

Budget 2024 – a Snapshot on Income Tax Proposals

A. Changes in applicable tax rates

- **Rates of tax for individuals under the new tax regime of taxation are reduced as follows:**

Old rates		Proposed rates	
Total income	Existing tax rates	Total income	Tax Rate Proposed
Upto Rs. 3,00,000	Nil	Upto Rs. 3,00,000	Nil
From 3,00,001 to 6,00,000	5%	From 3,00,001 to 7,00,000	5%
From 6,00,001 to 9,00,000	10%	From 7,00,001 to 10,00,000	10%
From 9,00,001 to 12,00,000	15%	From 10,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%	From 12,00,001 to 15,00,000	20%
Over 15,00,000	30%	Over 15,00,000	30%

Rates of tax for Old Regime of taxation remain unchanged

- **Rate of tax for Foreign Companies**

Foreign Companies will now be taxed @ 35%, earlier they were taxed at 40%

- **Standard Deduction for employees increased**

Standard Deduction for employees increased to Rs. 75,000 from 50,000 only for new regime of taxation. This increase is not applicable for taxpayers opting for old regime of taxation.

- **Standard Deduction for Family Pension increased**

Standard Deduction for Family Pension increased to Rs. 25,000 from 15,000 only for new regime of taxation. This increase is not applicable for taxpayers opting for old regime of taxation.

B. Capital Gains

- **Period of holding for long term assets changed**

All listed securities shall be held for at least 12-month period to qualify as a Long-Term Asset

All other Assets shall be held for at least 24-month period to qualify as a Long-Term Asset.

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➤ **Capital gains tax rates altered**

Short Term Capital Gains on Listed Equity Shares, Units of Equity Oriented Mutual Fund and Unit of a Business Trust are now proposed to be taxed at 20%, earlier they were taxed at 15%.

Long Term Capital Gains on Listed Equity Shares, Units of Equity Oriented Mutual Fund and Unit of a Business Trust are now proposed to be taxed at 12.5%, earlier they were taxed at 10%. Exemption of gains on these assets increased to Rs. 1,25,000, earlier the exemption was 1 lakh.

Short Term Capital Gains on Unlisted Shares and Securities are now proposed to be taxed at normal rates that are applicable to a taxpayer. For example, for individuals and HUFs, slab rates shall be applicable.

Gains, both short term and long term, arising on unlisted debentures and unlisted bonds shall be taxed at applicable Tax Rates of a taxpayer.

Long Term Capital Gains on all other capital assets are now proposed to be taxed at 12.5%, earlier they were taxed at 20%.

➤ **Indexation Benefit**

All capital assets acquired after 1st April 2001 are not eligible for indexing the cost of acquisition therefore, only cost of acquisition and cost of improvement alone are eligible for deduction for computing the capital gain, earlier taxpayers were eligible to claim indexed cost of acquisition as a deduction to adjust the cost incurred for the cost of inflation for the elapse of time.

However, after the budget was presented the finance minister clarified that Gains arising on properties acquired prior to 1st April 2001 alone are eligible to claim benefit of indexed cost.

➤ **Capital gains to Non-Residents**

Capital gains arising to Non-Residents are now proposed to be taxed on par with residents.

C. Employer's NPS Contribution increased

Deduction for Pension Contribution of Non-Government Employees increased to 14% from the existing 10% only under new regime of taxation. This increase is not applicable for taxpayers opting for old regime of taxation.

D. Angel Tax - Issue of shares at premium

Closely held companies issuing shares at premium over the Fair Value is not going to be taxed, earlier companies were taxed for such excess premium received from resident investors.

E. Block Period reintroduced for Search & Seizure cases

Block Period reintroduced for assessing incomes of taxpayers where Search and Seizure operations were carried out. Block Period shall consist of 6 prior years and the year of search.

Ongoing regular assessment shall abate. All the years in the block period will be assessed at one time. Currently based on the material available each year is taken up for assessment at different points of time as per the period of limitation applicable for each year.

Notices for filing returns for block period and the assessment orders for the block period shall be with the prior approval of the Additional Commissioner, Joint Commissioner, Additional Director or Joint Director.

Block assessments shall be in face-to-face mode, not in Faceless mode.

