FINANCE BILL 2024

HIGHLIGHTS

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DIRECT TAX PROPOSALS

Tax Rates for FY 2024-25

Individuals/HUF

- New tax regime to provide relief to ***Individuals/HUF*** at the following tax rate subject to the condition that certain exemptions/ losses/ deductions cannot be claimed.

Ind/ HUF	Proposed Tax rate
Upto 3L	NIL
>3L-7L	5%
>7L-10L	10%
>10L-12L	15%
>12L-15L	20%
>15L	30%

- No changes proposed in the slab rate in the old taxation regime which is as under:

Individual/ HUF	Existing Tax rate (unchanged)
Upto 2.5L	NIL
>2.5L-5.0L	5%
>5.0L-10.0L	20%
>10.0L	30%

- The new tax regime will be a default regime unless the existing regime is opted.

Firms

- Tax Rate for **firms** remains **unchanged** @ 30%

Domestic Companies

- Tax Rate for **Domestic Companies** remains **unchanged**

Turnover in FY 2020-21	Tax Rate in FY 2023-24
Turnover<400 Cr	25%
Turnover>400 Cr	30%

Other than Domestic Companies

- Tax rate changed @ 35%

Surcharge Rates for FY 2024-25

Individuals, domestic companies and cooperative societies -

Income (in INR)	Individual (Proposed)	Company / Societies (unchanged)
Upto 50L	NIL	NIL
>50 L - 1Cr	10%	NIL
>1Cr - 2Cr	15%	7%*
>2Cr - 5Cr	25%	7%*
>5Cr - 10Cr	25%[#]/37%	7%*
> 10Cr	25%[#]/37%	12%**

*2% in case of "other than domestic companies"
**5% in case of "other than domestic companies"
[#] Under new taxation regime, surcharge shall be restricted to 25%

Firms

- Surcharge @ 12% of income tax if net income exceeds 1 Cr

Association of Persons

- Surcharge @ 10% of income tax if net income exceeds 50 L and 15% if income exceeds 1 Cr

Note: The surcharge rate cannot exceed 15% in respect of long-term capital gain & short term capital gain u/s 111A arising from the transfer of any capital asset.

The Health and Education Cess remains **unchanged** @ 4%

Individual Taxation

Enhancement of Rebate u/s 87A

- Available to an individual resident India whose income is chargeable to tax under new regime upto INR 7 Lakh. Effectively, no tax payable by individuals having income upto INR 7 Lakh.

Standard deduction under Salary & Family Pension

- Increase of standard deduction of INR 75,000 from salary and INR 25,000 from family pension under new regime.

Enhancement of deduction available to employer for contribution to NPS

- Deduction available to the employer for contribution to New Pension Scheme (NPS) enhanced from 10% to 14% of the employee's salary.

Buy back – treatment in hands of shareholders

- Exemption available to shareholders for the buy-back of shares is now withdrawn and will be treated as dividend for taxation purposes i.e., the entire proceeds will be taxed as per applicable slab rates.
- Cost of acquisition of such shares to be considered as capital loss

Rationalization/ changes in capital gain taxes w.e.f 23rd July, 2024

- For determining classification of capital asset into long term and short term, a proposal to **classify all listed financial assets as long-term has been made uniform**. If held for more than one year and all unlisted financial assets and non-financial assets will be considered long term if held for more than two years.
- Short-term capital gains tax rates on sale of equity oriented mutual funds and equity shares have been increased to 20% from the existing rate of 15%. Short-term capital gains on the sale of other financial assets will be taxed at the applicable rates
- Long-term capital gains on sale of all financial and non-financial assets will attract a uniform tax rate of 12.5% as against the existing rate of 10%/ 20%
- Long-term capital gains for STT paid equity shares and units of equity oriented mutual funds will be enhanced to INR1.25 lakh per year from the existing threshold of INR1 lakh per year
- Unlisted bonds and debentures will attract tax on capital gains at applicable rates, irrespective of the period of holding
- **Indexation benefit** available for long-term capital assets beyond 1st April, 2001 is now **removed** for the calculation of long-term capital gains.

