a retail scheme or ETF, regulated under the IFSCA Fund Management Regulations, 2022, and meet prescribed conditions.
- Specified income of Core Settlement Guarantee Funds in IFSC will be exempted by amending the definitions of "recognised clearing corporation" and "regulations" in section 10(23EE). These definitions will now include those in the IFSCA Market Infrastructure Institutions Regulations, 2021.
- The Finance Act, 2023, amended section 68 to require that the source of funds must also be explained in the hands of the creditor, unless the creditor is a SEBI-registered Venture Capital Fund (VCF) or Venture Capital Company (VCC). It is now proposed to extend this relaxation to VCFs regulated by IFSCA by amending the definition of VCF in section 10(23FB).
- Section 68 of the Act states that if a sum is credited in an assessee's books and the explanation for its source is either not provided or deemed unsatisfactory by the Assessing Officer, it may be treated as taxable income for that year.
- Section 94B limits interest deductions on debt issued by a non-resident associated enterprise to 30% of EBITDA for Indian companies or foreign companies' permanent establishments in India, to prevent thin capitalization. Currently, it exempts banks, insurance companies, and certain notified non-banking financial companies.
- The proposed amendment will also exempt finance companies in IFSCs, as defined in the IFSCA Finance Company Regulations, 2021, that meet prescribed conditions.
- It is proposed that the surcharge shall not apply on advance tax / tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of section 10) that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act.
- These amendments will take effect from April 1, 2025, and apply to the assessment year 2025-26 and onwards.

7. Amendment of Section 56 of the Act

Finance Act, 2012 added clause (viib) to section 56(2), stating that if a non-public company receives consideration for shares exceeding their face value, the excess amount is taxable under 'Income from other sources.'

The Government has decided to sunset clause (viib) of section 56(2) of the Act, effective from the assessment

year 2025-26.

This amendment is proposed to be made effective from the 1st day of April, 2025, and shall accordingly apply from assessment year 2025-26.

“To bolster the Indian start-up eco-system, boost the entrepreneurial spirit and support innovation, I propose to abolish the so-called angel tax for all classes of investors,” – Hon’ble FM

AUTHOR’S NOTE

This is a welcome step by the Government and boost the overall start up ecosystem in the country. The provision has been hounding many domestic startups for long time by classifying investments received by startups from overseas investors as “income from other sources” in their hands and taxing them at a rate of 30%. Its abolition will going to ‘pep-up’ the startup ecosystem and will remove a significant barriers.

8. Encouraging Domestic Cruise Ship Operations by Non-Residents

A new section 44BBC is proposed to deem 20% of the amounts received or paid to non-resident cruise-ship operators as their business profits, subject to certain conditions. The presumptive taxation under Section 44B for shipping will no longer apply to cruise ships.

Additionally, lease rentals paid by a company under section 44BBC will be exempt for the recipient foreign company if both are subsidiaries of the same holding company. This is proposed to be done by insertion of a new clause (15B) in section 10. This exemption shall be available until the assessment year 2030-31.

These amendments will be effective from April 1, 2025, and will apply to the assessment year 2025-26 and subsequent years.

9. Block Assessment Provisions for Searches and Requisitions under Sections 132 and 132A

The Finance Act, 2021 amended sections 153A and 153C to limit their application to search and seizure proceedings initiated on or before March 31, 2021. The separate search assessment regime was abolished and incorporated into the reassessment provisions.

Additionally, sections 147, 148, 149, 151, and 151A were revised to allow for reassessment based on information from searches or requisitions initiated on or after April 1, 2021, covering the three years preceding the assessment year. If the income escaping assessment, represented by assets of fifty lakh rupees or more, is identified, a notice under section 148 can be issued within ten years from the end of the relevant assessment year.

To enhance the efficiency of search case assessments, the government has introduced block assessments starting from September 1, 2024. This applies to searches under section 132 or requisitions under section 132A, covering the six assessment years preceding the event. Regular assessments will be replaced by a single block assessment for this period.

The block assessment will include all income, both disclosed and undisclosed, with tax set at 60% and a 50% penalty on undisclosed income, unless voluntarily declared.

Assessments must be completed within 12 months of the last authorization. International and specified domestic transactions will be assessed separately. Notices and assessments will need senior official approval and section 144C provisions will not apply.

This amendment will take effect from the 1st day of September 2024.

10. Streamlining Assessment and Reassessment Provisions

The proposed amendments aim to streamline assessment and reassessment procedures. The existing Section 148 will be substituted to require AO to issue a notice with a copy of the order under section 148A before starting an assessment or reassessment, based on evidence of escaped income.

Starting 1st September 2024, Information gathered during surveys will also be included in this evidence and notices will need prior approval, if based on information received under section 135A.

Section 148A will ensure assesseees have a chance to respond before a notice is issued. Notices under section 148A cannot be issued after three years, and notices under section 148 cannot be issued after three years and three months, except in cases of significant income, where the limit is extended to five years.

Approvals will be required from the Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director. Assessments related to searches or requisitions before September 1, 2024, will follow the old rules.

These changes will take effect from September 1, 2024.

11. Streamlining Penalty Limitation Periods

Section 275 of the Act sets out the limitation period for imposing penalties. Sub-section (1) thereof states that no penalty order can be made if the relevant assessment order is under appeal before the Joint Commissioner (Appeals), Commissioner (Appeals) or Appellate Tribunal (ITAT), after the financial year in which penalty action was initiated or six months from receiving the appellate order, whichever is later. The section also specifies that for limitation purposes, the date of receipt of the order by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner shall be considered.

In order to clear the ambiguity for the purposes of calculation of the number of days for imposition of penalties, it is proposed to amend section 275 of the Act to remove the reference to the date on which the Principal Chief Commissioner or Chief Commissioner receives the order.

This amendment is effective from 1st October 2024.

12. Revisions to Set-Off and Refund Withholding Provisions

Finance Act 2023 consolidated the provisions of section 241A and section 245. It allows the AO to adjust refunds against outstanding tax demands. If a refund is due but assessment or reassessment is pending, the AO, with approval from the Principal Commissioner or Commissioner of Income-tax, can withhold the refund until completion of the proceedings. No additional interest on the withheld refund is payable under section 244A during this period.

Sub-section (2) of section 245 allows the AO to withhold a refund if he is of the opinion that it is likely to adversely affect the interest of the revenue due to pending assessments or reassessments. This withholding requires reasons in writing and prior approval from the Principal Commissioner or Commissioner of Income-tax and continues until the assessment or reassessment is completed.

Section 245 is proposed to be amended by removing the words "is of the opinion that the grant of refund is likely to adversely affect the revenue" and retain the phrase "he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax". This is because even if an opinion is formed, it must have to be expressed in terms of reasons recorded in writing.

Further, the period for withholding of refund is proposed to be extended to 60 days post-assessment, up from the current period until the assessment date.

Section 244A is also proposed to be amended to cover non-payment of additional interest for withheld refunds.

These changes will be effective from October 1, 2024.

13. Streamlining the Time Limit for Appeals to the Income Tax Appellate Tribunal

Section 253 of the Act allows appeals to the Income Tax Appellate Tribunal (ITAT) against orders from various tax authorities, including the Joint Commissioner, CIT (Appeals) and higher commissioners. The ITAT serves as the second appellate authority in the income-tax hierarchy.

Given that appeals to the Tribunal are generated mainly by orders passed by the CIT (Appeals), which is now through ITBA or the IT webmail. Under the new Faceless Appeal dispensation, the CIT (Appeals) upload the orders on a daily basis rather than the erstwhile practice of sending a monthly/ fortnightly 'bunch' of orders to the jurisdictional PCIT. Such an upload amounts to electronic communication to the PCIT which in turn, would mean that the limitation for filing appeal to the ITAT would fall on a daily basis making it difficult for the PCIT and the AO to track the same.

To tackle this issue, it is now proposed to amend section 253(3) to allow appeals to the ITAT within two months from the end of the month in which the order is communicated to the assessee or the Principal Commissioner/ Commissioner.

This change will take effect from October 1, 2024.

14. Rationalisation of the provisions of Charitable Trusts and Institutions

A. Merger of trusts under first regime with second regime

- It is proposed that:
- Applications for approval under certain sub-clauses of section 10(23C) filed on or after October 1, 2024, will not be considered. Further, applications filed before October 1, 2024, will be processed under the current provisions.
- Approved trusts and funds will continue to receive exemptions under the existing regime until their approval expires. They can apply for registration under the new regime later, with proposed amendments to section 12A. Investments eligible under the current regime will be protected in the new regime, as per amendments to section 13.
- These changes will take effect from October 1, 2024.

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

- It is proposed that the Principal Commissioner/ Commissioner be authorized to waive delays in filing registration applications if reasonable cause is shown.
- These changes will apply from October 1, 2024.

C. Rationalising Timelines for Section 80G Approval Applications

- It is proposed to amend the first and second provisos to streamline the timelines for filing approval applications.
- These changes will take effect from October 1, 2024.

D. Streamlining the timelines for processing registration and approval applications by trusts, funds, or institutions under sections 12AB and 80G

- To improve administration, it is proposed to set a six-month timeline for processing applications from trusts, funds, or institutions for registration or approval under sections 12AB and 80G.

- Orders will be issued within six months from the end of the quarter in which the application is received.
- This change will take effect from October 1, 2024.

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

- It is proposed to clarify the conditions under which a merger will not be subject to Chapter XII-EB through the introduction of a new section 12AC.
- These changes will take effect from April 1, 2025.

F. Incorporation of clauses (23EA), (23ED), and (46B) of section 10 into sub-section (7) of section 11

- Sub-section (7) of section 11 is proposed to be amended to include clauses (23EA), (23ED), and (46B) of section 10, allowing trusts under the second regime to claim exemptions under these clauses.
- This will take effect from April 1, 2025.

15. Streamlining and Simplifying Capital Gains Taxation

Streamlining of Period of Holding

Capital gains taxation will be simplified by standardizing holding periods. The proposal sets two holding periods: 12 months for listed securities and 24 months for other assets. This change aligns business trust units with listed equity shares at 12 months, reduces the holding period for bonds, debentures and gold from 36 to 24 months, and maintains the 24-month period for unlisted shares and immovable property. Amendments will be made to clause (42A) of section 2 of the Act.

