

BUDGET 2024, HIGHLIGHTS & ANALYSIS

The Finance Bill, 2024, introduced by the Government of India, aims to continue the reform process in the direct tax system. This year's bill focuses on providing tax reliefs, removing difficulties faced by taxpayers, and rationalizing various provisions. The amendments proposed in the bill cover a broad spectrum of tax-related issues, including changes to income tax rates, measures to promote investment, simplification of tax processes, and broadening the tax base. This blog will delve into the key provisions of the Finance Bill, 2024, and their implications for taxpayers.

KEY HIGHLIGHTS OF THE BUDGET 2024 ARE SUMMARISED BELOW:

DIRECT TAXATION:

➤ Tax Rate

- a) Change in new tax regime slabs from F.Y. 2023-24 (A.Y. 2024-25) vs Change in new tax regime slabs from F.Y. 2024-25 (A.Y. 2025-26)

Total Income	Rate of Tax (Before budget)	Total Income	Rate of Tax (After Budget)
Upto Rs. 3,00,000	Nil	Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5%	From Rs. 3,00,001 to Rs. 7,00,000	5%
From Rs. 6,00,001 to Rs. 9,00,000	10%	From Rs. 7,00,001 to Rs. 10,00,000	10%
From Rs. 9,00,001 to Rs. 12,00,000	15%	From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%	Above Rs. 15,00,000	30%

- b) Corporate Tax is reduced from 40% to 35% in case of Foreign Company

- **As per Section 16**, Standard deduction to salaried individuals and pensioners is proposed to be increased from 50,000 to 75,000 under the new tax regime.
- It is proposed to increase the amount of deduction in NPS allowed u/s section 80CCD, from the extent of 10% to the extent of 14% of the salary of the employee.
- **As per Section 57(iia)**, Deduction from family pension of 15,000 is proposed to be increased to 25,000 under the new tax regime.
- **As per Section 56 (2) (viib)**- If any private company receives in any previous year, from any resident person any consideration for issue of shares, if such consideration received exceeds fair market value shall be chargeable to income tax under the head "Income from other sources". Has per recent amendment government has decided to sun-set (shall not apply) this provision from the assessment year 2025-26.

➤ **Rates for deduction of income-tax at source during the financial year (FY) 2024-25 from certain incomes other than “Salaries”.**

- a) Deduction of income-tax at source on other income in case of company which is not a domestic company, rates shall be reduced from 40% to 35%.
- b) Amendment in limit of remuneration to working partner in a partnership firm, which is allowed as deduction;

For the first Rs. 6,00,000 of book profit or in case of a loss, the limit of remuneration to working partners in a partnership firm is increased to Rs. 3,00,000 or 90% of the book profit, whichever is higher.

On the balance of the book profit at the rate of 60%

The Amendment will take effect from 1st April, 2025.

- c) Deduction of income-tax at source on the incomes in the nature of capital gains for non-residents, the rates shall be as per the Table below:

Income	For transfers taking place before 23rd day of July, 2024 / Rate of TDS	For transfers taking place on or after 23rd day of July, 2024 / Rate of TDS
long-term capital gains referred to in section 115E	10%	12.5%
long-term capital gains referred to in sub-clause (iii) of clause (c) of subsection (1) of section 112	10%	The clause is not applicable for transfers on or after 23rd July, 2024
long-term capital gains referred to in section 112A exceeding one lakh twenty five thousand rupees	10%	12.5%
long-term capital gains [not being long-term capital gains referred to in clauses (33) and (36) of section 10]	20%	12.5%
short-term capital referred to in section 111A	15%	20%



All Listed Assets

	Earlier STCG	Now STCG	Holding Period	Holding changed	Earlier LTCG	Now LTCG
Stocks	15%	20%	12 months	No	10%	12.50%
Equity Mutual Fund	15%	20%	12 months	No	10%	12.50%
Debt and non-equity MFs	Slab rate	Slab rate	N/A	Yes, earlier same for STCG & LTCG	Slab rate	Slab rate
Bonds (Listed)	Slab rate	20%	12 months	No	10%	12.50%
REITs/Invits	15%	20%	12 months*	Yes, earlier 36	10%	12.50%
Equity FoFs	Slab rate	20%	N/A	Yes, earlier same for STCG & LTCG	Slab rate	12.50%
Gold/Silver ETF	Slab rate	20%	12 months	Yes, earlier same for STCG & LTCG	Slab rate*	12.50%
Overseas FoFs	Slab rate	Slab rate	24 months	Yes, earlier same for STCG & LTCG	Slab rate	12.50%
Gold Funds	Slab rate	Slab rate	12 months	Yes, earlier same for STCG & LTCG	Slab rate	12.50%

