

INTERIM BUDGET 2024



VIKSIT BHARAT



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FOREWORD

This budget shows that the Government has picked fiscal prudence over becoming a populist budget. Buoyed by the recent assembly election wins in 3 states, the NDA government's last budget before the much-awaited Lok Sabha elections proves to be an uneventful affair with no major announcements.

The Budget revolved around 4 pillars – Gareeb (Poor), Naari (Women), Yuva (Youth) and Annadaata (Farmers) with the Government highlighting the success of the existing welfare schemes for all 4 categories.

The Government's focus indicates a faster trajectory to achieving the goal of becoming a \$5 trillion economy set by the Hon'ble Prime Minister. The Hon'ble FM has coined the new meaning of the term GDP as 'Governance, Development and Performance'.

No mega announcements in tax areas were made, however, the resolution of disputed tax demands upto INR 25,000 & INR 10,000 is a welcome move reducing the burden of rectifications for both the revenue and the taxpayers. The goal of Viksit Bharat by 2047, the 100th year of independence, is advanced by the increased focus on growth areas such as capital expenditure, infrastructure, multi modal transport, dedicated railway corridors and increased air connectivity. Along with economic growth, the announcements encompassing green energy, electric vehicles, rooftop solarisation show the sensitivity towards climate change and a zest for achieving a cleaner and greener environment. The benefit of reduced tax rates for new manufacturing companies has not been extended which seems contrary to the expectation.

The budget speech was surprisingly silent on the emerging concept of Artificial Intelligence; however, the Hon'ble FM has applauded the fact that India is showing solutions through innovation and entrepreneurship of its people.

This Government's agenda continues to be 'Minimum Government, Maximum Governance' and Budget 2024 certainly helps fortify that image alongwith continued efforts towards Ease of Doing Business and Ease of Compliance. This is evident from the fact that average processing time of income tax returns has reduced from 93 days to 10 days as compared to the year 2013-14.

No change has been made in income tax rates and the status quo has been maintained. Now we need to wait and watch till the final budget is presented.

And thus, the question - When no one is unhappy, would it mean that everyone is happy?

February 1, 2024

Mumbai

KEY HIGHLIGHTS

The government has brought 10 million smiles to taxpayers by eliminating outstanding demands below 25K upto FY 2009-10 and below 10K upto FY 2014-15. This also means they are using their database wisely.



Sandeep Shah
Managing Partner



Parag Mehta
Partner - Indirect Tax

GST Council had in its 50th Meeting on 11th July 2023 had proposed amendment to be made in GST law to make Input service Distributor (ISD) mechanism mandatory for allocation of common expenses. Suitable amendments have been introduced in the CGST Act for the same in the interim budget. The mechanism of cross charge and ISD will have to be reviewed and brought in line with the proposed amendments by all business entities having multi state presence. Suitable amendments are also proposed for manner of distribution of Input Tax Credit between distinct entities (i.e. inter branch units in different states). Additional compliance and change in accounting system will have to be made by the trade.

Increased capital outlay on infrastructure and railways would ensure that the momentum on the capex spending and infra development continues.



Prashant Daftary
Partner - Audit & Assurance



Aastha Dhowan
Partner - Direct Tax

The average processing time to process income tax returns having come down to 10 days from 93 days is a fantastic indicator of innovation in technology being used in the right direction.

I DIRECT TAX

A TAX RATES

- ◆ No change in tax structure and rates (including surcharge and health and education cess)

B EXTENSION OF SUNSET CLAUSE FROM 31ST MARCH 2024 TO 31ST MARCH 2025

FOR ELIGIBLE START UP

- ◆ Presently, eligible start-ups incorporated upto 31st March 2024 are eligible for deduction of profits for 3 consecutive years
- ◆ It is now proposed to extend the eligibility for incorporation of startups upto 31st March 2025

