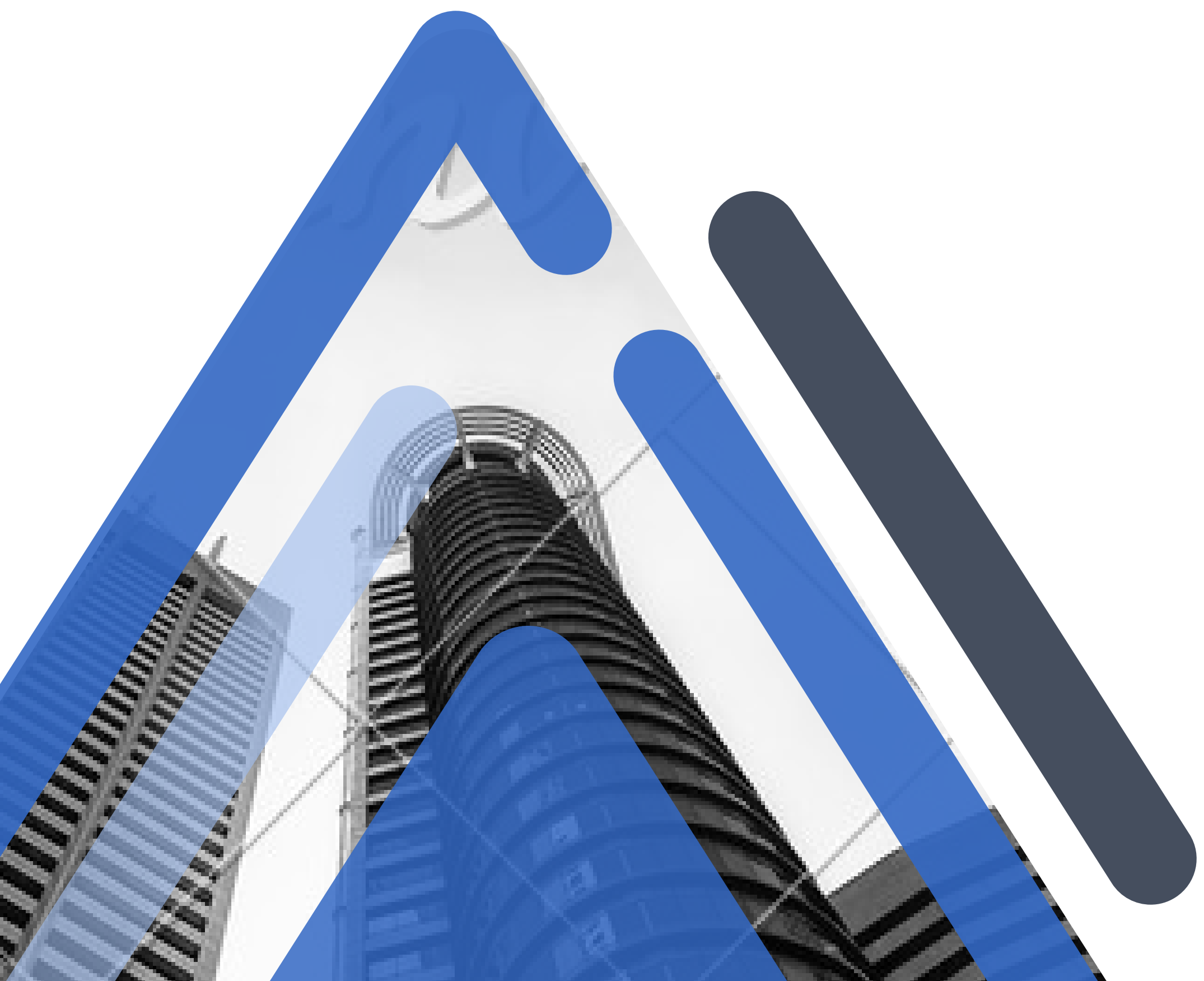


S.R. DINODIA & Co. LLP

CHARTERED ACCOUNTANTS



UNION BUDGET 2024

**Empowering Progress,
Enabling Prosperity**

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Foreword

In addressing India's distinctive challenges, the 2024-2025 Union Budget strategically responds to the recent geopolitical events taking place worldwide. Prioritizing economic resurgence, it introduces targeted stimulus measures and incentives to rejuvenate businesses, with a strong focus on digital transformation, cyber security, and digital infrastructure to fortify economic resilience globally.



Emphasizing the crucial role of infrastructure development, the budget allocates resources for vital sectors like roads, railways including 3 new railway corridors, airports, and digital networks, essential for the nation's rebuilding and modernization endeavours. Social welfare remains a focal point, addressing healthcare, education, and social security needs, particularly for the communities affected.

The budget takes significant strides in fostering innovation and entrepreneurship, with a special emphasis on supporting start-up businesses in India. It introduces favourable policies, financial assistance, and mentorship programs to encourage the growth of start-ups, recognizing their pivotal role in driving economic dynamism and job creation.