All Unlisted Assets

	Earlier STCG	Now STCG	Holding Period	Holding changed	Earlier LTCG	Now LTCG
Real Estate (Physical)	Slab rate	Slab rate	24 months	No	20%**	12.50%
Bonds (Unlisted)	Slab rate	Slab rate	24 months	Yes, earlier same for STCG & LTCG	Slab rate	Slab rate
Physical Gold	Slab rate	Slab rate	24 months	Yes, earlier 36	20%**	12.50%
Stocks (Unlisted)	Slab rate	Slab rate	24 months	No	20%**	12.50%
Foreign/equities/debt	Slab rate	Slab rate	24 months	No	20%**	12.50%

*Other than those investing 90% in equity ETFs

**With Indexation

Those investing in Funds with at least 65% equity

All changes effective for asset sold after 23 July 2024.

- Indexation available under second proviso to section 48 is removed for calculation of any long-term capital gains. As clarified below:

The abolition of indexation benefits in calculating Capital Gain Tax on real estate and property will not affect everyone. Old properties held before 2001 would continue to get indexation benefit. Legacy assets and old properties will benefit.

- It is proposed that the income from buy-back of shares by companies be chargeable in the hands of recipient investor as dividend. (to be effective from 1st day of October, 2024)

Example:

100 shares bought in 2020	@Rs. 40/- per share
Total cost of acquisition	Rs. 4000/-
20 shares bought back in 2024	@Rs. 60/- per share
Income taxable as deemed dividend	Rs. 1200/-
Capital loss on such buyback (Rs. 40 *20)	Rs. 800/-
50 Shares sold in 2025 @Rs.	70 per share
Capital Gain (3500 – 2000)	Rs. 1500
Chargeable capital gain after set off	Rs. 700

- As per Section 50AA unlisted debentures and unlisted bonds are liable to tax at applicable rates by including them under the said provisions.
- As per Section 50AA mutual funds that invest more than 65% of their total proceeds in debt and money market instruments will be covered under this Section Hence, Gold Mutual Funds, and Gold ETFs and ETFs will not be considered specified mutual funds.
- Rates of STT on sale of option in securities increased from 0.0625% to 0.1% and on sale of futures in securities from 0.0125% to 0.02%.

➤ **Rationalisation of Tax Deducted at Source rates**

- a) New section 194T has been inserted relating to payments made by firm to its partner in the nature of salary, remuneration, commission, bonus and interest shall be subject to TDS at the rate of 10% for aggregate amounts more than Rs. 20,000 in a financial year. (With effect from 1st April, 2025)
- b) TCS of 1% to be levied on notified goods (luxury goods) like bags, watches of value exceeding 10 lakh rupees. (to be effective from 1st day of January, 2025)
- c) Rate of simple interest increases from 1% to 1.5% on delayed payments of TCS after collection, as in the case of TDS.
- d) As per section 194-IA multiple transferors or transferees in the transfer of immovable property, the threshold for tax deduction will be the total sum paid or payable by all transferees to all transferors. (With effect from 1st October, 2024).
- e) As per amendment in sub-section (1) of section 194J any sum referred shall not be treated as “work” for the purposes of TDS under section 194C.