Increase in Tax Rates

Short-term capital gains on STT-paid equity shares, mutual funds, and business trusts will see a tax rate increase from 15% to 20%. Other short-term gains will continue to be taxed at their current rates.

Long-term capital gains will be taxed at a proposed rate of 12.5% for all assets, up from the previous 10% for STT-paid equity shares, mutual funds, and business trusts, and 20% for other assets.

An exemption of up to ₹1.25 lakh is proposed for STT-paid assets, increasing the prior exemption. The rate for long-term gains on listed bonds and debentures will also drop to 12.5%, while unlisted debt instruments will be taxed at the applicable rate.

Unlisted debentures and bonds will be taxed at applicable rates under section 50AA, effective July 23, 2024.

Removal of Indexation Benefits

Indexation for long-term capital gains on property, gold, and unlisted assets will be removed to simplify calculations, while tax rates will be aligned for residents and non-residents under sections 115AD, 115AB, 115AC, 115ACA, and 115E. Withholding tax provisions will also be updated under sections 196B and 196C.

These changes take effect from July 23, 2024.

16. Update to the definition of 'Specified Mutual Fund' under section 50AA

It is proposed to update the definition of 'Specified Mutual Fund' under section 50AA to include:

- Any mutual fund investing over 65% of its assets in debt and money market instruments; or
- Any fund investing 65% or more of its assets in such mutual funds.
- This amendment will take effect from April 1, 2026, and apply from AY 2026-27 onwards.

17. Rationalisation of Tax Deducted at Source rates

In a welcome step, and with a view to ease cash flow in the hands of deductees together with better compliance by taxpayers, the TDS rates are proposed to be reduced by more than 50%.

However, it may be noted that no change would occur with respect to payments such as TDS on salary, TDS on virtual digital assets, TDS on winnings from lottery etc./ race horses, payment on transfer of immovable property and payments to non-residents, TDS rates for TDS on contracts etc.

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	01-04-2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	01-10-2024
Section 194G - Commission etc. on sale of lottery tickets	5%	2%	01-10-2024
Section 194H - Payment of commission or brokerage	5%	2%	01-10-2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	01-10-2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	01-10-2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	01-10-2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		01-10-2024

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

Section 192 of the Act mandates tax deduction at source on salary income. Sub-section (2B) allows consideration of income under other heads and the tax deducted thereon for calculating the salary tax deduction, subject to conditions.

It has been suggested that TCS payments should also be credited to avoid cash flow issues for employees and simplify the process by including all TDS in salary tax calculations, reducing the need for refund claims and easing compliance.

It is proposed to amend sub-section (2B) of section 192 to include tax deducted or collected under Chapter XVII-B or Chapter XVII-BB in the calculations for deductions under sub-section (1) of section 192.

These changes will take effect from October 1, 2024.

19. Alignment of interest rates for late payment to Government account of TCS

Currently, in terms of Section 206C of the Act which provides for TCS on business of trading in alcoholic liquor, forest produce, scrap etc., where a person fails to collect such tax or after collecting, fails to deposit with the Government, it is liable to pay simple interest at the rate of 1% for every month or part thereof on the amount of such tax from the date of its collection till the date of its actual payment.

It was noted that in the case of contravention of TDS provisions, in terms of section 201, the rate of interest pertaining to late deduction / deposit of TDS is 1.5% for every month or part thereof.

Given that the gravity of failure to late deduction/ deposit of TDS and TCS is same, the penal interest rates are different. To align the rate of simple interest charged on failure to collect/ deposit tax with the government under to Government under section 206C, it is proposed to specify that simple interest for non-payment of TCS to Government account to be increased from the current 1% to 1.5% for every month or part thereof on the amount of such tax from the date of its collection till the date of its actual payment.

The amendment will take effect from the 1st day of April, 2025.

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

Section 40 of the Act provides for amounts that shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". In terms of the provisions of Section 40(b)(v), there are maximum limits to the allowance of the remuneration that is payable to a working partner as authorized by/ in accordance with the terms of the partnership deed. As per the current provisions, on the first Rs 3,00,000 of the book-profit or in case of a loss, the limit of remuneration is INR 1,50,000 or at the rate of 90 per cent of the book-profit whichever is more, and on the balance of book profits, at the rate of 60%.

It is now proposed to amend the limit of remuneration to working partners in a partnership firm to the effect that now on the first Rs 6,00,000 of the book-profit or in case of a loss, the limit of remuneration is proposed to be increased to Rs 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more, and on the balance of book profits, at the rate of 60%.

The amendments will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to assessment year 2025-2026 and subsequent years.

21. Claiming credit for TCS of minor in the hands of parent

Section 206C of the Act, *inter alia*, provides for TCS in the case of remittance under Liberalized Remittance Scheme (LR Scheme) of the RBI as well as for purchase of overseas tour program package. The collectees can accordingly claim credit of such TCS at the time of filing their return of Income.

Representations have been received that there is no provision in the Act for allowing credit of TCS to any person (e.g. parent) other than the collectee. There could be a situation where funds remitted under the LR Scheme of the RBI may have been remitted in the name of minor and accordingly tax would have been collected under sub-section (1G) of section 206C. However, there is no provision for the parent to claim the same in their tax return.

To tackle this issue, it is now proposed to introduce a provision in section 206C of the Act, allowing the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, as a measure against any misuse, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under section 64(1A) of the Act.

The amendment will take effect from the 1st day of January, 2025.

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

Industry have been making representations before the Government stating that pay-outs on buy-back of shares should be taxed in hands of recipients, in line with similar regime which is in place for taxation of dividends. It was based on the logic that both dividend as well as buy-back of shares are methods for the company to distribute accumulated reserves, thus there is merit in treating both of them on the same pedestal. Further, in the case of buy-back, there is extinguishment of rights of the shareholders to the extent of the shares so bought back. The cost of acquisition of such shares also needs to be accounted for in some manner.

Accordingly, it is proposed that the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders and shall be charged to income-tax at applicable rates in the hands of such shareholders without allowing deduction of any expenses. Further, the cost of acquisition of those shares would generate a capital loss in the hands of the shareholder as these assets have been extinguished.

Hence, when there arises any capital gain to the shareholder on the transfer of any other capital asset whether in same or subsequent year, such capital loss can be adjusted against the same.

23. Revision of rates of Securities Transaction Tax

STT was first introduced on transaction in specified securities vide Finance (No.2) Act, 2004. Presently, the rate of levy of STT on sale of an option in securities is 0.0625% of the option premium, while that on future in securities is 0.0125% of the future's traded price. The rate of levy of STT on equity delivery trades is 0.1% on both purchase and sale transactions, while in the case of sale of an option in securities where option is exercised, the rate of levy is 0.125% of the intrinsic price.

With the exponential growth of derivative markets in recent times and trading in such derivatives accounts for a large proportion of trading in stock exchanges, it is proposed to increase the said rates of STT as below:

Transaction	STT Rate
Sale of an option in securities	0.1% of the option premium
Sale of a futures in securities	0.02% of the future's traded price

AUTHOR'S NOTE

SEBI and the Government has time and again highlighted that derivative transactions are primarily should be used as a hedging. However, in the recent past, it has been seen that lot of retail activity has happening in F&O as speculative transactions. Clearly, this amendment is a welcome step as this will increase the cost of speculative trading and would also discourage retail participation

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

Section 28 of the Act specifies kinds of income that shall be chargeable to income-tax under the head 'Profits and gains of business or profession'.

Many taxpayers have been are reporting their rental income generated by letting out of the house property, under the head 'Profits and gains of business or profession' in place of the head 'Income from house property'. This was leading to reduction of their tax liability substantially by showing house property income under the wrong head of income. With a view to clarify, it is proposed to amend the section 28 of the Act to state 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".

This amendment will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to assessment year 2025-26 and subsequent assessment years.

25. Amendment of section 47

Section 47 of the Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under 'Capital Gains' under section 45. Section 47(iii) provides that nothing contained in section 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. The first proviso thereof makes an exception to the said clause in respect of specified ESOPs.

Over the past, provisions like Section 50D were inserted which provided for taking FMV as full value of consideration in cases where the consideration received or accruing as a result of the transfer of a capital asset is not ascertainable, while section 50CA provided for taking FMV as full value of consideration in case of unquoted shares where consideration received or accruing is less than the FMV. These provisions helped eliminate avoidance of Capital Gains tax. However, taxpayers have been arguing in multiple cases before judicial fora that transaction of gift of shares by company is still not liable to capital gains tax, in view of the provisions of section 47(iii) of the Act. Further, a gift is given out of natural love and affection.

Accordingly, it is proposed to substitute Section 47(iii) and its proviso to provide that nothing contained in section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a Hindu undivided family.

This amendment is proposed to be made effective from the 1st day of April, 2025 and will accordingly apply to assessment year 2025-26 and subsequent assessment years.

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

Presently there is no provision for deduction of TDS on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, it is proposed to insert Section 194T to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of

the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.

The provisions of section 194T of the Act will take effect from the 1st day of April, 2025.

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

The existing provisions of section 206C of the Act provide, *inter alia*, for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Sub-section (1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding INR 10 Lakhs, shall collect TCS at the rate of 1% from the buyer.

Given that there has been an increase in the expenditure on luxury goods by high net-worth persons, there is a need for proper tracking of such expenses and to widen and deepen the tax net. Accordingly, it is proposed to amend sub-section (1F) of section 206C to also levy TCS on any other goods of value exceeding ten lakh rupees, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods.

The amendment will take effect from the 1st day of January, 2025.

28. Amendment of provisions of TDS on sale of immovable property

Section 194-IA of the Act provides that any person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property shall deduct income tax as TDS at the rate of 1% of such sum or the stamp duty value of such property, whichever is higher – for value of properties above INR 50 Lakhs. However, it was observed that in respect of cases where more than one transferor or transferee are involved, they were applying the limit of INR 50 Lakhs to each such person rather than the entire property as a whole.

Accordingly, to clarify the intention of the legislature, it is proposed to amend Section 194-IA(2) of the Act to state that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

The amendments will take effect from the 1st day of October, 2024.

