## Proposed Income Tax Amendments vide Interim Budget 2024

**India's Interim Budget 2024 ushered in a new era of tax planning for individuals and businesses.**

With a focus on rationalising tax law and providing relief to taxpayers, the government introduced several key amendments to the Income Tax Act. In this newsletter, we delve into the significant changes that will impact your tax liability and financial planning.

### Increased Standard Deduction limit on Salary & Family pension for Individuals opting New Tax Regime 115BAC(1A) *(w.e.f. AY25-26 i.e. FY24-25)*

| Particulars | Pre Amendment | Proposed Amendment |
|---|---|---|
| Standard deduction from salary *(sec 16)* | INR 50,000 | INR 75,000 |
| Deduction in respect of Family Pension *(sec 57)* | INR 15,000 or 1/3rd of pension whichever is lower | INR 25,000 or 1/3rd of Pension whichever is lower |

Proposed amendment aims to encourage and incentivize individual taxpayers to shift to the new tax regime 115BAC.

### Increased Deduction Allowance Threshold limit for NPS Contribution *(w.e.f. AY25-26 i.e. FY24-25)*

| Particulars | Expense Allowance to E'er u/s 36 | Deduction Allowance to E'ee u/s 80CCD(2) |
|---|---|---|
| Employer contribution towards NPS | Limit increased from 10% to 14% of Basic Salary plus DA forming part of E'ee benefits | Limit increased from 10% to 14% of Basic Salary plus DA forming part of E'ee benefits for E'ees opting New Tax Regime |

The proposed amendment is likely to incentivize employers to restructure employee compensation packages, shifting focus towards employer sponsored national pension contributions. This could lead to significant tax savings for employees, ultimately boosting their wealth creation potential.

### Increased 10 Lakhs Penalty triggering Foreign Asset Non-disclosure threshold limit *(w.e.f. 01st Oct 24)*

It is proposed to amend the provisos to sections 42 and 43 of the Black Money Act to provide that penalty of Rs 10 Lakhs for non-disclosure of Foreign Assets shall not apply in respect of non disclosure of **any asset** or assets (other than immovable property) where the aggregate value does not exceed **INR 20 lakh rupees.**

Threshold Limit has been increased from Rs 5 Lakhs on one or more bank account to **Rs.20 lakhs** in respect of any asset or assets (other than immovable property) at any time during the previous year.

### Amendments Relating to Capital Gains *(with effect from 23rd July 2024)*

It is proposed that there will only be two holding periods, 12 months and 24 months, for determining whether the capital gains is short-term or long term. For all listed securities, the holding period is proposed to be 12 months and for all other assets, it shall be 24 months.

| Capital Asset | Holding period to consider Capital Asset as long term | |
|---|---|---|
| | Pre Amendment | Post Amendment |
| Unit of Business Trusts | 36 Months | 12 Months |
| Gold, Bonds, Debentures | 36 Months | 24 Months |
| Other than equity oriented Mutual Fund | 36 Months | 24 Month |
| Listed Securities (India),<br>Equity oriented Mutual Fund | 12 Months | 12 Months |
| Immovable Property | 24 Months | 24 Months |
| Unlisted shares | 24 Months | 24 Months |
| Other Capital Assets | 36 Months | 24 Months |

## Capital Gain Taxation Rate *(with effect from 23rd July 2024)*

| Capital Asset | Pre Amendment Tax Rate | Post Amendment Tax Rate |
|---|---|---|
| Long Term Capital Gain (LTCG) u/s 112A<br>- India listed Equity shares<br>- Equity oriented Mutual Fund<br>- Business Units | 10% on LTCG exceeding Rs 1 Lakh (without indexation) | 12.5% on LTCG exceeding Rs 1.25 Lakh (without indexation) *(Refer Note 1)* |
| Long Term Capital Gain u/s 112<br>- Immovable Property<br>- Listed debentures & bonds<br>- Other Capital Assets | 20% with indexation<br>10% without indexation<br>20% with indexation (with few exceptions) | 12.5% without indexation |
| Unlisted Debentures & Bonds<br>- Long Term Capital Gain<br>- Short Term Capital Gain | 20% without indexation<br>Normal Tax Rates | Normal Tax Rates (Sec 50AA) (Note 3)<br>Normal Tax Rates (Sec 50AA) |
| Short Term Capital Asset u/s 111A<br>- India listed Equity shares<br>- Equity oriented Mutual Fund<br>- Business Units | 15% Tax Rate | 20% Tax Rate *(Note 2)* |
| Short Term Capital Gain on other Assets<br>(Other than 112A) | Normal Tax Rates as applicable | Normal Tax Rates as applicable |

***Note 1 -*** *The proposed 12.5% LTCG tax rate will result in a higher tax liability compared to the current 10% rate for gains exceeding Rs. 2,25,000 on listed equity shares (under Section 112A). This means persons with such gains will face increased tax outflows under the new regime by 2.5% of gains exceeding Rs 2.25 Lakh when compared with existing rate 10%.*

***Note 2 -*** *The proposed increase in STCG on listed equity shares under Section 111A will elevate tax liabilities for investors. This heightened tax burden could impact investor sentiment and potentially exert downward pressure on the Indian stock market in the short term*

***Note 3 –*** *Earlier LTCG on Unlisted debentures & bonds was taxed at 20% tax rate without indexation, post proposed amendment, even LTCG on such securities will be deemed to be STCG u/s 50AA & taxed at applicable normal tax rates.*

## Partnership Firm related Amendments

Increase in limit of deduction allowance on remuneration to working partners of a firm *(Sec 40(b)(v))*

**Remuneration Allowable – Pre Amendment**

| | |
|---|---|
| On the first Rs.3 Lakh of the book profit or in case of loss | Rs. 1.5 Lakh/- or at the rate of 90% of the book-profit, whichever is more |
| On the balance book-profit | At the rate of 60% |

**Remuneration Allowable – Post Amendment** ***(with effect from AY25-26 i.e. FY24-25)***

| | |
|---|---|
| On the first **Rs.6 Lakh** of the book profit or in case of loss | **Rs.3 Lakh**/- or at the rate of 90% of the book-profit, whichever is more |
| On the balance book-profit | At the rate of 60% |

Inserted new **TDS section 194T**, TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners *(w.e.f. from 01st April 2025)*

Deductor : Partnership Firm

Deductee : Partner

Nature : Salary, Interest, Bonus

TDS Rate : 10%

Threshold : INR 20,000 in FY

### Tax Rate Reduced for Foreign Companies

Decreased tax burden on foreign corporations, from **40% to 35%,** is expected to enhance India's attractiveness as a business destination, thereby fostering the growth of permanent establishments.