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CHARTERED ACCOUNTANTS

A background image showing a person's hands counting Indian rupee coins into a clear plastic jar. In the background, another person is writing in a notebook. The scene is set on a white surface with a few coins scattered around.

UNION BUDGET 2024- EXCERPTS



DISCLAIMER

The following contents are just some of the Significant Pointers of the 2024 Union Budget, which was delivered on 23rd July 2024. Though due care has been taken to ensure that the contents of this note are accurate, it is advised that users may exercise their discretion and seek professional advice before applying any of the information to specific situations.



GENERAL

- The Union Budget 2024-25 focuses on 9 priority areas with potential for transformative changes.
- The fiscal deficit for FY25 is estimated at 4.9% of the GDP or ₹16.13 lakh crore in FY25.
- 'Employment Linked Incentive' schemes are:
 - ✓ First Timers: Direct benefit transfer of 1-month salary to all new entrants in all formal sectors in 3 instalments up to ₹15,000.
 - ✓ Job Creation in Manufacturing: Incentive to both employee & employer for EPFO contributions in the specified scales for the first 4 years of employment.
 - ✓ Support to Employers: Government will reimburse EPFO contributions of employers up to ₹3000 per month for 2 years for all new hires.
- A centrally sponsored scheme is announced for skilling in collaboration with state governments and industry to skill 20 lakh youth over a 5-year period.
- A financial support for loans of up to ₹10 lakh for higher education in domestic institutions. E-vouchers for this purpose will be given directly to 1 lakh students every year for annual interest subvention of 3% of the loan amount.
- A credit guarantee scheme for facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee.
- A new mechanism has been announced for facilitating continuation of bank credit to MSMEs during their stress period.
- The limit of Mudra loans have been extended to ₹20 lakh from the current limit ₹10 lakh for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.
- Reducing the turnover threshold of buyers for mandatory onboarding on the TReDS platform from ₹500 crore to ₹250 crore.



DIRECT TAXES

PERSONAL TAX

- The revised rates in the New Tax Regime – effective from AY 2025-26 are as follows:

Total Income (in ₹)	Tax rate
Upto 3,00,000	Nil
3,00,001- 7,00,000	5%
7,00,001- 10,00,000	10%
10,00,001- 12,00,000	15%
12,00,001- 15,00,000	20%
Above 15,00,000	30%

- The standard deduction for persons earning salary is enhanced to ₹75,000/- from ₹50,000/-
- Deduction available to employers on contribution to NPS is enhanced to 14% of employee's salary.
- Deduction on family pension is enhanced to ₹25,000/- from ₹15,000/-.

- Donations to National Sports Development Fund set up by the Central Government would be eligible for deduction under Section 80G.
- TCS will now be taken into account for the purposes of TDS on salaries under Section 192(1). Earlier, refund for TCS could be claimed by employees only in their respective tax returns.
- Securities Transaction Tax has been enhanced (w.e.f. 1st October 2024):
 - On Futures – 0.02% from 0.0125%
 - On Options – 0.1% from 0.0625%

CAPITAL GAINS

With Effect From 23rd July 2024:

- Indexation benefit has been done away with.
- The base year for determining the Fair Market Value of the asset continues to be 2001.
- Parity has been brought between residents and non-residents.
- Limit of exemption of capital gains on financial assets increased to ₹1.25 lakh per year from ₹1 lakh
- There are only two holding periods now, viz. 1 year and 2 years
- Holding period of securities to qualify as Long-Term Capital Gains:
 - ✓ Listed securities: 12 months
 - ✓ Other securities: 24 months

- Changes made in respect to capital gains tax rates in respect of various assets:

Assets	Current Rate	Proposed Rate
STCG under section 111A (STT paid equity shares, units of equity oriented mutual fund and unit of a business trust)	15%	20%
STCG of specified Funds or Foreign institutional investors under section 115AD	30%	30%
Other STCG	Applicable slab rates	Applicable slab rates
LTCG under 112A (STT paid equity shares, units of equity oriented mutual fund and unit of a business trust)	10% above LTCG of ₹1 Lakh	12/5% above LTCG of ₹1.25 Lakhs
Listed bonds and debentures	20%	12.5%
Other LTCG	20%	12.5%

CHARITABLE TRUSTS

- Hitherto, the provisions granting exemption to certain educational, medical and other charity institutions existed u/s 10(23C) and also 11-13 of the Income Tax Act, 1961. Hereinafter:
- applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and filed on or after 1st October 2024, shall not be considered.
 - pending applications filed under the above sub-clauses before 1st October 2024, would be processed under the extant provisions of sections 11 and 12A of the Act.
 - Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, till the validity of the said approval.
 - Post expiry of the approval, they would be eligible to apply for registration, subsequently, under the second regime.
 - Trusts having investments that were allowed under clause (b) of third proviso to section 10(23C) shall be allowed to be retained with necessary amendments.