29. TDS on Floating Rate Savings (Taxable) Bonds (FRSB) 2020

The Government introduced Floating Rate Savings (Taxable) Bonds (FRSB) 2020 on 1st July, 2020. The provisions of section 193 of the Act relating to the TDS on interest on securities are proposed to be amended to allow for TDS on payment of interest exceeding INR 10,000 on the Floating Rate Savings Bonds (FRSB) 2020 (Taxable) and any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

The amendments will take effect from the 1st day of October, 2024.

30. Preventing misuse of deductions of expenses claimed by life insurance business

Section 44 of the Act provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by a co-operative society, to be in accordance with First Schedule of the Act. Rule 2 of that Schedule, as applicable for Life insurance business, states that the profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance

Act, 1938, in respect of the last inter-valuation period ending before the commencement of the assessment year and excluding from it such surplus or deficit included therein which was made in any earlier inter-valuation period.

Certain instances have been noticed where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies. With a view to ensure that provisions are not misused, it is proposed to amend Rule 2 of that Schedule to provide that any expenditure which is not admissible under the provisions of section 37 in computing the profits and gains of a business shall be included in the profits and gains of the life insurance business.

The amendment will take effect from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

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

Section 198 of the Act provides that where taxes are deducted in accordance with the provisions of Chapter XVII-B, the same shall, for the purpose of computing the income of an assessee, be deemed to be income received.

In many cases, it was found that some assesseees are not including taxes withheld outside India while calculating their total income, thereby leading to under reporting of total income, as only their net income was being offered for taxation. To boot, they were claiming credit for the taxes withheld abroad resulting in double deduction on account of income not being included in total income but credit for foreign taxes withheld was being taken.

With a view to clarify the position, it is proposed to amend section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

The amendment will take effect from the 1st day of April, 2025.

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

Section 194C of the Act provides for TDS on payments to contractors at the rate of 1%/ 2% depending upon who is the recipient of such payment. Similarly, Section 194J of the Act relates to TDS on fees for professional or technical services wherein the applicable TDS rates are 2% or 10% depending on the nature of payment being made.

Clause (iv) of the Explanation of section 194C defines "work" to specify which all activities would attract TDS under section 194C. However, there is no explicit exclusion of assesseees who are required to deduct tax under section 194J from requirement or ability to deduct tax under section 194C of the Act. Therefore, some persons are deducting tax under section 194C of the Act when in fact they should be deducting tax under section 194J of the Act.

With a view to clarify, it is proposed to explicitly state that any sum referred to in sub-section (1) of section 194J (like fees for professional/ technical services, etc.) does not constitute "work" for the purposes of TDS under section 194C.

The amendment will take effect from 1st day of October 2024.

33. Disallowance of settlement amounts being paid to settle contraventions

Section 37 of the Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession. *Explanation 1* of Section 37(1) provides that any expenditure incurred by an assessee for any purpose which is an offence / prohibited by law shall not be allowed. *Explanation 3* further defines such expenditure to include amounts incurred for any purpose which is an offence or is prohibited by, any law enacted in or outside India; or is incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline under the law governing the conduct of such person; or is incurred to compound an offence under any law for the time being in force in or outside India.

Since settlement amounts are incurred due to an infraction of law and relate to contraventions etc., they should not be allowed as business expenses. Accordingly, it is proposed to amend the *Explanation 3* to Section 37(1) of the Act to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law" under *Explanation 1* 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, as may be notified by the Central Government in the Official Gazette in this behalf.

The amendment is proposed to be made effective from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

34. Amendment of Section 55 of the Act

Prior to Finance Act, 2018, section 10(38) of the Act provided for exemption in respect of gains arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust where the transaction is subject to STT. Finance Act, 2018 withdrew the exemption on long-term capital gains from the transfer of equity shares if STT is paid on both acquisition and transfer.

With this, a specific provision in the form of section 112A of the Act was inserted to tax long-term capital gains on transfer of equity shares on which STT is paid at the time of acquisition and transfer. Simultaneously, a special mechanism for computation of cost of acquisition in respect of assets covered under section 112A of the Act and acquired prior to 01 February 2018 was also provided.

One of the variables for determining the value in case of assets acquired before 01 February 2018 was the fair market value as on 31st January 2018. Further, 'fair market value' where the capital asset is an equity share in a company which is not listed as on the 31st January, 2018 but listed on the date of transfer, or listed on the date of transfer and which became the property of the assessee in consideration of share which is not listed as on the 31st January, 2018 by way of transaction not regarded as transfer under section 47, was defined to mean an amount which bears to the cost of acquisition the same proportion as CII for the financial year 2017-18 bears to the CII for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later. It thus envisages defining the fair market value of shares which are listed at the time of transfer.

Thereafter, under Section 112A(4), the Central Government notified some cases of acquisitions to be given the benefits of section 112A where STT could not have been paid at the time of acquisition. Due to the notification, the condition of payment of STT was relaxed for transactions of acquisition which are not chargeable to STT other than some exceptional situations defined. As a consequence, the payment of STT at the acquisition is not required for unlisted equity shares.

Due to this relaxation, a lacuna has arisen in computation of cost of acquisition under clause (ac) of sub-section (2) of section 55 of the Act in the case of equity shares transferred under Offer-For-Sale (OFS) as part of IPO process where STT is paid at the time of transfer. Since the condition of STT payment at the time of

acquisition is relaxed through the aforementioned Notification, it becomes an asset referred to under section 112A. Hence, for determination of cost of acquisition under clause (ac) of sub-section (2) of section 55 of the Act, the computation of FMV as on 31 January 2018 as per the Explanation is required. However, the equity shares at the time of OFS are unlisted on the date of transfer, since the listing happens a few days after the transfer, and therefore some taxpayers are taking the plea that the computation of FMV is not covered on a literal reading of the Explanation to clause (ac) of sub-section (2) of section 55.

It was observed by the Government that taxpayers in some cases are not paying capital gains tax on transfer of shares acquired through OFS route citing the absence of an express provision for determination of the FMV of such equity shares since they were still unlisted on the date of transfer and thus, Cost of Acquisition is indeterminable, and Capital Gains is not chargeable.

It is therefore proposed to make appropriate amendments in Section 55 of the Act to provide that in the aforesaid situation, "fair market value" would mean an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later. This amendment is proposed to be deemed to have been inserted with effect from the 1st day of April, 2018 and shall accordingly apply retrospectively from assessment year 2018-19 onwards.

35. Amendment of provisions related to Equalisation Levy

Vide Finance Act, 2020 amended the imposition of equalization levy (EL) of 2% on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services. An "e-commerce operator" was defined to mean a non-resident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both. However, the levy is not applicable where the e-commerce operator has a permanent establishment (PE) in India, and the e-commerce supplies or services are effectively connected with such PE.

Stakeholders have been raising concerns that the scope of 2% EL is ambiguous and hence leads to compliance burden.

In view of the above, it is proposed that the EL at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1st day of August, 2024. Any service which was liable to EL was exempt in Section 10(50) subject to certain conditions. Consequently, as the 2% levy is being made inapplicable, it is proposed that income arising from ecommerce supply or services made or provided or facilitated on or after the 1st day of April, 2020 but before the 1st day of August, 2024 only, shall fall in the ambit of clause (50) of section 10 of the Act.

These amendments will take effect from the 1st day of August, 2024.

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

Section 42 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) provides for penalty for failure to furnish details of foreign income and assets in the return of income. Similarly, section 43 of the Black Money Act provides for penalty for failure to furnish in return of income, an information or furnish inaccurate particulars about an asset (including financial interest in any entity) located outside India. Both the provisions are applicable in respect of an assessee being a resident other than not ordinarily resident in India.

Given the above, every resident and ordinarily resident, while filing the return of income, is required to disclose all foreign assets (including investment in shares and securities) and income from such foreign assets in the Income Tax Return and any non-compliance under section 42 or 43 thereof, may attract a penalty of INR 10 Lakhs regardless of the value of asset located outside India.

Further, exceptions have been provided in the provisos to the aforementioned sections in respect of an asset, being one or more bank accounts having an aggregate balance not exceeding INR 5 Lakhs. Stakeholders suggested that the exemption threshold is very low which results in many penalties where the asset value itself is less than the penalty amount.

It is therefore proposed to amend sections 42 and 43 of the Black Money Act to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed INR 20 Lakhs.

This amendment will take effect from the 1st day of October, 2024.

37. Amendments proposed in section 276B of the Act for rationalisation of provisions

Section 276B of the Act provides for prosecution in case of failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B. The provisions of the said section state that, *inter-alia*, if a person fails to pay to the credit of the Central Government, the tax deducted at source by him as required by or under the provisions of Chapter XVII-B, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

It is proposed to amend section 276B of the Act to provide for exemption from prosecution to a person covered under clause (a) of the said section, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement of such quarter under sub-section (3) of section 200 of the Act.

This amendment will take effect from the 1st day of October, 2024.

38. Reducing time limitation for orders deeming any person to be assessee in default

Section 201 and section 206C of the Act provides for the consequences when a person does not deduct/ collect, or does not pay, or after so deducting/ collecting fails to pay, the whole or any part of the tax, as required by or under the Act.

Section 201(3) of the Act prescribes the time limit of seven years for order made under Section 201(1) of the Act deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax where the payee is a person resident in India. However, there is no time limit when there has been a failure to deduct the whole or any part of the tax from a non-resident. This creates uncertainty in the case of non-residents.

Similarly, for TCS, sub-section (6A) of section 206C of the Act provides the consequences when a person does not collect the whole or part of the tax or after collecting fails to pay the tax as required by or under this Act, he shall be deemed to be an assessee in default.

It is proposed to amend Section 201(3) and insert new subsection (7A) in Section 206C of the Act to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of six years from the end of the financial year in which payment is made or credit is given or tax was collectible or two years from the end of the financial year in which the correction statement is delivered, whichever is later.

The amendments will take effect from the 1st day of April, 2025.

39. Widening ambit of section 200A of the Act for processing of statements other than those filed by deductor

Section 200A of the Act provides for the manner in which TDS statement or a correction statement made by a person deducting any sum under section 200 shall be processed.

