

INDIA BUDGET 2024-25

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CHARTERED ACCOUNTANTS



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KEY CHANGES PROPOSED IN THE INCOME-TAX ACT

- **Personal Taxes:**

- **Rates of Tax:**

Every Individual, HUF, AOP & BOI (New Regime)	Tax Rates (including surcharge & cess)
Up to 3,00,000	Nil
3,00,001 to 7,00,000	5.20%
7,00,001 to 10,00,000	10.40%
10,00,001 to 12,00,000	15.60%
12,00,001 to 15,00,000	20.80%
15,00,001 to 50,00,000	31.20%
50,00,001 to 1,00,00,000	34.32%
1,00,00,001 to 2,00,00,000	35.88%
Above 2,00,00,000	39.00%

Every Individual, HUF, AOP & BOI (Old Regime) (No Change in the old regime)	Tax Rates (including surcharge & cess)
Up to 2,50,000	Nil
2,50,001 to 5,00,000	5.20%
5,00,001 to 10,00,000	20.80%
10,00,001 to 50,00,000	31.20%
50,00,001 to 1,00,00,000	34.32%
1,00,00,001 to 2,00,00,000	35.88%
2,00,00,001 to 5,00,00,000	39.00%
Above 5,00,00,000	42.74%

- Corporate tax rate for foreign companies reduced from 40% to 35%.

- **Benefits only under New Regime:**

- Standard deduction limit for salaried employees increased from Rs. 50,000 to Rs. 75,000.
 - Deduction of family pension is proposed to be enhanced from existing Rs. 15,000 to Rs. 25,000.
 - Employer's contribution (non-government) towards pension fund is proposed to be allowed as expenditure up to 14% (existing 10%) of the salary.

• **Income from Capital Gains:**

- The capital gains tax rates are proposed to be changed as follows:

Long-term capital gains	12.5% (currently 10% without indexation and 20% with indexation)
Short-term capital gains on STT paid equity shares, units of equity oriented mutual funds and units of business trust	20% (currently 15%)
Other short-term capital gains	At the applicable tax rates

- Indexation benefit on all long-term assets (including immovable property, gold, jewellery, etc.) is proposed to be withdrawn. This provision would adversely affect several tax payers mainly at the time of sale of property. However, if the asset is acquired before 01.04.2001, you are entitled to substitute the fair market value of the asset as on 01.04.2001 as your cost.
- Period of holding for capital assets to qualify as 'long-term capital asset':
- o For all listed securities, units of equity oriented mutual funds and units of business trust: 12 months
 - o For all other capital assets: 24 months
- Exemption limit for LTCG on STT paid transactions increased from Rs. 1 lakh to Rs. 1.25 lakhs.

All the above provisions are proposed to be made applicable w.e.f. 23rd July, 2024.

- It has been clarified that the benefit of exemption from capital gains on transfer through a gift or will or an irrevocable trust shall be available only to individuals and HUF. This provision shall be w.e.f. 1st April, 2025.
- **Taxation of Specified Mutual Funds:**

Currently, any gain on transfer of specified mutual funds is deemed to be short-term capital gains.

'Specified Mutual Fund' was defined to mean Mutual Fund where not more than 35% of its total proceeds are invested in the equity shares of domestic companies.

In order to keep ETFs, gold mutual funds and gold ETFs out of the ambit of these provisions, the definition of specified mutual fund is proposed to be amended.

Specified Mutual fund will be a fund which invests more than 65% of its total proceeds in debt and money market instruments or invests in a fund which invests more than 65% of its total proceeds in debt and money market instruments.

Accordingly, ETFs, Gold Mutual Funds, Gold ETFs, (< 35% in equity shares) will be taxable at the beneficial rate of 12.5% if long term compared to the slab rate.

Debt Mutual fund and Unlisted Debentures and unlisted bonds will continue to be taxed as per slab rate irrespective of the period of holding.

