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FOREWORD

Honourable FM Nirmala Sitharaman has created a record by being the first Finance Minister to have delivered seven consecutive budgets; and with this being the first term of Modi 3.0 – this record may only grow in the coming years. The 7th Finance Budget aims to strike a balance between tax regime simplification and fiscal prudence.

Budget 2024 revolves around “Nine” priorities of Modi 3.0 government majorly focusing on Agriculture, Employment and Skill Development, Social Justice, Manufacturing & Services, Urban Development, Energy, Infrastructure, Innovation Research & Development and Next Generation Reforms. The budget has tried to balance the expectations of public and the coalition partners. The Hon’ble FM continues to focus on existing policy measures of skill development of youth, education assistance, women empowerment and MSME to generate employment.

To improve the convertibility of the Indian rupee, the Government has proposed to simplify rules for Foreign Direct Investments and Overseas Direct Investments by promoting opportunities for using Indian Rupee as a currency for overseas investments. These simplifications along with the proposed reduction in tax rate on foreign companies will give a strong impetus to India’s ambitious aim of becoming a global manufacturing hub and strong competition to China.

A review of the Income-tax Act has been carried out specifically focusing on tax simplification and litigation reduction. The introduction of the Vivad se Vishwaas 2024, enhanced monetary limits for filing appeals, conditional waivers for interest and penalty on tax demands, abolishing Angel Tax and limiting scope of reassessments are welcome changes. However, the increase in tax rates for short-term and long-term capital gain tax along with removal of indexation benefits and the hike in securities transaction tax rates will dampen sentiments of real estate and stock-market investors. Recharacterization of buyback of shares as dividend income for shareholders would create difficulty for claiming cost of acquisition of shares.

In a constant effort to ensure ease in GST compliance, the government has proposed varied measures like providing conditional waiver of interest and penalty on accepting tax demand and allowing availing of Input tax credit even after specified time limit under law for the initial periods. Such measures will help in reducing the pending GST litigations and will provide substantial relief to the taxpayers at large.

All in all, there are many hits in the Budget 2024, but the misses are noteworthy too.

July 23, 2024

Mumbai

KEY HIGHLIGHTS



Milan Mody
Managing Partner



Simplification seems to be the mantra of this year's budget. One hand the budget announcement promotes employment and leaves more disposable income in the hands of common and salaried person. The increase in capital gain tax rate may not go well with the Capital Market. Abolition of angel tax, equalization levy and lower tax on foreign companies would make India as a better Investment Destination.



The finance minister in the Finance Bill has proposed reintroduction of the concept of "Block Assessment" in place of recently introduced scheme of reassessments to avoid time consuming litigation process, complexities and costs both for the taxpayers as well as the tax department which is a welcome measure



Ajit Shah
Partner, Direct Tax



Rohit Adalja
Partner, Direct Tax

The proposed amendment under the Income Tax Act, more particularly dealing with the following proposal requires reconsideration:

- (a) Withdrawal of substitution of indexed cost of acquisition in quantifying long-term capital assets which is presently available to immovable property and other specified assets inclusive of unlisted shares.
- (b) Recharacterization of the gains arising from buy-back of shares by the company as chargeable to income tax under the head "dividend income" without granting deduction of attributable cost incurred on such buy-back.



Gopal Bohra
Partner, Direct Tax



The most litigated issue of recent times, the angel tax, is proposed to be sunset and will not apply from the assessment year 2025-26. The abolition of the angel tax will eliminate a significant financial hurdle and uncertainty, thereby encouraging more investments in the Indian startup ecosystem.



Clarity has been brought to the calculation of 'fair market value' for equity shares in companies that were not listed on a recognized stock exchange as of January 31, 2018, and remain unlisted at the time of sale, specifically in the context of sales under an offer for sale (OFS) in an initial public offering (IPO). This amendment, effective retrospectively from assessment year 2018-2019 onwards, aims to resolve the legal ambiguity where promoters selling shares through an IPO OFS claimed exemption from tax due to the absence of a clear computation



Dhaval Selwadia
Partner, Direct tax and
Audit & Assurance



Parag Mehta
Partner, Indirect Tax

Proposal to reduce pre-deposit for filing appeal with Appellate Tribunal from additional 20 % to now 10 % of the disputed tax will help the assesses to manage their cash flows and litigate. Further permitting authorised representatives to appear in compliance of summons will bring relief in scenarios wherein Directors/CFO's were directly summoned by investigating agencies. Also power to government to regularise general practice which has resulted in non-levy or short levy in past will give opportunity for trade to present their case.



Aastha Dhowan
Partner, Direct Tax



In the Finance Bill rates have been rationalized under certain provisions as regards tax deduction which shall ease the blockage of working capital for the deductees. However, it would have been better had the finance minister proposed to reduce the burden for the deductors to file various forms and returns in the wake of ease of doing business.

I DIRECT TAXES¹

A TAX RATES

PERSONAL TAX

- ◆ No change in tax slabs for individuals, HUF, AOP, BOI and AJP under the old regime:

Tax Rate	Age below 60 years / HUF / AOP/ BOI / AJP	Age over 60 years but less than 80 years	Age over 80 years
5%	INR 250,000 to INR 500,000*	INR 300,000 to INR 500,000*	-
20%	INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000
30%	Above INR 1,000,000	Above INR 1,000,000	Above INR 1,000,000

* No tax on individual having taxable income upto INR 500,000 as a result of rebate of INR 12,500

- ◆ Tax rates under new tax regime for individuals, HUF, AOP (other than a Co-operative Society), BOI (whether incorporated or not) and AJP:

Total Income	Existing Rates	Proposed Rates
Up to INR 3,00,000	0%	0%
INR 300,001 to INR 600,000	5%	5%
INR 600,001 to INR 700,000 *	10%	5%
INR 700,001 to INR 900,000	10%	10%
INR 900,001 to INR 1,000,000	15%	10%
INR 1,000,001 to INR 1,200,000	15%	15%
INR 1,200,001 to INR 1,500,000	20%	20%
Above INR 1,500,000	30%	30%