There are statements, such as Form No. 26QF (i.e. form notified for filing statements of tax deposited u/s 194S in the case Virtual digital assets) which is filed by an Exchange wherein the deductee is filing details of the tax. It is proposed to widen the ambit of section 200A of the Act to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements

The amendment will take effect from the 1st day of April, 2025.

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

Section 197 of the Act provides for eligibility for certificate for deduction of tax at lower rate. Further, sub-section (9) of section 206C of the Act provides that sums on which tax is required to be collected under sub-section (1) or subsection (1C), are eligible for collection of tax at lower rate.

Section 194Q of the Act, requires every person being a buyer, who pays to a resident, being the seller, for the purchase of any goods of the value or aggregate of value exceeding INR 50 Lakhs in any previous year, to deduct tax at the rate of 0.1% of such sum exceeding INR 50 Lakhs. Similar provisions exists in case of collection of tax by seller as well.

Representations have been received that in many instances, where taxpayers are incurring losses and due to TDS under section 194Q, their funds are getting blocked. Further, there is additional compliance as a seller liable for TCS needs to also verify whether the buyer has deducted tax or not.

Therefore, to facilitate ease of doing business and to provide an option to seek a lower deduction certificate so as to reduce compliance burden on the assessee, it is proposed:

- a) to amend sub-section (1) of section 197 to bring section 194Q in its ambit;
- b) to amend sub-section (9) of the section 206C to bring sub-section (1H) of section 206C in its ambit.

The amendments will take effect from the 1st day of October, 2024.

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

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc.

Representations have been received that there can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them with no provision in the Act for them to be exempted from the TCS provisions.

It is therefore proposed to provide that no TCS shall be applicable/ or applicable at lower rate in respect of specified transaction, from specified persons or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

The amendment will take effect from 1st day of October 2024.

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

Section 200 of the Act lists the duty of the person deducting tax under the provisions of Chapter XVII-B. It further requires such person to prepare statements detailing the TDS deducted and furnish it within the prescribed time to the prescribed authority and also to file a correction statement for rectification of any mistake or to add, delete or update the information furnished therein. Similar provisions exist in the case of TCS under Section 206C.

While there is a time limit for furnishing statements detailing the TDS/TCS, however, there is no time limit for furnishing correction statements. Hence such statements may be revised multiple times indefinitely and thus these provisions may be misused causing difficulty to deductees / collectees.

Accordingly, in order to put certainty and finality on the filing process of TDS and TCS statements, it is proposed to amend Section 200 and Section 206C to provide that no correction statement shall be delivered after the expiry of 6 years from the end of the financial year in which the original statement are delivered.

The amendments will take effect from the 1st day of April, 2025.

43. Penalty for failure to furnish statements

Section 271H of the Act *inter alia* relates to penalty for failure to file TDS / TCS returns/ statements within the due date. It further states that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statement.

While earlier the due date to file a belated return by the assessee was one year from the end of the assessment year, the time limit presently is 31st December of the same assessment year. Deductees/ collectees face great inconvenience if the TDS/TCS statements by deductors/ collectors are not furnished in time leading to mismatch in TDS/TCS during processing of income tax returns and raising of infructuous demands.

To ensure better compliance, it is proposed to amend Section 271H to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of one month from the time prescribed for furnishing such statement.

This amendment will take effect from the 1st day of April, 2025.

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

In terms of Section 285 of the Act, a non-resident having a liaison office in India is required to prepare and deliver a statement in respect of its activities in a financial year to the Assessing Officer within sixty days from the end of such financial year. It is now proposed that the period within which such statement is to be filed, henceforth be prescribed under the Rules.

Further, to ensure better compliance, it is proposed that failure to furnish statement may attract a penalty of one thousand rupees for every day for which the failure continues, if the period of failure does not exceed three months; and one lakh rupees in any other case. However, this penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure.

In regard to the above, it is proposed to amend section 273B and to insert a new section 271GC. These amendments will take effect from the 1st day of April, 2025.

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

Section 92CA of the Act empowers the AO, with previous approval of Principal Commissioner or the Commissioner, to refer the matter of determination of ALP in respect of an international transaction or SDT to the TPO. Further, Section 92E prescribes for a reporting requirement on the taxpayer who is under obligation to file an audit report before the AO containing details of all international transactions or SDT undertaken by the taxpayer during the year.

This audit report is the primary document with the AO, which contains the details of international transactions and/or SDT undertaken by the taxpayer. If the assessee does not report such a transaction in the report furnished under section 92E then the AO would normally not be aware of such an International Transaction/SDT for making reference to the TPO.

The section provides that if, during the course of proceeding before him, an international transaction comes to the notice of the TPO, which has not been referred to him by the AO, the TPO can proceed to determine the ALP in its respect as well. It also provides for computation of ALP by the TPO, of those international transactions, details of which have not been furnished in the audit report referred to above. However, at present, the above noted provisions of sub-section (2A) and (2B) of section 92CA do not extend to SDTs.

Therefore, it is proposed to amend sub-sections (2A) and (2B) of section 92CA to enable the TPO to deal with SDTs which have not been referred to him by the AO and/or in whose respect audit report under section 92CE has not been filed.

These amendments will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to the assessment year 2025-26 and subsequent assessment years.

46. Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number

The provisions of section 139AA of the Act mandating mentioning of Adhaar No. or Adhaar application Enrolment ID in the PAN application and in the return of income is in existence since 2017. Since then, coverage of Aadhaar number has been increasing, and has encompassed majority of the population in India. Hence, it is imperative to discontinue the option of quoting of the Enrolment ID of Aadhaar application form, as any allotment of PAN against the Enrolment ID may lead to duplication and misuse of PAN.

Therefore, it is proposed that the said provisions shall not apply from the 1st day of October, 2024. It is further proposed that every person who has been allotted permanent account number on the basis of Enrolment ID of

Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

This amendment will take effect from the 1st day of October, 2024.

47. Amendments in sections 245Q and 245R related to Advance Rulings

The Finance Act, 2021 provided that the Authority for Advance Rulings (AAR) shall cease to operate with effect from a notified date. Later, September 01, 2021 was notified to be the same with effect from which the AAR shall cease to operate. Sections 245N to 245W of the Chapter provide for the power the Central Government to constitute a Board for Advance Rulings (BAR), the procedure to be followed by such Board, powers of the Authority etc.

Section 245Q(3) of the Act provides that an applicant may withdraw an application within thirty days from the date on which such application is made. After AAR was made ineffective, certain applications which were filed before the erstwhile AAR, in which no order under sub-section (2) of section 245R had been passed, were transferred to the newly constituted BAR under sub-section (4) of section 245Q. In case of all those pending applications transferred to the BAR, the period of thirty days has already elapsed.

Representations have been received by the BAR from many applicants pointing out that their applications are still pending for disposal. However, due to various reasons like change in constitution of BAR forum, non-binding nature of the ruling (orders being appealable), substantial passage of time, etc., these applicants wish to withdraw their applications.

In view of the foregoing, it is proposed to amend section 245Q to allow application for withdrawal by the 31st of October, 2024 for the transferred applications before BAR (from AAR) in cases where order under sub-section (2) of section 245R has not been passed. It is further proposed to provide that on receipt of an application under the proviso to sub-section (4) of section 245Q, the BAR may, by an order, reject the application referred to in sub-section (1) thereof as withdrawn on or before the 31st day of December, 2024.

This amendment will take effect from the 1st day of October, 2024.

48. Powers of the Commissioner (Appeals)

The existing provisions of section 251 of the Act specify the powers of the Joint Commissioner (Appeals) or the Commissioner (Appeals). Further, sub-section (1) of the said section provides that Commissioner (Appeals) shall have, inter-alia, the following powers in disposing of an appeal:

- (a) He may confirm, reduce, enhance or annul the assessment, in the case of an appeal against an order of assessment.
- (b) He may confirm, cancel, or vary to enhance or reduce, the penalty order, in the case of an appeal against an order imposing a penalty.

It has been found that in the best judgement cases, taxpayers remain non-responsive to the letters or notices issued by the Faceless Assessing Officer. However, they directly file the appeal to Commissioner (Appeals) against the relevant assessment order.

Considering the huge pendency of appeals and disputed tax demands at the Commissioner (Appeals) stage, 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 Assessing Officer for making a fresh assessment. Further, it is proposed to make consequential amendment in section 153(3) of the Act in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).

This amendment will take effect from the 1st day of October, 2024. It will be applicable to appellate orders passed by the Commissioner (Appeals) on or after 01.10.2024.

49. Amendment of Section 271FAA to ensure conformity with the Automatic Exchange of Information (AEOI) framework

Under Current provisions of sub-section (1) of section 271FAA, a penalty of fifty thousand rupees may be imposed if a statement under section 285BA is inaccurate due to negligence or intentional acts, or if the inaccuracy is not corrected in time. However, the Global Forum has found that section 271FAA penalties do not automatically apply to all due diligence failures unless they result in incorrect reporting under the AEOI framework.

It is proposed to amend section 271FAA to clarify that the penalty under this section will be applicable in the following circumstances:

- When inaccurate information is provided in the statement;
- When there is a failure to adhere to due diligence requirements related to the statement.

Additionally, section 273B will be amended to include a reference to section 271FAA, ensuring that no penalty will be levied for any failure under that section if the assessee can prove that there was a reasonable cause for the failure.

This amendment will take effect from October 1, 2024.

50. Amendment to Incorporate the Black Money Act, 2015 for Tax Clearance Certificate Applications

Sub-section (1A) of section 230 of the Act requires that no person domiciled in India may leave the country without a certificate from income-tax authorities confirming he has no outstanding tax liabilities under various acts or have made satisfactory arrangements for payment. This certificate is necessary only if an income-tax authority deems it required and must be approved by the Principal Chief Commissioner or Chief Commissioner of Income-tax. It has been observed that while most liabilities under CBDT-administered Acts are covered by this requirement, liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, are not.

It is proposed to amend sub-section (1A) of section 230 to include liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 for tax clearance certificates.

This amendment will take effect from October 1, 2024.

51. Revising and Rationalizing Time Limits for Assessments, Reassessments, and Recomputations

The current provisions of section 153 of the Act outline the time limits for completing assessments, reassessments, and recomputations. However, there have been representations highlighting procedural difficulties in implementing these provisions.

