

An Analysis of Union Budget 2024-25

सत्यमेव
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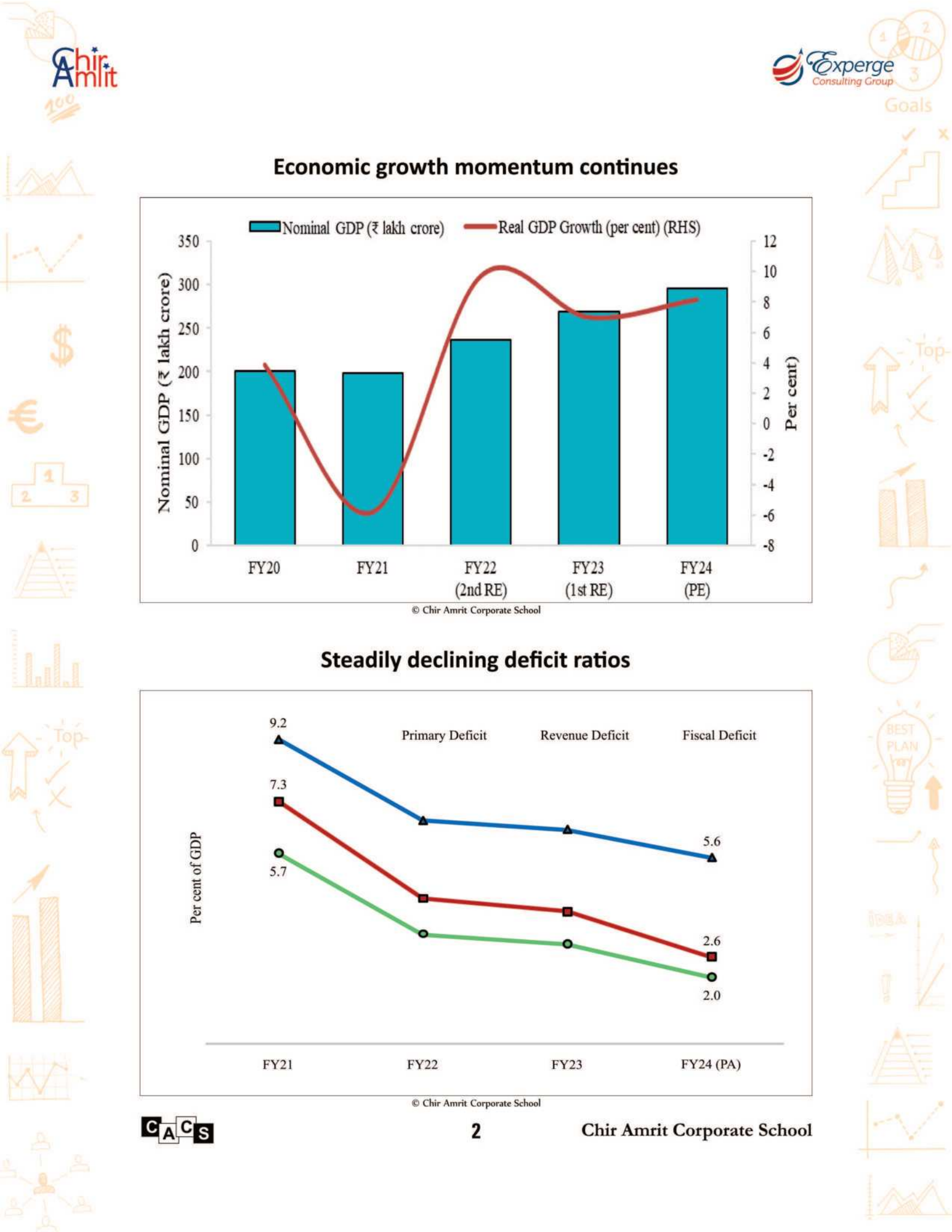