Furthermore, the budget underscores a commitment to women empowerment by allocating resources to initiatives aimed at enhancing education and employment opportunities for women. This includes targeted skill development programs, financial assistance for women-led enterprises, and measures to ensure a more inclusive and equitable workforce.

Foreword

In a notable fiscal move, the government reduces the fiscal deficit from 5.8 percent of the GDP to 5.1 percent for FY 24-25. The government is sticking to its stand of fiscal prudence inspite of this begin an election year. Looking forward the target is to reduce the fiscal deficit to below 4.5% of the GDP in 2025-26 (FY26).

The budget also aligns with India's advancements in international forums such as the G20, emphasizing inclusive economic policies and sustainable development goals. Notably, it acknowledges cultural and historical milestones, including the Ayodhya Ram Mandir inauguration in January 2024, aiming to stimulate economic activities around iconic cultural sites and contribute to the nation's rich heritage.

Despite the multifaceted commitment to development, it is imperative to note that the budget maintains the existing business landscape, and there are no changes in tax slabs. This strategic decision aims to provide stability to businesses and ensure a predictable economic environment.

This comprehensive strategy, encompassing economic revitalization, global collaboration through platforms like the G20, recognition of cultural events, support for start-ups, women empowerment, fiscal responsibility, and the preservation of the existing business environment, signifies India's steadfast commitment to development in the 2024-2025 fiscal year.

The tradition of vote in account is being maintained even though the election commission of India has not yet notified the Election schedule for the year 2024. It also shows the confidence of the government of the day of returning to power in the coming election and carry forward their vision for VIKSIT BHARAT in July 2024 budget.

Direct Tax Amendments



Direct Tax Amendments

The Union Government presented this budget with a positive perspective that government has already rationalised the tax rates therefore this Interim Budget 2024, proposes very insignificant and minor tax amendments. This budget mainly focuses on infrastructure development, women empowerment, youth, and generation of employment opportunities, financial inclusivity, and promotion of new technologies.



However, in order to continue government legacy, this Union Budget focussed on reducing the scope of TCS rates for the Liberal Remittance Scheme (LRS), to incentivise eligible start-ups and IFSC units, and offshore banking units where the benefit of exemption has now been extended to 31st March 2025. Further, in order to facilitate the small tax payers, the government has now proposed to withdraw outstanding petty direct tax demands up to a certain monetary threshold which were causing anxiety to such tax payers and hindering their refunds of subsequent years.

The Government's digital initiatives has resulted in better taxpayer services, which comprise of updated Income tax returns, Form 26AS, a mechanism for pre-filing of tax returns and the introduction of a faceless assessment and appeal mechanism. These e-services jointly have resulted in the processing of tax returns at a faster pace from 93 days in FY 2013-14 to 10 days in the current year and timely refunds for most taxpayers.

1. Amending the rates of TCS on certain foreign remittances (LRS)

The Finance Bill 2024 proposes an amendment in the sub-section (1G) of Section 206C of the Act and aligns the rates of TCS on foreign remittances under Liberalised Remittance Scheme (LRS) and on sale of overseas tour packages as per Govt.'s Press Release dated. 30.06.2023

Earlier and proposed TCS rates are summarised as under:

Nature of Payment	Rate from 1st April – 30th Sep 23	New rate w.e.f 1st October, 2023
LRS for education, financed by loan from financial institution	Nil upto Rs 7 lakh 0.5% above Rs 7 lakh	Nil upto Rs 7 lakh 0.5% above Rs 7 lakh
LRS for Medical Treatment/education (other than financed by loan)	Nil upto Rs 7 lakh 5% above Rs 7 lakh	Nil upto Rs 7 lakh 5% above Rs 7 lakh
LRS for other Purposes	5% without any threshold limit	Nil upto Rs 7 lakh 20% above Rs 7 lakh
Purchase of Overseas tour program package	5% without any threshold limit	5% till Rs 7 lakh, 20% above Rs 7 lakh

This amendment shall be deemed to have been inserted with effect from 1st October, 2023.

Extension of Sunset clause: -

2. For investment made by the specified person

In order to further promote the investments into India, it is proposed to extend the period of investment made by the specified person from 1st day of April 2024 to 1st day of April 2025 for granting the exemption of incomes in the nature of dividend, interest and Long Term Capital Gain earned by Specified Person. Accordingly, an amendment is proposed under Section 10(23FE) of the Income Tax Act.

Specified Person as per Sec 10(23FE) includes the following;

- (a) Wholly owned subsidiary of the Abu Dhabi Investment Authority.
- (b) Sovereign Wealth Fund which fulfils the conditions specified in Sec 10(23F)
- (c) Pension fund which fulfils the criteria specified in Sec 10(23F).

3. For incorporation of an eligible start up extended

An eligible start-up (company or LLP) can claim a deduction under Section 80-IAC for the profit and gains arising from eligible business.