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G - Commission etc. on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of	5%	2%	1.10.2024



certain sums by certain individuals or Hindu undivided family			
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024

➤ **Assessment & Appeals**

- a) Section 151 has been substituted to provide that specified authority for the purposes of sections 148 and 148A shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.
- b) As per recent amendment a new block assessment scheme will be introduced for search and requisition cases. The 'block period' will include the year when the search or requisition was initiated and the six assessment years prior to that year.
- c) Tax for the block period shall be charged at 60% as per Section 113 of the Act. The proviso to Section 113 has been amended to stipulate that the tax chargeable under this section shall be increased by any applicable surcharge levied by any Central Act.
- d) The penalty on the undisclosed income of the block period, as determined by the Assessing Officer, shall be levied at 50% of the tax payable on such income. However, penalty shall not be levied if the assessee discloses the undisclosed income in the return furnished in response to the search and pays the tax along with the return.
- e) Time limit for completing the block assessment of the searched assessee shall be twelve months from the end of the month in which the last authorization for search under Section 132, or requisition under Section 132A, was executed or made. For any other person, the time limit for completing the block assessment shall be twelve months from the end of the month in which the notice under Section 158BC, pursuant to Section 158BD, was issued to such person.



- f) Currently, no surcharge is proposed for income chargeable to tax for the block period. Furthermore, no interest under Sections 234A, 234B, or 234C, nor any penalty under Section 270A, shall be imposed on the assessee regarding the undisclosed income assessed or reassessed for the block period.
- g) After 3 years but before 5 years assessments under section 148A can be reopened only if the escaped income is Rs. 50 lakh or more.
- h) The returns filed as per assessment order under section 119(2)(b) to be completed within 12 months from the end of the financial year in which such return is furnished.
- i) Reference to section 250 is being inserted in section 153(3) in order to provide the time limit for disposal of cases which are proposed to be set aside by the Commissioner (Appeals).
- j) As per Section 253 the time limit for filing an appeal to the ITAT is proposed to be changed.
- k) The appeal before the ITAT may be filed within two months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner, as the case may be.
- l) In Section 253 reference of Section 158BFA has been inserted to enable an aggrieved assessee to file an appeal to ITAT against penalty orders passed by the Commissioner (Appeals).

➤ **Section 24 of the Prohibition of Benami Property Transactions Act, 1988**

- a) Sub-Section (2A) is proposed to provide 3 months maximum time limit for a Benamidar/Beneficial owner to furnish a reply/submission to the show cause notice issued by the Initiating Officer (IO)
- b) Sub-section (3) & Sub-section (4) are amended to extend the period to decide on provisional attachment actions by IO from 90 days to four months from the end of the month in which the show cause notice was issued.
- c) The proposed amendment allows the IO one month to refer the case to the Adjudicating Authority (AA) after passing the attachment order; earlier, 15 days was prescribed.

This amendment will take effect from 1st October, 2024.

➤ **Black Money Act, 2015 relating to penalty for failure to disclose foreign income and asset in the ITR**

- a) Section 132B is proposed to be amended so as to recover the existing liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, out of seized assets.
- b) As per sections 42 and 43 the threshold limit for reporting the value of foreign assets (excluding immovable property) in the Income Tax Return has been increased from Rs. 5 lakh to Rs. 20 lakh.

This amendment will take effect from the 1st day of October, 2024

➤ **Vivad se Vishwas Scheme, 2024**

Direct Tax Vivad Se Vishwas Scheme, 2024, to be introduced from the date to be notified by central government to offer a settlement mechanism for disputed issues, with objective of aiming to reduce litigation at a minimal cost.

➤ **Miscellaneous**

- a. Amendment is made in Section 80G to provide deduction of any sums paid as donations to the National Sports Development Fund set up by the Central Government.
- b. As per section 276B if the deductor has deposited TDS before the due date prescribed for filing the TDS statement of the quarter then there will be no prosecution.
- c. Lower TDS and TCS certificates can be applied for Section 194Q and Section 206C(1H).
- d. As per section 271FAA no penalty shall be attracted in case of furnishing of inaccurate information in the statement or failure to comply with due diligence requirement in the statement.
- e. As per section 271H no penalty under will be imposed if the assessee proves that, after paying TDS/TCS with fees and interest, the statement was filed within one month of the due date.

- f. With the effect from 01-08-2024 Equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services.
- g. Section 230(1A) specifies that no person domiciled in India shall leave India unless he obtains a certificate from the income-tax authorities stating that he has no liabilities under the Income-tax Act, 1961.

