M2K Advisors

₹UNION BUDGET 2024

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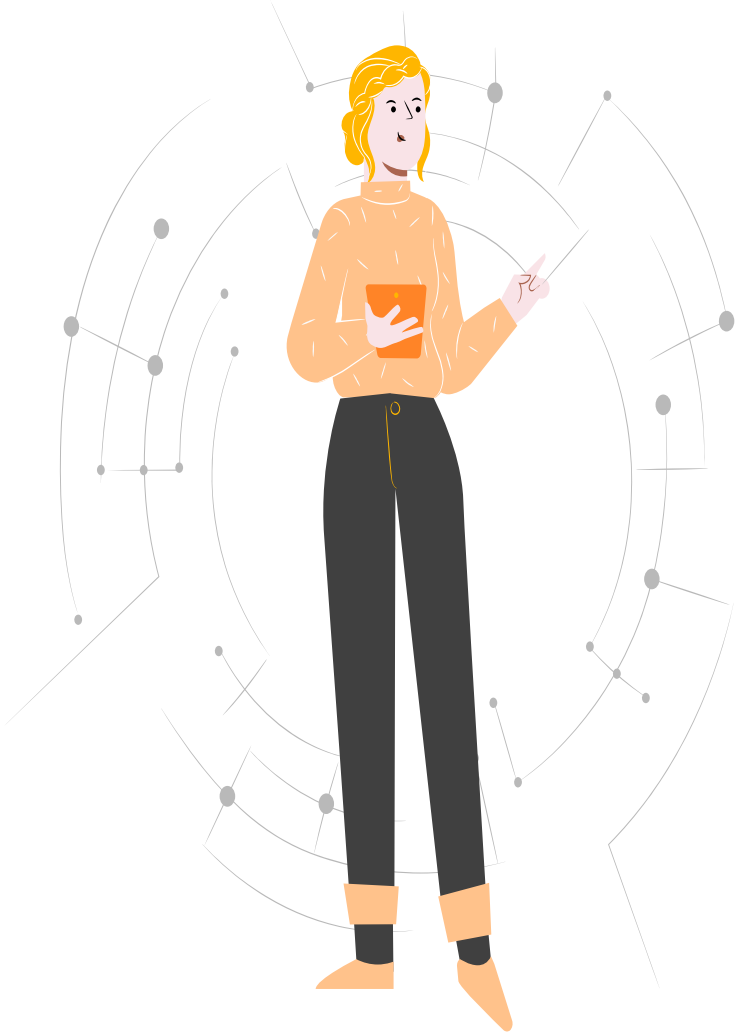


Rates of Tax & Personal Tax

Rates of taxes for individuals, HUF, AOP, BOI and AJP

- There is no change in the tax slabs in the old tax regime. Tax slabs in the new tax regime (which is currently the default tax regime) are proposed to be amended as follows:

Existing tax slab u/s 115BAC (upto AY 2024-25)		Proposed tax slab u/s 115BAC (AY 2025-26 onwards)	
Total Taxable Income	**Rate of tax**	**Total Taxable Income**	**Rate of tax**
Up to 3,00,000	Nil	Up to 3,00,000	Nil
3,00,001 to 6,00,000	5%	3,00,001 to 7,00,000	5%
6,00,001 to 9,00,000	10%	7,00,001 to 10,00,000	10%
9,00,001 to 12,00,000	15%	10,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%	12,00,001 to 15,00,000	20%
Above 15,00,000	30%	Above 15,00,000	30%

The above change in the tax slabs would lead to a **tax savings of INR 10,000** (excluding surcharge and cess) in the hands of the Assessee. This is excluding impact on account of increase in standard deduction available to salaried employees.

- Further, no amendments have been proposed in Section 87A or in the surcharge / cess rates.

Amendments to Individual Taxes

- Other amendments proposed in the **new tax regime** are as follows:
  - Standard deduction to be increased from INR 50,000 to **INR 75,000**.
  - Section 80CCD(2) - Contribution to National Pension Scheme ('NPS') (by non-government employers) to be increased from the existing limit of 10% of salary to **14% of salary**, in line with the limit available to government employers
  - Maximum amount of deduction relating to a family pension to be increased from INR 15,000 to **INR 25,000**.

Rates of taxes for Corporates

- There are no change in the tax rates for corporates other than tax rate for foreign companies. The tax rate applicable for AY 2025-26 has been tabulated below:

Nature of company	Basic tax rate	Effective tax rate*
Domestic company opting for Section 115BAA	22%	25.168%
Domestic company which have opted for Section 115BAB (New Manufacturing)	15%	17.16%
Other Domestic company (i.e., other than Section 115BAA or 115BAB)	25% / 30% (based on turnover)	27.82% - 34.944%
Foreign company having specified income as per Section 115A	20%	21.84%
Foreign company having income other than specified income as per Section 115A	35%**	38.22%

** Computed by considering the maximum rate of surcharge and 4% cess*

*** proposed to be reduced from the existing rate of 40%*

Note – No extension for new manufacturing under Section 115BAB.

Capital Gains, Buyback of Shares and Dividend

Gift of capital assets by non-individuals

- Section 47 provides a list of transactions which shall not be regarded as a transfer for the purposes of capital gains.

- Section 47(iii) provides that any transfer of a capital asset under a gift or a will or an irrevocable trust shall not be treated as a transfer.

- It has been proposed to amend Section 47(iii) to restrict the benefit to only transfer of capital asset by an **individual or HUF**, under a gift or will or irrevocable trust. In other words, gift of capital asset by partnership firms, companies, LLPs, etc. would not fall under the purview of a non-taxable transfer.

Our Comments: There are divergent rulings as to whether corporate gifts are feasible and judiciary has delivered judgement both ways. The proposed amendment puts an end to the controversy of corporate gifts.

While the memorandum refers to Section 50CA and 50D for computation of capital gains, still gifts between domestic corporate may not be hit by the amendment as there are no consequent amendments in Section 50CA or Section 50D. In the absence of consideration, the grantor of the gift can argue no consideration has accrued, hence 50CA cannot apply. Further 50D is not applicable as it is not a case of consideration being indeterminable or not ascertainable. In case of Gift falling under the ambit of international transactions, issue may arise whether transfer pricing provisions will apply to recompute the ALP.

It is pertinent to note that the provisions of 56(2)(x) may trigger in the hands of recipient of corporate gift.

Amendment in capital gains tax (1/6)

- Long-term capital gains (LTCG) arising from the transfer of all assets will be taxed at **12.50%**. **No indexation benefit** shall be available on the transfer of a long-term capital asset.
- The **exemption threshold** with respect to LTCG arising on the transfer of listed securities (equity shares, equity-oriented mutual funds, units of business trust) with payment of STT has been **increased from INR 1,00,000 to INR 1,25,000.**
- **STCG on transfer of listed equity shares**, equity-oriented mutual funds, and units of business trust (with payment of STT) will be taxed at **20%** instead of the existing tax rate of 15%.
- Transfer, redemption, or maturity of unlisted bonds or unlisted debentures will be taxed as STCG at slab rates, **irrespective of the period of holding** – Section 50AA.
- The holding period for other capital assets (except undertaking under 50B) has been reduced from **36 months to 24 months**.
- Non-resident is entitled to **exchange rate fluctuation benefits** under Section 48. The earlier bar under Section 112(1)(c)(iii) is no longer relevant.
- The **STT rates** on sale of options have been increased from 0.0625% to 0.1%. On the sale of **futures**, the STT rates have been hiked from 0.0125% to 0.02%.
- Section 55(2)(ac) of the Act is proposed to be amended to specifically provide that with respect to the sale of unlisted equity shares under an offer for sale to the public included in an initial public offer, “fair market value” would mean an amount which bears to the cost of acquisition the same proportion as CII for FY 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. This amendment is proposed to be deemed to have been inserted with effect from April 1, 2018 **(Restrospective amendment)**

Amendment in capital gains tax (2/6)

The comparison of taxability of capital gains is summarized in the table below

Particulars	Current	Proposed	Current	Proposed	Current	Proposed
	Long term		Short term		Holding period	
Listed equity shares / equity oriented mutual funds / units of business trust	10%	12.5%	15%	20%	12 months	12 months
Unlisted equity shares	20% (with indexation)	12.5% (no indexation)	Applicable rates	Applicable rates	24 months	24 months
Immovable property	20% (with indexation)	12.5% (no indexation)	Applicable rates	Applicable rates	24 months	24 months
Gold	20% (with indexation)	12.5% (no indexation)	Applicable rates	Applicable rates	36 months	24 months
Business transfer	20%	12.5%	Applicable rates	Applicable rates	36 months	**36 months**
Listed debentures	10% (no indexation)	12.5% (no indexation)	Slab rates	Slab rates	36 months	12 months
Unlisted debentures / unlisted bonds / market linked debentures / debt & non equity MFs	20% (no indexation)	Slab rates (regardless of period of holding)			36 Months	NA

The above amendments are effective from July 23, 2024.

Amendment in capital gains tax (3/6)

Impact of proposed amendment on unlisted debentures

An Indian company subscribed to unlisted debentures of another Indian company for INR 20,00,000 and sold them in 2024 for INR 28,00,000. Currently, under existing rules, if the holding period exceeds 36 months, unlisted debentures are considered long-term capital assets and taxed at the rate of 20%. However, proposed amendments under Section 50AA suggest that unlisted debentures shall be taxed as short-term capital assets, regardless of the holding period, and shall be subject to tax at the applicable slab rates.

Particulars	Pre-amendment	Post amendment
Full value of consideration	28,00,000	28,00,000
Less: Cost of acquisition	(20,00,000)	(20,00,000)
Capital Gains	8,00,000	8,00,000
Tax rate	22.88%	25.17%**
Tax payable	**1,83,040**	**2,01,360**

** Rate considered for corporate entity opted for tax under section 115BAA

Amendment in capital gains tax (4/6)

Impact of proposed amendment due to removal of indexation benefit

Consider Mr. A purchased a house property in 2003 for INR 1,00,00,000 (1 crore) and sold it in 2024 for INR 4,25,00,000. Before the amendment, indexation benefit was allowed for adjusting the cost of acquisition based on inflation, thus reducing the taxable capital gains. However, under the proposed amendment, indexation benefit has been removed. The tax rate on long term capital gains on transfer of immovable property is also modified from 20% to 12.5%.

Particulars	Pre-amendment	Post amendment
Full value of consideration	4,25,00,000	4,25,00,000
Less: Cost of acquisition	(1,00,00,000)	(1,00,00,000)
Less: Indexed cost of acquisition	(2,33,02,752)	NA
Capital gains	**91,97,248**	**3,25,00,000**
Tax rate	20%	12.5%
Tax payable	**18,39,450**	**40,62,500**

Our Comments: In cases where the indexation benefit is not available (such as slump sale) or in cases where the indexation benefit is lower than the tax arbitrage (7.5%), there would be a saving on account of the proposed amendment. Otherwise, the proposed amendment may be a dampener when the taxpayers have suffered higher costs on account of inflation in the economy.

Amendment in capital gains tax (5/6)

Illustrations where the new rate (without indexation) may prove to be beneficial and the same is depicted below.