Analysis of Union Budget 2024-25

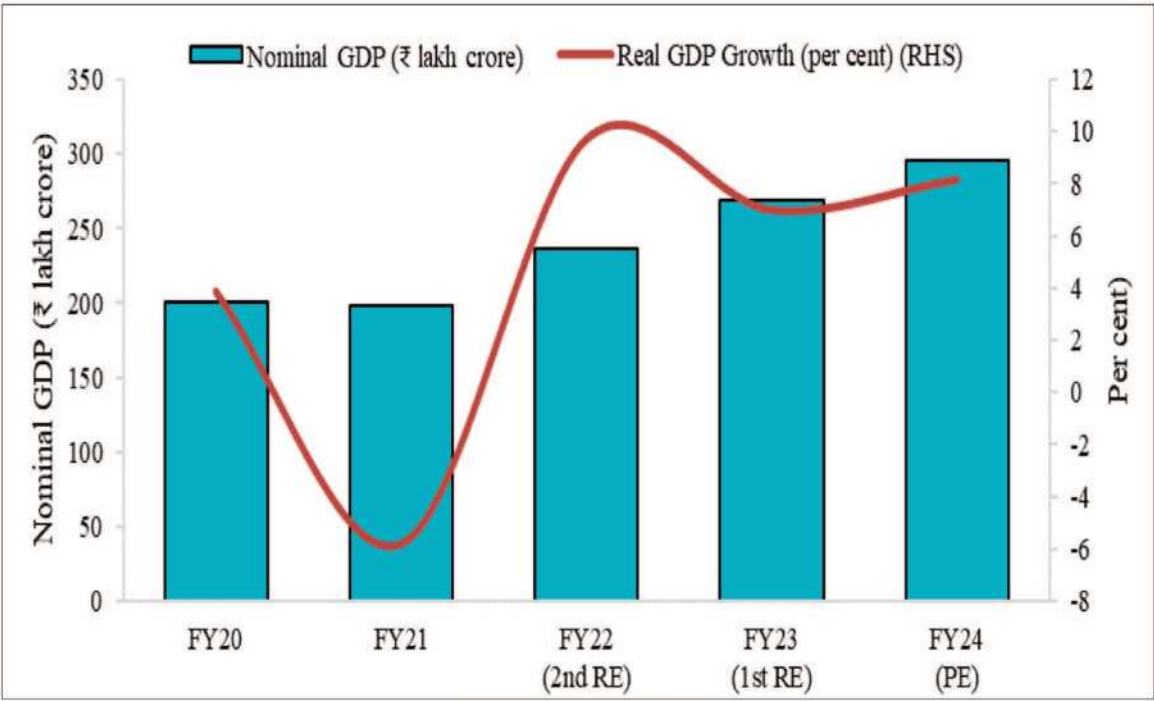
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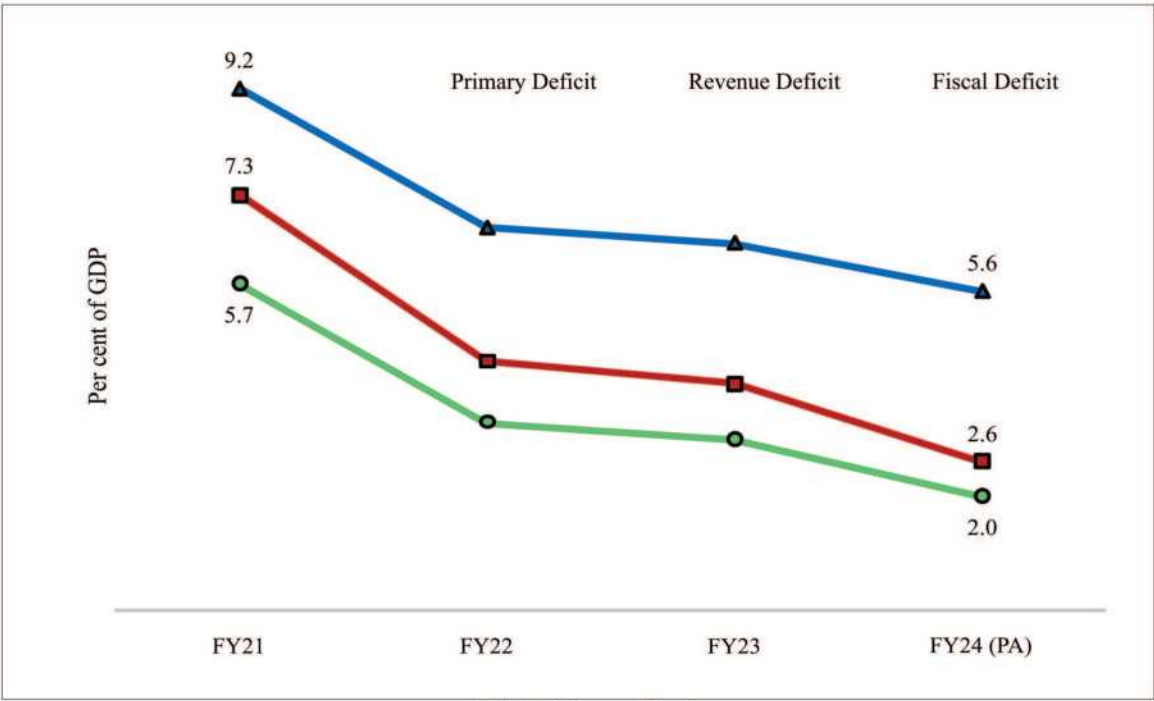