* No tax on individual having taxable income upto INR 7,00,000 as result of rebate under section 87A of INR 25,000

¹ Proposed amendments are effective from AY 2025-26 unless otherwise specified

CORPORATE TAX

- ◆ Tax rates for domestic companies remain unchanged:

Particulars	Tax rate
Domestic companies whose total turnover or gross receipts in the FY 2022-23 does not exceed INR 400 crores	25%
For other domestic companies	30%
Domestic companies opting for new tax regime under section 115BAA	22%
New domestic manufacturing companies opting for section 115BAB	15%

- ◆ Tax rates for other than domestic company has been reduced from 40% to 35%

FIRMS & LLP

- ◆ Tax rate remains unchanged at 30%

CO-OPERATIVE SOCIETIES

- ◆ Tax rates under old regime remain unchanged as under:

Taxable Income	Tax rate
Upto INR 10,000	10%
INR 10,000 to 20,000	20%
Above 20,000	30%

- ◆ Tax rate for co-operative societies under new regime remains unchanged at 22%

SURCHARGE ON INCOME-TAX

- ◆ Surcharge for domestic and foreign companies remain unchanged:

Particulars	Domestic Company		Foreign Company
	Old regime	New regime	
Income not exceeding INR 1 crore	NIL	10%	NIL
Income exceeding INR 1 crore but not exceeding INR 10 crores	7%	10%	2%
Income exceeding INR 10 crores	12%	10%	5%

- ◆ Surcharge for Individuals, HUF, AOP, BOI and AJP remains unchanged:

Particulars	Old Regime	New Regime
Income exceeding INR 50 Lakhs but not exceeding INR 1 crore	10%	10%
Income exceeding INR 1 crore but not exceeding INR 2 crores	15%	15%
Income exceeding INR 2 crores but not exceeding INR 5 crores	25%	25%
Income exceeding INR 5 crores	37%	25%

- ◆ Surcharge on STCG (STT paid), all LTCG, dividend at 15% remains unchanged
- ◆ Surcharge for firms & LLP remains unchanged at 12% on the total income exceeding INR 1 crore
- ◆ Surcharge for co-operative societies remains unchanged at 7% on the total income exceeding INR 1 crore but not exceeding INR 10 crores and at 12% on the total income exceeding INR 10 crores remains unchanged

CESS

- ◆ The Health & Education Cess in all cases remains unchanged at 4%

B PERSONAL TAXATION

STANDARD DEDUCTION

- ◆ Presently, salaried individuals are granted a standard deduction while computing income under the head "Salaries" for an amount equal to INR 50,000 or amount of salary, whichever is less
- ◆ With a view to encourage and incentivize taxpayers to shift to the new tax regime, it is proposed to enhance the limit of standard deduction to INR 75,000 for taxpayers who are opting for the new tax regime
- ◆ The limit of standard deduction would remain INR 50,000 for taxpayers who are opting to pay tax under old tax regime

EMPLOYER'S CONTRIBUTION TO NPS

- ◆ Presently, individuals are eligible to claim deduction for certain contributions made by them towards pension scheme notified by Central Government under section 80CCD of the Act
- ◆ Further, salaried employees are also allowed deduction of an amount contributed by their employers subject to the following limits:
 - 14% of salary in case employer is Central Government or any State Government;
 - 10% of salary in case of other employers

This deduction is allowable under both the tax regimes

- ◆ It is proposed to enhance the limit for other employers also to 14% of salary, as against the present limit of 10% of salary, who are opting for new tax regime

FAMILY PENSION

- ◆ Presently, amount equal to one third of family pension received or INR 15,000 whichever is lower is allowed as deduction from family pension
- ◆ It is proposed to increase limit of INR 15,000 to INR 25,000 for new tax regime

C CAPITAL GAINS

RATIONALIZATION OF CAPITAL GAINS AND TAX THEREON

- ◆ Presently, different tax rates and holding period are prescribed for different class of assets and taxpayers, which is now proposed to be rationalised and simplified
- ◆ Proposed simplified holding period for long-term capital assets is as under:

Nature of asset	Period of holding
Listed securities including units of listed business trusts	12 months
All other assets	24 months

- ◆ The existing and proposed tax rates on capital gains as amended are as under:

Nature of asset	Existing Tax Rates	Proposed Tax Rates (Without Indexation)
Listed Equity shares, Equity Oriented Mutual Fund and Units of Business trust on which STT is paid	STCG- 15%	STCG- 20%
	LTCG- 10% on gain exceeding INR 100,000	LTCG- 12.5% on gain exceeding INR 125,000

Nature of asset	Existing Tax Rates	Proposed Tax Rates (Without Indexation)
Listed bonds and debentures (other than MLD)	STCG- as per applicable rate	STCG- as per applicable rate
	LTCG- 10% without indexation	LTCG-12.5%
Debt Oriented Mutual Funds acquired before 01.04.2023	STCG- as per applicable rate	STCG- as per applicable rate
	LTCG- 20% with indexation	LTCG- 12.5%
Immovable Property/ Unlisted Shares and Other capital assets (except unlisted bonds and debentures)	STCG- as per applicable rate	STCG- as per applicable rate
	LTCG- 20% with indexation	LTCG- 12.5%
	LTCG on sale of unlisted shares and securities by Non-resident- 10% (without indexation and foreign exchange fluctuation benefits)	LTCG- 12.5%
Unlisted bonds and debentures	STCG- as per applicable rate	Deemed STCG (irrespective of holding period)- as per applicable rate
	LTCG- 20% without indexation	

- ◆ The above proposals are proposed to be given immediate effect i.e. 23rd July, 2024

TRANSACTION NOT REGARDED AS TRANSFER

- ◆ Presently any transfer of a capital asset by way of gift or through will or an irrevocable trust is not regarded as a transfer