BUYBACK OF SHARES

The following changes have been proposed by Finance Bill 2024:

- There would be no tax impact in the hands of the Company which is buying back the shares.
- The buyback amount paid shall be treated as dividend in the hands of shareholders.
- No deduction for expenses would be available against such dividend income.
- The cost of acquisition of such shares would be treated as a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore, when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares tendered under buyback.

OTHER SIGNIFICANT CHANGES

➤ Simplification of Income Tax law:

- A comprehensive review of the Income-tax Act, 1961 has been proposed to be done within six months with an aim to provide tax certainty to the taxpayers, reduce disputes and to make it concise.

➤ Changes in Tax Law:

- The expenditure incurred to settle any proceedings relating to a contravention of a law (to be notified) would be disallowed i.e., amounts paid to settle legal infractions and contraventions would not be allowable as an expense.
- Tax deducted outside India (if credit is taken) shall be deemed as income received.
- If a charitable trust merges with another charitable trust, the Finance Bill proposes to insert a new section 12AC to prescribe the conditions under which such a merger shall not attract any tax liability.
- Angel tax abolished: Presently tax is levied in the hands of the Company on difference in the consideration received for issue of equity shares and the fair market value of such shares. Now this tax has been abolished.

OTHER SIGNIFICANT CHANGES

➤ Changes – Partnership Firms:

- TDS @ 10% on payments to partners for payments exceeding ₹20,000 in a financial year. This TDS need to be paid monthly, with effect from 1st April 2025.
- Deduction on Remuneration to partners – limits have been enhanced:

On the first ₹6 Lakhs of Book Profits	₹3 lakhs or at 90% of the Book profits
The Balance of Book Profits	At 60%

- Tax deducted outside India (if credit is taken) shall be deemed as income received for the purpose of computing the assessee's income.
- During the course of the tax proceedings, the Transfer Pricing Officer can proceed to determine “Arms Length Price” (ALP) of any international transaction not referred to by him or details of which have not been furnished in the Transfer Pricing audit report.

OTHER SIGNIFICANT CHANGES

- Corporate tax for foreign companies has been reduced to 35% from 40%.
- 2% Equalization Levy (EL) i.e., 'digital services tax' is imposed on revenues generated by overseas companies from market jurisdictions (in the absence of physical presence). The scope of the EL in 2020 was to tax the consideration received by a non-resident e-commerce operator from e-commerce supply/service to Indian residents. This Levy has been removed now with effect from 1st August 2024.
- No penalty would be levied on non-reporting of foreign assets whose value is less than ₹20 Lakhs.
- 20% of the amount to be received by non-resident cruise ship operators, is to be deemed as profits/gains from business.
- With effect from, 01st October 2024, Tax Residency Clearance Certificate to be obtained by persons prior to their overseas travel: (a) who have serious financial irregularities; (b) his presence is necessary under the provisions of the direct tax laws and it is likely that a tax demand will be raised against him; (c) has direct tax arrears exceeding ₹10 lakhs and which has not stayed by any authority.

PROCEDURAL CHANGES

Assessments in cases where a “Search” has been conducted:

- A scheme of ‘block assessment’ has been introduced for search cases.
- The ‘block period’ shall consist of previous years relevant to 6 assessment years preceding the previous year in which the search.
- The Assessing Officer shall assess the ‘total income’ including undisclosed income as a consolidated block.
- Tax shall be charged at 60% (plus surcharge and cess) for the block period. No interest under the provisions of Section 234A, 234B or 234C is leviable.
- Penalty on the undisclosed income shall be levied at 50% of the tax payable on such income.
- No penalty shall be levied if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return.
- Interest and Penalty on disputed tax amount waived off.
- Enhanced Monetary limits to file tax appeals:
 - ✓ ITAT - ₹60 Lakhs
 - ✓ High Court - ₹2 Crores
 - ✓ Supreme Court - ₹5 Crores

- Reduction of the outer limitation period for re-assessments from 10 years to 5 years. Reassessments can be initiated beyond three years from the end of the assessment year, only if the escaped income is more than ₹50 lakh, and up to a maximum period of five years.