Classes of Assets	Holding Period		Short Term Tax Rates		Long Term Tax Rates	
	Old	New	Old	New	Old	New
Listed Shares & Securities						
- Units of Listed Business Trusts/REITs/InvITs	36 M	12 M	15%	20%	10%	12.5%
- Units of Specified Mutual Funds & MLDs	N. A.	N. A.	Slab rates	Slab rates	N. A.	N. A.
(Where investment more than 65% in debt)						
- Listed Bonds / Debentures (other than MLDs)	12 M	12 M	Slab rates	Slab rates	10%	12.5%
- Other than above all listed shares and securities	12 M	12 M	15%	20%	10%	12.5%
Unlisted Shares & Securities + Other Capital Assets						
- Unlisted Shares and Immovable Property	24 M	24 M	Slab rates	Slab rates	20%*	12.5%**
- Other than Unlisted Shares and Immovable Property	36 M	24 M	Slab rates	Slab rates	20%*	12.5%**
Mutual Funds						
Listed Funds whose investment in debt						
- Upto 35% (i.e. more than 65% in equity)	12 M	12 M	15%	20%	10%	12.5%
- More than 35% but upto 65% (i.e. more than 35% in equity)	36 M	12 M	Slab rates	Slab rates	20%*	12.5%**
- More than 65% (i.e. less than 35% in equity)	N. A.	N. A.	Slab rates	Slab rates	N. A.	N. A.
Listed Gold ETFs	N. A.	12 M	Slab rates	Slab rates	N. A.	12.5%**

* With indexation

** Without indexation

- **Buybacks:**

- Presently, any amount received by the shareholders on account of buyback of shares by a company is not taxable in the hands of the shareholders. Tax on buyback amount is borne by the company at 20% of the difference between the buyback price and issue price of the shares.

It is now proposed to treat amount received on buyback as deemed dividend in the hands of the shareholders and tax it at the slab rates.

Cost of acquisition of the shares extinguished because of buyback will not be allowed as an expense against the deemed dividend income. However, the cost will be allowed as a loss under the head Capital Gains depending on the period of holding.

The above provision effective from 1st October, 2024, will thus increase the tax on buybacks for higher income category of tax payers.

- **Shares sold under "Offer for sale":**

- Where equity shares are sold under 'Offer for sale (in IPO)', which were acquired before 01.02.2018 and were not listed on a recognised stock exchange as on the 31st January, 2018, the FMV of such shares is proposed to be computed based on indexed cost of acquisition for the financial year 2017-18. This amendment will apply from the assessment year 2018-19.

- **Increase in STT rates:**

- Security transaction tax (STT) on Future trading increased from 0.0125% to 0.02% and STT on Options trading increased from 0.0625% of the option premium to 0.10%.

- **Black Money Act:**

- Non-disclosure of foreign assets (other than immovable properties) by residents upto Rs. 20 lakhs will not attract penalty under the Act.
- The above provision will yet not benefit honest tax payers who have erroneously not disclosed certain foreign assets of nominal values since the proposed provision is applicable from 1st October, 2024.

- **TDS and TCS**

- TDS rate reduced from 5% to 2% for the following payments:
 - o 194H - Payment of commission and brokerage
 - o 194IB - Payment of rent by individuals and HUF
 - o 194M - Payment for carrying out work contract, brokerage, commission or FTS by certain individuals or HUF
 - o 194G - Payment of commission or remuneration or prize on sale of lottery tickets
 - o 194D - Payment of insurance commission
 - o 194DA - Payment in respect of any sum under life insurance policy
- New requirement of TDS on remuneration, interest, commission, etc. paid to partners of a firm:

Section 194T is proposed to be introduced for any payment or credit in excess of Rs. 20,000 towards remuneration, interest, commission, etc. by a partnership firm or LLP to its partners shall be liable to TDS at 10%. This is applicable from financial year commencing from 1st April, 2025.