- ◆ Since the Act does not provide category of the Donor; hence, various Courts have held that gifting of assets even by corporate taxpayers is not liable to capital gains tax
- ◆ It is now proposed to clarify that the transfer of a capital asset by way of gift or through will or an irrevocable trust by an individual and HUF only shall be outside the purview of capital gains tax, consequently all other gifts would now attract capital gain tax

RATIONALISATION OF CAPITAL GAIN ON OFFER FOR SALE (“OFS”)

- ◆ Finance Act 2018 had introduced long-term capital gains tax on transfer of equity shares on which STT is paid at the time of acquisition (subject to certain exceptions) and transfer
- ◆ The cost of acquisition is to be taken as per the following formula:

Higher of (a) and (b):

(a) Actual cost of acquisition
(b) lower of:
 - (i) FMV of shares as of 31st January, 2018; and
 - (ii) Full value of Consideration received upon sale
- ◆ As per the explanation, indexed cost of acquisition for FY 2017-18 is considered as FMV as on 31st January, 2018 in case of unlisted equity shares which are listed on the date of transfer
- ◆ In case of OFS, shares are not listed on the date of transfer but listed subsequently. Since STT is paid on transfer, capital gain tax is payable under section 112A which requires cost to be computed as per above explanation. Some taxpayers were taking the position that in case of OFS, the computation of FMV fails as shares are not listed on the date of transfer and hence capital gains is not chargeable to tax
- ◆ It is proposed to amend the explanation defining FMV to include sale of unlisted equity shares under OFS to mean indexed cost of such shares for FY 2017-18

- ◆ This amendment is proposed to be retrospectively applicable from AY 2018-19 onwards

D ABOLITION OF ANGEL TAX

- ◆ Presently, consideration received by a closely held company for issue of shares (other than amount received by venture capital undertaking from venture capital fund/company or specified fund or category I and II AIF and start-ups registered with DPIIT) in excess of fair market value is taxable as 'income from other sources'
- ◆ It is now proposed to sunset the above provision effective from AY 2025-26

E TAXATION ON BUYBACK OF SHARES

- ◆ Presently the domestic companies are required to pay buy back tax @ 20% on the distributed income on buyback of shares. Further, capital gain in the hands of shareholders is exempt from tax
- ◆ It is now proposed that the amount received on buy back will be taxable as dividend in the hands of shareholder. Further the cost of shares bought back will be treated as capital loss in the hands of shareholder and allowed to be set off
- ◆ The said amendment is applicable for buyback effected on or after 01st October, 2024

F ABOLITION OF EQUALIZATION LEVY IN RELATION TO E-COMMERCE OPERATORS

- ◆ Finance Act 2020 had introduced imposition of Equalization Levy of two per cent on the amount of consideration received by an e-commerce operator from e-commerce supply or services
- ◆ Considering the ambiguity of this levy and compliance burden, it is proposed that this levy will now be inapplicable

- ◆ Consequently, the exemption provided to income arising from e-commerce on which equalization levy was applicable will now be withdrawn
- ◆ This amendment will take effect from the 01st day of August, 2024

G VIVAD SE VISHWAS SCHEME, 2024

- ◆ In 2020 government had brought "Direct Tax Vivad Se Vishwas Act, 2020" to reduce litigation in direct taxes and the scheme got encouraging response from the taxpayers
- ◆ It is now proposed to bring a similar scheme, namely 'Direct Tax Vivad Se Vishwas Scheme, 2024' for reducing the pending litigations at various appellate forums i.e. CIT(A), DRP ITAT, High Court and Supreme Court
- ◆ The Central Government shall notify the date when the scheme will come into force and last date
- ◆ Relief provided under the scheme –

Sr. No	Nature of tax arrears	Amount payable upto 31 st December 2024	Amount payable after 1 st January 2025 but before last date
1	Aggregate of disputed tax, interest & penalty on disputed tax, where appeal is filed by taxpayer after 31.01.2020 but before 22.07.2024	100% of disputed tax (complete waiver of interest & penalty)	110% of disputed tax (complete waiver of interest & penalty)
2	Aggregate of disputed tax, interest & penalty on disputed tax, where appeal is filed by	110% of disputed tax (complete waiver of	120% of disputed tax (complete waiver of

Sr. No	Nature of tax arrears	Amount payable upto 31 st December 2024	Amount payable after 1 st January 2025 but before last date
	taxpayer on or before 31.01.2020	interest & penalty)	interest & penalty)
3	Aggregate of disputed interest, penalty or fees, where appeal is filed by taxpayer after 31.01.2020 but before 22.07.2024	25% of disputed interest, penalty or fees	30% of disputed interest, penalty or fees
4	Aggregate of disputed interest, penalty or fees, where appeal is filed by taxpayer on or before 31.01.2020	30% of disputed interest, penalty or fees	35% of disputed interest, penalty or fees

- ◆ The amount payable shall be half of the amount mentioned in the table above, where
 - appeal or writ petition is filed by tax department
 - appeal is filed by the taxpayer before Commissioner (Appeals) Joint Commissioner (Appeals) or objection is filed before DRP, on any issue on which he has already got a decision in his favour from Tribunal or High Court
 - appeal is filed by the taxpayer before Tribunal, on any issue on which he has already got a decision in his favour from High Court (where the decision on such issue is not reversed by the Supreme Court)
- ◆ The above scheme is not applicable where
 - assessment is completed on the basis of search-initiated u/s 132 or 132A
 - prosecution has already been initiated on or before the date of filling the declaration
 - assessment relates to undisclosed Foreign income / Foreign Assets

- assessment was made on the basis of information received under Exchange of Information from another country
- a person in respect to whom an order of detention has been made under provision of Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974