Powers of Commissioner (Appeals):

- In cases where the assessment is under section 144 (best judgement assessment), the Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for a fresh assessment.
- A time limit of 12 months has been set for the disposal of cases set aside by the Commissioner (Appeals).

Refund of Taxes:

- Section 245 empowers the Assessing Officer (AO) to adjust the refund against any tax demand that is outstanding from the taxpayer.
- The AO can withhold the refund for reasons recorded in writing upto 60 days from the date on which such assessment or reassessment is made.
- No interest is payable till which such refund is withheld.

CHANGES RELATED TO TDS/TCS

- The interest rate for late payment of TCS **increased** from 1% **to 1.5%** per month.
- In cases where there is more than one transferor or transferee for an immovable property, the consideration for the purpose of TDS shall be the aggregate of the amounts paid by all the transferees to all the transferors for the transfer of such immovable property.
- Levy of TCS to any goods with a value exceeding ₹10 lakhs, as may be specified by the Central Government, with effect from, 1st January 2025. These goods are intended to encompass luxury goods.
- No order shall be made treating any person to be an 'assessee in default' at any time after the expiry of 6 years from the end of financial year in which payment is made or credit is given or tax is collectible or 2 years from the end of financial year in which the correction statement is delivered, whichever is later. (with effect from 1st April 2025)
- TDS correction statement should be filed within 6 years from the end of financial year, with effect from 1st April 2025.
- Transactions under Section 194J(1) do not constitute "work" for the purpose of TDS under Section 194C with effect from 1st October 2024.

- Rationalization of TDS under various sections:

TDS Provisions in IT Act, 1961	Current Rate	Proposed Rate
Section 194D - Payment of insurance commission in case of other than company (w.e.f. 1 st April 2025)	5%	2%
Section 194DA - Payment in respect of life insurance policy (w.e.f. 1 st October 2024)	5%	2%
Section 194G -Commission on sale of lottery tickets (w.e.f. 1 st October 2024)	5%	2%
Section 194H - Payment of commission or brokerage (w.e.f. 1 st October 2024)	5%	2%
Section 194-IB - Payment of Rent by certain individuals or HUF (w.e.f. 1 st October 2024)	5%	2%
Section 194M - Payment of certain sums by certain individuals or HUFs (w.e.f. 1 st October 2024)	5%	2%
Section 194-O - Payment of certain sum by e-commerce operator to e-commerce participants (w.e.f. 1 st October 2024)	1%	0.1%
Section 194F - Payment on account of repurchase of units by mutual funds or UTI (w.e.f. 1 st October 2024)	20%	Omitted

CHANGES RELATED TO TDS/TCS

- The rates for deduction of income-tax at source during the FY 2024-25 under the provisions of section 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC and 195 have been specified in Part II of the First Schedule.
- Changes in deduction of TDS on incomes in the nature of capital gains for non-residents, as per the Table below:

Income	For transfers taking place before 23rd day of July 2024/ rate of TDS	For transfers taking place on or after 23rd day of July, 2024 / Rate of TDS
Long-term capital gains referred to in section 115E	10%	12.5%
Long-term capital gains referred to in sub-clause (iii) of clause (c) of subsection (1) of section 112	10%	The clause is not applicable for transfers on or after 23rd July, 2024
Long-term capital gains referred to in section 112A exceeding one lakh twenty-five thousand Rupees	10%	12.5%
Long-term capital gains (not being long-term capital gains referred to in clauses (33) and (36) of section 10)	20%	12.5%
Short-term capital referred to in section 111A	15%	20%

Vivad Se Vishwas Scheme, 2024

➤ Vivad Se Vishwas Scheme, 2024 has been introduced for settlement of pending tax disputes, provision for withdrawal of applications from the Board for Advance Rulings (“BAR”) etc.

➤ Direct Tax Vivad Se Vishwas Scheme, 2024 has been introduced for all pending cases as on 22nd July 2024 are eligible for this scheme.

➤ The payment of taxes are as under:

I. Quantum Appeal:

○ Appeal proceedings post 31st January 2020:

- Amount payable by 31st December 2024: 100% of disputed tax.
- Amount payable after 1st January 2025: 110% of disputed tax.

○ Appeal proceedings prior to 31st January 2020:

- Amount payable by 31 December 2024: 110% of disputed tax.
- Amount payable after 1 January 2025: 120% of disputed tax.

○ Department appeals: 50% of the disputed taxes.