One of the conditions to claim deduction under this provision is that an eligible entity is incorporated on or after 01-04-2016 but before 01-04-2024. This outer date for the incorporation of a start-up company or LLP is proposed to be extended from March 2024 to March 2025. Consequently, the deduction under Section 80-IAC will remain available to a start-up if incorporated on or before 31-03-2025.

4. No Change in sunset clause for domestic manufacturing companies covered under section 115BAB

The concessional tax rate of 15% available for new domestic manufacturing companies commencing manufacturing or production by 31 March 2024 has not been extended.

5. For commencement of operation by Offshore Banking Units (OBU) and International Financial Service Centre (IFSC) in Special Economic Zones

Any income of a non-resident by way of royalty or interest on account of leasing of an aircraft or a ship in a previous year to a unit of an International Financial Services Centre as referred to in Section 80LA(1A) shall be exempt from tax provided such unit has commenced its operations on or before 31-03-2024.

This date of commencement of operations of OBU and IFSC units is proposed to be extended from 31-03-2024 to 31-03-2025.

This amendment would be effective from the 1st day of April, 2024.

6. Extend Central Govt.'s timeframe for issuing directions regarding TP, DRP & ITAT proceedings

The Finance Bill, 2024 proposes to extend timeframe for the Central Government to Mar 31, 2025 for issuing directions pertain to the schemes that the Central Government may make to impart greater efficiency, transparency and accountability under the following provisions:

- (i) Section 92CA(9) - for determination of the arm's length price,
- (ii) Section 144C(14) - for issuance of directions by DRP,
- (iii) Section 253(9) - for the purposes of appeal to ITAT, and
- (iv) Section 255 (8) - for the purposes of disposal of appeals by ITAT.

7. Withdrawal of Old Outstanding Tax Demands for small taxpayers

In order to save administrative efforts and costs on both ends, the government proposes to withdraw Old Outstanding demands of the taxpayer's upto a quantum of Rs. 25,000 pertaining to the period upto F.Y. 2009-10 and upto Rs 10,000 for F.Y. 2010-11 to 2014-15, which will also deliver peace.

8. OECD BEPS Pillar 2 related new tax norms not yet introduced

As per the OECD BEPS Pillar 2 related new tax norms, various tax jurisdictions have introduced the Global Anti-Base Erosion (GloBE) rules in their domestic legislation. However, we will now need to await for introduction of such tax norms in India in the full Budget post elections. We hope this will safeguard India's tax base and not succumb to passing on tax collected to developed countries.

9. Continuation of an export incentive scheme - RoSCTL - for apparel, garments and made-ups up to March 31, 2026 vide Interim Budget 2024, dt. 01.02.2024

- The Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of Apparel/Garments and Made ups, now continued upto 31st March, 2026.
- (RoSCTL) scheme is aimed at compensating for the State and Central taxes and levies in addition to the rebate provided under duty drawback scheme on export of apparel/garments and made-ups.
- This scheme is based on an internationally acceptable principle that taxes and duties should not be exported, to enable a level playing field in the international market for exports. Hence, not only indirect taxes on inputs are to be rebated or reimbursed but also other un-refunded State & Central taxes and levies are to be rebated.

Goods and Service Tax



Goods and Services Tax



The amendments to the indirect tax legislations vide the Finance Bill 2024 are restricted to few sections in the GST law, and further complemented by no new notifications and circulars. As recommended by the GST Council earlier, changes have been proposed to mandate credit distribution through the Input Service Distributor (ISD) mode only. The change also mandates inclusion of even such input services that are liable to tax under reverse charge mechanism.

Another amendment proposed relates to imposition of penalty, seizure, and confiscation for failure to register certain machines used by Tobacco Products and Pan Masala manufacturers under the special procedure.

The Finance bill 2024 has proposed the following provisions/ amendments in the GST laws:

Amendments in regards of Input Service Distributor (ISD):

It is proposed that Input Service Distributor (ISD) registration will become compulsory for entities holding multiple registrations and input services are availed by head office. Henceforth, ISD mechanism need to comply by such entities mandatorily and non-adherence to ISD mechanism shall be subject to imposition of penalties.

Further, ISD will also be liable to distribute the input tax credit on services, on which reverse charge is liable to be paid under section 9(3) and 9(4) of CGST Act 2017.

Accordingly, Budget proposes amendment of section 2(61) of the CGST Act 2017 and Section 20 of the CGST Act 2017.



Insertion of new provision for penalty on failure to register certain machines used in manufacture of goods as per special procedure

The interim budget introduces stringent measure of levying significant penalty of INR 1 lakh per unregistered machine, used in the production of tobacco, pan masala, and similar product, failing to comply with the prescribed procedures. Furthermore, such non-compliant machinery faces a risk of seizure and confiscation. These measures emphasize the Government's tightened regulatory stance on these sectors.

Accordingly, Budget proposes to insert new section 122A of the CGST Act 2017.

Above referred changes/ amendments shall come into force on such date as the Central Government may, by notification in official gazette appoint.



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