H ASSESSMENT AND APPEAL

REASSESSMENT PROCEEDINGS

- ◆ Finance Act, 2021 had significantly amended the procedure followed for assessing income to tax which has escaped assessment [reassessment]. It is now proposed to substitute the provisions from 1st September, 2024. Key changes are:
 - No prior approval of higher authority is required to issue notice under section 148 except for acting on information received through faceless collection of information scheme
 - Special provisions for assessment of search cases are proposed to be introduced. Hence, reference of information relating to search for reassessment is proposed to be removed
 - If the income escaping assessment is less than or equal to INR 5,000,000, the time limit to issue notice under section 148 is 3 years and 3 months from the end of the relevant assessment year (previously, it was 3 years) and if income escaping assessment is more than INR 5,000,000, the time limit is 5 years and 3 months (previously, 10 years) from the end of relevant assessment year
 - For according the requisite approvals for issuance of notice or passing of order, the powers are given to Additional Commissioner/ Director or Joint Commissioner/ Director which were earlier vested with higher authorities
 - Existing provisions would continue to apply to search / survey cases commenced before 1st September, 2024; and where a notice is issued under section 148 or order is passed under section 148A(d) prior to 1st September, 2024

- ◆ These amendments will take effect from 01st September, 2024

INTRODUCTION OF BLOCK ASSESSMENT

- ◆ The block assessment was abolished in case of search conducted after 31st May 2003 and such assessment were subsumed into the reassessment provisions
- ◆ In order to make the procedure of search cases more cost effective and efficient it is now proposed to introduced scheme of block assessment in case of search cases
- ◆ Feature of the scheme –
 - “Block Period” will comprise of six assessment year, preceding the previous year in which the search is conducted
 - All other regular assessments for the block period shall abate. There will be consolidated order for the entire block period
 - Total Income of the taxpayer would be undisclosed income which shall include any money, bullion, jewellery, valuable articles, any expenditure, any income based on entry in book etc. Such total income would be chargeable to tax @ 60% u/s 113 of the Act
 - Penalty would be levied @ 50% of the tax computed on the undisclosed income. However, no penalty shall be levied if taxpayer offers such undisclosed income in return of income and pays the tax along with return of income
 - Time limit for completing of block assessment is 12 months from the end of the month in which last authorisation of search was made
 - This provision is applicable to those cases where search is conducted after 01st September, 2024

APPEAL AGAINST BLOCK ASSESSMENT

- ◆ It is proposed that appeal can be filed before CIT(A) against block assessment order passed by AO in respect of search initiated on or after 01st September, 2024
- ◆ This amendment will take effect from 01st September, 2024

RATIONALISATIONS OF POWER OF CIT(A)

- ◆ Presently CIT(A) does not have power to set-aside the assessment to the assessing officer
- ◆ It is now proposed that CIT(A) may set aside the assessment where an appeal has been filed against best judgement order passed
- ◆ This amendment will take effect from 01st October, 2024

TIME LIMIT TO FILE APPEAL

- ◆ Presently an appeal before Appellate Tribunal can be filed within 60 days from the receipt of order sought to be appealed
- ◆ It is now proposed to increase the time limit to two months from the end of the month in which order sought to be appealed is received
- ◆ This amendment will take effect from 01st October, 2024

AUTHORITY FOR ADVANCE RULINGS

- ◆ Erstwhile AAR has been replaced by BAR with effect from 01st September, 2024
- ◆ Presently, application filed before AAR can be withdrawn within 30 days from the date of such application
- ◆ In many cases, applicants have filed applications for withdrawal before AAR, but orders have not been passed by AAR

- ◆ It is now proposed to allow to file withdrawal application by 31st October, 2024 before BAR for the cases which have been transferred from AAR. BAR shall dispose the application by 31st December, 2024
- ◆ This amendment will take effect from 01st day of October, 2024

I RATIONALIZATION OF PROVISIONS OF BLACK MONEY ACT

RELAXATION OF PENALTY FOR NON-DISCLOSURE OF FOREIGN ASSETS

- ◆ Presently, a taxpayer, being a resident and ordinarily resident, is liable for a penalty of INR 10 lakhs for failure to furnish a return or failure to disclose in the return furnished, details of foreign assets held by him. An exception is however provided for failure to report bank accounts having an aggregate balance not exceeding INR 5 lakhs
- ◆ In a relief to taxpayers who failed to report details of low value foreign assets, it is proposed to carve out an exception from the levy of such penalty for failure to report foreign assets (other than immovable property) where aggregate value of such assets does not exceed INR 20 lakhs
- ◆ This amendment shall apply from 01st day of October, 2024

TAX CLEARANCE CERTIFICATE

- ◆ Presently, a person domiciled in India cannot leave India unless he obtains Tax Clearance Certificate for liabilities under Income Tax Act or Wealth Tax Act or Gift Tax Act or Expenditure Tax Act
- ◆ It is proposed to expand the scope of Tax Clearance Certificate to cover liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
- ◆ This amendment is effective from 01st October, 2024

SEIZED AND REQUISITIONED ASSETS

- ◆ Presently, any assets seized during the course of search or otherwise requisitioned by the Assessing Officer have to be utilized against the existing liability under the Income Tax Act or any of the following laws:
 - Wealth Tax Act, 1957;
 - Expenditure Tax Act, 1987;
 - Gift Tax Act, 1958 and;
 - Interest Tax Act, 1974.
- ◆ It is proposed to extend the scope of such seized and requisitioned assets to utilize it against any existing liability under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
- ◆ This amendment will take effect from the 01st day of October, 2024

J RATIONALIZATION OF PROVISIONS OF CHARITABLE TRUSTS

CONSOLIDATION OF TWO CHARITABLE TAX REGIMES

- ◆ Presently, there are two regimes governing Public Charitable Trusts viz; section 10(23C) and section 11 to 13
- ◆ It is now proposed to transit the trust/ institution from section 10(23C) to section 11 - 13 in a gradual manner
- ◆ This amendment will take effect from 01st October, 2024

MERGER OF CHARITABLE TRUSTS WITH OTHER TRUSTS

- ◆ To insert new section laying down the conditions under which mergers of public charitable trust shall not attract tax on accreted income