Tax on long term capital gains made uniform @ 12.5%

TDS on salary to consider credit of TCS deducted for employee

- Credit for tax collected at source (TCS) will be available against the tax withheld on salary income by the employer, which will ease the cash flow issue for the employee and avoid potential refund claims at the time of filing the return of income.

Corporate Taxation / Firms/ LLPs/ Business income

Buy Back of shares

- With effect from 1 October 2024, changes are proposed in the buyback tax provisions
  - Income to be taxed in the hands of the shareholders as dividend.
  - Consideration paid for the buyback of shares is to be taxed without allowing any deduction.
  - TDS provisions to apply on payments to shareholders.

Removing exclusion of Gift from the definition of transfer for corporates

- Specific capital gains tax exemption on transfer under a gift or will or an irrevocable trust has been restricted to transfer by an individual and Hindu Undivided Family (HUF) only. Prior to this amendment, transfer as gift between corporates was outside the ambit of "transfer", thereby not attracting tax.

Abolishment of Angel Tax

- Where shares are issued by a company at a premium and the premium is received over and above the fair market value of the shares, such amount was subject to tax, popularly known as "Angel tax". The budget seeks to abolish such tax. It is proposed to sunset these provisions w.e.f. 1 April 2024.

Revision of STT rates on futures /options

- The STT rates have been increased to 0.1% on options premium (from 0.0625%) and 0.02% on futures trading price (from 0.0125%) w.e.f 1st October, 2024.

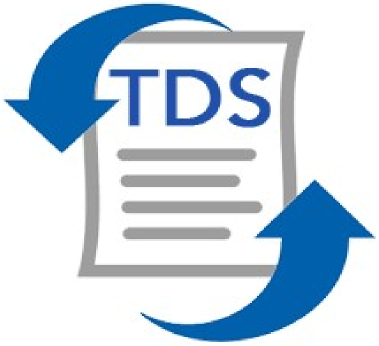
Monetary limit on deduction of remuneration to working partners

- The monetary limit for the deduction of remuneration to working partners in a partnership firm is increased. The revised limit allows for the following:
  - On the first INR600,000 of book profits (or losses)
  - Deduction of INR300,000 or 90% of the book profits, whichever is more

Disallowance of settlement allowance paid

- Any expenditure incurred to provide benefits or perquisite to individuals in violation of laws or regulations, or to compound offences under any law shall not be allowed as deduction
- This will include any expenditure incurred to settle proceedings related to contraventions under notified laws. This is applicable to all businesses w.e.f Financial Year 2024-25

Angel tax (applicable on issue of shares by companies, especially startups)- abolished.



Tax Deduction at Source

Change in rate of TDS w.e.f October 1st 2024

Income (in INR)	Existing	Proposed
Commission on insurance business, **brokerage**, sale of lottery tickets etc.	5%	2%
Rent paid by individuals or HUF	5%	2%
Contractual payments above 50lakhs by individuals/ HUF	5%	2%
Payments of certain sums by **e-commerce operator** to e-commerce participant	1%	0.1%

TDS introduced for payment to partners by partnership firms/ LLPs:

- TDS @10% to now apply on payment of Salary, remuneration, interest, bonus or commission exceeding INR20,000 in a financial year to partners by partnership firm w.e.f. 1 April 2025

TDS deducted on income of minor

- Where TDS is deducted on income of minor, being clubbed with the income of parent, TDS credit can be claimed by the parent w.e.f 1st April, 2025.

Penalty & Prosecution

- Relaxation is provided from invoking prosecution-related provisions in case of delayed deposit of TDS, up to the due date prescribed to furnish TDS statement.

Higher Interest applicable on delayed deposit of TCS to Government

- Higher interest rate of 1.5% (increased from 1%) is now applicable on delayed payment to the government of TCS already collected w.e.f. 1 April 2025.