A new sub-section (1B) will be added to allow assessment orders for returns filed under section 119(2)(b) to be completed within twelve months from the end of the financial year in which the return is filed.

This amendment will take effect from October 1, 2024.

52. Amendment of Section 80G

Section 80G(1) provides for deductions from total income according to sub-section (2). Sub-clause (iiihg) of section 80G(2)(a) allows deductions for donations to the National Sports Fund.

Given that the National Sports Development Fund was established by the Government on 12.11.1998, it is proposed to amend section 80G(2)(a)(iiihg) to permit deductions for donations made to this fund.

The amendment will be effective from April 1, 2025, for the 2025-26 assessment year and beyond.

53. Removing reference to National Housing Board in Section 43D of the Act

Section 43D of the Act outlines special tax provisions for income from public financial institutions, public housing finance companies, scheduled and cooperative banks (excluding primary agricultural credit societies), state financial corporations, state industrial investment corporations, and certain non-banking financial companies.

Clause (b) specifies that for public housing finance companies, interest on bad or doubtful debts, as prescribed by NHB guidelines, must be taxed in the year it is credited to the profit and loss account or received, whichever comes first. The section's Explanation also refers to NHB guidelines.

The Finance (No. 2) Act, 2019 amended the National Housing Bank Act, 1987, placing HFCs under RBI's regulation as NBFCs. Therefore, clause (b) of section 43D and clauses (a) and (b) of the Explanation to section 43D will be removed.

The amendment will be effective from April 1, 2025, for the 2025-26 assessment year and beyond.

54. Adjusting liability under Black Money Act, 2015 against seized assets

Section 132B currently allows recovery of liabilities from seized assets for various tax acts. However, it does not cover liabilities under the Black Money Act, 2015, which deals with undisclosed foreign income and assets.

It is proposed to amend Section 132B of the Income-tax Act, 1961 to include the Black Money (Undisclosed Foreign Income and Assets) Act, 2015 for recovering liabilities from seized assets.

This amendment will take effect from October 1, 2024.

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

Section 24 of the PBPT Act, 1988 deals with notice and attachment of Benami properties. However, sub-section (3) does not set a deadline for a benamidar to respond to the notice or for the beneficial owner to submit their response.

It is proposed to insert sub-section (2A) allowing up to three months from the end of the notice month for benamidars or beneficial owners to respond. The time limits in sub-sections (3) and (4) will be extended to four months, and the period in sub-section (5) will be increased to one month for case statements.

This amendment will take effect from October 1, 2024.

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

Under Section 53(2) of the Prohibition of Benami Property Transactions (PBPT) Act, 1988, the penalty for benami transactions is the same for benamidars, beneficial owners, and abettors: a minimum of one year and up to seven years of imprisonment, plus a fine of up to 25% of the benami property's fair market value. This uniform penalty can deter benamidars from testifying against beneficial owners. Additionally, many benamidars, being poor and illiterate, face disproportionate penalties compared to beneficial owners.

To address these issues, it is proposed to insert a new Section 55A into the PBPT Act, 1988, allowing the Initiating Officer to offer immunity from prosecution to benamidars who fully disclose details about the benami transactions, with prior sanction from the competent authority. If the person breaches this condition, immunity can be withdrawn, and they can be prosecuted and penalized.

This amendment will be effective from October 1, 2024

57. The Direct Tax Vivad se Vishwas Scheme, 2024

The Scheme introduced in the Finance Bill, provides a streamlined mechanism for resolving tax disputes, aimed at reducing litigation and fostering a more efficient tax administration system. This scheme is a continuation of similar scheme introduced in 2020, which allowed for settlement of pending appeals as on 31.01.2020. The erstwhile scheme was successful in reducing the mounting number of appeals, while also garnering significant revenue for the Government as well.

Under the scheme, the declarant can settle their disputes by paying the disputed tax amount, with significant reductions in the interest, penalties, and additional tax burdens if payments are made before the stipulated deadlines.

Nature of tax arrear	Payment on or before December 31, 2024	Payment from January 1, 2025, to the last date
Disputed Tax Cases where appeal is filed after 31.01.2020 but before 22.07.2024	Disputed tax amount	110% of Disputed tax amount
Disputed Tax Cases where appeal is filed before 31.01.2020	110% of Disputed tax amount	120% of Disputed tax amount
Disputed Interest, Penalty, or Fee where appeal is filed after 31.01.2020 but before 22.07.2024	25% of the disputed interest, penalty, or fee	30% of the disputed interest, penalty, or fee
Disputed Interest, Penalty, or Fee where appeal is filed before 31.01.2020	30% of the disputed interest, penalty, or fee	35% of the disputed interest, penalty, or fee
Where appeal / writ / SLP is filed by IT authority before any appellate forum	Half of the amount otherwise payable	
Appeal filed in case where there is Favorable ITAT or High Court Decision (not reversed by higher Forums)	Half of the amount otherwise payable	

Prescribed Process

- The DA shall determine the amount payable by the declarant and issue a certificate containing particulars of tax arrears and the amount payable within a period of 15 days from the date of declaration under the scheme.
- Further, the declarant shall pay the amount determined within a period of 15 days from the date of receipt of the certificate and intimate the details of such payment to DA.
- Pursuant thereto, the DA shall pass an order stating that the concerned amount has been paid.
- The order so passed shall be conclusive with respect to matters stated therein, and such matters cannot be re-opened in any other proceedings under the IT Act or any other law.

Other Key Features of the Scheme

- Any amount paid in pursuance to the declaration filed u/s 91 of the IT Act shall not be refundable under any circumstances. However, if the declarant has paid any amount prior to filing the declaration, which is in excess of the amount payable, he shall be entitled to a refund of such excess amount without any interest.
- Upon filing of the declaration, any appeal pending before the ITAT or Commissioner or Joint Commissioner (Appeals) shall be deemed to be withdrawn from the date of issuance of the certificate by the DA.
- Further, in respect of any appeal or writ fled before any High Court or Supreme Court, the declaration shall withdraw such appeal or writ after issuance of the certificate. Such declaration shall also be accompanied by an undertaking waiving its right to seek any remedy in relation to tax arrear.
- The declaration shall be presumed never to have been made if:
 - Any material particulars furnished is found to be false at any stage of adjudication;
 - The Declarant violates any conditions of the Scheme;
 - Acts in any manner which is not in accordance with the undertaking given by him.
- In such cases all the proceedings and claims which were withdrawn shall be deemed to have been revived.
- Making a declaration under the scheme shall not amount to conceding the tax position and cannot be treated as precedent for demands on similar matters in future.
- The scheme further provides immunity from the initiation of any proceedings in respect of tax arrears covered under this scheme.
- However, it would not be applicable in respect of any proceedings other than those in relation which declaration has been made under this Scheme.

Author's Note

The Scheme aims to build on the success of the 2020 scheme by continuing to provide a streamlined process for resolving tax disputes. The provisions for immunity from further proceedings upon payment are designed to encourage taxpayers to settle their disputes promptly, thus reducing the litigation burden by clearing the backlog of cases in various appellate forums, including the ITAT, High Courts, and the Supreme Court.

Similar to the scheme introduced in 2020, this scheme also does not allow waiver of any quantum of the disputed tax amount, which has to be paid in full so as to be eligible under the Scheme and hence the same may not be availed by many taxpayers. The only relief is in the form of waiver of interest and penalty. Also, it

INCOME TAX

appears that the scheme is applicable qua an appeal and cannot be partially availed for selected matters under appeal.

The scheme fails to clarify the implications in the scenario the declarant does not agree with the tax amount computed by the DA, as no option to opt out of the scheme after filing the declaration has been provided. Further, the Scheme has also given a miss to cases, wherein the assessee wishes to declare the undisclosed income, without having any open adjudication cases pending against him.

While the scheme does not mention regarding adjustment of tax paid under protest or pre-deposit against the amount payable, the Scheme does provide for refund of any excess tax paid prior to the filing of the declaration, indirectly indicating that such adjustment shall be allowed. It would have been appreciated by the industry, if the same was clearly specified in the scheme to avoid any confusion.

Vivad Se Vishwas Scheme





GOODS & SERVICES TAX

1. Extra Neutral Alcohol excluded from the purview of GST [Section 9]

Section 9 of the CGST Act and Section 5(1) of IGST Act and is being amended to exclude ENA used in manufacture of alcoholic liquor for human consumption out of purview of GST.

AUTHOR'S NOTE

The GST Council in its 20th meeting discussed the taxability of ENA under GST at length. However, no conclusions were achieved between the Centre and State over its taxability, and the Council suggested to obtain the legal Opinion of Attorney General of India regarding the taxing jurisdiction of the Centre and states on supply of ENA used for manufacturing alcoholic liquor for human consumption, specifically in the light of the judgement of the Hon'ble Supreme Court in the case of **Bihar Distillery v. Union of India [(1997) 2 SCC 727]**. The Attorney General opined that neither the provisions of the Constitution nor the decision of Bihar Distillery (Supra) bar the Centre and States to levy GST on supply of ENA used for manufacturing of liquor for human consumption.

This issue was again discussed in the 31st GST Council Meeting where the Council decided to maintain status quo unless the issue is finally decided by the Council. In the recently concluded 53rd GST council meeting, the Council had recommended the above said amending, thus the same have been amended vide the new Finance Bill.

2. Government empowered to regularize non-levy and short-levy of central tax due to general practice [Section 11A]

Section 11A of CGST Act and Section 6A of IGST Act is being inserted to empower the government to regularize non-levy or short levy of GST, where tax was being short paid or not paid due to common trade practices.

AUTHOR'S NOTE

In the past, certain taxpayers have not fully paid GST on specific transactions, like corporate guarantees, due to their particular trade practices. This led GST authorities to issue a substantial number of notices to recover these unpaid taxes, causing widespread litigation.

During recent GST council meetings, various industries have argued that while introducing a new valuation mechanism or adjusting the levy rate can resolve some future issues, it is crucial to apply the 'as-is, where-is' principle to past periods. They maintain that any new tax position should only be applied going forward, as it is now impractical to recover the differential tax from customers retroactively.