RELAXATION IN REGISTRATION APPROVAL

- ♦ It is proposed to empower the Pr. CIT/CIT to condone the delay in filing the application for registration of charitable trust if there is reasonable cause for such delay
- ♦ It is proposed to rationalise the timelines for passing order granting or rejecting registration under section 12AB or approval under section 80G within six months from the end of the quarter in which application is received
- ♦ This amendment will take effect from 01st October, 2024

K TAX DEDUCTED AT SOURCE / TAX COLLECTED AT SOURCE

RATIONALIZATION OF RATES FOR TAX DEDUCTED AT SOURCE:

TDS on following payments	Present TDS Rate	Proposed new TDS Rate	with effect from
I. To Residents			
Insurance commission (in case of person other than company)	5%	2%	01 st April 2024
In respect of maturity of certain life insurance policy	5%	2%	01 st October 2024
Commission etc., on sale of lottery tickets			
Commission or brokerage			
Rent by certain individuals or HUF (for residential purpose)			
To contractors/ professionals by individuals or HUF in excess of INR 50 Lakhs			
To e-commerce participant by e-commerce operator	1%	0.1%	01 st October 2024
To partner in respect of salary, remuneration, commission, bonus	-	10%	01 st April 2025

TDS on following payments	Present TDS Rate	Proposed new TDS Rate	with effect from
or interest exceeding INR 20,000 by firm			
Payment of buy back proceeds	-	10%	01 st October 2024
Repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		01 st October 2024
II. To Non-Residents			
Payment in respect of Long Term Capital Gains to Offshore fund	10%	12.5%	23 rd July 2024
Payment in respect of Long Term Capital Gains from transfer of Bonds or GDR purchased in Foreign Currency			

OTHER TDS/TCS PROPOSALS

- ◆ Correction statements for TDS/TCS can be filed upto six years from the end of financial year in which statements were required to be filed as against no time limit prescribed at present
- ◆ Time limit for a passing order for deeming a taxpayer in default for:
 - non deduction of TDS is reduced to six years as against present seven years from the end of the financial year in which payment / credit is made. The said limit is applicable to any taxpayer (including non-residents).
 - non collection of TCS shall be later of :
 - Six years from the end of the financial year in which tax was collectible or
 - Two years from the end of financial year in which correction statement is filed
- ◆ Expanding scope of TDS on Interest payment to Floating Rate Savings Bonds, 2020 (Taxable) and other securities as specified by

the Central Government. This amendment will take effect from 01st October 2024

- ◆ TCS of employee to be considered while calculating TDS on salary by employer. This amendment will take effect from 01st October 2024
- ◆ It is now proposed to specifically exclude payment qualifying as fees for professional or technical services from definition of “work” while making payment to contractors. This amendment will take effect from 01st October 2024
- ◆ It is now proposed to clarify that while determining threshold limit of INR 50 Lakhs in respect of TDS on purchase of immovable property, aggregate consideration of payments made by all transferees to the transferor(s) is to be considered. This amendment will take effect from 01st October 2024
- ◆ It is now proposed to include the receipts from sale of goods on which TDS/TCS is applicable @0.1%, for applying for lower deduction certificate. This amendment will take effect from 01st October 2024
- ◆ It is proposed to cover certain luxury goods as may be specified in addition to purchase of motor car exceeding INR 10 Lakh under ambit of TCS. This amendment will take effect from 01st January 2025
- ◆ Interest rate on delay in payment of TCS collected to the credit of government increased from 1% to 1.5%
- ◆ Income on which tax is paid outside India, by way of withholding, in respect of which credit is allowed against the tax payable in India, is now proposed to be considered as “income received”

L PENALTY AND PROSECUTION

PENALTY IN RELATION TO CRS OR FATCA COMPLIANCE

- ◆ Presently, a penalty of INR 50,000 is prescribed in case of furnishing inaccurate information in the statement of financial transaction (“SFT”) reporting where such inaccuracy is on account of the following:
 - Failure to comply with due diligence requirements or;
 - The reporting entity knows of the inaccuracy at the time of SFT filing but does not inform the prescribed income-tax authority or;
 - The reporting entity discovers the inaccuracy after filing the SFT but does not furnish a correction statement within the prescribed time
- ◆ While reviewing India’s CRS framework, it has been observed that the above penalty would not apply in cases where due diligence requirements were not complied which, however did not lead to inaccurate reporting
- ◆ Accordingly, it is now proposed that penalty would be levied even in cases of failure to comply with due diligence requirements
- ◆ Further, no penalty shall be levied if the taxpayer proves that there was reasonable cause for the said failure
- ◆ This amendment will take effect from the 01st day of October, 2024

SUBMISSION OF ANNUAL STATEMENT BY LIAISON OFFICE

- ◆ Presently, no penalty is prescribed for failure to furnish an annual statement in Form 49C for non- resident having a liaison office in India. To ensure better compliance, it is now proposed to introduce penalty for failure to furnish such annual statement

- ◆ Further, no penalty shall be levied if the taxpayer proves that there was reasonable cause for the said failure

PENALTY FOR FAILURE TO FURNISH STATEMENTS OF TAX DEDUCTIONS/ COLLECTIONS

- ◆ Presently, AO is to levy penalty on tax deductors or collectors for failure to furnish statements of tax deductions/ collections
- ◆ However, such penalty is not leviable if the person proves that after paying the tax deducted or collected, the person had filed the statement within a period of one year from the due date of filing such statement
- ◆ Considering the inconvenience faced by the deductee/ collectee due to belated filing of such statements by deductors/ collectors and further in line with due date for filing belated/ revised return, it has been proposed to reduce the time limit for immunity from imposition of penalty from one year to one month from the due date of filing such statement