- TDS on payment for sale of goods or provision of services by e-commerce operator to e-commerce participant reduced from 1% to 0.1% w.e.f. 1st October, 2024.
- TDS on Sale of Immovable Property is applicable at 1% if the total payment consideration is Rs. 50 lakhs or above for the aggregate value of the transaction (individual limits of joint buyers and sellers not to be considered).
- Prosecution provisions for delay in deposit of TDS: Current prosecution provisions are applicable even if there is a single day of delay in deposit of TDS. Now, such provisions will not be applicable if TDS is deposited by the due date of filing the relevant quarterly TDS return.
- Lower TDS / TCS applications now permissible for TDS & TCS on purchase / sale of goods.
- TCS is currently applicable at 1% on sale of motor vehicle exceeding Rs. 10 lakhs. TCS will now be applicable w.e.f. 1st January, 2025 on purchase of luxury goods exceeding Rs. 10 lakhs. List of such luxury goods to be notified by CBDT.
- Interest to be charged on delay in deposit of TCS is increased from 1% to 1.5% per month.
- TDS returns can now be rectified only up to six years from the end of the financial year to which it pertains. This is applicable from 1st April, 2025.

• Assessment and Proceedings:

- For re-opening of assessments or enquiry for re-opening, the officer to provide the information which suggests income chargeable to tax of the taxpayer has escaped assessment.
- The time limit for issue of notice for reassessment proceedings is proposed to be reduced as under:

Income	Time period
Less than 50 lakhs	3 years 3 months
More than or equal to 50 lakhs	5 years 3 months

- For example, as on 1st September 2024, in normal cases, assessment cannot be reopened for AY 2020-21 or earlier years. Further, in cases where income escaping assessment amounts to or likely to amount INR 50 lakh or more, the assessment cannot be reopened for AY 2018-19 or earlier years.
- For searches conducted on or after September 1, 2024, the block assessment procedure has been reintroduced. This procedure will now cover a period of six years preceding the year of the search and taxed at 60% for the block period.
- The Commissioner appeals is empowered to set aside any assessment order issued under best judgement and ask the officer to for fresh verification and complete the proceedings within 12 months from the end of the financial year.

- **Miscellaneous:**

- Under certain circumstances, the tax officer can set-off or withhold refunds due to a tax payer in case of outstanding tax demand or pending litigation by recording his reasons and obtaining approval from the Commissioner. During this period, no interest on refund will be due to the tax payer u/s 244A.
- Effective October 1, 2024, the time limit for appealing before the ITAT is revised to two months from the end of the month in which the order sought to be appealed is communicated to the taxpayer or the Principal Commissioner or Commissioner of Income Tax, as applicable.
- Threshold limit for filing of appeals by the tax department in the Tribunal, High Court and Supreme Court is increased to Rs. 60 lakhs, Rs. 2 crores and Rs. 5 crores respectively.
- Income from letting out of residential property to be taxed only under Income from House Property and not under business income.
House owners, providing their homes as PGs, or as vacation rentals need to re-evaluate the tax positions on such incomes.
- Equalisation Levy of 2% applicable to non-resident e-commerce operators withdrawn from 1st August, 2024.

- **Vivad se Vishwas Scheme, 2024**

- The scheme aims to reduce pending litigation, reduce the burden of interest and penalty by opting for the scheme.
- An assessee, whose income tax cases are pending as on 22nd July, 2024 before the following authorities are eligible to file a declaration under the scheme:
 - o Commissioner of Income Tax (Appeals)
 - o Income Tax Appellate Tribunal
 - o High Court
 - o Supreme Court
- Scheme not available for certain cases such as undisclosed foreign income or asset from a source outside India, in cases of search, etc.
- The scheme eliminates or reduces the interest and penalty component in various scenarios if the disputed tax is paid by the applicant.

Sr. No.	Nature of tax arrear	Amount payable upto 31 December 2024	Amount payable after 1 January 2025 but before the last date
1.	Tax arrears (including interest & penalty) pertaining to period where appeal is filed after 31 January 2020 but before 22 July 2024	100% of disputed tax (Complete waiver of interest and penalty)	110% of disputed tax (Complete waiver of interest and penalty)
2.	Tax arrears (including interest & penalty) pertaining to period where appeal is filed on or before the 31 January 2020	110% of Disputed tax (Complete waiver of interest and penalty)	120% of disputed tax (Complete waiver of interest and penalty)