II. Where the tax arrears are in respect of other than Quantum appeals:

○ Appeal proceedings post 31st January 2020:

- Amount payable by 31st December 2024: 25% of disputed interest/ penalty/ fee
- Amount payable after 1st January 2025: 30% of disputed interest/ penalty/ fee

○ Appeal proceedings prior to 31st January 2020:

- Amount payable by 31st December 2024: 30% of disputed interest/ penalty/ fee

○ Amount payable after 1st January 2025: 35% of disputed interest/ penalty/ fee.



INDIRECT TAXES

GOODS AND SERVICES TAX

- Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption is kept out of purview of GST.
- Coinsurance premium apportioned by lead insurer to co insurer would not be treated as supply and hence no GST is chargeable.
- The Government is empowered to regularise non-levy or short levy of central tax where it is satisfied that such non-levy or short levy was a result of general practice prevalent in trade.
- Time of supply of services where the invoice is required to be issued by the recipient of services in cases of reverse charge supplies is provided.
- The Government is empowered to specify manufacturing and other operations that will not be permitted in a warehouse under the Manufacturing & Other Operations in Warehouse Regulations, 2019 (MOOWR).
- Input Tax Credit can be availed for invoices that are issued after cancellation of registration but before effective date of cancellation if returns are filed within thirty days of effective cancellation subject to section 16(4).
- Refund of Unutilized Input Tax Credit cannot be claimed for zero rated goods subject to export duty.
- No refund of input tax credit if the supplier avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.
- TDS deductor will mandatorily have to file return even if there are no deductions.
- The maximum amount of pre-deposit for filing appeal with the Appellate Authority is reduced from Rs.25 crore of central tax to Rs 20 crore of central tax.
- GSTAT can hear anti profiteering cases.

GOODS AND SERVICES TAX

- Section 17(5) of the CGST Act is amended to extend the benefit of Input Tax credit (ITC) for taxes paid in accordance with section 129 and 130. As these sections are penal provisions, taxes paid in furtherance of these sections are not deprived to claim ITC.
 - Further Section 17(5) of the CGST Act has been amended to allow ITC in respect of tax paid under section 74 for demands up to Financial Year 2023-24.
- Insertion of a new Section 74A in CGST Act, will now provide for common time limit for issuance of demand notices for fraud and non-fraud cases thereby adding clarity to the procedural aspect. Procedures such as issuance of statement, issuance of order and its time limit are also uniformly laid down in the new amendment.
- Cases where fraud by the taxpayer is alleged: time limit of 5 years from the date of filing the annual return to complete assessment.
 - Other Cases: time limit of 3 years from the date of filing the annual return to complete assessment.
 - A common time limit of 3.5 years and 4.5 years from the date of filing the annual return for issuing notices and passing assessment orders for all cases.
 - Penalty of: (i) 10% of taxes due or ₹10,000, whichever is higher, in normal cases; and (ii) 100% of tax due in cases where fraud is proved.

CUSTOMS LAW

- Reductions in Basic Custom Duties (BCD) for certain goods.
- Reductions have been made for goods used in the production of renewable energy, precious metals, medical equipment, etc.
- BCD has been completely exempted for certain goods such as cancer drugs (Trastuzumab Deruxtecan, Osimertinib, Durvalumab), certain medical equipment, capital goods used in the manufacture of solar panels, 25 critical minerals, etc.
- BCD for PVC plastics and lab chemicals have been hiked.
- Import of Samples through Post: Importers with an IEC number can import commercial samples through post without payment of duty up to a value of ₹3,00,000 or 15 units in number within a period of 12 months provided that:
 - a. The imported goods must be clearly marked as samples;
 - b. The importer furnishes a declaration stating that the samples are solely for the purpose of being shown to exporters to secure or execute export orders; and
 - c. The importer undertakes to pay the appropriate duty on the goods imported as commercial samples, if the declaration is found to be false.

CUSTOMS LAW

Goods	Old Rates	New Rates
Critical Minerals (Natural graphite, Quartz)	5%	2.5%
Textile and Leather sector		
Methylene Diphenyl Di-isocyanate for use in the manufacture of Spandex Yarn	7.5%	5%
Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export	30%	10%
Precious Metals		
Gold bar	15%	6%
Silver bar	15%	6%
Platinum, Palladium, Osmium, Ruthenium, Iridium	15.4%	6.4%
Coins of precious metals	15%	6%
Platinum and Palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertors	7.5%	5%
Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India.	7.5%	5%

Goods	Old Rates	New Rates
Medical Equipment		
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)
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)
IT and Electronic Sector		
Cellular mobile Phones, charger, adapter, etc.	20%	15%



**THANK
YOU!**