➤ **Time-limit for completion of block assessment**

Block assessments to be completed within 12 months from the end of the month in which last authorisation for search was given. In computing the 12 months, the period from date of search to the date of handing over seized material to the concerned AO, not more than 6 months, will be eliminated.

➤ **Tax and interest**

Undisclosed income of the Block Period to be taxed @ 60%.

No Surcharge is proposed to be charged for Block Period.

No interest shall be levied for failure to file returns, failure to pay advance tax, short payment of advance tax.

➤ **Penalty**

Penalty @ 50% of tax paid on undisclosed income for the block period to be charged. No other penalties under any other section.

Penalty will not be levied if undisclosed income is offered in the block return and tax paid along with the return so filed.

F. Re-opening of assessments

Current procedure of prior notice and offering information gathered and relied by the assessing officer for reopening assessments remain, with little modification.

Notice of proposed reopening offering information gathered and relied for escapement of income to be given to assessee calling for objections for the proposed reopening.

Additional Commissioner, Joint Commissioner, Additional Director or Joint Director shall now be the approving authorities.

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➤ **Period of reopening reduced**

Where income escaping assessment or likely to escape is over 50 Lakhs, assessments can be reopened up to 5 years from the end of the relevant assessment year.

In all other cases assessments can be reopened up to 3 years from the end of the relevant assessment year.

G. Time limit for filing appeals before ITAT

Appeals to ITAT can be filed within two months from the end of the month in which an order is received. Earlier the time limit was 60 days from the date of receipt of the order.

H. Tax provisions relating to Charitable Trust and Institutions

Two tax regimes currently governing Charitable Trusts and Institutions, section 10(23C) and section 12A, are proposed to be merged into one regime under sections 11 to 13.

All Charitable Trust and Institutions currently registered under various clause of section 10(23C) will continue to enjoy the exemption under the same sections until the expiry of the registration period. All such institutions are eligible to apply for registration u/s 12A.

➤ **Registration**

Applications for registrations u/s 10(23C) pending before the authorities and filed upto 30th September 2024 shall be considered under respective clauses of section 10(23C) itself.

Charitable institutions that have failed to apply for registration within the specified time can now apply to Principal Commissioner or Commissioner for condonation of delay to avoid becoming liable to tax or permanent exit from the exemption regime.

➤ **Timeline for granting registration u/s 12AB and 80G**

Applications seeking registration and renewals u/s 12AB and 80G shall now be disposed off within in 6 months from the end of the quarter in which application are filed.

➤ **Merger of Charitable Institutions**

A new section 12AC introduced to mitigate exit taxation under Chapter XII EB.

➤ **Institutions approved under clauses 23C, 23E, 46 and 46A of Section 10**

Trusts and Institutions approved and registered under clauses 23C, 23E, 46 and 46A of section 10 are given one time option of choosing to be registered u/s 12AB and governed by sections 11 to 13.

I. TDS and TCS related amendments

➤ **Several TDS rates are proposed to be altered**

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

➤ **Parent can now claim credit of TCS collected from student for foreign remittance**

TCS collected from student for foreign remittances can be claimed by parent in whose hands the students' incomes are clubbed.

➤ **Employers to consider TCS while making TDS**

Employers are now obligated to consider TCS credit that an employee has together with other TDS and other income for arriving at the TDS to be deducted from the salary of the employee.

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➤ **Interest on Non-deposition of TCS increased**

Non-deposition of TCS to Government within the prescribed time is enhanced to 1.5% per month or part thereof. Earlier it was 1% per month.

➤ **More high value purchases to come under TCS**

Government proposes to bring more goods and products under the TCS net by notifying them later. Currently, purchase of cars exceeding the value of 10 lakhs are covered under TCS.

➤ **TDS on sale of immovable property**

Sale transactions of immovable property exceeding Rs. 50 lakhs to be covered under TDS irrespective of number of sellers selling the property. Transaction to be looked at qua property and not qua seller. Earlier, these transactions were considered qua a seller.

➤ **TDS on Floating Rate Savings (Tax) Bonds and Government bonds**

Interest exceeding Rs. 10,000 earned from Floating Rate Savings Bonds or notified Government bonds and Securities will now be subjected to TDS, earlier they were out of TDS.