Economic growth momentum continues

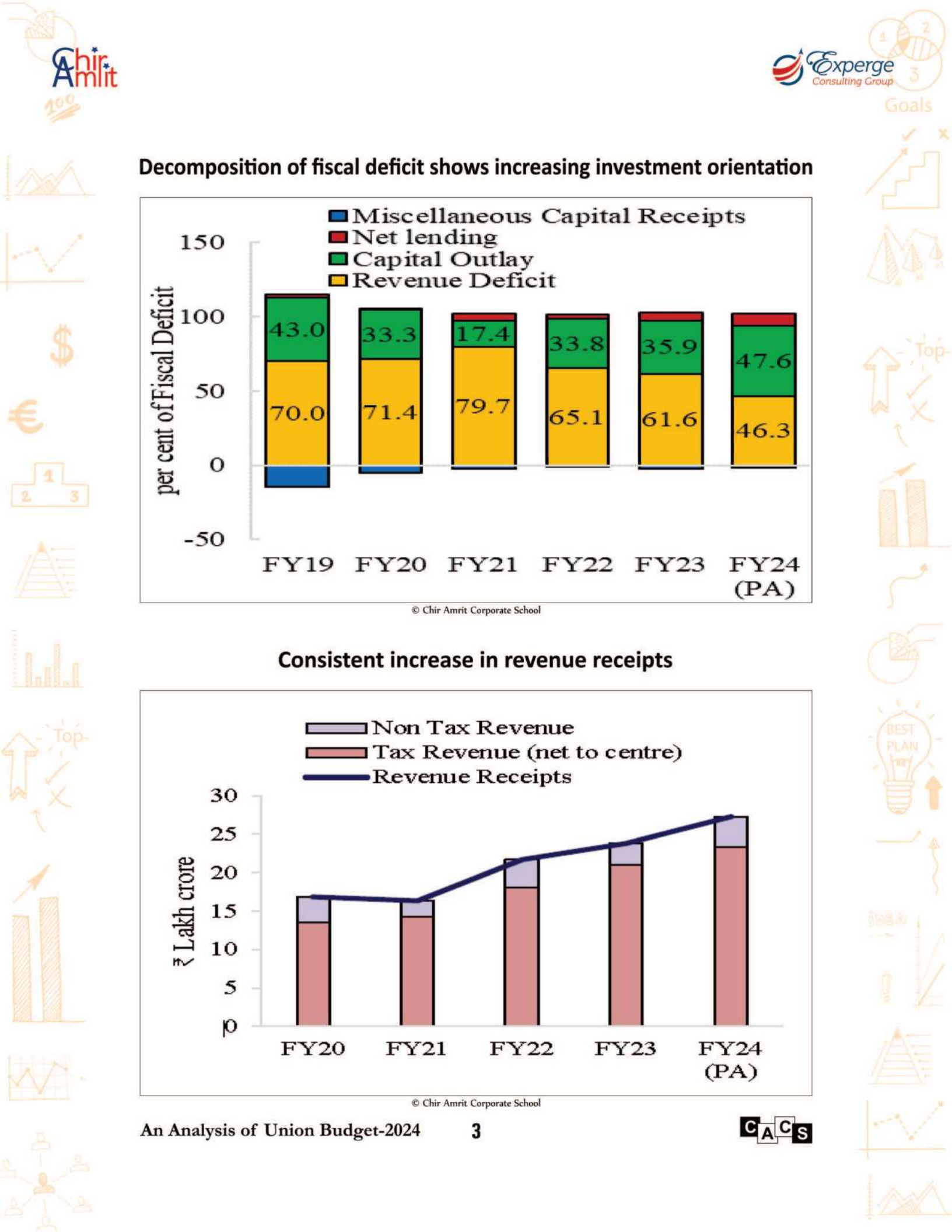


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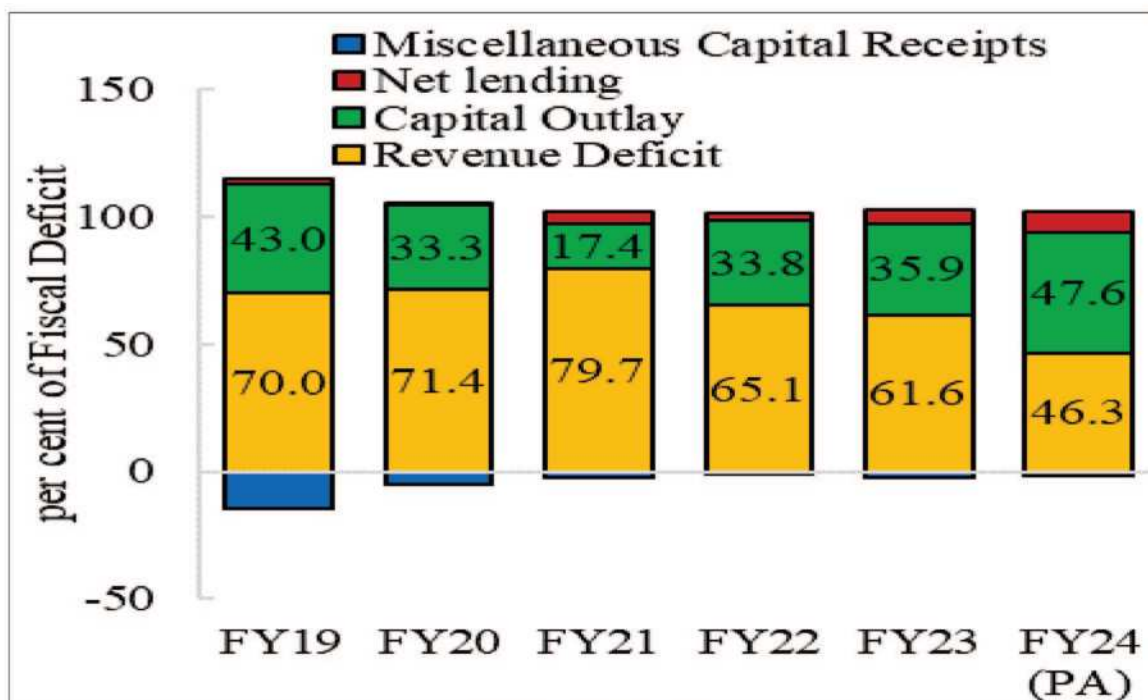