If sale price is 2X or more of the cost and the holding period is less than 9 years

Particulars	Year of Purchase	Year of Sale	No of years	Sale price	Cost	Gain	Tax Rate	Tax
New Rate w/o indexation	2016-17	2024-25	8	200	100	100	12.50%	12.50
Old Rate with indexation	2016-17	2024-25		200	138	63	20.00%	12.50

If sale price is 4X or more of the cost and the holding period is less than 14 years

Particulars	Year of Purchase	Year of Sale	No of years	Sale price	Cost	Gain	Tax Rate	Tax
New Rate w/o indexation	2011-12	2024-25	14	400	100	300	12.50%	37.50
Old Rate with indexation	2011-12	2024-25		400	197	203	20.00%	40.54

Amendment in capital gains tax (6/6)

If sale price is 6X or more of the cost and the holding period is less than 18 years

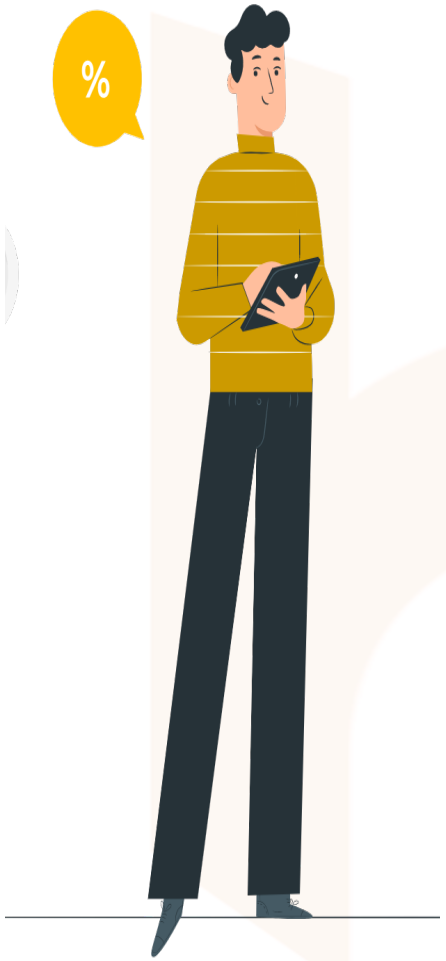
Particulars	Year of Purchase	Year of Sale	No of years	Sale price	Cost	Gain	Tax Rate	Tax
New Rate w/o indexation	2007-08	2024-25	18	600	100	500	12.50%	62.50
Old Rate with indexation	2007-08	2024-25		600	281	319	20.00%	63.72

If sale price is 8X or more of the cost and the holding period is less than 23 years

Particulars	Year of Purchase	Year of Sale	No of years	Sale price	Cost	Gain	Tax Rate	Tax
New Rate w/o indexation	2002-03	2024-25	23	800	100	700	12.50%	87.50
Old Rate with indexation	2002-03	2024-25		800	346	454	20.00%	90.86

Our Comments: It is also important to note that the amount of investment to be made to claim Section 54 exemption would need to be increased proportionate to the increase in capital gains due to indexation loss. However, exemption under section 54F is linked to sale consideration and hence that would not get affected due to loss of indexation benefit and the next gain after the said exemption would be taxed at lower rate of 12.5% as against 20%.

Removal of buyback tax (1/3)



- Buyback of shares of an Indian company is subject to tax in the hands of the company at 20% plus surcharge and cess under Section 115QA and exempt in the hands of the shareholders under Section 10(34A).
- It is now proposed to abolish the buyback tax. In other words, buyback shall not be taxed in the hands of the company but shall be taxed in the hands of the shareholder. The amendment shall be with effect from October 1, 2024. Consequent amendments have been made in Section 115QA, 46A and Section 10(34A).
- Section 2(22)(f) has been introduced to cover any payment by a company on purchase of its own shares from a shareholder in accordance with Section 68 of the Companies Act, 2013. Therefore, the consideration paid to the shareholder on buyback shall be fully taxed as dividend income **(gross basis)** at the applicable rates. In other words, the tax rate on buyback for individual shareholder could go as high as 35.88% (assuming highest surcharge rate and treaty benefit is not claimed).
- **Section 46A** has been amended to provide that the full value consideration received by the shareholder on buyback referred to under Section 2(22)(f) shall be deemed to be nil. In other words, the cost of acquisition shall be deemed to be the capital loss in the hands of the shareholder and can be set off against any other capital gains as per set-off rules.
- **Section 57** has been amended to provide that no deduction for expenses shall be allowable against the dividend taxable under Section 2(22)(f).
- **Section 194** has been amended to include dividends under Section 2(22)(f). Therefore, on distribution of buyback proceeds to the shareholder, the company shall withhold tax at **10%** (in case the shareholder is a resident).

Removal of buyback tax (2/3)

Illustrative facts

Particulars	Amount
Buyback consideration	15
Cost of acquisition	5
Accumulated profits	7.5

Comparison of taxability of buyback and capital reduction

Particulars	Buyback	Capital reduction
Dividend income	15	7.5**
Tax rate (assuming highest slab rate)	35.88%	35.88%
Tax on dividend income	**5.38**	**2.69**
Sale consideration	-	7.5
Less: Cost of acquisition	5	5
Net capital gain	(5)	2.5
Tax rate on capital gain (assuming long term)	-	14.95%
Tax on capital gains	**-**	**0.37**
Total tax	**5.38**	**3.06**
Capital loss	**(5)**	**-**

*** If buyback consideration is equal to or less than the accumulated profits, the tax treatment under buyback and capital reduction would be the same.*

Removal of buyback tax (3/3)

Our Comments:

a) Section 2(22)(f) does not include the words "**to the extent of accumulated profits**". Therefore, an issue may arise whether a buyback would be treated as a distribution of dividends even in a case where a buyback is undertaken using securities premium.

b) Section 2(22)(f) is attracted only in case of a buyback undertaken under Section 68 of the Companies Act, 2013. In the context of Section 115QA, there was an ambiguity as to whether it would apply to the **redemption of preference shares** since buyback was defined as "purchase by a company of its own shares in accordance with provisions of any law". As per the proposed amendment, redemption of preference shares would be outside the purview of Section 2(22)(f), given that the redemption would be undertaken as per Section 55 of the Companies Act, 2013 and not under Section 68 of the Companies Act, 2013.

c) Section 46A is amended to provide that the consideration received by the shareholder on account of a buyback shall be nil. Hence, **Section 50CA** will **become redundant** in case of a buyback

d) Capital loss can be set off only against capital gains and carried forward for only 8 years. **In the absence of capital gains**, the cost of acquisition becomes a sunk cost.

e) It is pertinent to note that the memorandum itself reckons that the transfer of shares on buyback will be an extinguishment of rights for shareholders and cost required to be factored for. Therefore, in case the shareholder is a non-resident, the characterization of income received on buyback as **dividend vs. capital gains** will be the subject matter of debate.

f) The provision does not bifurcate between shares held as capital assets vs stock in trade. The taxpayer may have to offer the gain to tax as dividend and claim the loss on the buyback of shares (cost of purchase of shares) as a business loss under Section 28.

Domestic Companies

Removal of Angel tax

- The angel tax provisions which were introduced in 2012 to levy income tax on the excess of money received on allotment of shares over and above the fair market value ('FMV') of the shares, has undergone multiple changes over the years, including the recent amendment in the Finance Act, 2023 to extend these provisions to issue of shares to a non-resident.

- The notification issued by DPIIT on 19th February 2019 provided that the above angel tax provisions shall not apply to eligible start-up companies which fulfill the conditions specified.

- Since it was difficult for startups to raise funds because of the angel tax provisions, many startups resorted to raising funds through CCDs, since CCDs were not covered under the purview of Section 56(2)(viib) at the time of issuance of CCDs.

- To promote the fund-raising ecosystem, it is now proposed to abolish the angel tax provisions for **all** companies. This amendment is proposed to be effective from 1 April 2025.

- The consequence of the amendment is depicted in the below table:

Particulars	Before amendment	After amendment
Issue price per share	1,500	1,500
Fair market value per share	500	500
Angel tax	**1,000**	**-**

Our Comments: The controversy of taxation of excess premium over FMV is put to rest and provides much needed breather to corporate going forward. However, the corporates have to be mindful of the requirements under Section 68 of the Income tax Act. The existing litigation will have to continued by the taxpayers.

Business Deductions (1/2)

Deduction under Section 37

- Expenditure incurred for a purpose, which is an offence, or which is prohibited by law is not allowed as deduction under Section 37. The Finance Act 2022 has expanded the scope of Sec 37 to include expenses, which are an offense or prohibited under foreign law, and any perquisite/benefit which could violate any law/rule/regulations, etc.

- An amendment is proposed now to expand the scope of the disallowance to include expenditure incurred to settle any proceedings in relation to contravention under any laws which may be prescribed. The amendments will take effect on April 1, 2025.

Our comments: Evaluation in terms of allowability of deduction concerning the following items is required:

i) Fee/ Penalties levied for administrative or technical defaults/ delayed compliances
ii) Fees/ amount paid for settlement of cases without admission of guilt
iii) Out-of-court settlement considering business exigencies

Deductibility in respect of taxpayers carrying life insurance business

- Taxable income from the life insurance business is computed based on special provisions prescribed under Rule 2 of the First Schedule of the Act. The normal computational provisions, as applicable to other businesses, do not apply to the life insurance business.

- It is proposed to insert a proviso to Rule 2 to First Schedule to extend the disallowance of expenses provided under Section 37 to the life insurance business. The amendments will take effect on April 1, 2025.

Business Deductions (2/2)

Deduction under Section 36(iva)

- Section 36(i)(iva) provides for deduction with respect to the sum paid by an employer by way of contribution towards a pension scheme referred to in Section 80CCD is proposed to be increased to 14% of the salary in the previous year, as against existing 10%. The amendments will take effect on April 1, 2025.

Remuneration to Partners under Section 40(b)(v)

- Section 40(b)(v) is amended to increase the limit of allowable remuneration to working partners of a partnership firm. The revised and existing limits are tabulated below:

Existing Provision		Revised Provision	
On the first INR 3,00,000 of the book profit or in case of loss	INR 1,50,000 or 90% of the book-profit, whichever is more	On the first INR 6,00,000 of the book profit or in case of loss	INR 3,00,000 or 90% of the book-profit, whichever is more
On the balance of the book-profit	At the rate of 60%	On the balance of the book-profit	At the rate of 60%

- The amendments will take effect on April 1, 2025.

Business income vs House Property

Reporting of Income from Letting out of House Property

- The Finance Bill 2024 has proposed to amend Section 28 of the Act through insertion of an explanation to clarify that any income from letting out of 'residential' house or part of the house by the owner shall not be chargeable under the head 'Profits and Gains from Business or Profession' and shall be chargeable under the head Income from house property.

- The amendment shall be effective from April 1, 2025.

Our comments: There has been a long drawn debate on whether an income from real estate is to be taxed under the head Income from house property or under PBGP especially in case of a developer who is into the business of letting out of properties.

The said issue was dealt with by the Supreme Court in multiple cases, including the case of **Rayala Corporation Ltd** and **Chennai Properties,** wherein the Supreme Court had prescribed certain rules in classifying the income between Income from House Property or PGBP and had also relied on what has been stated in the object clause of the Company's charter documents. Even after the above precedents, there have been litigations on the said subject

While the explanation tries to address the issue, there is an ambiguity as to whether the said amendment would cover its scope of commercial properties or not, as the explanation has only been provided with respect to "residential houses" and not for all properties. Entities operating in letting of commercial properties may have to exercise caution and evaluate the impact of the amendment.

Foreign Tax Credit

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

- Section 198 of the Act states that all sums deducted under the TDS chapter shall for the purposes of computing the income of an assessee shall be deemed to be an income received. This was brought in to ensure that the gross income received i.e., without reducing the taxes withheld is declared as income by the assessee and not just the net income. While similar logic should apply to the taxes paid outside India on income received from foreign sources (on which foreign tax credit is claimed), there were no explicit provisions governing the same.

- Section 198 is amended to include the income tax paid outside India with respect to which FTC allowed under the Act is deemed to be an income received. This shall be effective from 1st day of April 2025.

Withholding of Refunds

Set-off and withholding of refunds

- Section 245 provides that where any refund is due to the assessee under the provisions of the Act, the same may be set off against any demand payable by the assessee after written intimation on the proposed adjustment is given to the assessee.

