

## **Budget FY 2024 -2025 – Key Highlights**

### **Key Budget Proposal – Having Significant Impact on the Company’s Business Planning**

1. Long term gains on all financial and non-financial assets will attract a tax rate of 12.5 %.

**Explanation:**

Currently transfer of a non-movable property held for a period more than 2 years can be taxed under following two scenario at the option of assessee.

- a. 10% tax on the gain on the transfer of property without any indexation benefit
- b. 20 % tax on the gain on the transfer of property with indexation benefit

In the budget it is proposed that all the gain from the transfer of non-financial assets now taxed at a rate of 12.50% (plus applicable surcharges and cess) without any indexation benefit.

However, indexation benefit still available for transfer of properties acquired before 2001.

2. It is proposed that the provisions of clause (vii b) of sub-section (2) of section 56 of the Act related to tax on share premium of private companies shall not apply from the financial year 2024-25.

To keep in check the introduction of unaccounted money in private companies which was being done by pumping in share capital at inflated valuations, the government had introduced the provisions of section 56(2)(vii b) of the Act in 2012 (popularly known as Angel Tax). The provisions targeted the difference between the actual capital received and the FMV of the issued shares as income to be taxed in the hands of the private company.

It is now proposed to sunset the provisions of this clause.

### **Other key budget’s highlights: Direct Tax**

1. Relief is proposed under the new tax regime with new slabs and tax rates as under:-

<b>Total Income (Rs.)</b>	<b>Rate of Tax</b>
Up to 3,00,000	<b>Nil</b>
From 3,00,001 to 7,00,000	5%
From 7,00,001 to 10,00,000	10%
From 10,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

2. Standard deduction to salaried individuals and pensioners is proposed to be increased from Rs. 50,000 to Rs. 75,000 under the new tax regime.

3. Deduction from family pension of Rs. 15,000 is proposed to be increased to Rs. 25,000 under the new tax regime.
4. It is proposed to increase the amount of deduction allowed to an employer in respect of his contribution to a pension scheme referred to in section 80CCD, from the extent of 10% to The extent of 14% of the salary of the employee. Further, a nongovernment employee in the new tax regime shall be allowed deduction of an amount not exceeding 14% of the employee's salary in place of 10%.
5. It is proposed to reduce the rate of income-tax chargeable on income of foreign company (other than that chargeable at special rates) from 40 per cent to 35 per cent.
6. It is proposed that the provisions of clause (vii b) of sub-section (2) of section 56 of the Act related to tax on share premium of private companies shall not apply from the financial year 2024-25.
7. It is proposed to introduce a new scheme of block assessment for search cases. The block period is proposed to be six previous years and the period up to the date of conclusion of search. Total income of the block period is proposed to be taxed at the rate of 60 per cent.
8. It is proposed to make amendments to merge the two schemes for exemption and also provide for rationalisation of filing of applications and the timelines for registration and approval of certain benefits to charitable trusts and institutions.
9. Short term gains on specified financial assets shall henceforth attract a tax rate of 20 per cent instead of 15 per cent, while that on all other financial assets and non-financial assets shall continue to attract the applicable tax rate.
10. Long term gains on all financial and non-financial assets, on the other hand, will attract a tax rate of 12.5 per cent. For the benefit of the lower and middle-income classes, it is proposed to increase the limit of exemption of capital gains on certain listed financial assets from ₹ 1 lakh to ₹ 1.25 lakh per year.
11. It is proposed to bring down TDS rates from 5 per cent to 2 per cent in certain sections and omit section 194F where TDS rate is 20 percent.
12. It is proposed to increase the rate of simple interest from 1 per cent to 1.5 per cent on delayed payments of TCS after collection, as in the case of TDS.
13. It is proposed to increase the limit of remuneration to working partners to Rs. 3,00,000 or 90 per cent of the book-profit, whichever is more, on the first Rs. 6,00,000 of the book-profit or in case of a loss.
14. It is proposed that the income from buy-back of shares by companies be chargeable in the hands of recipient investor as dividend, instead of the current regime of additional income-tax in the hands of the company. Further, the cost of such shares shall be treated as a capital loss to the investor
15. It is proposed that income from letting out of a house or part of the house by the owner, shall not be charged under the head 'profits and gains of business or profession' and will be chargeable to tax under the head 'income from house property' only.
16. It is proposed to provide that the transfer of a capital asset, under a gift or will or an irrevocable trust, by an entity other than an individual or a Hindu undivided family (HUF) only, shall be regarded as transfer for the purpose of calculation of capital gain.
17. It is proposed that payments made by firm to its partner in the nature of salary, remuneration, commission, bonus and interest, etc shall be subject to TDS at the rate of 10 per cent for aggregate amounts more than Rs. 20,000 in a financial year.
18. It is proposed that Equalisation Levy at the rate of 2 per cent of consideration received for e-commerce supply of goods or services, shall no longer be applicable on or after 1st August, 2024.
19. It is proposed to explicitly state that any sum referred to in sub-section (1) of section 194J (fees for professional or technical services) does not constitute "work" for the purposes of TDS under section 194C (payments to contractors).
20. It is proposed to disallow expenses incurred as settlement fees for any contravention of law, as may be notified by the Central Government.