TDS on purchase of immovable property-threshold

- The monetary threshhold of INR50 lakh for withholding of taxes on payment of consideration for transfer of immovable property is to be seen in context of the value of property, and not the amount payable by each purchaser/ receivable by every seller.
- Where the aggregate amount of consideration by all purchasers crosses the threshold of INR 50 Lakhs, TDS provisions will be applicable, wef 1st October 2024.

Tax Collection at Source on luxury goods

- Scope of TCS provision expanded on purchase of high value (> INR10 lakhs) other luxury goods (in addition to motor vehicles) as may be notified by the Central Government w.e.f 1 January 2025.

TDS introduced on remuneration, salary and interest paid to partners @10%

- The limitation period for filing correction statement in TDS returns reduced to six years. Said limitation is also being extended to non-residents.

International Taxation

Equalization Levy of 2% abolished

- Transaction involving facilities/services or goods purchased by Indian residents, or users accessing services/goods through Indian IP addresses (Effective from April 1, 2020) attracted equalization levy @ 2%
- Such levy is proposed to be withdrawn from 1st August 2024.
- Equalization levy on advertisement services @ 6% to remain unaffected.

Reduction of tax rate for foreign companies

- The corporate tax rate in the case of foreign companies has been reduced from 40% to 35%.

Equalization levy of 2% abolished w.e.f 1st August, 2024.

Penal provisions for liaison offices in India

- Penal provisions proposed to be introduced for non-filing of SFT returns for liaison office of foreign companies in India, being INR1,000/- per day upto 3 months, and INR1Lakh fixed penalty thereafter.

Interest Limitation rules not applicable in IFSC

- Where total annual amongst "associated enterprises" exceeded INR1Crore during the year, there were limitations wherein deduction could be claimed only upto 30% of the EBITDA (not applying to banks and financial institutions).
- Such limitations will no longer apply to finance companies operating in IFSC w.e.f 1st April, 2024.

TDS deducted abroad is income

- TDS deducted outside India, for which assessee is allowed credit in India will be included in "income received" while computing tax payable (applicable from FY 2024-25 onwards).

Declaration of foreign assets

- Non-disclosure of foreign asset outside India attracts penalty of INR10Lakh. Such penalty has been relaxed by providing exemption if such assets (other than immovable property) are valued less than INR20Lakh.

Tax clearance certificate to be obtained for dues under the Black Money Act

- Indians travelling abroad were required to obtain tax clearance certificate necessary only for individuals involved in serious financial irregularities or those with significant direct tax arrears exceeding Rs. 10 lakh, provided these arrears have not been stayed by any authority.
- Such requirement has been extended if any such sums are due under the Black Money Act as well.

Charitable Trust and Institutions

Phasing out exemption under section 10(23C)

- Presently, charitable institutions can claim income exemption either under Section 10(23C) regime or Section 11 regime, subject to multiple conditions and procedural compliances. It has now been proposed that:
  - No fresh application can be made for seeking approval under Section 10(23C) regime from 1 October 2024.
  - Existing approved charitable institutions under Section 10(23C) regime shall continue to claim exemption under that regime until expiry of their existing approval.
  - Thereafter, such institutions shall be required to migrate under Section 11 regime for claiming charity exemption

Merger of charitable two trusts

- The Finance Bill 2024 provides that merger of one registered charitable institution into another trust will now not be exposed to exit tax levy subject to satisfaction of certain condition.

- Obtaining charity registration / re-registration within a specified time is condition precedent for claiming charity exemption. Failure to seek charity registration or delay thereof may also expose trust to exit tax levy.

Condonation of delay in filing for registration

- Now, it is suggested to amend the Act to allow Tax Authority to condone the delay in filing registration or re-registration application if there exist reasonable cause for such delay.