  Further, the refund due can also be withheld in the pendency of any assessment/ re-assessment proceedings if the AO is of the opinion that the grant of refund is likely to adversely affect the revenue, he has recorded the reasons in writing and with the prior approval of PCIT/ CIT. In such cases, the refund can be withheld up to the date of assessment/ re-assessment.

- With effect from October 1, 2024, It is proposed to **remove the requirement of forming an opinion that the grant of refund is likely to affect the revenue**. Further, the period up to which the refund can be withheld is proposed to be extended to 60 days from the date of assessment/ re-assessment, having regard to the fact that the assessee is granted for payment of demand for 30 days from the order of assessment/ re-assessment.

- Consequential amendment is also proposed in Section 244A for computing interest by excluding the period for which the refund is withheld.

Our comments: One of the issues faced by taxpayers in recent times is that the refund due is adjusted against the demand arising from matters pending with the appellate authorities, despite the taxpayer's request not to adjust the same in view of a favorable appellate order or a stay on collection already granted, in which case there would not be any recovery of demand.

Given the scenario, the implementation of the above amendment by the tax administration results in undue withholding of refunds due, citing the pendency of any assessment/ reassessment that would result in unwarranted blockage of cash flow and litigation.

Foreign Companies including IFSC

Withdrawal of Equalisation Levy 2.0

Amendment to Section 165A of the Finance Act 2016

- Chapter VIII of the Finance Act, 2016 was amended by the Finance Act, 2020 to provide for imposition of equalization levy ('EL 2.0') of two per cent on the amount of consideration received/ receivable by an e-commerce operator (being a non-resident) from e-commerce supply or services vide Section 165A. Such transactions (not in the nature of Fee for Technical Services ('FTS') or Royalty) was exempt under Section 10(50) of the Act.
- As per the explanatory memorandum, due to concerns raised by some stakeholders regarding the ambiguous scope of the EL 2.0 and the compliance burden imposed on the non-resident e-commerce operators, EL 2.0 is proposed to be discontinued with effect from 01st August 2024.
- Consequently, only the income arising from E-commerce supply or services made/ facilitated on or after 01st April 2020 but before 1st August 2024 shall be eligible for an exemption under Section 10(50) of the Act.

Our comments: EL 2.0 had an extensive scope, which imposed increased compliance requirements on non-residents. The removal of this levy is expected to be a relief to non-resident E-commerce operators, as it would help them reduce the compliance burden and operational costs.

If the payment made for e-commerce transactions is not in the nature of FTS or royalty, the payer should evaluate whether the non-resident has a business connection in India (including Significant Economic Presence), as the income received would no longer be subject to EL, and exemption under Section 10(50) would not be available. Alternatively, one can also resort to tax treaty benefits if the non-resident does not have PE in India.

The proposed amendment is also seen as a precursor to the framework for taxing digital transactions agreed upon under Pillar 1 and India's commitment to withdraw EL. Pertinent to note that EL 1.0 on online advertisements still continue

IFSC (1/2)

Amendment of Section 94B – Interest Limitation

- Section 94B restricts the deduction of interest expenditure incurred by an Indian company or PE of foreign company being a borrower in respect of any debt borrowed from a non-resident-associated enterprise. If the interest expense deductible is over and above the prescribed limit of INR 1 crore, the deduction shall be restricted to 30% of EBITDA.

- However, the above provisions do not apply to borrowers engaged in the business of banking or insurance or such class of non-banking financial companies as may be notified by the Central Government. This relaxation is also being extended to borrowers who are registered as a Finance Company under the IFSCA (Finance Company) Regulations, 2021.

- This amendment is set to take effect from April 1, 2025.

Increase in the scope of the definition of 'Specified Funds' under Section 10(4D)

- Section 10(4D) exempts certain incomes received by 'specified funds' on the transfer of certain capital assets such as the transfer of securities of a non-resident company, income from securitization trust, or transfer of a capital asset referred to in Section 47(vii), etc.

- An amendment has been proposed to extend the benefit of this section to trusts, companies, limited liability partnerships, or other corporate bodies registered as Exchange Traded Funds and Retail Schemes under the IFSCA (Fund Management) Regulations, 2022 by expanding the definition of 'specified funds' under the section.

- This amendment is set to take effect from April 1, 2025

IFSC (2/2)

Treatment of unexplained Income in the nature of loan or borrowing under Section 68

- Under Section 68, any credit in the books of accounts, specifically in the form of share capital, loan, or borrowings, the course of credit has to be explained by the parties, including the worthiness of the lender. Under existing law, a credit from Venture Capital Fund (VCF) or Venture Capital Company (VCC) referred to under 10(23FB) is not subject to the rigors of Section 68.
- This relaxation has also been extended to Venture Capital Funds regulated under the IFSCA by amending the definition of Venture Capital Company under Section 10(23FB) of the Income Tax Act,1961.
- This amendment is set to take effect from April 1, 2025.

Increase in the scope of definition of 'Recognised Clearing Corporations' and 'Regulations' under Section 10(23EE)

- Section 10 (23EE) exempts 'specified income' of Core Settlement Guarantee Funds ('Fund'). The proposed amendment will extend this exemption to funds set up by recognized clearing corporations in IFSCs by updating the definitions of 'regulations' and 'recognized clearing corporation.'
- The definition of "recognised clearing corporation" shall be amended to include corporations as defined under Regulation 2(1)(n) of the IFSCA (Market Infrastructure Institutions) Regulations, 2021. Further, the definition of "regulations" has also been updated to include the IFSCA (Market Infrastructure Institutions) Regulations, 2021.
- This amendment is set to take effect from April 1, 2025.

Income from Domestic Cruise

Section 44BBC - Foreign Company operating in domestic cruise

- A new section has been introduced to promote domestic tourism by encouraging international cruise operators to participate in domestic cruises. The income earned by the non-resident from operating domestic cruises is entitled to presumptive taxation. The following will be regarded as income of the foreign company from the carriage of passengers or included
  - Amount paid or payable to the assessee or any person on behalf of the assessee
  - Amount received or deemed to be received by or on behalf of assessee

- 20% of the income mentioned above will be regarded as profits and gains of business or profession for presumptive taxable purposes

Section 10(15B) - Income from leasing

- Lease rentals paid by the foreign company that has opted for a presumptive tax regime under Section 44BBC are exempt from taxation in the hands of the recipient company. The only condition is that the recipient company and foreign company opting for the presumptive regime must be subsidiaries of the same holding company. The cut-off date for the exemption is March 2030. The amendment is effective from April 1, 2025

Our comments: Significant policy announcements have been made to promote domestic tourism. As part of that, foreign companies have been provided an opportunity to opt for presumptive taxation. Further, the rental income from the lease of ships to companies opting for presumptive tax (subject to ownership criteria) is also exempt from taxes. This section is applicable only in respect of income from the carriage of passengers and cannot be extended to other income categories (e.g. Section 172 or Section 44B)

Assessments & Litigations

Reassessment Proceedings

- As part of the litigation management strategy, the Finance Act 2021 made significant amendments to the Income Escaping Assessment and Search Assessment provisions. Various procedures, including checks and balances, were prescribed to address the taxpayer's concerns in case of reopening the assessment. Ever since the new procedures were prescribed, significant litigation has arisen, and numerous writ petitions have been filed challenging various aspects of the procedures.

- To address the gaps and issues in the existing procedure, manage litigation, and provide certainty, the reopening provisions have once again been significantly amended, and these amendments will take effect on 1 September 2024.

- *Information suggesting income escaped:* There are six categories prescribed. Most of the parameters are similar to the existing explanation 1 to Section 148. In addition to this, the aspect relating to surveys (other survey under Section 133A(2A) dealing with TDS survey) is included as the sixth category. This was included part of explanation 2 in the existing Section 148.

- *Procedure under Section 148A:* The AO has to issue a show cause notice to the Assessee and consider his reply before passing any order on whether it is a fit case for reopening. In case of income escaping on account of information received under 135A, then section 148A requirement is not applicable

- *Timeline for filing return of income:* The assessee is required to file ROI within the timeline prescribed in the notice, and the same shall not exceed three months from the end of the month in which 148 notices were issued

- *Approval Requirement:* Approval is required before passing an order under Section 148A(3). Further, if a notice under Section 148 is issued on account of information based on Section 135A, approval is required because no 148A procedure has been carried out.

Reassessment Proceedings

- *Approving Authority:* Unlike existing or earlier reopening provisions, there is no bifurcation of approving authority depending on the period of reopening i.e. upto 3 years or more than 3 years. A common approving authority in the scale of Addl Commissioner or Addl Director or Joint Commissioner or Joint Director is prescribed

- *Time limit for issuance of notices:* Under the existing provision, there is no timeline for issuance of notices under 148A. The amended provisions provide for following time limit for Section 148 and 148A

Relevant Period	Notice under 148	Notice Under 148A
Upto 3 Years (INR < 50 lakhs)	3 yrs and 3 months from end of relevant AY	3 yrs from end of relevant AY
> 3 yrs < 5 years (INR > 50 lakhs)	5 yrs and 3 months from end of relevant AY	5 yrs from end of relevant AY

Our comments: The amendment of providing a common approving authority will resolve the issue of who the concerned authority is for approval and reduce the litigation in case of a mismatch in the approval of the specified authority.

Prescribing a timeline of 3 months for carrying out the procedure under 148A before issuance of notice under 148. This will address the existing issue of providing sufficient opportunity, calculating timelines for issuance of notices and periods of limitation, etc.

A significant step in litigation management is that the timeline of reopening is reduced to 5 years from the existing 10 years in case of income escaped more than INR 50 Lakhs (other than search proceedings).

Comparative Analysis of Reopening Provisions

Parameters	Existing Provision	New Provisions
Conduct an enquiry under 148A	At the discretion of the AO	No such provision
Timeline for issuance of notice under 148A	No provision	3 years or 5 years*
Timeline for response to 148A	> 7 days < 30 days	No timeline prescribed
Timeline for issuance of notice under 148	3 years or 10 years*	3 years or 5 years* + Three months
Parameters	Explanation 1 (5 factors) and Explanation 2 (deemed information suggesting escapement)	6 Categories. No deemed information suggesting escapement
Filing of Return	Timeline as per notice but it shall not exceed 3 months	Timeline as per notice but it shall not exceed 3 months
Approving Authority	Different based on category of reopening timeline i.e. upto 3 years or more than 3 years	Common authority
INR 50 lakhs should relates to	(i) Represent in the form of asset, (ii) expenditure in relate to transaction or event or occasion, (iii) entries in book of account	In possession of books of accounts, evidence related to any asset or expenditure or transaction or entries

** In case of income escaped likely to exceed INR 50 Lakhs*

Block Assessment for Search/ Requisition Cases

Block Assessment for Search/ Requisition Cases

- **History:** Block assessment were carried out in case of search under the provisions of Chapter XIV-B of the Act before 2003. Later, block assessment was carried out under the provisions 153A to 153D between 2003 and 2021. Later, when the re-assessment procedures were revamped, the search assessments were also covered under the re-assessment procedures and special provisions for block assessments were scrapped.

- **Amendment Proposed:** It is proposed that the block assessment is reintroduced with amended procedures under Chapter XIV-B of the Act. The following are the salient features of the amended procedures of block assessment:

  - Amended provisions are applicable for search/ requisition initiated on or after September 1, 2024

  - 'Block period' consists of the year of search/ requisition and 6 preceding years, and an assessment shall be made, including the undisclosed income unearthed during the search/ requisition. As per 158BA(7), the tax is payable @ 60% of total income. **Ideally, the rate should be applied only on the undisclosed income. Hence, the reference to total income should be amended.**

  - Notice to the assessee requiring the filing of return for block assessment and block assessment orders are to be issued only with the prior approval of the Additional Commissioner/ Additional Director/ Joint Commissioner/ Joint Director.