The GST Council has repeatedly recommended regularizing demands for past periods on an 'as-is, where-is' basis. However, there was no legal mechanism provided in the CGST Act to facilitate this approach. Section 11A of CGST Act is designed to address situations where GST was either not levied or short-levied due to established trade practices. The amended Section 11A of CGST Act, based on the GST Council's recommendations, empowers the government to make decisions that regularize such instances. Since GST is a destination-based tax, the failure to pass the tax burden to the end consumer contradicts the fundamental principle of GST law.

Common Trade Practices is not defined and could lead to confusions and litigations and clarifications are welcome.

3. Clarification on time of Supply of Services in Reverse Charge Supplies [Section 13(3)]

Amendment is proposed in Sub-section (3) of Section 13 of CGST Act to provide for time of supply of services where the invoice is required to be issued by the recipient of services in cases of reverse charge supplies.

4. Relaxation on the time limits of availment of ITC [Section 16]

- a. **In respect of initial years of implementation of GST, i.e., financial years 2017-18, 2018-19, 2019-20 and 2020-21:** Sub-section (5) is being inserted in Section 16 of the CGST Act, so as to bring an exception to the existing sub-section (4) and to provide that in respect of an invoice or debit note under the said subsection, for the Financial Years 2017-18 to 2020-21, the registered person shall be entitled to take ITC in any return under section 39 which is filed up to the 30th day of November, 2021.
- b. **In respect to cases where returns have been filed after revocation:** Sub-section (6) is being inserted in the said section so as to allow the availment of ITC, subject to certain conditions, in respect of taxpayers whose registration is cancelled and the same is revoked later. This amendment aims to conditionally relax the provisions of Section 16(4) for cases where a registered person files returns within thirty days of the order of revocation for the period between the date of cancellation or effective date of cancellation of registration and the date of revocation of the cancellation.

AUTHOR'S NOTE

The extension of the time limit for availing ITC via the Finance Act 2022, which shifted the deadline from the September return of the succeeding year to November 30 of the next year, has been a notable development for taxpayers. A recent landmark judgment by the Kerala High Court in M. Trade Links Vs Union of India further extended this window, allowing taxpayers to claim ITC for periods prior to the enactment of the Finance Act 2022, provided the September return was filed by November 30.

This judicial decision provided significant relief, granting taxpayers the opportunity to claim ITC for earlier periods and challenge any show cause notices that denied such claims. However, the matter remained contentious, prompting the 53rd GST Council meeting to recommend a retrospective extension of the ITC deadline to 30th Day of November, 2021 for the periods upto Mar-21. This amendment has indeed brought substantial relief to taxpayers by extending the time limit for availing ITC under Section 16(4) of the CGST Act, 2017. It addresses the issues stemming from the delayed filing of returns owing to initial GST implementation period and later due to COVID-19 pandemic and seeks to provides a much-needed opportunity for taxpayers to conclude ongoing litigations and rectify earlier mistakes.

While the GST Council's relaxation in Section 16(4) is a welcome move for many, it leaves a question mark over those who may have already reversed their ITC claims due to earlier limitations. Currently, there appears to be no provision for either re-claiming such ITC or filing a refund for such ITC that was reversed before this amendment. As taxpayers navigate these changes, the absence of a clear provision for refunds or reclaim of reversed ITC adds an element of uncertainty to the overall relief provided by these recent adjustments.

5. Tax paid under Section 74 pertaining to demands upto Financial Year 2023-24 to be treated as blocked credits [Section 17]

Clause (i) of Section 17 of CGST Act is being amended to restrict blockage of ITC or tax paid under Section 74 for demands pertaining up to FY 2023-24. It also removes reference from Sections 129 of CGST Act and 130 of the CGST Act.

AUTHOR'S NOTE

This change addresses a crucial concern for businesses, offering relief by allowing them to utilize ITC despite outstanding demands or disputes related to tax under Section 74 of CGST Act.

Previously, the blockage of ITC in the context of tax demands could create cash flow issues and operational hurdles for businesses. By limiting this restriction to demands up to FY 2023-24, the amendment aims to provide a more balanced approach, ensuring that businesses are not unduly penalized for tax disputes that are yet to be resolved.

6. Time limit on application for revocation of cancelled registration [Section 30]

A new proviso in sub-section (2) of Section 30 of the CGST Act is being inserted, so as to provide for an enabling clause to prescribe conditions and restrictions for revocation of cancellation of registration.



7. Mandatory filing of Form GSTR-7 for all taxpayers deducting TDS [Section 39]

In line with the recommendations of the 53rd GST Council Meeting, Section 39 is being amended to mandate filing of returns by TDS deductors for every month, even if no deductions are made during the said month, and also to provide for an enabling clause for prescribing the time limit for filing such returns.

8. Refund prohibited for zero rated supply of goods where such goods are subjected to export duty [Section 54]

In lines with the 53rd GST Council recommendation, Section 54 of CGST Act and Section 16 of IGST Act are being amended and a new sub-section (15) of Section 54 of the CGST Act is being inserted, so as to prohibit refund of unutilized ITC or integrated tax on zero-rated supply of goods, which are subjected to export duty.

9. Appearance by authorised representative allowed on behalf of a summoned person – [Section 70]

Sub-section 1A is being inserted in Section 70 of the CGST Act to enable appearance by an authorized representative on behalf of a summoned person. This addition stipulates that individual summoned under Sub-section (1) must attend either in person or through an authorized representative as directed by the proper officer. The representative is required to provide truthful statements and produce any requested documents or information during the examination.



10. Consequential Amendments Due to Insertion of New Section 74A in the CGST Act

References to Section 74A or the concerned sub-Sections of Section 74A are being inserted in Section 10, Section 21, Section 35, Section 49, Section 50, Section 51, Section 62, Section 63, Section 64, Section 65, Section 66, Section 104 and Section 127.

11. Issuance of demand notices/order up to FY 2023-24 [Section 73 and Section 74]

Sections 73 and 74 of CGST Act are being amended to limit the applicability of these Sections to demands up to FY 2023-24, as newly inserted Section 74A of CGST Act shall deal with proceedings pertaining to FY 24-25 and onwards.

12. Insertion of new Section for issuance of demand notices/order from to FY 2024-25 [Section 74A]

Section 74A of CGST Act is being inserted to provide for the common time limit for issuance of demand notices and orders irrespective of whether case involves fraud, suppression, willful misstatement etc., or not. This new provision shall be applicable for period pertaining from F.Y. 2024-25 onwards.

With the insertion of the Section 74A of CGST Act, following changes have been proposed:

1. No notice shall be issued, if the tax which has not been paid or short paid or erroneously refunded or where ITC has been wrongly availed or utilized in a financial year is less than Rs. 1,000;
2. The notice under this Section can be issued within 42 months from due date for furnishing of annual return for the relevant period irrespective of whether the demand is on account of fraud, willful misstatement, suppression or otherwise;
3. Order shall be issued within 12 months of date of notice;
4. The time limit for availing reduced penalty has been increased to 60 days of serving the notice or order.

AUTHOR'S NOTE

The 53rd GST Council meeting has introduced a significant amendment by recommending the addition of Section 74A, alongside revisions to Sections 73 and 74. These changes are set to streamline the time limits for issuing demand notices and orders, marking a pivotal shift towards simplifying GST compliance. The proposed amendments aim to unify and clarify the timelines for issuing demand notices and orders, thus reducing ambiguity and enhancing predictability in the GST compliance process. By establishing a common time limit and extending the period for availing reduced penalties, the GST Council is working to balance the enforcement needs of the authorities with the fair treatment of taxpayers.

This move is anticipated to foster a more transparent and equitable GST environment. For taxpayers, it offers a clearer understanding of their obligations and timelines, potentially reducing subsequent litigation owing to invocation of extended period of limitation even for bonafide mistakes. For revenue authorities, it provides a structured framework to ensure robust enforcement while accommodating the practicalities of tax administration.



13. Reduction of the maximum amount of pre-deposit for filing appeals [Section 107 and Section 112]

In line with recommendations of 53rd GST Council Meeting, the maximum pre-deposit for filing appeals before the appellate authority is reduced from Rs.25 crores to Rs.20 crores under Section 107 of the CGST Act and Section 20 IGST Act. Similarly, under Section 112 of the CGST Act, the pre-deposit requirement for appeals is reduced from 20% to 10% of the disputed amount and the maximum amount required for pre-deposit is lowered from Rs.50 crore to Rs.20 crore.

14. Time for filing appeals in GST Appellate Tribunal [Section 112]

Section 112 of CGST Act has been amended to modified the time-limit for filing appeals in GSTAT. The time limit for filing appeals before the GSTAT is being modified w.e.f. 1st day of August, 2024 to avoid the appeals from getting time barred, on account of Appellate Tribunal not coming into operation.

AUTHOR'S NOTE

The above amendment is a significant development in the GST dispute resolution framework. This amendment, as recommended by the 53rd GST Council, addresses the ongoing challenges faced by taxpayers due to delays in the constitution of the GSTAT. The amendment made vide Finance Act, 2023, and the subsequent rules have provided clarity and a structured approach to manage these delays.

The extension of the appeal period ensures that businesses and individuals have sufficient time to file their appeals without being penalized for delays that were beyond their control. This amendment is expected to enhance the fairness of the appeal process and offer a much-needed reprieve to taxpayers who have been awaiting the proper functioning of the GSTAT. Furthermore, once the new President of the GSTAT, Hon'ble Justice (Retd) Shri Sanjaya Kumar Mishra, assumes office, we expect the hearings to be heard on a fast-track basis to dispose pending appeals and reduce overall pendency of litigation matters.

Overall, this amendment reflects the government's commitment to resolving procedural challenges and improving the efficiency of the GST dispute resolution system. It is a positive move towards ensuring that taxpayers have a fair opportunity to contest their cases and secure justice within a reasonable timeframe.

15. Government empowered to notify cases which shall be heard only by the principal Bench of GST Appellate Tribunal [Section 109]

Section 109 of CGST Act is being amended to empower the government to specify cases to be heard only by the Principal Bench of the Appellate Tribunal.

16. Restriction on the applicability of penal provisions to Electronic Commerce Operators who deduct TCS [Section 122(1B)]

Section 122(1B) of CGST Act is being amended w.e.f. 1st day of October, 2024 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.