➤ **Taxes deducted/suffered outside India is Income**

Overseas income earned by residents of India which suffered tax outside India is to be offered at gross, that is including tax suffered outside India. Earlier, taxpayers were taking advantage of a gap in the law.

➤ **TDS on Professional and Technical Services**

Section 194C now excludes Professional and Technical Services that come under the scope of section 194J. Earlier there was no such exclusion.

➤ **TDS on Partners salary, remuneration, interest commission**

Incomes of partners from a partnership firm by way of Salary, Remuneration, Interest, bonus or Commission, if exceeds Rs. 20,000 in aggregate, will now be subjected to a TDS @ 10%.

J. Limit on remuneration payable to working partners increased

The current threshold of 3 Lakhs is increased to 6 Lakhs, percentage of eligibility remains the same.

on the first Rs. 6,00,000 (earlier 3 lakhs) of the book profit or in case of a loss	Rs. 3,00,000 (earlier 1.5 lakhs) or at the rate of 90 per cent of the book profit, whichever is more
on the balance of the book-profit	at the rate of 60 per cent

K. Buy back of shares

Buy back of shares are now deemed as distribution of dividend and the entire buy back value is proposed to be taxed as dividend and taxed at applicable tax rates without allowance of any deductions whatsoever including the cost of the acquisition of the shares so purchased back by the company.

Cost of acquisition of the shares so purchased back by the Company is proposed to be treated as a capital loss and the taxpayer is eligible to set it off against capital gains of the current year or is eligible to carry it forward and set it off against future capital gains.

Here is an example

100 shares bought in 2020 @Rs. 40/- per share

Total cost of acquisition Rs. 4000/-

20 shares bought back in 2024 @Rs. 60/- per share

Income taxable as deemed dividend Rs. 1200/-

Capital loss on such buyback (Rs. 40 * 20) Rs. 800/-

50 Shares sold in 2025 @Rs. 70 per share

Capital Gain (3500 – 2000) Rs. 1500

Chargeable capital gain after set off Rs. 700

L. STT on Futures and Options increased

STT on sale of an option in securities is increased to 0.1 per cent of the option premium, earlier it was 0.0625 per cent

STT on sale of a futures in securities is increased to 0.02 per cent of the price at which such “futures” are traded, earlier it was 0.0125 per cent

M. Renting of Residential income to be taxed as House Property income

Renting of Residential income cannot be offered as Business Income, it shall be offered to tax only as Income from House Property.

N. Corporate Gifts

Transfer of Capital Assets under a gift or will or an irrevocable transfer are not considered as transfer for the purpose of Capital Gains, now such transfers are restricted only for transfers made by individuals and HUFs. Transfers made by other than individuals and HUF's by way of gifts or irrevocable transfers will now be considered for taxation under Capital Gains.

O. Settlement Amounts not eligible expense

Settlement amounts incurred due to an infraction of law and relate to contraventions etc are proposed to be considered as non-business expenses and are ineligible for deduction.

P. Direct Tax Vivad se Vishwas Scheme, 2024

Government is bringing in an income tax dispute resolution scheme settlement of pending appeals.

Nature of dispute settlement	Amount payable under the scheme before 31 st December 2024	Amount payable under the scheme after 31 st December 2024
Appeals filed after 31 st January 2020 but prior to 22 nd July 2024 involving disputed tax, interest or penalty	100% of Disputed tax.	110% of Disputed tax
Appeals filed prior to 31 st January 2020 and the appeal is pending before the same appellate forum involving disputed tax, interest or penalty	110% of Disputed tax	125% of Disputed tax
Appeals filed after 31 st January 2020 but prior to 22 nd July 2024 involving disputed interest or penalty or fee	25% of disputed interest or penalty or fee	30% of disputed interest or penalty or fee
Appeals filed prior to 31 st January 2020 and the appeal is pending before the same appellate forum involving disputed interest or penalty	30% of disputed interest or penalty or fee	35% of disputed interest or penalty or fee

Q. Disclosure of Foreign Assets

Residents who have not disclosed foreign movable assets below 20 lakhs are proposed to be excluded from the retours of penalty under Black Money Act.

Budget 2024 – Budget 2024 – a Snapshot on GST Proposals

A. General Practice - New Section 11A of the CGST Act, 2017

General practice that was prevalent regarding

- levy of CGST , including non-levy thereof on any supply of goods or services or both; and
- Such supplies were / are liable to CGST which was not being levied or levied at a lower rate

Now the Government can regularize non levy or short levy through notification.