  - Regular interest (Sections 234A, 234B, 234C) and penalty (Section 270A, 271AAD, 271D etc) would not be applicable subject to conditions. Interest under Section 158FA would be payable @ 1.5% per month (or part of the month) on tax on undisclosed income from the due date for filing the return as per the notice issued to the date of completion of the assessment. Penalty may be leviable @ 50% of tax payable on undisclosed income determined by AO under Section 158BC.

Block Assessment for Search/ Requisition Cases

Block Assessment for Search/ Requisition Cases

- The timelines for completion of block assessment shall be 12 months from the end of the month in which last authorization for search/ requisition was executed or made.
- Provision relating to abatement of pending assessments, annulment of block assessment order and revival of block assessment in case order etc has been provided
- If during the course of search or requisition, the information relating to undisclosed income of another person is identified, then materials will be handled to the respective jurisdictional officer for completing the assessment.
- The time limit for completion of the assessment shall be 12 months (excluding the period intervening the date of search and the date of handing over the seized materials to the AO) from the end of the month in which notice under Section 158BC read with Section 158BD was issued to the other person.
- Evidence in respect of international transactions/ specified domestic transactions pertaining to the year of search (issuance/ execution of last authorization) shall not be considered for block assessment. However, assessment is to be made under the regular provisions of the Act.
- The provision of filing objection before the Dispute Resolution Panel, in case of non-residents/ foreign companies/ assessee with transfer pricing adjustments, shall not be applicable for the block assessment cases.

Transfer Pricing

- *Determination of ALP of SDT:* Under existing Section 92CA, the TPO is empowered to determine the ALP of international transactions unreported in Form 3CEB but come to the TPO's attention during transfer pricing proceedings. This power is now extended to SDTs that come to the TPO's attention during the proceedings. The amendment is operative from 01 April 2025 (AY 2025-26)

- *Streamlining TP Assessment and Safe Harbour:* In the budget speech, the finance minister committed to reduce litigations and tax certainty regarding international taxation. As part of this, the scope of safe harbor provisions will be expanded to make it more attractive. Further, there is a commitment to streamline the transfer pricing assessments.

Our comments: The existing safe harbor provisions were not chosen by the MNEs owing to the high rates for eligible international transactions. One has to wait and watch how the CBDT will structure the scope and rates to make the scheme more attractive, provide alternative measures to APA, and bring certainty.

It is much awaited whether a faceless assessment regime will be extended for TP proceedings by notification of a scheme so that the assessments are undertaken in faceless manner basis on random allocation. Currently, the notification under 92CA cannot be issued after 31st March 2024. Therefore, one has to wait for the nature and manner of streamlining process

Rationalization of timelines for assessment completion

- Various representations were received for rationalizing the time limits for the completion of assessment, reassessment and recomputation under various provisions of the Act. In this regard, the following amendments have been proposed:

Particulars	Proposed amendment (in Section 153)
Completion of assessment in cases where return has been filed pursuant to order under Section 119(2)(b)	Assessment shall be completed within a period of **12 months** from the end of the financial year in which such return was furnished.
Fresh assessment for cases set aside by CIT(A)	In case where CIT(A) sets aside the assessment order under Section 144, a fresh assessment shall be completed within a period of **12 months** from the end of the financial year in which such order is received.
Completion of assessment in case of annulment of block assessments	The assessment or reassessment, in cases of revival of assessment or reassessment proceedings as a consequence of annulment of block assessments, shall be passed within a period of **1 year** from the end of the month of such revival or within the period specified in Section 153B(1) or Section 158BE, whichever is later.

Changes in timelines & powers

Increase in powers of the Commissioner of Appeals

- The powers of the Commissioner (Appeals) are proposed to be expanded to empower them to **set aside the assessment order** passed in pursuance of best judgment assessment under Section 144. This amendment is proposed to come into effect from October 1, 2024.

Our comments: There have been many cases under faceless assessments where the assessment was concluded on a best judgment basis, and the taxpayers had to negotiate separately for a stay of demand and penalty proceedings. This amendment will provide some reprieve to the taxpayers to restore the matter back to the assessing officer and resolve the matter.

Change in timeline for filing appeal before Income Tax Appellate Tribunal ('ITAT')

- At present, an appeal before ITAT is required to be filed **within 60 days** from the date on which the order sought to be appealed against is communicated to the Assessee or to the PCIT / CIT, as the case may be.

- Amendment is proposed to provide that an appeal before ITAT may be filed **within 2 months from the end of the month** in which the order sought to be appealed against is communicated to the Assessee or to the PCIT / CIT, as the case may be. This would help the revenue authorities to have a proper track of the timelines for filing appeals before ITAT.

- This amendment is proposed to come into effect from October 1, 2024.

Advance Ruling – facilitating withdrawal

Extension of timelines for withdrawal of advance ruling application

- Section 245Q(3) provides 30 days time limit for withdrawal of application filed for advance ruling.
- Consequent to change of powers from Authority of Advance Ruling ('AAR') to Board for Advance Ruling ('BAR'), certain withdrawal applications that were filed with AAR during the transition period were still pending for disposal.
- Such pending applications for which order has not been passed by BAR, request can now be made by the applicant upto 31 October 2024 and the advance ruling application may be allowed to be withdrawn by BAR on or before 31 December 2024.

TDS & TCS

TDS / TCS Assessments

TDS/ TCS Assessments

- Sections 201 & 206C provide that the deductor/ collector shall be deemed to be “assessee in default” in respect of defaults in respect of non-compliance with respect to deduction/ collection of tax . The same is subject to certain exceptions prescribed. The current provisions and the proposed amendment in time limits for completion of TDS/ TCS assessment and passing an order in accordance with the above provisions are as follows:

Particulars	Existing Provisions	Proposed Amednments
TDS w.r.t. resident payee	Later of: 7 years from the FY of payment/ credit (or) 2 years from the FY in which TDS correction statement was filed.	Later of: 6 years from the FY of payment/ credit (or) 2 years from the FY in which TDS correction statement was filed.
TDS w.r.t. non-resident payee & TCS	No time limits prescribed	

Our comments: The issue with regard to the initiation of TDS proceedings on the non-resident is a vexed issue, and it was widely debated in the Courts and Tribunals. The reason is that Section 201 does not prescribe any specific timeline with respect to payments made to non-resident payees, unlike payments made to residents. Courts have taken divergent views on the application of the timeline of resident payees to nonresident payees. The proposed amendment seeks to rest future litigation with regard to the timeline and brings parity amongst the non-resident and resident payees.

TDS / TCS provisions (1/7)

Rationalization of TDS Rates

- With the increase in provisions under the TDS chapter, keeping track of rates has been difficult for deductors. To improve the ease of doing business and better compliance by taxpayers, it has been proposed to rationalize the rates for the following sections

S No	Section	Present TDS Rate	Proposed TDS Rate	W.e.f
1	194DA - Payment in respect of life insurance policy	5%	2%	1st October 2024
2	194G - Commission, etc., on sale of lottery tickets	5%	2%	
3	194H - Commission or brokerage	5%	2%	
4	194IB - Payment of rent by certain individuals or Hindu undivided family.	5%	2%	
5	194M - Payment of certain sums by certain individuals or Hindu undivided family.	5%	2%	
6	194O - Payment of certain sums by e-commerce operator to e-commerce participant.	1%	0.1%	
7	194F - Payments on account of repurchase of units by Mutual Fund or Unit Trust of India.	20%	Omitted	
8	194D - Insurance Commission	5%	2%	1st April 2025

- However, no changes have been made in TDS rates applicable on salary, virtual digital assets, winnings from lottery/racehorses, transfer of immovable property and payment to non-residents, contracts etc.

TDS / TCS provisions (2/7)

TCS credit to be considered for computing tax deductible on salary payments

- The existing provisions under the Act allow employees to provide their employers with details of any additional income that they have earned, which is taxable under different heads of income (such as income from house property, capital gains, etc.). The employer can consider the credit for TDS if any is deducted from such additional income.

- This enables the employer to deduct only the tax paid/payable by the employee over and above the credit available. However, the Act and the TDS Circular issued by CBDT do not permit the employer to grant credit for TCS, which created significant cash flow hassles for the employees. E.g., TCS on LRS, TCS on Motor Vehicles collected from employees etc.

- To provide respite to the employees, it is proposed to allow employers to consider the TCS credit when determining TDS for salary. This proposed amendment will be effective from October 1, 2024.

Section 194T - TDS on certain payments made by the Partnership Firm to the Partner

- The person responsible for paying any sum to a partner in the nature of salary, bonus, interest, commission or remuneration where the aggregate of such sums exceeds or is likely to exceed INR 20,000 during the financial year shall deduct taxes at 10%. Such TDS shall be deducted at the time of credit of such amount to the account of the partner or at the time of payment whichever is earlier.

Credit for TCS of a minor in the hands of the parent

- Amendment is now proposed to notify rules for cases where credit of tax collected can be given to a person other than the collectee, such as in the case of TCS payments made in the name of minor, which shall be allowed to be taken as credit in the hands of the parent, subject to the income of the minor being clubbed with the parent. This amendment shall be effective from January 1, 2025.

TDS / TCS provisions (3/7)

TDS on sale of Immovable property

- Under Section 194-IA, TDS shall be payable by the buyer on the purchase of immovable property at 1% of consideration or stamp duty value of the property, whichever is higher, subject to the consideration and stamp value being more than INR 50 lakhs. There was an ambiguity about whether this limit was to be seen qua transferor or qua property level.
- The amendment proposed to clarify that the said limit needs to be seen qua property, and hence, irrespective of the number of transferors or transferee, if the value of the property is more than the prescribed thresholds, then the provisions of Section 194-IA would be triggered.
- This amendment shall be effective from October 1, 2024.
- Illustrative example:

Transferor	Transferee	Consideration paid	Stamp duty value
Mr. A	Mr. D	INR 20 lakhs	INR 50 lakhs
Mr. B	Mr. E	INR 15 lakhs	
Mr. C		INR 30 lakhs	
Total		**INR 55 lakhs**	**INR 50 lakhs**

- In the above scenario, even though the payment made by Mr. A/ Mr. B or Mr. C individually does not cross the threshold of 50 lakhs since the aggregate value of the property being transferred is more than 50 lakhs, each of the transferors should deduct taxes at 1% for the respective payments made to the transferee.

TDS / TCS provisions (4/7)

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

- Section 193 of the Act provides for deduction of taxes on payment of any income to a resident by way of interest on securities. It is proposed to include Floating Rate Savings (Taxable) Bonds (FRSB) 2020 under the ambit of this section to enable deduction of taxes at the time of payment of interest exceeding INR 10,000 on such bonds.

- This change is proposed to take effect from 1st day of October 2024.

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

- Section 194C of the Act provides for TDS on payment to contractors at 1% or 2% as the case may be. Whereas Section 194J of the Act relates to TDS on technical or professional services at 2% or 10% depending on the nature of payment being made.

- The definition of work under Section 194C is proposed to be amended to explicitly exclude payments for services which fall within the ambit of section 194J, to avoid deduction of tax under Section 194C. The amendment will take effect from 1 October 2024.

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

- Section 197/ Section 206C(9) which empowers an assessee to apply for deduction/ collection of tax at a lower rate currently does not include payments in the nature of Sec 194Q/ 206C(1H) (wherein TDS/ TCS is to be deducted/ collected on purchase/ sale of goods for amount exceeding INR 50 Lakh per year).

- The option of obtaining lower withholding certificate is now proposed to be extended to payments in the nature of Section 194Q/ 206C(1H) as well.

TDS / TCS provisions (5/7)

TDS/ TCS Correction Statements

- Persons responsible for deduction/ collection of tax are required to furnish quarterly TDS/ TCS Statements in prescribed forms (e.g., Form 24Q, 26Q, 27Q, 27EW, etc.) within prescribed timelines. Further, the deductors/ collectors are also allowed to modify the information for the purpose of rectifying any mistakes in the original statements. However, there was no time limit to which correction statements could be furnished.