17. Conditional waiver of interest or penalty or both relating to demands raised under Section 73 [Section 128A]

Section 128A is being inserted in the CGST Act to provide for a conditional waiver of interest and penalty in

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respect of demands pertaining to F.Y. 2017-18 to 2019-20, in cases where demand notices have been issued under Section 73 and full tax liability is paid by the taxpayer before a date to be notified.

AUTHOR'S NOTE

The proposed Section 128A of the CGST Act seeks to alleviate litigation by waiving interest and penalty for cases under Section 73, provided they do not involve fraud or willful misstatement, which are covered under Section 74. This change addresses issues from the early GST years, allowing taxpayers who paid taxes but not interest and penalty, or who are facing demand on account of bonafide mistakes, to benefit from the waiver of interest and penalty. The payment should be made by the notified date which is 31st Day of March, 2025 as per the recommendation

While this amendment aims to simplify dispute resolution, it excludes cases where SCNs were not issued within the normal period, despite tax being voluntarily paid. Extending the waiver to such cases would better align with the objective of reducing litigation and offering relief to taxpayers. Additionally, it is important that officers who missed SCN deadlines due to misunderstandings are also safeguarded from punitive actions.

Overall, Section 128A represents a positive step towards easing compliance burdens and mitigating disputes, though further consideration may be needed to address gaps in its application.

18. Government empowered to notify Appellate Tribunal to handle anti-profiteering cases and to provide for a sunset clause for accepting anti-profiteering cases [Section 171]

Section 171 of CGST Act is being amended to enable the Government to notify the GST Appellate Tribunal to handle anti-profiteering cases and to empower the Government to notify a date after which the Authority for anti-profiteering shall not accept applications for examination.

19. Additions to list of activities or transactions not considered as supplies under Schedule III of CGST Act

Following Paragraphs to be inserted in Schedule III of CGST Act:

- Paragraph 8 to provide that the activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.
- Paragraph 9 is being inserted in Schedule III to the CGST Act, so as to provide that the services by the insurer to the re-insurer, for which the ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that tax liability on the gross reinsurance premium inclusive of reinsurance commission or the ceding commission is paid by the reinsurer.

20. No refund of tax paid or input tax credit reversed [Section 146]

Section 171 of CGST Act is being amended that no refund shall be made of the tax paid or the input tax credit reversed, which would not have been so paid, or not reversed had the said clause 114 been in force at all material times.

CUSTOMS TARIFF ACT

A.	Increase in Tariff Rate (to be effective from July 24, 2024)	Increase in Tariff Rate (to be effective from July 24, 2024)	Rate of Duty	Rate of Duty
Sr. No.	Heading, sub-heading or tariff item	Commodity	Existing Rate	Proposed Rate
I.		Agricultural Products		
1	1207 99 90	Shea nuts	30%	15%
II.		Aquafarming & Marine		
1	0306 36	Live SPF Vannamei shrimp (<i>Litopenaeus vannamei</i>) broodstock	10%	5%
2	0306 36	Live Black tiger shrimp (<i>Penaeus monodon</i>) broodstock	10%	5%
3	1504 20	Crude fish oil for use in manufacture of aquatic feed	30%	Nil
4	1518	Algal Oil for use in manufacture of aquatic feed	15%	Nil
5	2102 20 00	Algal Prime (flour) for use in manufacture of aquatic feed	15%	Nil
6	2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	5%	Nil
7	2301 10 90	Insect meal for use in Research & Development purposes in aquatic feed manufacturing	15%	5%
8	2309 90 90	Preparation of a kind used in animal feeding	15%	5%
9	2301 20	Krill Meal for use in manufacture of aquatic feed	5%	Nil
10	1901	Pre-dust breaded powder for use in processing of sea-food	30%	Nil
11	2309 90 31	Prawn and shrimps feed	15%	5%
12	2309 90 39	Fish feed	15%	5%

CUSTOMS TARIFF ACT

III.		CRITICAL MINERALS		
1	2504	Natural Graphite	5%	2.50%
2	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of The Customs tariff Act, 1975	5%	Nil
3	2822 00 30	Commercial cobalt oxides	7.50%	Nil
4	2825 20 00	Lithium oxide and hydroxide	7.50%	Nil
6	2825 60 10	Germanium oxides	7.50%	Nil
7	2825 70	Molybdenum oxides and hydroxides	7.50%	Nil
8	2825 80 00	Antimony oxides	7.50%	Nil
9	2825 90 20	Cadmium oxides	7.50%	Nil
10	2827 35 00	Chlorides of Nickel	7.50%	Nil
11	2827 39 30	Strontium chloride	7.50%	Nil
12	2833 24 00	Sulphates of Nickel	7.50%	Nil
13	2834 21 00	Nitrates of potassium	7.50%	Nil
14	2836 91 00	Lithium carbonates	7.50%	Nil
15	2836 92 00	Strontium carbonates	7.50%	Nil
16	8112 31	Hafnium unwrought, waste and scrap, powders	10%	Nil
17	8112 41 10	Rhenium unwrought	10%	Nil
18	8112 69 10	Cadmium unwrought, powders	5%	Nil
19	8112 69 20	Cadmium, wrought	5%	Nil
20	8112 92 00	Unwrought; waste and scrap; powder of, - (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium	5%	Nil

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IV.	Steel Sector				
1	7202 60 00	Ferro Nickel		2.50%	Nil
2	7204	Ferrous Scrap		Nil (till 30.09.2024)	Nil (till 31.03.2026)
3	7225	Certain specified raw materials for manufacture of CRGO steel		Nil (till 30.09.2024)	Nil (till 31.03.2026)
V.	Copper				
1	7402 00 10	Blister Copper		5%	Nil
VI.	Chemicals and Plastics				
1	3102 30 00	Ammonium Nitrate, whether or not in aqueous solution		7.50%	10%
2	3920 (other than 392099 99) or 3921	All goods other than Poly vinyl chloride (PVC) flex films/flex banner		25% (with effect from 24.07.2024)	10%
3	3920 99 99	All goods other than Poly vinyl chloride (PVC) flex films/flex banner		25% (with effect from 24.07.2024)	15%
VII.	Textile and Leather Sector				
1	2929 10 90	Compounds with other nitrogen function		7.50%	5% subject to IGCR
2	41	Composition leather with a basis of leather or leather fibre		10%	Nil Items under Sl. No. 257B and 257C of Notification 50/2017 - Customs, dated 30.06.2017
3	38,48 or any other Chapter	Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/synthetic footwear or other leather products, for export		As applicable	Nil Items under Sl. No. 257B and 257C of Notification 50/2017- Customs, dated 30.06.2017
4	0505 10	Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export		30%	10%
VIII.	Cancer Drugs				
1	30	(i) Trastuzumab Deruxtecan, (ii) Osimertinib, (iii) Durvalumab		10%	Nil

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IX.		Precious Metals		
1	7108	Gold bar	15%	6%
2	7108	Gold dore	14.35%	5.35%
3	7106	Silver bar	15%	6%
4	7106	Silver dore	14.35%	5.35%
6	7118	Coins of precious metals	15%	6%
7	7113	Gold/Silver findings	15%	6%
8	71	Platinum and Palladium used in the manufacture of noble metal solutions, compounds and catalytic convertors	7.50%	5%
9	84	Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	7.50%	5%
X.		Medical Equipment		
1	39	All types of polyethylene for use in manufacture of orthopaedic implants falling under sub-heading 9021 10	As applicable	Nil
2	39, 72, 81	Special grade stainless steel, Titanium alloys, Cobalt-chrome alloys, and All types of polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39	As applicable	Nil
3	9022 30 00	X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	15%	5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)
4	9022 90 90	Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	15%	5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)

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XI.		IT and Electronics Sector		
1	8517 13 00,	Cellular mobile phone	20%	15%
1	8517 14 00	Cellular mobile phone	20%	15%
2	8504 40	Charger/Adapter of cellular mobile phone	20%	15%
3	8517 79 10	Printed Circuit Board Assembly of cellular mobile phone	20%	15%
5	74	Oxygen Free Copper for use in manufacture of Resistors	5%	Nil
6	40	Specified die-cut parts for use in manufacture of cellular mobile phones	As applicable	Nil
7	40, 70, 76	Specified mechanics for use in manufacture of cellular mobile phones	As applicable	Nil
8	8517 79 10	Printed Circuit Board Assembly of specified telecom equipment	10%	15%
XII.		Renewable Energy Sector		
1	84, 85, or any other chapter	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods	7.50%	Nil
2	7007	Solar glass for manufacture of solar cells or solar modules	Nil	10% (w.e.f. 1.10.2024)
3	74	Tinned copper interconnect for manufacture of solar cells or solar modules	Nil	5 % (w . e . f 1.10.2024)
XIII.		Shipping		
1	Any Chapter	Components and consumables for use in manufacture of specified vessels	As applicable	Nil
2	Any Chapter	Technical documentation and spare parts for construction of warships	As applicable	Nil
XIV.		Capital goods		
1	Any Chapter	Goods under S. No. 404 of NN. 50/2017 Customs, used for petroleum exploration operations	As applicable	Nil
		Plastics		
1	3920, 3921	PVC flex films	10%	25%
		Consumer goods		
2	6601 10 00	Garden umbrellas	10%	20% or Rs. 60 per piece >
		Chemicals		
3	9802 00 00	Laboratory chemicals (Heading 9802 covers all chemicals, organic or inorganic, whether or not chemically defined, imported in packings not exceeding 500 gms or 500 mil. and which can be identified with reference to the purity, markings or other features to show them to be meant for use solely as laboratory chemicals)	10%	150%