B. RCM

Time of Supply Sec 13(3) of the CGST Act, 2017 and amendment of Sec 31(3)(f) of CGST act, 2017 for specifying the time limit for issue of invoice by the recipient.

- Recipient discharges GST under RCM u/9(3) or 9(4) and is required to issue a self-supply invoice, if the supplier is not registered.
- Section 13(3) amended to insert clause (iii) in order to refer to date of issue of invoice where the invoice has to be issued by the recipient
- **With this amendment the Time of Supply for RCM will be**
 - Date of payment as entered in books.
 - 60 days following date of invoice, where invoice is required to be issued by the supplier.
 - Date of issue of invoice where invoice is to be issued by the recipient.

C. Time Limit For Claim of ITC pertaining to FY 2017-18 to FY 2020-21

New Section Sec 16(5) of the CGST Act, 2017 (w.r.e.f 1/7/2017)

- Sec 16(4) litigation across the country.
- Section 16(5) introduced w.r.e.f. 01.07.2017
- Notwithstanding anything contained in Section 16(4), in respect of an invoice or debit note for supply of goods or services or both pertaining to the **FY 2017-18, 2018-19, 2019-20 and 2020-21**, the registered person shall be entitled to take ITC in any return under section 39 which is filed **upto 30.11.2021**

Questions?

- What happens to cases where assessee has reversed ITC with interest?
- What happens to orders already passed based on Section 16(4)?

Answer for above questions

- *New section 146 of the Finance Bill (No. 2), 2024 provides that no refund shall be made of all the tax paid or the ITC reversed which would not have been paid or reversed had Section 16(5) been in force at all material times.*

D. ITC on Restoration of Registration

New Section Sec 16(6) of the CGST Act, 2017 (w.r.e.f 1/7/2017)

- Section 16(6) introduced w.r.e.f. 01.07.2017
- Subsequent revocation of cancellation of registration through orders u/s 30 of CGST act or orders of Appellate authority or tribunal or courts.
- ITC to be allowed in respect of invoice / debit note in a return filed for the period from the date of cancellation of registration till the date of order of revocation of cancellation of registration, filed within thirty days of the date of order of revocation of cancellation of registration, subject to the condition that the time-limit has not expired under Section 16(4) on the date of order of cancellation of registration.

Questions?

- **What happens to cases where assessee has reversed ITC with interest?**
- **What happens to orders already passed based on Section 16(4)?**

Answer for above questions

- *New section 146 of the Finance Bill (No. 2), 2024 provides that no refund shall be made of all the tax paid or the ITC reversed which would not have been paid or reversed had Section 16(5) been in force at all material times.*

E. Zero-Rated Supply

Amendments to Section 16(4) of the IGST Act, 2017 and Introduction of Sec 54(15) of CGST act, 2017.

New Section 16(5) of IGST act, 2017 and Sec 54(15) of CGST act, 2017

No refunds of unutilized ITC or IGST on exports where such zero-rated supply of goods attract export duty.

F. Summons

Amendments to Section 70 of the CGST Act, 2017.

- Section 70(1A) provides that all persons summoned shall be bound to attend either in person or by an authorized representative as such officer may direct.
- Persons so appearing shall state that truth during examination or make statements or produce such documents and other things as may be required.

G. Show Cause Notice and Adjudication

Amendments to Section 73 & Sec 74 of the CGST Act, 2017.

- Section 73 and Section 74 of CGST act,2017 will no longer apply for the period **from FY2024-25**
- New section 74A of CGST act,2017 would apply from FY 2024-25 onwards.

H. New section 74A of CGST act,2017 apply from FY 2024-25 onwards

- Issue of SCN for Non payment, short payment, erroneous refund, wrong availment or utilisation of ITC
- Show Cause Notice within 42 months from the due date for filing of annual return for the financial year to which the tax / ITC relates to or within 42 months from the date of erroneous refund
- Where there is no fraud or wilful misstatement, suppression or facts to evade tax, penalty at 10% of tax or Rs. 10,000, whichever is higher
- Where there is fraud etc., penalty at 100% of tax
- Order to be issued within 12 months from the date of issue of SCN
- Senior authority can provide for an extension with reasons for issuing orders Maximum of 6 months
- Option to pay tax along with interest based on own ascertainment or based on ascertainment by proper officer
- Post SCN, tax can be paid with interest within 60 days and there is no penalty in non-fraud cases
- In cases of fraud, option to pay tax plus interest plus 15% penalty on own ascertainment before SCN.
- Post SCN, tax with interest and 25% of penalty within 60 days can be paid in Fraud cases.
- Tax with interest and 50% penalty can be paid within 60 days from the date of communication of order.