Sr. No.	Nature of tax arrear	Amount payable upto 31 December 2024	Amount payable after 1 January 2025 but before the last date
3	Tax arrears relates to disputed interest or disputed penalty where appeal is filed after 31 January 2020 but before 22 July 2024	25% of Disputed interest, penalty or fees	30% of Disputed interest, penalty or fees
4	Tax arrears relates to disputed interest or disputed penalty where appeal is filed on or before 31 January 2020	30% of Disputed interest, penalty or fees	35% of Disputed interest, penalty or fees

- **Removal of Angel tax:**

- Cumbersome valuation provisions were introduced under Section 56(2)(viib) which were anti avoidance provisions but they created hardships to new age genuine businesses. This provision is now deleted.

Accordingly, a Company issuing shares at a premium is now not required to obtain a valuation report from a Merchant Banker or justify the valuation if the shares are issued at a premium (higher than fair market value).

- **International Financial Services Centre (IFSC):**

Simplified Fund Source Verification: Venture Capital Funds regulated by IFSCA won't need to prove the source of funds thereby easing compliance burdens.

Interest Deduction Benefits: Finance companies in the IFSC will be exempt from restrictive rules that limit interest deductions, making it more attractive for financial institutions to operate there.

Expanded Fund Eligibility: Retail funds and Exchange Traded Funds (ETFs) in the IFSC will now qualify for tax exemptions. These funds must be established in India and regulated by the International Financial Services Centres Authority (IFSCA).

- **Charitable trust and institutions:**

- Consolidation of two tax regimes

- o Presently, there are two regimes governing Public Charitable Trusts viz; section 10(23C) and sections 11 to 13 which is now proposed to be merged into one regime i.e. to sections 11 to 13
- o No fresh application can be made for seeking approval under section 10(23C) regime after 1 October 2024.
- o 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.

- Obtaining registration / re-registration under Section 12AB

Principal Commissioner/ Commissioner shall have the power to condone the delay in seeking registration under section 12AB in case of a reasonable cause.

KEY CHANGES PROPOSED IN GST

Key Changes in GST in the Budget:

- Conditional waiver of interest or penalty or both is proposed for demand notices issued under Section 73 for FY 2017-18, 2018-19, and 2019-20, except for cases of erroneous refund, provided full tax is paid before notified date. However, there will be no refund for interest and penalty already paid by the taxpayer.

- Relaxation of provisions for Input-tax Credit for the initial 4 years of GST:

The time limit for availing ITC from FY 2017-18 to FY 2020-21 is proposed to be extended to 30 November 2021 without refund of the taxes paid or reversed earlier on this account. Current provisions allow availing of input tax credit only upto 30th November following each financial year.

This change will reduce considerable amount of litigation and hardships for tax payers.

- The taxpayer will now be eligible to claim ITC for the period for which ITC could not be claimed due to cancellation of GST registration within 30 days of revocation of registration.
- A common time limit for issuance of notices and orders is proposed as follows:
 - o 42 months for issuance of notices from the due date of annual return
 - o 12 months for issuance of order from the date of notice

- Reduction in pre-deposit for filing appeal:

- o Appellate authority: Maximum deposit amount reduced from INR 25 crore to INR 20 crore for both CGST and SGST.
- o GST Appellate Tribunal (GSTAT): Reduced from 20% to 10% with a maximum cap of INR 20 crore reduced from INR 50 crore for both CGST and SGST.

- Waiver of interest and penalty

It is proposed to insert section 128A in the CGST Act to provide for a conditional waiver of interest and penalty in respect of demand notices issued under section 73 of the said Act (where charges under show cause notice do not involve fraud, mis statement or suppression of facts) for the Financial Years 2017-18, 2018-19 and 2019-20, except the demand notices in respect of erroneous refund.

However, in cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.

- Penalty where charges of fraud are not involved:

It is proposed to insert sub section 2A in section 75 of CGST Act to provide that in cases where after issuance of Show Cause Notice under section 74A where the charges of fraud, will full misstatement or suppression of facts are not established, the penalty will be redetermined as if there are no charges of fraud, will full misstatement or suppression of facts.

- No ITC refund in case where export duty is applicable.



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