## **Other key budget's highlights: Indirect Tax**

1. Changes in the rates of BCD for the items as prescribed in the Budget
2. An amendment has been made to provide that Time of Supply of services under Reverse Charge Mechanism is the date of issue of invoice by the recipient, in cases where the invoice is required to be issued by the recipient. Corresponding amendments made in invoicing provisions;
3. ITC on invoices/ debit notes pertaining to FY 2017-18 to FY 2020-21 availed in periodic GST returns filed until 30 November 2021 proposed to be allowed;
4. ITC can be claimed for invoices or debit notes in returns filed between the cancellation and revocation of registration, within thirty days of the revocation order, as long as the credit claim period had not expired. These changes are effective from July 1, 2017, and no refund will be given if tax has been paid or credit reversed;
5. ITC allowed to be taken in cases of detention and confiscation of goods. However, ITC continues to be blocked in respect of tax discharged on account of fraud or suppression of facts for demands up to FY 23-24;
6. Refund of unutilised input tax credit or integrated tax shall not be allowed in cases of Zero- rated supply of goods where such goods are subjected to export duty;

## **Other key budget's highlights: Regulatory Proposals**

The following nine priority areas have been set-out which would provide a medium-term roadmap:

- 1. Productivity and Resilience in Agriculture**
  - Comprehensive review of the agriculture research setup to bring focus on raising productivity and developing climate resilient varieties.
  - New 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers.
  - Promotion of FPOs, cooperatives & start-ups for vegetable supply chains for collection, storage, and marketing.
  - 1 crore farmers will be initiated for natural farming with certification and branding support. 10,000 bio-input resource centres will be established.
  - National Cooperation Policy for systematic, orderly and all-round development of the cooperative sector.
  - DPI coverage for 6 cr farmers and lands in 3 yrs. Digital Kharif crop survey in 400 districts and Kisan Credit Cards in 5 states.
- 2. Employment and Skilling**
  - Employment Linked Incentive via EPFO-based schemes to support first-time employees and incentivize job creation.
  - 1,000 Industrial Training Institutes will be upgraded in hub and spoke arrangements with outcome orientation.
  - Loans up to Rs.7.5 lakh with a guarantee from a government promoted fund.
  - Financial support for loans up to Rs.10 lakh for higher education in domestic institutions. Annual interest subvention of 3%.
- 3. Inclusive Human Resource Development and Social Justice**

- Development of Eastern India with infrastructure, economic opportunities, and cultural projects, including roads, power plants, and new facilities.
- Support for Andhra Pradesh with Rs.15,000 crore for capital needs, complete the Polavaram project, and fund industrial infrastructure.

#### **4. Manufacturing & Services**

- Credit Guarantee to MSMEs during Stress Period.
- The limit of Mudra Loans enhanced to Rs.20 lakh under the 'Tarun' category.
- 12 Industrial parks under the National Industrial Corridor Development Programme.
- Integrated Technology Platform to strengthening Tribunal and Appellate Tribunal to speed up Insolvency Resolution.

#### **5. Urban Development**

- Encouraging States to lower stamp duties for properties purchased by women.
- Transit Oriented Development plans for 14 large cities with a population above 30 lakh.
- Promote water supply, sewage treatment and solid waste management projects and services for 100 large cities through bankable projects.
- Develop 100 weekly 'haats' or street food hubs in select cities.

#### **6. Energy Security**

- Initiatives with the private sector include developing Bharat Small Reactors, R&D of Bharat Small Modular Reactors, and advancing nuclear energy technologies.
- Financial support for shifting of micro and small industries to cleaner forms of energy.
- Facilitate installation of rooftop solar plants to enable 1 crore households obtain free electricity up to 300 units every month.
- A joint venture between NTPC and BHEL will set up a full scale 800 MW commercial plant using AUSC technology.

#### **7. Infrastructure**

- Provision of Rs.11,11,111 crore for infrastructure (3.4% of GDP).
- Rs.1.5 lakh crore to states as long-term interest free loans to support resource allocation.
- PMGSY will be launched to provide all weather connectivity to 25,000 rural habitations.
- Assistance in flood management and related project in Assam, Sikkim and Uttarakhand including rehabilitation in Himachal Pradesh.

#### **8. Innovation, Research & Development**

- A venture capital fund of Rs.1,000 crore is to be set up for space economy.
- Private sector-driven research and innovation at commercial scale with a financing pool of Rs.1 lakh crore.

#### **9. Next Generation Reforms**

- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands.
- Land records in urban areas will be digitized with GIS mapping.
- Rules for Foreign Direct Investment (FDI) and Overseas Investment will be simplified to facilitate FDI and promote opportunities for using Indian Rupee as a currency for overseas investments.
- Taxonomy for climate finance: Enhancing the availability of capital for climate adaptation and mitigation related investments.
- NPS Vatsalya: A plan for contribution by parents and guardians for minors