- It is proposed to impose a time limit of **six years** from the end of the FY in which the original TDS statement was required to be furnished.

Our comments: Most of the provisions of the Act rides on the period of limitation. The timeline for filing of TDS/TCS returns for a long period of time enjoyed unlimited timelines for rectification and filing of correction statements to address the demand raised by the TDS processing center. Now, the taxpayers have to take due care on the timelines to address the pending demands are addressed sufficiently to correction statements and any unconsumed challans for a period more than 6 years are adequately adjusted or squared off.

TDS / TCS provisions (6/7)

Amendments to TCS provisions under Section 206C

- Under the current provision of Section 206C(1F), every person (seller) who receives consideration for the sale of a motor vehicle of value exceeding INR 10 lakhs shall collect TCS at 1% from the buyer.

- The said provisions were introduced in order to track individuals purchasing luxury motor vehicles but not declaring the corresponding source as income. The same is now extended to other luxury goods as well, which shall be notified by the Central Government soon.

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

- The current rate of interest applicable for late collection / late deposit of TCS (1%) is not in line with corresponding provisions pertaining to late deduction / deposit of TDS (1.5%). In order to align the interest on delay in payment of TCS with the existing TDS provision under section 201, it is proposed to increase the rate from 1% to 1.5%.

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

- Unlike TDS provisions (Section 196), the TCS provisions currently do not prescribe any exemption in the collection of taxes at the time of receipt from certain exempt entities whose income might not be subject to tax under the Act.

- In order to address the same and provide cash flow relief to such entities, sub-section (12) of Section 206C is proposed to be inserted for such person or class of persons, including institution, association or body or class of institutions associations or bodies which the central government shall notify.

TDS / TCS provisions (7/7)

Prosecution

- As per Section 276B of the Act, any person who fails to pay TDS within the prescribed time is punishable with rigorous imprisonment of 3 months to 7 years along with fine. It is now proposed to provide exemption from prosecution if the payment of TDS for a particular quarter has been made **on or before the due date of filing TDS return** for the said quarter. This amendment is proposed to come into effect from October 1, 2024.

Our comments: The relaxation is available only if the taxes are paid before the due date of filing of respective quarter returns. Further, the relaxation from prosecution is not applicable in the case of TDS under 194B (winning from the lottery), 194BA (winning from online games), 194R (perquisite), and 194S (VDA)

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

- Finance Bill (No. 2) 2024 proposes to widen the ambit of section 200A to empower the revenue to process the returns filed by persons other than deductors. In case of virtual digital asset transactions, wherein the TDS returns are not filed by the deductor but by the exchange, the power was not explicitly granted to the revenue to process the return.

- Given the above amendment, the Board would formulate a scheme for processing of such returns.

Penalties and Other Amendments

Penalties (1/5)

Timelines for Penalty Order

- Timelines for passing of a penalty order in specific circumstances are as follows:

Specified circumstance	Prescribed timelines
Assessment/ other order is the subject matter of appeal before JCIT(A)/ CIT(A)/ ITAT	Later of i) FY in which underlying proceedings in course of which penalty was initiated was completed ii) 6 months from the end of the month in which the ITAT order was received by PCCIT/ CCIT/ PCIT/ CIT / 1 year from the end of the FY in which JCIT(A)/ CIT(A) was received by PCCIT/ CCIT/ PCIT/ CIT
Revised order of penalty based on order giving effect to appellate/ revision order *	6 months from the end of the month in which the appellate/ revision order was received by PCCIT/ CCIT/ PCIT/ CIT

* where the original penalty order was passed before the date of the appellate/ revision order

- The reference to receipt of order PCCIT/ PCIT is proposed to be omitted to remediate the ambiguity in the computation of the time limit for passing the order of penalty.

Penalty for furnishing of inaccurate information in reporting of Specified Financial Transactions (SFT)

- Provisions of Section 271FAA levying a penalty of Rs. 50,000 in case of inaccurate reporting of SFT or failure to comply with due diligence requirements (for financial institutions in respect of FATCA reporting etc.) are sought to be made more stringent. Certain exceptions laid down in the Section are removed. However, the general exception for levy of penalty in case of “reasonable cause” is extended to the penalty under this Section as well.

Penalties (2/5)

Penalty for Non-disclosure of foreign income and assets – Amendment to Black Money Act

- Sections 42 and 43 of the Black Money Act provide for the levy of a penalty of INR 10 lakhs in respect of failure to furnish a return of income or furnishing of inaccurate particulars of foreign income or asset in the return of income filed by persons being a resident other than not ordinarily resident in India.
- An exemption from penalty levy was given if the asset was bank account(s) and the aggregate balance did not exceed INR 5 lakhs (at any time during the relevant year).
- The exception that has now been proposed to be extended is with respect to other assets (excluding immovable properties) where the aggregate value of such assets does not exceed INR 20 lakhs. This amendment is proposed to take effect from October 1, 2024 (i.e., for the return of income filed after 1st October 2024).

Our comments: The proposed amendment is pursuant to concerns raised by the stakeholders that the threshold limit provided exemption from penalty (i.e., INR 5 lakhs) is very low and it sometimes results in situations wherein the value of undisclosed asset was much lower than the amount of penalty imposed thereby resulting in hardship to the taxpayers even in cases of inadvertent omission of a very low value foreign asset. An increased limit of INR 20 lakhs would now address the above concern to certain extent.

In many instances, Indian professional/ seconded employees invest in social security schemes abroad or get ESOPs of foreign companies. Any non-disclosure of these assets are now de-penalized up to aggregate amount of INR 20 lakhs.

Penalties (3/5)

Penalty for failure to furnish statements

- Penalty under 271H was earlier applicable in case the delay is over a period of one year in filing statements of TDS or TCS. In order to enable easy access of credit by the deductees, the said period is now being reduced from 1 year to 1 month. Hence, if the deductor does not furnish the returns within the period of 1 month from the time prescribed, a penalty in the range of INR 10,000 to INR 100,000 can be levied by the officer.

Others

- Section 275 of the Act provides for the period of limitation for imposing penalties. Order imposing a penalty cannot be passed where the relevant assessment order or other order is the subject-matter of an appeal before the Appellate authority, after the expiry of the financial year in which the proceeding is completed or six months from the end of the month in which the order of the Appellate Authority is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, whichever is later.

- It is proposed to amend sub-sections (1) and (1A) of Section 275 so as to omit the reference to the date of receipt of order by the Principal Chief Commissioner or Chief Commissioner. This amendment is proposed to come into effect from October 1, 2024.

Penalty for not furnishing/ delayed filing of Form 49C by liaison offices

- Liaison offices are required to furnish a statement in Form 49C within 60 days from the end of the FY. The penalty is proposed to be introduced in case of non-compliance with the same. The exception in case of reasonable cause is extended to this penalty as well.

- In case the delay is less than 3 months, the penalty is INR 1000 per day of delay; other cases, it is INR 100,000

Other Amendments (4/5)

Tax Clearance Certificate

- Currently, Section 230 of the income tax provides for a certain category of persons when they leave India to obtain a tax clearance certificate (TCC) from the income tax authority stating no tax liability under the specified act. Now, an amendment is proposed to extend this requirement to Black Money Act. This is effective from October 1, 2024

Extension of timelines for notice and attachment of benami property

- Section 24(1) of BPT Act which deals with issue of notice to a person to show cause ('SCN') why a property should not be treated as benami property. However, it does not provide timeline for responding to SCN issued by the initiating officer.
- It is proposed in Finance (No. 2) Bill, 2024 that the response to the SCN shall be made within three months from the end of the month in which SCN is issued.
- Correspondingly, the period for which the property may be provisionally attached has been enhanced from 90 days to four months from the end of the month in which the SCN is issued.
- Further, the time limit for referring the case to the Adjudicating Authority where the property is provisionally attached has been enhanced from 15 days to one month from the end of the month in which the provisional attachment order is passed.

Other Amendments (5/5)

Insertion of Section 55A to the Benami Property Transaction Act, 1988

- Section 53(2) of the Prohibition of Benami Property Transaction Act, 1988 ('PBPT Act') imposes same amount of penalty/ sentence of prosecution for the benamidar or beneficial owner or any person who induces any person to enter into a benami transaction.
- The same quantum of penalty and prosecution in the case of beneficial owner and abettor/ benamidar, discourages benamidars from providing evidences regarding benami properties. Further, unlike the beneficial owners, the benamidars, in many cases, happen to be illiterate/ poor.
- In this regard, it has been proposed to insert Section 55A to the PBPT Act, which states that the initiating officer may tender immunity to a person (other than the beneficial owner) from the penalty for any offense under section 53 of the PBPT Act (with the sanction of the competent authority) with a view to obtain evidence regarding a benami transaction.
- Further, it has also been clarified that the initiating officer can withdraw the immunity granted if the person to whom the immunity was tendered does not satisfy certain conditions specified.

Our comments: In line with various other legislations which provides for a tender of immunity from prosecution/ reduced penalty in cases where the witness assists in the due process of law, the said amendment has been brought in to encourage persons other the beneficial owners (being a party to a benami transaction) to provide evidence regarding benami transactions with an objective to reduce the volume of/ discourage such transactions..

Charitable Trust and Institutions

Rationalization of provisions of charitable trust & institutions

- Generally, the income of any charitable trust or fund or institution is exempt from tax either under section 10(23C) or under section 12AA / 12AB, subject to fulfillment of conditions provided under the respective sections. As both regimes intend to provide similar benefits, the operational mechanisms and conditions under both regimes have been streamlined over the last few years.

- To simplify the exemption provision further, it is proposed to merge both regimes wherein the first regime (i.e., Section 10(23C)) would be gradually transited to the second regime (i.e., Section 12AA / 12AB). The following amendments are proposed in this regard:

Date of filing of approval application u/s 10(23C)	Regime under which approval would be granted	Other aspects
Before 01 October 2024	First regime (10(23C))	Exemption would be available till the validity of such approval
On or after 01 October 2024	Second regime (12AB)	Second regime would be the only regime under which the trust or institution can claim exemption.

- This amendment is proposed to come into effect from April 1, 2025.

Rationalizing of timelines for processing of application

- It is proposed to increase the timeline for processing of applications under Section 12AB and Section 80G. Earlier, the timeline to process the application was 6 months from the end of the month in which the Principal Commissioner or Commissioner received application. It is now proposed to increase this timeline to **6 months from the end of the quarter** in which the Principal Commissioner or Commissioner received application. This amendment is proposed to come into effect from October 1, 2024.

Exit Tax and Others

Exemption from exit tax

- Currently, Section 115TD(1) provides for the taxation on accreted income at MMR in case of trust or institution in situations relating to (i) In eligible conversion, (ii) merger with an entity other than entity having similar objects and it is a registered under 12A or 12AB or approval under certain clauses of 10(23C) or (iii) fails to transfer its assets on dissolution to another specified person within timeline allowed.

- It is proposed to insert a new Section 12AC which would provide that merger of a trust or institution registered under either of the regimes (say 10(23C)) with another trust or institution registered under the other regime (say 12AB) **would not attract the Exit tax provisions** subject to satisfaction of prescribed conditions.

- This amendment is proposed to come into effect from April 1, 2025.

Condonation of delay in filing the registration application

- It is proposed to empower the Principal Commissioner / Commissioner to condone the delay in filing of application by a trust seeking approval under Section 12AB. The said delay can be condoned only if there is a reasonable cause for not filing the application within time. This amendment is proposed to come into effect from October 1, 2024.