RATIONALISATION OF LIMITATION PERIOD FOR IMPOSITION OF PENALTY

- ◆ Presently, where an appeal against the quantum addition is preferred, the penalty order is required to be passed by an AO by latest of the following dates:
 - End of the financial year in which the quantum proceedings are completed;
 - Six months from the end of the month in which the appellate order is received by the office of Pr. CCIT/ CCIT/ Pr. CIT/ CIT
- ◆ It has been proposed to remove the reference of Pr. CCIT/ CCIT in the above provisions
- ◆ This amendment will take effect from the 01st day of October, 2024

RELAXATION OF PROSECUTION IN CASES OF FAILURE TO DEPOSIT TAX DEDUCTED AT SOURCE

- ◆ Presently, where a deductor fails to deposit tax deducted at source by him to the credit of Central Government within the prescribed due date, he is liable for rigorous imprisonment for a term not less than three months but which may extend to seven years, along with fine
- ◆ It is proposed to exempt such prosecution if such tax deducted at source, is deposited by the deductor before the due date for furnishing the quarterly statement of tax deduction for such payment
- ◆ This amendment will take effect from the 01st day of October, 2024

M MISCELLANEOUS PROVISIONS

RENTAL INCOME FROM LETTING OUT OF RESIDENTIAL HOUSE PROPERTY

- ◆ Some taxpayers report rental income from letting out residential house property as “Business Income”
- ◆ It is now proposed to insert clarification that any income from let out of residential house property must be reported as “Income from House Property” only

DISALLOWANCE OF EXPENDITURE INCURRED TO SETTLE CONTRAVENTION

- ◆ Presently, expenditure incurred for any purpose which is an offence or prohibited by law in India or outside India are not allowable as business expenditure
- ◆ It is now proposed to consider even the expenditure incurred on settlement due to infraction of law will not be allowed as business expenditure

INCREASE IN THRESHOLD LIMIT OF REMUNERATION TO WORKING PARTNERS

- ◆ Presently, remuneration to working partner of the firm including LLP is disallowed if it exceeds aggregate of the following

On the first INR 3 lakhs of book profit or in case of loss	INR 1.5 lakhs or 90 percent of book profit, whichever is more
On balance of book profit	60 percent of book profit

- ◆ It is now proposed to increase the above limit as under

On the first INR 6 lakhs of book profit or in case of loss	INR 3 lakhs or 90 percent of book profit, whichever is more
On balance of book profit	60 percent of book profit

PROMOTION OF DOMESTIC CRUISE SHIP OPERATIONS BY NON-RESIDENT

- ◆ At present there are no specific provisions for non-residents operating cruise ships. In order to make India an attractive cruise tourism destination, it is proposed to insert a new section 44BBC to provide 20 percent of the amount due to such non-resident from operating cruise ships shall be taxed
- ◆ Consequential amendment is proposed to be made under section 44B for presumptive taxation at 7.50 percent for non-residents engaged in shipping business to exclude cruise shipping business
- ◆ It is also proposed that any rentals paid by a non-resident operating cruise ships shall be exempt in the hands of foreign company if both the companies are subsidiaries of the same holding company. Such exemption shall be upto AY 2030-31

INCLUSION OF SDT IN COURSE OF ASSESSMENT PROCEEDINGS

- ◆ Presently, the TPO has power to evaluate any "international transaction" other than the international transactions referred to him by the AO or any international transaction that has not been furnished in the relevant form

- ◆ The existing provisions do not include SDT entered into by the taxpayer during the financial year
- ◆ It is now proposed to also include SDT entered by the taxpayer

EXCLUSION OF FINANCE COMPANIES IN IFSC FROM LIMITATION OF INTEREST DEDUCTION

- ◆ Presently, provisions of limitation on interest deduction do not apply to Indian company or a permanent establishment of a foreign company which is engaged in the business of banking or insurance
- ◆ It is proposed to include finance companies located in the IFSC in the above list of exclusions

TAX INCENTIVES TO IFSC

- ◆ Presently, income received by a registered Category III Alternative Investment Fund on transfer of specified capital asset on a recognised stock exchange located in IFSC is exempt from income-tax
- ◆ It is now proposed to expand the scope of specified fund to include registered Retail Funds and Exchange Traded Funds in IFSC regulated under IFSCA (Fund Management) Regulations, 2022

TAX INCENTIVES TO RECOGNISED CLEARING CORPORATION

- ◆ Presently, specified income of Core Settlement Guarantee Fund set-up by a recognised clearing corporation as defined under Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 is exempt from income-tax
- ◆ It is proposed to expand the scope by including recognised clearing corporation and regulations as defined under IFSCA (Market Infrastructure Institutions) Regulations, 2021
- ◆ Relaxation from applicability of provisions of section 68 to sums credited in the name of venture capital fund

- ◆ Presently, the onus of satisfactorily explaining the source in the hands of the creditor in respect of any sum found credited in the books of an taxpayer is not applicable if the creditor is venture capital fund or venture capital company registered with SEBI
- ◆ It is now proposed to extend the relaxation to venture capital fund which are in IFSC and regulated by IFSCA (Fund Management) Regulations, 2022

II GOODS AND SERVICES TAX ²

A SUPPLY EXCLUDED FROM LEVY OF GST

- ◆ It is proposed to exclude supply of un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption from levy of GST

B POWER TO REGULARISE NON-LEVY OR SHORT LEVY OF GST

- ◆ New section 11A is proposed to be inserted in the CGST Act empowering the Government to regularise non-levy or short levy of GST where it is satisfied that such non-levy or short levy was / is a result of general trade practice

C TIME OF SUPPLY FOR SERVICES UNDER REVERSE CHARGE

- ◆ It is proposed to amend the time of supply provisions in respect of services where tax is liable to be paid under reverse charge to include date of issue of invoice by the recipient as one of the additional factors besides the existing factors for determining time of supply