Time limit for disposing applications

- Section 80G of the Income-tax Act, 1961, provides for the grant of approval to certain funds or institution of receiving donations. Time limit for disposing of application for such approval has been revised to six months from the end of the quarter in which application is recei***ved.***

Exemption regime under section 10(23C) proposed to be phased out

Assessment & Litigation

Time limit to initiate proceedings re-assessment proceedings restricted from 10 years to 5 years

- The scheme related to reassessment is proposed to be further rationalized where the extended timeline to issue a notice in cases where undisclosed income is above 50 Lakhs has been reduced from 10 years to 5 years and 3 months.

Re-introduction of block assessments in case of searches conducted after 1st September 2024

- A separate regime for block assessment in search cases was abolished vide Finance Act, 2021, and it was subsumed into the new reassessment provisions
- The scheme has been re-introduced. Block assessment will now cover a period of 6 years preceding the year of search. Total income so assessed (undisclosed or disclosed) under block assessment will be taxed at a flat rate of 60% (plus applicable cess at 4%).

Amendments related to Appeal with ITAT

- The list of appealable orders before the Income Tax Appellate Tribunal (ITAT) earlier did not include penalty orders in case of search. Such oversight is now sought to be amended. Taxpayer will now be able to appeal before the ITAT against the penalty orders issued in case of search proceedings.

- The time limit for appeal before ITAT is revised to two months from the end of the month in which order sought to be appealed is communicated to the taxpayer or Principal Commissioner or Commissioner of income tax as the case may be

Direct Tax Vivad Se Vishwas Scheme, 2024

- The Finance Minister has proposed a new Direct Tax Vivad Se Vishwas Scheme, 2024, for providing a mechanism of settlement of disputed issues. Date of applicability of the proposed scheme is yet to be notified

Time limit for initiating re-assessment proceedings has been rationalised to maximum 5 years and 3 months, from 10 years.

INDIRECT TAX PROPOSALS

(All the proposed changes discussed hereunder will be applicable once they are notified/ enacted)

Compliance Related Changes

- It will be mandatory for registered persons who are required to deduct tax at source to furnish return for each month, irrespective of whether any deduction has been made in the said month or not.
- Threshold for reporting for B2C supplies in GSTR-1 reduced from 2.5Lakhs to INR1Lakh

Input Tax Credit (ITC) Related Changes

- Retrospective amendment from 1st July, 2017 is proposed where time limit to avail ITC in respect of an invoice or debit note from FY 2017-18 to 2020-21 will be extended to 30th November 2021 where the relevant GSTR-3B is filed up to such date.
- Where registration of a person is cancelled and subsequently revoked, ITC can be availed by:
  - 30th November of the subsequent Financial year, or
  - 30 days from the date of order of revocation, whichever is later.

Other Relevant Changes

- Proposal of Section 74A introducing common time limit for issuance of demand notices and demand orders from FY 2024-25 onwards, irrespective of fraud or non-fraud cases.

Reverse Charge

- Time of supply in respect of services received from unregistered person and attracting RCM will be earlier of:
  - Date of payment
  - Date of issuance of self-invoice
- Government to prescribe the time limit to issue self-invoice in case of RCM supplies received from unregistered persons.
- Where a supplier is registered solely for the purpose of tax deduction at source, such supplier is not to be considered as a registered person for the purpose of the requirement to issue an invoice for payment made under the reverse charge.

Interest and Penalty Relaxations

- A special provision is introduced for the waiver of interest and penalty in respect of specified notices, orders or statements issued in non-fraud cases for FY 2017-18 to 2019-20, if the entire tax demand is paid up to the date to be notified. No refund is to be made for interest or penalty already paid.

Appeals before First Appellate Authority & Appellate Tribunal

- Time limit to file appeal before GSTAT will be three months from the date to be notified or the date of order, whichever is later.
- The maximum amount of pre-deposit for appeals before the Appellate Authority will be reduced from Rs. 25 Cr. To Rs. 20 Cr. (CGST and SGST each).
- The amount of pre-deposit for appeals before the GSTAT is reduced from 25% to 10%, with maximum amount reduced from Rs. 50 Cr. To Rs. 20 Cr. (CGST and SGST each).

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