FOR UNITS OF IFSC SETUP IN SEZ

- ◆ Presently, if IFSC Unit in SEZ commences its business of leasing aircraft/ship upto 31st March 2024, then;
 - the gain on sale of aircraft/ship was eligible for 100% deduction.
 - Royalty or interest income from above Unit to non-resident was exempt
- ◆ It is now proposed to extend above commencement date to 31st March 2025

FOR INCOME OF SPECIFIED FUND FROM INVESTMENT DIVISION OF OFFSHORE BANKING UNIT

- ◆ Presently, income of a Specified Fund attributable to investment division of offshore banking unit of IFSC in SEZ which has commenced its operation before 31st March 2024 was an exempt income
- ◆ It is now proposed to extend the above commencement date to 31st March 2025

FOR INCOME OF SPECIFIED ENTITIES

- ◆ Presently, specified income of a WOS of the Abu Dhabi Investment Authority, Pension Fund and Sovereign Wealth Fund was exempt from tax if the investment was made upto 31st March 2024
- ◆ It is now proposed to extend the above date upto 31st March 2025

FOR FORMULATION OF FACELESS SCHEME

- ◆ Time limit for formulation of faceless scheme for TP Assessment, International Tax Assessment, Dispute Resolution Scheme and ITAT Appeals is extended to 31st March 2025

C TCS ON REMITTANCES UNDER LRS AND OVERSEAS TOUR PACKAGES

- ◆ The amendments notified by CBDT vide Press Release dated 28th June 2023 for TCS on remittance under LRS are proposed to be enacted
- ◆ No TCS for remittance under LRS upto INR 7 Lakh. For remittances above INR 7 lakhs, 5 percent if for the purpose of medical treatment and education and 20 percent in other cases
- ◆ TCS at 5 percent on overseas tour package upto INR 7 Lakh and 20 percent above INR 7 lakhs

II GOODS AND SERVICES TAX ¹

A MANDATORY REGISTRATION AS INPUT SERVICE DISTRIBUTOR (ISD)

- ◆ In the 50th GST Council meeting held on 11th July 2023, it was recommended to make ISD mechanism mandatory prospectively for distribution of ITC of common input services procured from third parties for or on behalf of distinct persons (GST registrations under same PAN in one or more State/Union Territory)
- ◆ To give effect to above recommendation, it is now proposed to mandatorily obtain registration as an ISD and distribute the ITC of common input services including services liable to tax under RCM among such distinct persons
- ◆ Current mechanism for distribution of ITC by an ISD will be substituted. New manner and time limit for distribution of ITC, subject to restrictions and conditions, will be prescribed in due course

B FAILURE TO REGISTER PACKING MACHINES USED IN MANUFACTURE OF SPECIFIED GOODS

- ◆ CBIC had notified special procedure to register details of packing machines used in manufacture of pan masala, tobacco products and furnish records of inputs procured and utilized along with machine-wise production record and waste generation
- ◆ It is now proposed to levy penalty of Rupees One Lakh under CGST and SGST each per machine which are not so registered. This penalty will be in addition to any other penalty which is payable under the GST law
- ◆ In addition to the above penalty, every machine not so registered shall be liable for seizure and confiscation except where both the following conditions are satisfied:

¹ Proposed amendments will be effective from date to be notified unless otherwise specified

- The penalty so imposed is paid, and
- Such machine is registered within three days from the receipt of the penalty order

GLOSSARY

CBDT	Central Board of Direct Taxes
CBIC	Central Board of Indirect Taxes and Customs
CGST	Central Goods and Services Tax
GST	Goods and Services Tax
IFSC	International Financial Services Centre
IGST	Integrated Goods and Services Tax
ISD	Input Service Distributor
ITAT	Income Tax Appellate Tribunal
ITC	Input Tax Credit
LRS	Liberalised Remittance Scheme
PAN	Permanent Account Number
RCM	Reverse Charge Mechanism
SEZ	Special Economic Zone
SGST	State Goods and Services Tax
TCS	Tax Collected at Source
TP	Transfer Pricing
WOS	Wholly Owned Subsidiary