Vivad Se Vishwas

Speedy settlement of disputes

Reintroduction of "Direct Tax Vivad Se Vishwas Scheme" ('VSV Scheme 2024')

- To expedite the disposal of pending appeals, VSV Scheme was earlier introduced in Finance Bill, 2020 where option was provided to the taxpayer to settle the pending appeals before appellate forums by paying the disputed amount of tax. VSV Scheme, 2020 was in force till 31 October 2021.
- Considering the larger number of pending cases before various appellate authorities, Finance (No.2) Bill, 2024 has reintroduced the VSV Scheme, 2024 for pending cases as on 22 July 2024. The last date before which taxpayer could exercise the option provided under the scheme is yet to be notified by the Central Government.

Scope of VSV Scheme 2024

- Appeals pending before the appellate forum
- Writ/ Special Leave petition before the HC or SC
- Objections filed and pending before the DRP
- Final assessment order yet to be passed pursuant to directions issued by the DRP
- Revisionary proceedings pending before the CIT

Exclusions under VSV Scheme 2024

- Cases involving search u/s 132 or 132A
- Undisclosed income from foreign asset/ source
- Cases where prosecution has been instituted
- Cases picked based on information received under an agreement entered with foreign countries
- Persons punishable under specified laws (Bharatiya Nyaya Sanhita, 2023, Prevention of Smuggling Activities Act, etc.)

Speedy settlement of disputes

Amount payable and time limits under the VSV Scheme 2024

Particulars	Amount payable on or before 31st December 2024	Amount payable after 31st December 2024 but before the last date (yet to be notified)
Quantum Appeals filed up to 31st January 2020 (at the same appellate forum)	110% of the disputed tax	120% of the disputed tax
Quantum Appeals filed after 31st January 2020`	100% of the disputed tax	110% of the disputed tax
Other Appeals (i.e., Cases related only to interest, penalty, or fee) filed up to 31st January 2020 (at the same appellate forum)	30% of the disputed interest/ penalty/ fee	35% of the disputed interest/ penalty/ fee
Other Appeals (i.e., Cases related only to interest, penalty, or fee) filed after 31st January 2020	25% of the disputed interest/ penalty/ fee	30% of the disputed interest/ penalty/ fee

- The amount payable shall be 50% of the amount specified in the above table in following cases:
  - Appeals filed by the revenue authorities
  - Cases where a favorable decision in its own case from the higher appellate forum is received
- The total time limit for completion of pending cases under the VSV Scheme is 30 days from the date of filing declaration (15 days for processing the declaration and another 15 days for paying the disputed amount).

Speedy settlement of disputes

Our comments:

VSV Scheme does not provide for partial disposal of pending appeals (i.e. specific grounds) rather disposes the entire appeal. This might not benefit the taxpayers in cases where certain grounds in an appeal are favorable to the taxpayers based on settled judicial precedents by Supreme Court.

VSV Scheme, 2020 specifically covered cases where an order been passed by AO/ appellate authority and the timeline to file an appeal against the same has not expired as on the specified date. However, VSV Scheme 2024 does not cover the same.

The 2020 Scheme required a declarant who has initiated arbitration proceedings under any agreement entered into by India with any other country to withdraw the claims made therein before opting for this scheme. However, no such requirement has been provided under the 2024 scheme.

Proposed Amendments in GST

Un-denatured ENA excluded from the levy of GST

Proposed amendment

- Subject to the provisions of sub-section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption **and un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption**, on the value ……..`

Our comments: To resolve disputes regarding the levy of VAT/GST on Extra Neutral Alcohol (ENA), the GST Council in its 53rd meeting recommended excluding ENA from GST. Consequently, un-denatured ENA or rectified spirit used in the manufacture of alcoholic liquor for human consumption will be excluded from GST, similar to the supply of alcoholic liquor for human consumption. Following this amendment, ENA will be subject to local VAT.
This provision has been inserted into the IGST Act, UTGST Act, and the GST (Compensation to States) Act.

Open Issues:
1) Whether the amendment would be retrospective/retroactive in effect ?
2) Whether GST paid from 2017-2024 would be refunded ?
3) Whether demands raised under VAT provisions would be confirmed ? Interest + penalty waiver ?

Effective date of implementation : Effective from a notified date.

Power not to recover GST not levied or short-levied as a general practice

Proposed Insertion

- Section 11A of the CGST Act is proposed to be inserted to regularize non-levy or shorty levy of GST, by way of issuance of notification, where the non-levy or short levy was a result was a result of general practice

Our comments:

- The insertion of new provision seeks to grant power to the Government to regularize instances where GST was not levied or was short-levied due to common prevalent trade practices.
- The said provision is being incorporated strategically to give power to the Government to grant exemption where GST was either not levied or levied inadequately due to prevalent trade practices.
- Similar provisions were also present in the Central Excise Act,1944 (Section 11C) and the Customs Act,1962 (Section 28A). The said provision has also been inserted in IGST Act, UTGST Act and GST(Compensation to states) Act.
- The primary objective of this provision is to resolve historical issues and minimize sectoral legal disputes. The sectors where the amendment may provide relief is anticipated to be Online Gaming, Transport etc.

Open Issues :

1) Whether provision can be used to grant waiver for past transactions.
2) Requirement of Section 11A when Schedule III is present

Effective date of implementation : Effective from a notified date.

Extension of time limit for availment of ITC

Proposed insertion

- In respect of an invoice or debit note for supply of goods or services or both pertaining to the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in return GSTR 3B which is filed upto the thirtieth day of November 2021.
- However, no refund can be claimed with respect to tax already paid or ITC reversed on account of allegation made with respect to time limit.

Our comments: The amendment is beneficial to the assessee by providing an extended limit for availing the ITC for the earlier period of implementation of GST. Many Show Cause Notices have been issued alleging that ITC is to be reversed where supplier has filed belated GSTR-1. The comparison of time limit prior to the said insertion is tabulated below:

Financial year	2017-18	2018-19	2019-20	2020-21
Time limit for availment of ITC pre-amendment.	April 2019	October 2019	October 2020	October 2021
Time limit extended vide insertion.	30th November 2021	30th November 2021	30th November 2021	30th November 2021

Open Issues:

1) Reclaim of ITC when reversal were already made. Are refund and reclaim different ?
2) ITC which are omitted to be claimed ? Option to claim Credit today?

Effective date of implementation : Effective retrospectively from July 1, 2017.

Monthly filing of Return GSTR-7 by TDS Deductor

Proposed insertion

- The persons required to deduct tax under GST will be required to file return in form GSTR 07 every calendar month irrespective of whether deduction was made or not.
- Prior to the said amendment the tax deductor is required to file the said return only for those months in which TDS was deducted within 10th of month prior to the month of deduction.

Our comments:

- Pursuant to amendment, the TDS deductor will be required to pay the amount and file the return in Form GSTR 7 within 10th of every calendar month.

Effective date of implementation : Effective from a notified date.

Eligibility for availing ITC in cases involving revocation of cancellation

Proposed insertion

- If the registration was cancelled for a registered person and the said cancellation is revoked thereafter, the ITC on invoices and debit notes would be available to the recipient subject to the later of the following events:-
- ITC with respect to invoices/debit notes of any FY shall be availed earlier of thirtieth day of November/ due date of filing annual return.
- By filing form GSTR 3B within the aforesaid time limit or within thirty days from the date of order of revocation of cancellation of registration.

Our comments: The time limit to avail input tax credit in respect of an invoice or debit note, in cases where returns for the period from the date of cancellation of registration/ effective date of cancellation of registration till the date of revocation of cancellation of the registration, will be extended till the date of filing the said GSTR-3B return, subject to certain conditions, if the said return is filed by the registered person within thirty days of the order of revocation of cancellation of registration.

Illustration to interpret: If the date of cancellation of registration is May 1, 2020 pertaining to the FY 2020-21 and date of order of revocation of cancellation is February 1, 2023, the invoices of intervening period form May 1, 2020 – February 1, 2023 can be availed by filing return GSTR 3B within 30 days of order of revocation (later than due date of GSTR 9 of FY 2020-21).

Effective date of implementation : Effective retrospectively from July 1, 2017.

Authorised representatives can appear on behalf of person summoned

Proposed insertion

- The Government has empowered the persons summoned to appear either in person or by a person authorised to be appeared on behalf of the said person at the discretion of the proper officer.
- Thus, contrary to the current mandate, the person summoned can now authorize a representative as qualified to act as such under provisions of GST to appear before the proper officer.

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Our comments:
At present, a person who has been summoned is required to attend the same. However, post insertion, even authorised representative would be allowed to attend at the direction of the officer. Thus, the Government has empowered the officer to direct such summons. The list of authorised representatives who are eligible to attend the officer under summons is given under section 116(2) of CGST Act, 2017 which includes Chartered Accountants, Advocates, relative or regular employee of the person summoned.

Effective date of implementation : Effective from a notified date.

Insertion of provisions with respect to recovery and proceedings (1/2)

Proposed insertion

- The two major sections, Section 73 and 74 dealing with recovery of taxes has been merged into a single section – Section 74A effective from FY 2024-25.
- This Section would now encompass the provisions relating to recovery of both cases involving and not-involving fraud, suppression and willful misstatement. For ease of reference, a comparison statement of the existing Section 73, and Section 74A is made hereunder:

Basis of Comparison	Section 73	Section 74	Section 74A
Applicability	Upto F.Y. 2023-24	Upto F.Y. 2023-24	From F.Y. 2024-25 Onwards
Scope	Non-payment, short payment, erroneous refund, or ITC wrongly availed or utilised without fraud or wilful misstatement	Non-payment, short payment, erroneous refund, or ITC wrongly availed or utilised due to fraud or wilful misstatement	Non-payment, short payment, erroneous refund, or ITC wrongly availed or utilised in all cases (both involving fraud, suppression etc and normal cases)
Time limit for Issue of Notice	At least 3 months prior to the issue of Order. Outer time limit for order specified	At least 6 months prior to the issue of Order. Outer time limit for order specified	Within 42 months from the due date of furnishing the annual return for the financial year or from the date of erroneous refund
Waiver of Notice	No Minimum amount prescribed	No Minimum amount prescribed	No Notice if the amount of tax due is less than Rs.1,000

Insertion of provisions with respect to recovery and proceedings (2/2)

Basis of Comparison	Section 73	Section 74	Section 74A
Issuance of Order	Within 3 Years from the due date of furnishing annual return for the FY.	Within 5 Years from the due date of furnishing annual return for the FY.	Within 12 months from the date of issuance of notice.
Waiver of Notice	No Minimum amount prescribed	No Minimum amount prescribed	No Notice if the amount of tax due is less than Rs.1,000
Waiver of penalty prior to SCN	If 100% Tax amount + Interest u/s 50 paid - No Penalty	If 100% Tax amount + Interest u/s 50 paid - penalty of 15% of tax paid - Balance 85% penalty waived	Same provisions maintained
Upon issue of notice, period for seeking waiver of penalty **If tax paid after notice within 30/60 days**	30 days. If 100% Tax amount + Interest u/s 50 paid - No Penalty	30 days If 100% Tax amount + Interest u/s 50 paid - penalty of 25% of tax paid - Balance 75% penalty waived	60 days. Same provisions maintained
Upon issue of Order, period for seeking waiver of penalty	30 days	30 days	60 days
If tax paid after order within 30/60 days	100% Tax amount + interest Paid Penalty - higher of 10% of tax paid or Rs. 10,000.	100% Tax amount + interest Paid Penalty - higher of 50% of tax paid or Rs. 10,000.	Same provisions maintained

Effective date of implementation : Effective from a notified date.

Reduction in Pre-deposit Amounts for Appeals

Pre-deposit – First Appellate Authority

10% upto Rs. 25 crores CGST and Rs. 25 crores SGST(Rs. 50 crore in case of IGST)

↓

10% upto Rs. 20 crores CGST and Rs. 20 crores SGST (Rs. 40 crore in case of IGST)

Pre-deposit – GST Tribunal

20% with a maximum amount of Rs. 50 crores CGST and Rs. 50 crores SGST(Rs. 100 crore in case of IGST)

↓

10% with a maximum of Rs. 20 crores CGST and Rs. 20 crores SGST(Rs. 40 crore in case of IGST)

Effective date of implementation : Effective from August 1, 2024 and thereafter.