CUSTOMS TARIFF ACT



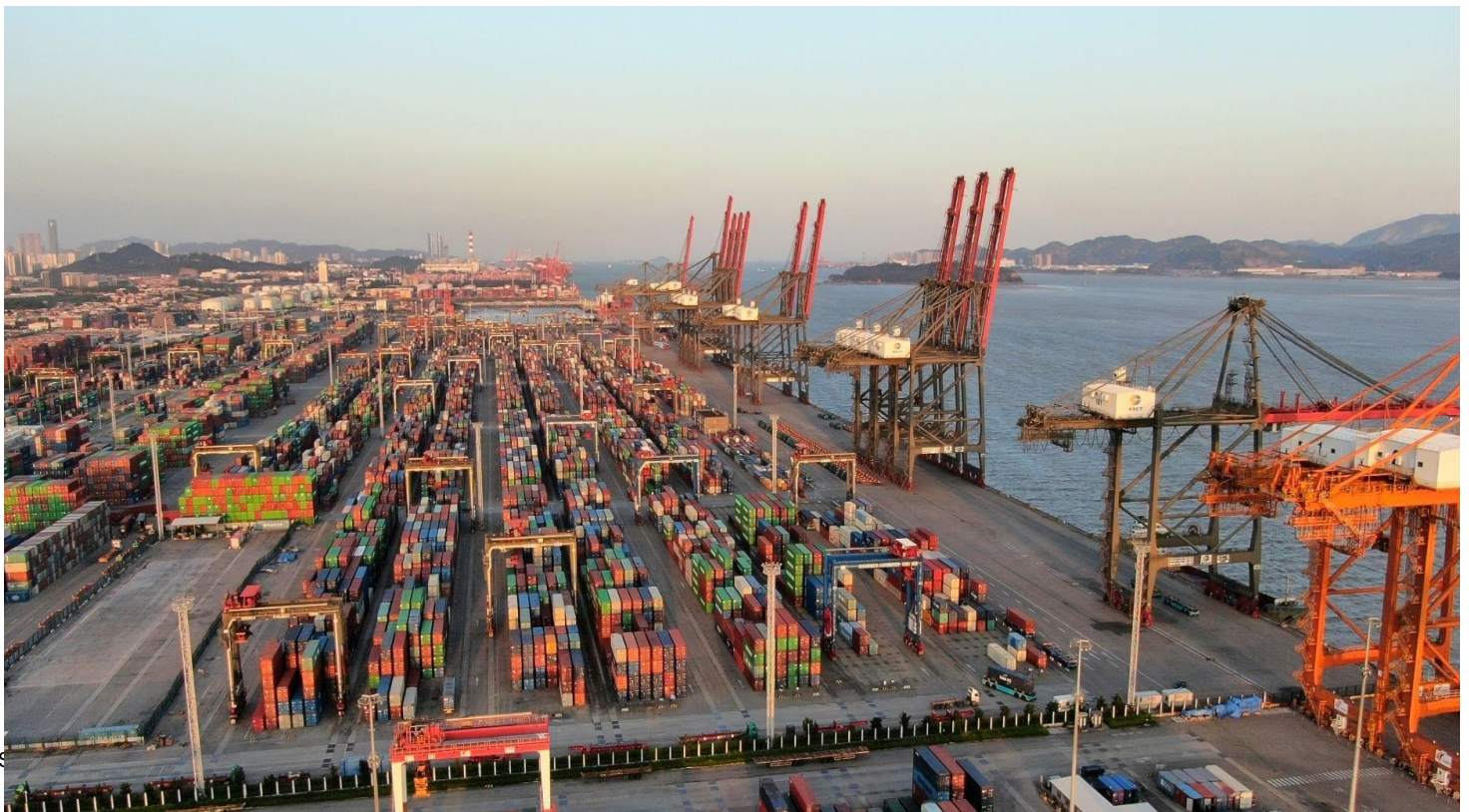
B.	Tariff rate changes (without change in effective rate of duty) to be effective from 01.10.2024. Note: To be effective from suitable amendment in the relevant notification (s)		Rate of Duty	
S. No.	Heading, sub-heading or tariff item	Commodity	Existing Rate	Proposed rate
1	2008 19 20	Other roasted nuts and seeds, including such arecanuts	30%	150%
2	2008 19 30	Other nuts, otherwise prepared or preserved, including such arecanuts	30%	150%

CUSTOMS TARIFF ACT



Other Miscellaneous Amendments

1. Effective export duty on raw skins, hides and leather has been simplified and recalibrated to meet the requirements of the industry;
2. Entries have been substituted for Natural Menthol, Portable bridges, Mine plough machinery, Aeroplanes, helicopters, etc;
3. BCD exemptions has been extended up to March 31, 2026, for products covered under the Notification No. 30/2017, 81/2005, 248/1976, 25/2001, etc;
4. BCD exemptions extended up to March 31, 2029 (Sr.No. 50/17), for import of Medicines /drugs/vaccines supplied free by UNICEF, Capital goods and spared for the repair of ocean-going vessels, etc;
5. Re-export period for the export of aircraft and vessels imported for maintenance, repair, and overhauling has been extended from 6 months to 12 months which can be further extended by 1 year;
6. The time period for duty-free re-import for products under warranty has been increased from 3 years to 5 years;
7. GST Compensation cess is being exempted on import in SEZ-by-SEZ unit for authorized operations;
8. BCD exemption entries under (S No. 50/2017 dated 30.06.2017) and other similar Notifications have been withdrawn with effect from 30.09.2024;
9. Social Welfare Surcharge (SWS) is exempted for Natural Graphite, Coppers ores and concentrated Silicon dioxide, Lithium carbonates, etc; and
10. Agriculture, Infrastructure And Development Cess (AIDC) has been revised downwards for Gold and other precious metals falling under Chapter headings 7108,7106,7110,7118 and 7113.



GLOSSARY

Abbreviation	Meaning
ADD	Anti-Dumping Duty
AE	Associated Enterprise
AGM	Annual General Meeting
AICD	Agriculture Infrastructure and Development Cess
AIF	Alternative investment Fund
AIFs	Alternative Investment Funds
ALP	Arm's length price
AMT	Alternate Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
APA	Advanced Pricing Agreement
ARE	Alternate Reporting Entity
AU	Assessment Unit
AY	Assessment Year
B2B	Business to Business
B2C	Business to Customer
BBT	Buy-Back Tax
BCD	Basic Customs Duty
BED	Basic Excise Duty
BEPS	Base Erosion and Profit Shift
BOI	Body of Individuals
CAG	Comptroller and Auditor General of India
CAT	Common Aptitude Test
CBCR	Country By Country Reporting
CBDT	Central Board of Direct Taxes
CBI	Central Board of Indirect Tax
CBIC	The Central Board of Indirect Taxes and Customs
CG	Central Government
CGST	Central Goods and Services Tax
CGST Act	Central Goods and Services Act, 2017
CII	Cost Inflation Index
CIT	Commissioners of Income Tax
Cus	Customs Act, 1962
CVD	Countervailing Duty
CGST Rules	Central Goods and Services Tax Rules, 2017
CIT	Commissioners of Income Tax
CSR	Corporate Social Responsibility
CUS	Customs
Custom Act	Customs Act, 1962
CVD	Countervailing Duty
DDT	Dividend Distribution Tax
DRC	Dispute Resolution Committee

Abbreviation	Meaning
DRI	Directorate of Revenue Intelligence
DTAA	Double Taxation Avoidance Agreement
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ETF	Exchange Traded Funds
F&O	Futures & Options
FDI	Foreign Direct Investment
Fin	Finance Bill Finance Bill, 2022
FM	Finance Minister
FMV	Fair Market Value
FPI	Foreign Portfolio Investors
FTP	Foreign Trade Policy
FY	Financial Year
G2B	Government to Business
GST	Goods and Services Tax
H&EC	Health and Education Cess
HC	High Court
HFC	Housing Finance Company
HNI	High Net Worth Individual
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code
IGST	Integrated Goods and Services Tax
IT Act/Act	The Income-tax Act, 1961
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
ITO	Income-tax Officer
KYC	Know Your Customers
LIC	Life Insurance Corporation
LLP	Limited Liability Partnership
LTC	Long-Term Capital Gains
MAT	Minimum Alternate Tax
MoF	Ministry of Finance
MSME	Micro Small and Medium Enterprises
NaFAC	National Faceless Assessment Centre
NBFC	Non-Banking Finance Company
NCCD	National Calamity Contingent Duty
NCLT	National Company Law Tribunal
NEFT	National Electronic Funds Transfer
NELP	New Exploration Licensing Policy
NPA	Non-Performing Assets
NPS	National Pension System
NRI	Non-Resident Indian
OBU	Offshore Banking Unit

GLOSSARY

Abbreviation	Meaning
OEC	Organization for Economic Co-operation and Development
OPC	One Person Company
PAN	Permanent Account Number
PBPT	Prohibition of Benami Property Act, 1988
PCIT	Principal Commissioners of Income Tax
PIV	Pooled Investment Vehicle
PMLA	Prevention of Money Laundering Act, 2002
PSU	Public Sector Undertaking
PY	Previous Year
RBI	Reserve Bank of India
REITs	Real Estate Investment Trusts
RIC	Road and Infrastructure Cess
RTGS	Real Time Gross Settlement
RU	Review Unit
SAD	Special Additional Duty
SAED	Special Additional Excise Duty
SCGT	State Goods and Services Tax
SCN	Show Cause Notice
SCRA	Securities Contracts (Regulation) Act, 1956

Abbreviation	Meaning
SEBI	Securities and Exchange Board of India
SFT	Statement of Financial Transaction
SPF	Specific Pathogen Free
STT	Securities Transaction Tax
SWS	Social Welfare Surcharge
TAN	Tax Deduction Account Number
TCS	Tax Collected at Source
TDS	Taxes Deducted at Source
TPO	Transfer Pricing Officer
u/s	Under Section
UCB	Urban Co-operative Bank
UK	United Kingdom
USA	United States of America
UTGST	Union Territory Goods and Services Tax
VsV	Vivad se Vishwas
VU	Verification Unit
WTO	World trade Organization

FIRM INTRODUCTION



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GLS Corporate Advisors LLP ('GLS') is a consortium of professionals offering services with seamless cross practice areas and top of the line expertise to its clients/business partners. Instituted in 2011 by eminent professionals from diverse elds, GLS has constantly evolved and adapted itself to the changing dynamics of business and clients requirements to offer comprehensive services across the entire spectrum of advisory, litigation, compliance and government advocacy (representation) requirements in the field of Goods and Service Tax, Customs Act, Foreign Trade, Income Tax, Transfer Pricing and Assurance Services.

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