The scope of this provision is proposed to be extended so that no liability should be outstanding from such a person leaving India under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

➤ **Custom Duty**

- a) BCD reduced to 15% on Mobile phone, Mobile PCBA and charger (to be effective from 24-7-2024)
- b) BCD reduced on shrimp and fish feed to 5%(to be effective from 24-7-2024)
- c) Exempted more capital goods for manufacturing of solar cells & panels (extended upto 31st March, 2026 unless specified otherwise).
- d) Fully exempt custom duties on 25 critical minerals (to be effective from 24-7-2024)
- e) Certain goods are being exempted from levy of Social Welfare Surcharge (to be effective from 24-7-2024)
- f) Custom duties on Gold & Silver reduced to 6% & 6.5% on platinum (to be effective from 24-7-2024)

➤ **GST**

- a) GST Compensation Cess is being exempted with retrospective effect from 1st July, 2017 on imports by SEZ units or developers.
- b) Section 11A is being inserted to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.
- c) Sub-section (3) is being amended and a new subsection (15) is being inserted in section 54 of the CGST Act, so as to provide that no refund of unutilised input tax credit or integrated tax shall be allowed in cases of zero rated supply of goods where such goods are subjected to export duty.
- d) Sub-section (1A) is being inserted in section 70 of the CGST Act, to enable an authorized representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.



- e) Sub-section (5) is being inserted in section 16 of the CGST Act, so as to carve out an exception to the existing sub-section (4) In respect of an invoice or debit note for the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return which is filed upto the 30th day of November, 2021.
- f) Sub-section (6) of section 107 of the CGST Act is being amended to reduce the maximum amount of pre-deposit for filing appeals before the Appellate Authority from rupees twenty five crores to rupees twenty crores in central tax.
- g) In Reverse Charge Mechanism amendment is proposed in sub section (3) of Section 13 of CGST Act to provide for issuance of invoice by recipient of supplies.
- h) Amendment are made to make filing of monthly returns by TDS Deductors mandatory.
- i) Section 9 of CGST Act, is being amended to keep Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption outside the purview of central tax. Similar amendments are also proposed in IGST Act and UTGST Act.

➤ Demand And Recovery under GST

- a) New Section 74A has been inserted for 'Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or Utilised for any reason'.
- b) Section 74A aims to provide a common mechanism and time-lines for issuing notice and order for proceedings in case of malafide (i.e. fraud, misrepresentation of facts etc.) and bonafide cases.
- c) However, where the intentions of the taxpayers subsequently turns out to be fraudulent, the quantum of penalty would vary.
- d) The time Limit to issue Show Case Notice is as per table below:-

Particulars	Time Limit
Tax not/short paid or input tax credit wrongly availed/utilized	42 months from the due date for furnishing of annual return for financial year to which tax not/short paid or input tax credit wrongly availed/utilised relates to
Erroneous refund	42 months from the date of erroneous refund wrongly availed/utilised relates to

- e) The proper officer would determine the amount of tax, interest and penalty due from assessee and issue an order, after considering the representation made by the assessee.
- f) It is proposed that time limit for issuance of demand order would be 12 months from the date of notice. Further, such time limit of 12 months can be extended for a maximum upto 6 months.
- g) As per new Section 74A it is proposed that where tax is paid within 60 days of

issuance of notice, the proceedings will be deemed to be concluded and the benefit of reduced penalty will be available to the person.

h) Applicable penalties are summarized below:

Stage of closure	Timeframe for Payment	Penalty
Before service of notice	Before service of notice	15% of tax ascertained by the taxpayer or the proper officer
After service of notice	Within 60 days of issue of notice	25% of such tax
After service of notice	Within 60 days of communication of order	50% of such tax

- i) Applicability of Section 73 and Section 74 has been restricted upto the financial year 2023-24 only. Due to insertion of Section 74A which will be effective from the financial year 2024-25.
- j) Amendment has been made in various other provisions to include Section 74A of the CGST Act such as in Section 10, Section 21, Section 35, Section 49, Section 50, Section 51, Section 61, Section 62, Section 63, Section 64, Section 65, Section 66, Section 75, Section 104, Section 107, Section 127.

The Hon'ble Finance Minister's aim is to simplify tax system and reduce litigation and take forward the policy of stable and predictable tax regime with a vision to establish a trustworthy tax regime.

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