Other Proposed Amendments (1/3)

ITC blocked only for demands upto FY 2023-24

- The Clause 115 of the Bill proposes an amendment to sub-clause (i) of Section 17(5) of the CGST Act, limiting the blockage of input tax credit for taxes paid under Section 74 to demands only up to FY 2023-24.
- Prior to the said amendment, ITC was blocked on taxes paid under the demand involving fraud, demand made by detention and confiscation of goods.
- Post amendment, non availability of ITC) is now restricted only to taxes paid under for demands involving fraud up to FY 2023-24.

Effective date of implementation : Effective from a notified date.

Deemed conclusion of proceedings

- The proceedings for which SCN was issued shall be deemed to be concluded if the order for the same is not issued within the time limit given below:
- For the period upto FY 2023-24, Within 3 Years from the due date of furnishing annual return for the FY for cases not involving fraud.
- For the period upto FY 2023-24, Within 5 Years from the due date of furnishing annual return for the FY for cases involving fraud.
- For the period starting from FY 2024-25, Within 12 months from the date of issuance of notice.

Effective date of implementation : Effective from a notified date.

Other Proposed Amendments (2/3)

Sunset clause for Anti-profiteering

- The Government to notify the date from which the Anti Profiteering Authority shall not accept any application for anti-profiteering cases.
- Further, the Principal Bench of the GST Appellate Tribunal has been empowered to handle anti-profiteering cases.

Effective date of implementation : Effective from a notified date.

Transitional Credit from ISD

- Taxpayers are now enabled to avail 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.
- Before the said amendment, only those invoices received on or after the appointed day are eligible for distribution by the ISD.
- Post amendment, those invoices which are received even before the appointed day are eligible for distribution by ISD.

Effective date of implementation : Retrospectively effective from July 1, 2017.

Other Proposed Amendments (3/3)

Curtailing Refund on products suffering export duty

- No refund of unutilised input tax credit or IGST paid on zero rated supplies made shall be allowed where the goods supplied are subject to export duty under Customs Tariff Act.
- In all cases where the zero-rated supplies (exports and supply to SEZ) are subject to export duty, such as supply of Granite, Iron ore, Raw cotton and unmanufactured tobacco, refund of unutilized ITC and IGST paid on such supply would not be allowed.L

Effective date of implementation : Effective from a notified date.

Time for filing appeals in GST Appellate Tribunal

Amending Section 112 of the CGST Act, 2017

To allow the three-month period for filing appeals before the Appellate Tribunal from **Notified date**

Effective date of implementation : Effective from 1August 1, 2024 and thereafter.

Amnesty Scheme for FY 2017-18 to FY 2019-20 - Waiver of interest & penalty

Proposed insertion

- The introduction of this section seeks to waive interest and penalty or both relating to demands raised for non-fraud cases for the period starting from July 1, 2017 to March 31, 2020 and once the payment has been made the proceedings are deemed to be concluded. Thus, no appeal against the concluded demand can be made.
- The following conditions needs to be addressed for availing the benefit of the insertion:

1. The person should have paid the entire tax as demanded before the date notified by the government;
2. The said waiver shall apply only to non-fraud cases;
3. The said waiver shall not apply to cases initiated on account of erroneous refunds;
4. Not applicable if the person has initiated and not withdrawn the appeal/writs filed against the demand.

Our comments –

- The new provision provides amnesty for the existing litigation, covering demands for the period from July 1, 2017 to March 31, 2020. The amnesty provides for conditional waiver of interest and penalty in respect of demand notices issued under section 73 of the said Act for the Financial Years 2017-18, 2018-19 and 2019-20, excluding cases of erroneous refunds.
- The provision requires that the entire amount of tax being disputed in the issue must be paid for claiming amnesty. Hence, if a SCN/Order has multiple issues, the assessee may not pick and choose issues for claiming amnesty.
- Cases where notice was issued under Section 74 but reclassified under Section 73 by Appellate Authority / Tribunal / Court are also covered.
- If any matter under amnesty is in dispute before any forum where the Department has filed an appeal and the demand is enhanced in such appeal, the Assessee would be required to pay the differential amount for continuing to claim the benefit of the amnesty. On the other hand, if the assessee has preferred an appeal or a writ, amnesty can be claimed only if such appeal/writ is withdrawn. No refunds will be granted for interest and penalties which are already paid.

Schedule III - Activities of insurance not considered as supply:

Proposed insertion

The following activities would neither be considered as supply of goods nor as supply of services for the insurance industry:

1. Activity where lead insurer apportions co-insurance premiums to the co-insurer, with the lead insurer bearing tax liability on the entire premium paid by the insured in coinsurance agreements. agreements provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.
2. Services provided by insurers to reinsurers, where the ceding commission or reinsurance commission deducted from the reinsurance premium is accounted for by the reinsurer, inclusive of tax liability on the gross reinsurance premium

Our comments - The insurance sector has been facing notices on this point. The Government has now notified the activities of apportionment of co-insurance premium and reinsurance as non-supply transactions. At the same breadth, these have not been given effect to from retrospective effect. Hence, the pending litigations for these matters are to be evaluated.

Effective date of implementation : Effective from the date of enactment of the Finance Act 2024-25.

Customs Proposals

Proof of origin under CAROTAR

Proposed amendment

- With regards to the procedure for claiming preferential rate of duty, the terms “Certificate of Origin” is proposed to be substituted with “Proof of Origin”.
- “Proof of Origin” is defined to mean a certificate or declaration issued in accordance with a trade agreement which establishes that the goods fulfil the requirements such as the country of origin criteria.

Our comments

- The amendment to provide for provision of a proof of origin which expression includes a certificate of Origin or declaration by the designated authority or a person so designated in a given Trade Agreement.
- The DO letter by JS/ TRU explains that this amendment has been introduced to align new Trade Agreements that provide for self-certification.
- The India-UAE CEPA is now the only trade Agreement that refers to a proof of origin and provision of origin declaration by an exporter.
- The amendments are to align the law with the India-UAE CEPA and probably other future agreements such as UK FTA.

Effective date of implementation : Effective from rom the date of enactment of the Finance (No. 2) Bill, 2024.

Power to notify sectors ineligible for MOOWR

Proposed amendment (Section 65)

- Central Government is given power to specify manufacturing processes and operations in relation to **class of goods that shall not be permitted in a warehouses**.
- Under the Customs law, subject to conditions, the owner of any warehoused goods is allowed to carry on operations such as manufacturing in the warehouse, in relation to such goods.
- Pursuant to the amendment, the Government may prescribe certain class of goods which shall not be permitted from carrying out operations in the bonded warehouses.

Our comments –The Government previously issued instruction barring solar power-generating plants from accessing benefits under the MOOWR. This instruction was overturned by the Delhi High Court in a batch of petition (M/s Acme Heergarh Powertech Private Limited v UOI), asserting that such instruction exceeded governmental authority.

In response, amendments to the MOOWR provisions have been enacted to address this issue. Consequently, renewed directives may soon be anticipated, explicitly excluding certain class of goods from operating under MOOWR.

Effective date of implementation : Effective from rom the date of enactment of the Finance (No. 2) Bill, 2024.

Retrospective exemption from Compensation Cess to SEZ

Proposed amendment (Section 25(1))

- The Customs Notification dated July 12, 2024 providing exemption of Compensation cess on imports by SEZ units and SEZ developers has been made effective retrospectively from July 1, 2017.
- The Notification was notified with effect from July 17, 2024. The proposed amendments gives retrospective effect to the notification.
- However, the amendment does not specify as to whether Compensation Cess paid on goods imported by SEZ units / developers for authorised operations till 14 July 2024 would be refunded or not.

Effective date of implementation : Effective from rom the date of enactment of the Finance (No. 2) Bill, 2024.

Other Amendments (1/4)

Withdrawal of various concessional entries in the Notification 50/2017 Cus

Four different dates have bene notified for withdrawal of various concessional entries in the Notification 50/2017 Cus.

- October 1, 2024
- March 31, 2025
- March 31, 2026 and
- March 31, 2029

Individual entries have to be seen for the applicable sunset date.

Effective date of implementation : Effective retrospectively from July 1, 2017.

Power to prescribe specific procedures to any other persons

- Government have amended these provision to substitute the expression “a class of importers or exporters” with “a class of importers or exporters or any other persons”.
- Now, Government can prescribe separate procedure or documentation for a person in addition to a class of importers or exporters or for categories of goods or on the basis of the modes of transport of goods, with the objective of facilitating trade.
- The Regulation making powers under Section 157 has also been suitably amended to provide for the Regulations to cover ‘any other person’.
- We have to wait and see who the ‘other persons’ will be in the opinion of the Government and whether any such prescription will face any legal challenge on grounds of discrimination.

Effective date of implementation : Effective from the date of enactment of the Finance (No. 2) Bill, 2024.

Other Amendments (2/4)

Health cess on 100% EOU imports now exempt

Health Cess is now exempt for imports made by 100% EOUs. Necessary changes have been made to Notification 08/2020 Cus dated February 2, 2020. Notification No 35/2024-Customs dated July 23, 2024 refers.

Effective date of implementation : The change comes into effect from July 24, 2024.

Exemption of Customs duty on imports of Crude Soya-bean oil and Crude Sunflower seed oil

- The Customs Notification issued on May 10, 2023 with respect to exemption of Customs duty leviable on imports of Crude Soya-bean oil and Crude Sunflower seed oil, is now made effective from April 01, 2023 to June 30, 2023.
- The exemption, subject to certain conditions, was initially provided with effect from May 11, 2023 to June 30, 2023, and now made effect from April 1, 2023.
- The amendment also provides that refund can be claimed for duties paid for the period April 1, 2023 by making an application on or before the March 31, 2025.

Effective date of implementation : Effective from April 1, 2023 (ending with June 30, 2023).

Other Amendments (3/4)

Exemption and concessional rates of BCD for minerals/ ores. Metal compounds

- An omnibus Notification has been introduced prescribing full exemption or a concession rate of BCD to a host of minerals, ores, concentrates and metal compounds.
- The most important among these are:-
  - Copper concentrates (full exemption) used in the refining of copper
  - Lithium oxides, Lithium hydroxides, cobalt oxides Lithium carbonated
- Copper refineries and Lithium ion battery manufacturers should find this exemption very useful.

Effective date of implementation : The change comes into effect from July 24, 2024.

Changes in Concessions in rates

- Reduced rate of 15% for cellular mobile phones and specified parts of cellular mobile phones.
- Changes in the duty rates and concessions have been made to the raw materials, parts etc used in the manufacture of catalytic converters:
- Exemption for specified goods for use in the manufacture of Photovoltaic Modules/ parts thereof
- Exemption for specified goods for use in the manufacture of Photovoltaic Modules/ parts thereof
- Concessional rate of BCD at 5% continued till 31 March 2026 for Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile phone, and electrically operated vehicle or hybrid motor vehicle

Effective date of implementation : The change comes into effect from July 24, 2024.

Other Amendments (4/4)

Aircraft and vessels imported for maintenance, repair and overhauling

- Time limit extended for export from 6 months to 1 year, further extendable by 1 year.

Duty free re-import of goods exported under warranty

- Time limit extended for export from 3 years to 5 years, further extendable by 2 years
- Reimport of Goods should not under export promotion schemes

Changes in the applicable rates of BCD on precious metals

Rates of BCD, SWS and AIDC have bene reduced on Gold, bards, Gold dore, Platinum silver bar and silver dore. The applicable BCD, AIDC and SWS will be as under:

Commodity	BCD		AIDC		SWS		Total effective duty
	From	To	From	To	From	To	
Gold Bars	10%	5%	5.00%	1%	Nil	Nil	6%
Gold Dore	10 %	5%	4.35%	0.35%	Nil	Nil	5.35%
Platinum	10%	5%	5.40%	1.40%	Nil	Nil	6.40%
Silver Bar	10%	5%	5.00%	1%	Nil	Nil	6%
Silver Dore	10%	5%	4.35%	0.35%	Nil	Nil	5.35%

Effective date of implementation : The change comes into effect from July 24, 2024.