D EXTENDING TIME LIMIT TO AVAIL ITC FOR FY 2017-18 TO FY 2020-21

- ◆ It is proposed to insert a new sub-section retrospectively w.e.f. 01st July, 2017 wherein time limit to avail ITC in respect of an invoice or debit note for the FYs 2017-18 to 2020-21 has been extended up to 30th of November 2021
- ◆ Further, no refund shall be available to the taxpayer in cases where tax has already been paid or reversed

E EXTENDING TIME LIMIT TO AVAIL ITC ON REVOCATION OF CANCELLATION OF REGISTRATION

- ◆ A new sub-section is proposed to be introduced retrospectively w.e.f. 01st July, 2017 for cases where registration is cancelled and

² Proposed amendments will be effective from date to be notified unless otherwise specified

subsequently order for cancellation has been revoked. The taxpayer shall now be eligible to avail ITC during the cancellation period, where the return has been filed within 30 days of the date of order of revocation of cancellation subject to the condition that the time-limit for availment of credit should not have already expired on the date of order of cancellation of registration

- ◆ Further, no refund shall be available to the taxpayer in cases where tax has already been paid or reversed

F RESTRICTION OF BLOCKAGE OF ITC FOR TAX PAID U/S 74

- ◆ Presently, ITC on tax paid under demand u/s 74, 129 and 130 is blocked
- ◆ It is now proposed to restrict the blocked ITC provisions only in relation to demands for tax paid u/s 74 up to FY 2023-24. Further, blockage of ITC on tax paid u/s 129 and 130 is removed

G CONDITIONS FOR REVOCATION OF CANCELLATION OF REGISTRATION

- ◆ It is proposed to prescribe the conditions and restrictions for revocation of cancellation of registrations

H TIME LIMIT TO ISSUE SELF-INVOICE

- ◆ It is proposed to prescribe the time period for issuance of self-invoice in respect of inward supply received from unregistered person on which RCM is applicable

I MANDATORY FILING OF MONTHLY RETURNS BY TDS DEDUCTOR

- ◆ Presently, TDS return is filed on or before 10th day of following month only for such tax period in which deductions have been made

- ◆ It is now proposed to make mandatory filing of TDS returns, whether any deductions have been made during the tax period or not
- ◆ Further, new TDS return and revised due date for filing of such return will be prescribed

J RESTRICTIONS ON REFUND RELATED TO GOODS SUBJECTED TO EXPORT DUTY

- ◆ Presently, refund of unutilised ITC is restricted where goods, subjected to export duty, are exported out of India under LUT
- ◆ It is proposed to extend the above restriction also to the refund of IGST paid on goods exported out of India which are subjected to export duty

K APPEARANCE FOR SUMMONS

- ◆ It is proposed that an authorised representative can also appear on behalf of the person summoned

L ISSUANCE OF DEMAND NOTICES AND ORDERS FROM FY 2024-25

- ◆ Presently, the notices for determination of tax not paid, short paid, ITC wrongly availed or utilized ['Tax Demand'] and tax erroneously refunded ['Refund Demand'] are governed under separate provisions either as:
 - other than fraud, wilful misstatement or suppression of facts ['non-fraud cases'], or
 - fraud, wilful misstatement or suppression of facts ['fraud cases'].
- ◆ It is now proposed to insert new provision Section 74A for determination of the demands in both the cases referred to above
- ◆ Old provisions will be applicable for demands pertaining for the period up to FY 2023-24 and the new provisions will be applicable for demands from FY 2024-25 onward

- ◆ The proposed changes in the new provisions for determination of demand are as under:

- Officer to issue notice within 42 months from due date of furnishing of annual return for the FY to which the Tax Demand relates, and in case of Refund Demand, within 42 months from the date of erroneous refund
- No notice will be issued where Tax or Refund Demand in a financial year is less than INR 1,000
- Where notice has been issued for one period, the officer can issue a statement for Tax or Refund Demand for another period on the condition that the grounds relied for all the periods are same and such statement issued shall be deemed to be service of notice

- Penalty in case of Tax or Refund Demand will be as under:

Scenario	Penalty Amount
Non-fraud cases	10% of tax due or INR 10,000, whichever is higher
Fraud cases	100% of tax evaded

- In case any Appellate Authority, Tribunal or Court concludes that the charges of fraud, wilful misstatement or suppression of facts against the taxpayer are not sustainable, then penalty as applicable in non-fraud cases will be levied
- Relief in penalty amount has been provided where taxpayer makes payment of tax along with applicable interest. The penalty amount applicable is as under:

Time of Payment	Non-fraud cases	Fraud cases
Before service of notice	No penalty	15% penalty
Within 60 days from issue of notice	No penalty	25% penalty

Time of Payment	Non-fraud cases	Fraud cases
Within 60 days from communication of order	10% of tax due or INR 10,000, whichever is higher	50% penalty

- Where a taxpayer has made payment of tax along with applicable interest before service of notice and the actual amount payable falls short, then the officer can issue notice for such shortfall.
- The officer will issue the order within 12 months from the date of issue of notice. However, the period of 12 months can be extended by a maximum of 6 months by the Commissioner or officer authorized by the Commissioner after recording the reason for delay in writing
- Where an order is not passed within the 18 months (i.e., including extended period), the proceedings will be deemed to be concluded
- ◆ Further, wherever there is a reference to Section 73 and 74 in the CGST Act, it is proposed to provide a reference to Section 74A

M REDUCTION IN MAXIMUM PRE-DEPOSIT LIMIT FOR FILING GST APPEAL

- ◆ Pre-deposit limit for filing appeal before Appellate Authority and Appellate tribunal:

Appeal to	Present limit	Proposed limit
Appellate Authority	10% of the disputed tax amount, subject to a maximum of INR 25 crores for CGST and INR 25 crores for SGST	10% of the disputed tax amount, subject to a maximum of INR 20 crores for CGST and INR 20 crores for SGST
Appellate Tribunal	Additional 20% of the disputed tax amount, subject to a maximum of INR 50 crores for CGST and INR 50 crores for SGST	Additional 10% of the disputed tax amount, subject to a maximum of INR 20 crores for CGST and INR 20 crores for SGST