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- Section 75(10) provides that adjudication proceedings shall be deemed to be concluded if order is not issued within the time limit specified in Section 73(10) or Section 74(10) or Section 74A.

I. Appellate Tribunal

Amendment to Section 112(1) and 112(3) w.e.f. 01.08.2024

- Amendment to Section 112(1) and 112(3) w.e.f. 01.08.2024 so as to empower the Government to notify the date for filing appeal before the Appellate Tribunal and provide a revised time limit for filing appeals or application before the Appellate Tribunal.
- Amendment to Section 112(6) so as to enable the Appellate Tribunal to admit appeals filed by the department within 3 months after the expiry of the specified time limit of 6 months
- Amendment to Section 112(8) so as to reduce the maximum amount of pre-deposit for filing appeals before the Appellate Tribunal from the **existing 20% to 10% of the tax in dispute** and reduce the maximum amount payable as pre-deposit from **Rs. 50 crores to Rs. 20 crores** in central tax.

J. Waiver of Interest and Penalty

New Section 128A of CGST act, 2017

Applicable to

- Notice under Section 73 and no order passed.
- Order under Section 73 and First Appellate Authority / Revisional authority has not passed the order
- Order passed by First Appellate Authority or revisional authority and Tribunal has not passed an order

Conditions:

- Disputed period **01.07.2017 to 31.03.2020** or part thereof
- Assessee has to pay the amount of tax as per the notice or order **on or before the date to be notified**
- Appeal, writ etc. has to be withdrawn before the due date notified
- Additional tax must be paid within three months from the date of order in cases involving appeal by the department.

Benefit

- No interest and penalty
- All proceedings shall be deemed to be concluded on such payment

Other Important things

- **Where interest and penalty have already been paid – no refund will be given**
- Section 128A not applicable where amount is payable on account of erroneous refund

K. Other Miscellaneous Provisions

- Amendment to Section 17(5) to confine it to Section 74, upto financial year 2023-24
 - From FY 2024-25, there is no restriction on ITC where tax is paid under Section 74A
- Section 140(7) amended w.r.e.f. 01.07.2017 so as to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by an Input Services Distributor prior to the appointed day, for which invoices were also received prior to the appointed date.
- Sec 30(2) Revocation of cancellation of registration subject to prescribed conditions
- Penalty under Section 122(1B) applicable to e-commerce operators liable to collect TCS under Section 52
- Amendment to Section 171 to enable a sunset clause for Anti Profiteering
 - Expansion of Schedule III
- 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, subject to the condition that the lead insurer pays the CGST, SGST, UTGST and IGST on the entire amount of premium paid by the insured.
- Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the CGST, SGST, UTGST and IGST is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

Scope Limitations:

1. This note is solely for the basic understanding of the amendments introduced vide Finance Budget 2024 and intended for internal circulation only.
2. Views expressed here are based on the law that is existing as of the date of this note read along with the Finance Budget 2024. We have no responsibility to update the views for events, transactions, circumstances changes or developments in any of the facts, or regulations occurring after this date. Further, the views expressed cannot be relied upon for any decision making.
3. Our views and comments are not binding on any regulators and there can be no assurance that the regulators will not take a position contrary to our views/comments.
4. While we believe that our views/comments reflect a reasonable interpretation of the relevant tax laws in India, there cannot be any guarantee or assurance that the Indian Revenue authorities will agree with our analysis and conclusions. Therefore, we shall not be liable for any tax, interest or penalty levied as a result of reliance on our views/comments.
5. Further, we assume no responsibility (unless contracted for specifically on a separate basis) to defend this opinion before any income tax authority or other third parties.
6. In no event shall we be liable (to any party) for damages or expenses even if we have been advised of the possible existence thereof.