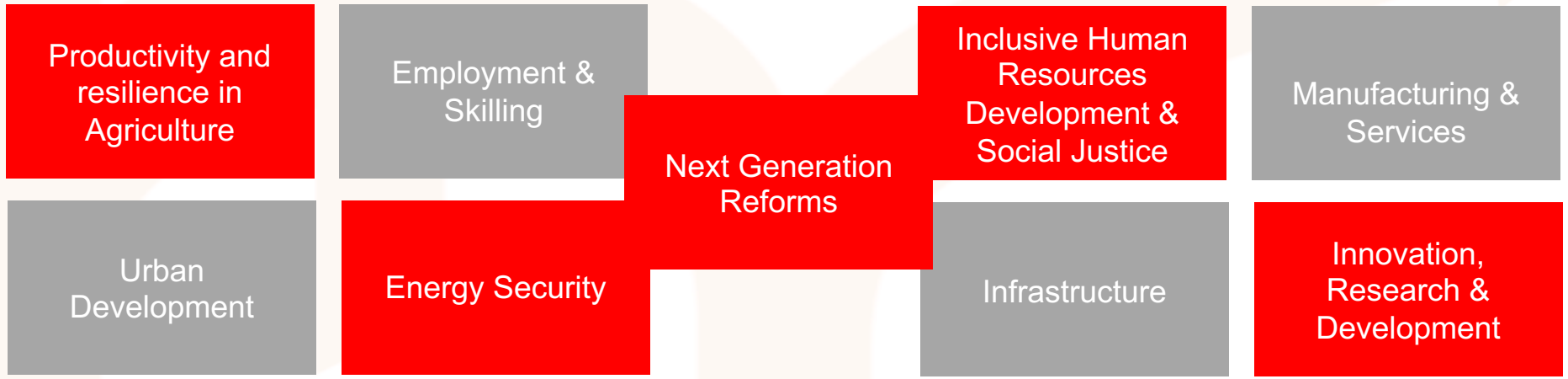
Other Policy Announcement

Key themes of the Union Budget 2024-25

- The Interim Budget for the FY 2024-25 focused on the upliftment of four major castes ‘Garib’ (Poor), ‘Mahilayen’ (Women), ‘Yuva’ (Youth) and ‘Annadata’(Farmer).

- The Union budget 2024-25, particularly, focuses on employment, skilling, MSMEs, and the middle class and for all-around prosperity. The budget also details nine priorities for generating ample opportunities for all and suggests specific actions and reforms required to realise the goal of Viksit Bharat.

- The Union Budget had nine priorities as listed below:



Financial Support to MSMEs

The Micro Small & Medium Enterprises (MSME) sector contributes to more than 30% of India's GDP. MSMEs are dependent on informal Credit channels/ formal credit channels with relatively high cost as they lack collateral for availing credit. This budget aims to assist the MSMEs by extending a credit arm to the MSMEs for the purpose of their growth and development.

The following are the Key aspects covered w.r.t to financial assistance to MSMEs:

1. Facilitating MSMEs for availing Term loan by way of setting up a **Self-Financing Guarantee Fund** providing a guarantee cover upto Rs. 100 Crore. Collateral or third-party guarantees for availing Term loans were removed. MSMEs will be charged an upfront as well as an annual guarantee fee to avail of this scheme.

2. New method of Credit assessment for MSMEs based on their scoring of digital footprints in the economy over the traditional approach.

3. **Continuation of the bank credit** by supporting through a guarantee backed by a Government Fund, even at the time of **stress periods (SMA stage)** to avoid NPA stage.

4. Enhancement of Mudra Loan Limit for entrepreneurs who have availed and repaid the loans successfully.

5. Facilitating working capital needs of MSMEs through reduction threshold limits in Trade Receivables Discounting System (TReDS) portal is reduced from **Rs. 500 Crores to Rs. 250 Crores**.

Promotion of Manufacturing & Sales

Internship in Top Companies:

Skill development of youth is proposed through launching a comprehensive scheme for providing internship opportunities in 500 Top Companies, along with an internship allowance of Rs. 5,000 per month and one-time assistance of Rs. 6,000. Companies shall bear the training costs and **10 % of the Internship Cost from CSR Funds. The cost sharing (per annum) for the internship cost shall be as follows:**

S. No	Particulars	Government Subsidy	Company	Total Cost	CSR expenditure to Company
1	Internship cost	54,000	6,000	60,000	6,000
2	One time assistance cost	6,000	-	6,000	-
3	Training cost	-	At actuals	At actuals	At actuals

Other Conditions:

- Ineligible candidates (indicative list)
  - Candidate has IIT, IIM, IISER, CA, CMA etc. as qualification
  - Any member of the family is assessed to Income Tax
  - Any member of the family is a government employee, etc.

- Company is expected to provide the person an actual working experience on a skill in which the company is directly involved.

Ease of doing Business

- The Government aims to continuously work on the simplification of procedures and ensuring ease of doing business. The Government has already decriminalized around 40 acts
- Further, the Govt aims to further enable ease of doing business by drafting & implementation of Jan Vishwas Bill 2.0.
- The Govt. also proposes to implement the following with respect to facilitate ease of doing business:
  - Setting up an Integrated Technology Platform over the Insolvency and Bankruptcy Code (IBC) process.
  - Centre for Processing Accelerated Corporate Exit (C-PACE) extended to to LLP's for voluntary exit.
  - To establish additional NCLT and NCLAT tribunals (to speed up the debt recovery process.

Employment Linked Incentives (Contd.)

The Government has envisaged to implement the following schemes to incentivize on employment generation. While the specific Rules / Notification regarding the scheme is yet to be notified by the Government, the contours of the scheme have been listed in the annexure to the budget speech:

S.no	Particulars	Scheme 1 - First Timers	Scheme 2 - Job creation in manufacturing	Scheme 3 - Support to employers
1	Benefit , and benefit payout	a. One month's wage - Maximum 15,000 (Overall) b. Benefit Payout shall be in 3 installments (Yearly)	**Year** / **Incentive (as % of wage / salary, shared equally between employer & employee)** 1 — 24 2 — 24 3 — 16 4 — 8	For two years Government will reimburse EPFO employer contribution [up to] Rs. 3,000/month to the Employer for the additional Employees hired in the previous year.
2	New employee definition	New EPFO employees	New EPFO employees	Both - New EPFO and old EPFO
3	Sector	All sectors	Only Manufacturing	All sectors
4	Salary limit	Less than Rs 1 Lakh p.m.	Salary upto Rs 1 lakh p.m.	Salary does not exceed Rs 1 Lakh p.m.

Employment Linked Incentives (Contd.)

S.no	Particulars	Scheme 1 - First Timers	Scheme 2 - Job creation in manufacturing	Scheme 3 - Support to employers
5	Other applicability conditions	-	a. Employer must hire at least the following number of previously non- EPFO enrolled workers lower of: -->50 or -->25% of the baseline (previous year's number of EPFO employees) b. Wage/ salary cap - up to 1 lakh per month subject to contribution to EPFO and registration.	a. Applicable to an employer who: -->Increases employment above the baseline (previous year's number of EPFO employees) by at or 5 employees depending on employee levels and sustains the higher level, and --> For employees whose salary does not exceed Rs 1 Lakh per month
6	Non-Compliance to the condition	Repayment of Subsidy if the employment to first timer ends within 12 months of recruitment.	a. Requirement to maintain enhanced employment throughout to continue subsidy b. Repayment of Subsidy if the employment to first timer ends within 12 months of recruitment.	-
7	Enrollment Duration (In Years)	2	2	2

Employment Linked Incentives (Contd.)

S.no	Particulars	Scheme 1 - First Timers	Scheme 2 - Job creation in manufacturing	Scheme 3 - Support to employers
8	Other points	Employee must undergo compulsory online Financial Literacy course before claiming the second instalment	a. This subsidy will be in addition to benefit under Part-A b. Employee must be directly working in the entity paying salary/wage (i.e. in-sourced employee). c. For those with wages/salary > Rs. 25,000/month, incentive will be calculated at Rs. 25,000/month.	a. This subsidy will be in addition to benefit under Part-A. b. Not applicable for those Employees covered under Part-B. c. If the employer creates more than 1000 jobs: ➢Reimbursement will be done quarterly ➢Subsidy will continue for the 3rd and 4th year on the same scale as Employer benefit in Part-B

Youth Skilling Program & Encouragement of Women in Workforce

- A key focus of the Union budget is generating employment and bringing large sections of the young workforce from the informal to the formal sector. The Union budget has allocated **Rs. 1.48 lakh crores** for **education, employment and skilling** to alleviate concerns over unemployment, by rolling out schemes aimed at bringing **youth, women and skilled workers into the labour force**.

- The following are the key reforms which focuses on the development of skilled youths and women:

  - As a measure to encourage the involvement of women in workforce, the Government has engaged partnerships to **organize skilling programs for women and promoting the market access** for Women Self Help Groups.

- This in turn will help the Women to get easy access to the following skill-based programs:

  - Long-Term Skill Development Training for women
  - Pradhan Mantri Kaushal Vikas Yojana
  - Recognition of Prior Learning

Youth Skilling Program & Encouragement of Women in Workforce

The Government has also introduced a centrally sponsored scheme for youth skilling which envisages to create **20 Lakh skilled over a 5 Years** period by way of **upgrading 1000 Industrial Training Institutes**.

Scheme	Eligibility	Assistance provided
Model Skill Loans	Individuals enrolling themselves for the skill development courses	Loan facilitation and guarantee from a Government promoted Fund upto Rs. 7.5 Lakhs by with an annual interest subvention of 3% of the loan amount
Educational Loans	Youths who are not eligible for any other Government Assistance / Schemes	Financial Assistance upto Rs. 10 Lakhs for Higher Education

Next Generation Reforms

Land Related Reforms

The Government is intending the streamline the land related statistics and hence proposed the following reforms:

- Assigning Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands.
- Digitization of cadastral maps
- Survey of map sub-divisions as per current ownership
- Establishment of land registry, and
- Linking to the farmers registry
- Digitizing Urban Lands with GIS mapping.
- Information Technology based system for property record administration, updating, and tax administration.

Taxonomy for climate finance

Develop a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation, in pursuit of achieving the country's climate commitments and green transition.

Variable Capital Company structure

Legislative approval for providing an efficient and flexible mode for financing leasing of aircrafts and ships, and pooled funds of private equity through a 'variable company structure'.

Our offices

M2K Advisors

India - Chennai
M2K Advisors LLP
7th Floor, Briley One,
No. 30/ 64 Ethiraj Salai,
Egmore, Chennai – 600 008,
Tamil Nadu, India

India - Bengaluru
M2K Advisors LLP
WeWork, No.43, Residency
Road, Shanthala Nagar,
Ashok Nagar,
Bengaluru 560025

Singapore
M2K Advisors Pte Ltd
The Octagon,
105 Cecil Street, #13-02
Singapore 069534

USA
M2K Advisors Inc
16192 Coastal Highway,
Lewes, County of Sussex,
Delaware - 19958

UAE
M2K Advisors LLC
Shams Business Center
Sharjah Media City Free Zone,
AI Messaned, Sharjah,
United Arab Emirates

Australia
M2K Advisors Pty Ltd
Unit 605E, 888 Collins St,
Docklands VIC 3008,
Australia

For any queries, reach us at:
knowledge@m2k.co.in; +9144 4263 9000