N EMPOWERMENT TO SPECIFY CASES HEARD BY APPELLATE TRIBUNAL

- ◆ Presently, appeals against orders passed by Appellate Authority and Revisional Authority are referred to GSTAT
- ◆ It is now proposed that anti-profiteering cases shall also be heard by GSTAT, and such cases shall be heard only by principal bench of GSTAT. Additionally, government may notify such other cases which shall be heard only by the principal bench of GSTAT
- ◆ Presently, the president of GSTAT has the power to transfer any case from one bench of GSTAT to another bench
- ◆ It is now proposed that president cannot transfer cases the following cases from one bench to another bench:
 - cases of anti-profiteering
 - cases involving issue of place of supply

O PROPOSED CHANGES IN PROVISIONS RELATING TO APPELLATE TRIBUNAL

- ◆ Time limit to file an appeal before the appellate tribunal is proposed as under:

Appellant	Present time limit	Proposed time limit*
Any person aggrieved by order of Appellate Tribunal/ Revisional Authority	3 months from the date of communication of order	Later of the following: <ul style="list-style-type: none"> ○ 3 months from the date of communication of order ○ date as may be notified by the government
Officer subordinate to the	6 months from the date of order	Later of the following: <ul style="list-style-type: none"> ○ 6 months from the date of order

Appellant	Present time limit	Proposed time limit*
Commissioner, on direction issued by the Commissioner		<ul style="list-style-type: none"> ○ date as may be notified by the government

*Proposed w.e.f. 01stAugust, 2024

- ◆ Earlier, upon expiry of 6 months from the date of order, there was no option available for Commissioner to file an appeal with GSTAT against the order passed by Appellate Authority or Revisional Authority
- ◆ It is now proposed that the Commissioner will have an additional period of 3 months to file an appeal against the order passed by Appellate Authority or Revisional Authority subject to the condition that the Appellate Tribunal is satisfied that there was sufficient cause for not presenting the appeal within the prescribed period

P PENALTY TO ELECTRONIC COMMERCE OPERATORS

- ◆ W.e.f. 01st October, 2023, it is proposed to restrict the applicability of penalty provisions u/s 122(1B) to those electronic commerce operators who are required to collect tax at source under the CGST Act

Q AMNESTY SCHEME OF INTEREST AND PENALTY FOR DEMANDS RAISED U/S 73

- ◆ A new amnesty scheme has been proposed in section 128A for providing conditional wavier of interest and penalties associated with demand raised due to tax not paid or short paid or ITC wrongly availed or utilised for any reason other than fraud
- ◆ The amnesty scheme applies to notices or orders issued u/s 73 (non-fraud cases) for the period 01st July, 2017 to 31st March, 2020
- ◆ Under the scheme, no interest and penalty shall be payable if full payment of tax payable as per the notice, statement, or order has been made on or before the date to be notified by the Government

All proceedings related to the notice, statement, or order will be deemed to be concluded, subject to prescribed conditions

- ◆ The scheme excludes cases where appeal or a writ petition filed has not been withdrawn by the taxpayer before the date to be notified or where the demand is due to erroneous refunds
- ◆ Taxpayers will not be eligible for refund of interest and penalty that has been already paid

R TRANSITIONAL PROVISIONS FOR ISD

- ◆ It is proposed that invoices which were received prior to the appointed date (01st July, 2017) shall also be considered for computing transitional credit w.e.f. 01st July, 2017

S INTRODUCTION OF SUNSET PROVISION FOR ANTI-PROFITEERING AUTHORITY

- ◆ It is proposed to notify the sunset date for the anti-profiteering authority post which the authority shall not accept any application filed by the applicant

T ACTIVITIES NOT CONSIDERED AS SUPPLY UNDER GST

- ◆ It is proposed to insert following activities under Schedule III (Non-GST Supply):
 - Apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured shall not be considered as supply under GST Law, provided that the lead insurer pays the GST on the entire amount of premium paid by the insured
 - Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, provided that the GST is paid by the reinsurer on the gross reinsurance premium

payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission

GLOSSARY

AAR	Authority for Advance Rulings
AIF	Alternate Investment Fund
AJP	Artificial Juridical Person
AO	Assessing Officer
AOP	Association of Persons
AY	Assessment Year
BAR	Board for Advance Rulings
BOI	Body of Individuals
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income Tax
CGST	Central Goods and Services Tax
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
CRS	Common Reporting Standard
DPIIT	Department for Promotion of Industry and Internal Trade
DRP	Dispute Resolution Panel
FATCA	Foreign Account Tax Compliance Act
FMV	Fair Market Value
FY	Financial Year
GDR	Global Depository Receipt
GST	Goods and Services Tax
GSTAT	Goods and Service Tax Appellate Tribunal
IGST	Integrated Goods and Services Tax
ISD	Input Service Distributor
ITC	Input Tax Credit
HUF	Hindu Undivided Family
IFSC	International Financial Services Centre
IFSCA	International Financial Services Centre Authority
ITAT	Income Tax Appellate Tribunal
LLP	Limited Liability Partnership
LUT	Letter of Undertaking
LTCG	Long-Term Capital Gain
MLD	Market Linked Debentures
MSME	Micro, Small and Medium Enterprises
NPS	National Pension System
OFS	Offer for Sale
PAN	Permanent Account Number
Pr. CCIT	Principal Chief Commissioner of Income Tax
Pr. CIT	Principal Commissioner of Income Tax
RCM	Reverse Charge Mechanism
SDT	Specified Domestic Transactions
SGST	State Goods and Services Tax
SEBI	Securities and Exchange Board of India

SFT	Statement of Financial Transactions
STCG	Short-Term Capital Gain
STT	Securities Transaction Tax
TCS	Tax Deducted at Source
TDS	Tax Collected at Source
TPO	Transfer Pricing Officer