Steadily declining deficit ratios



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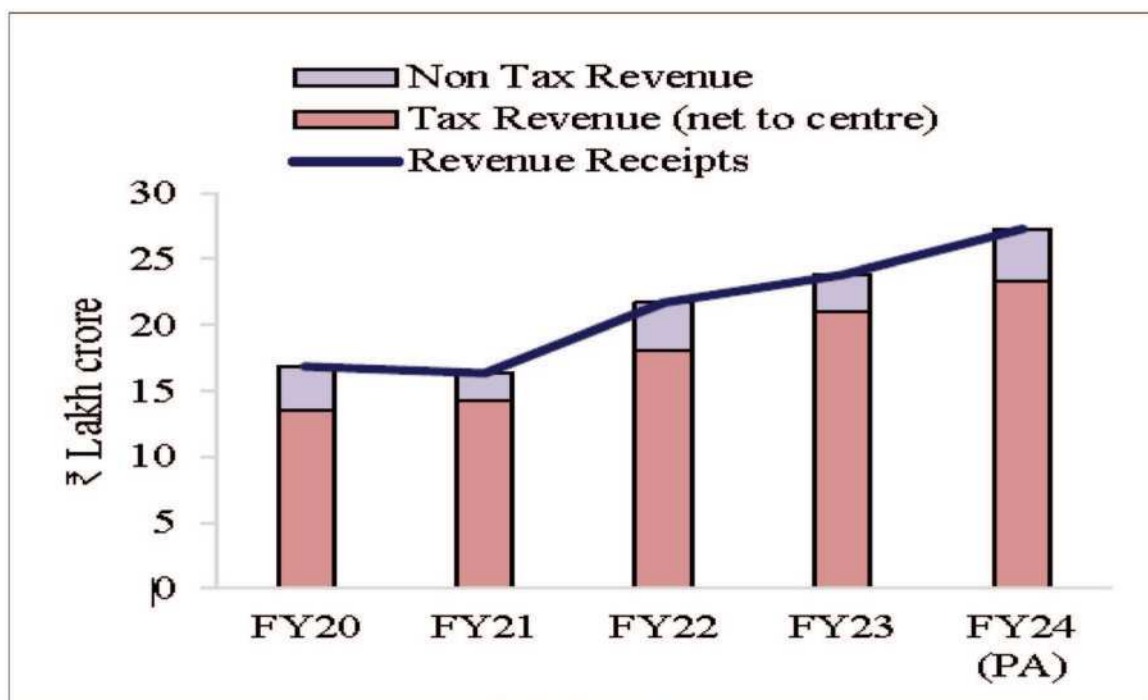


Decomposition of fiscal deficit shows increasing investment orientation

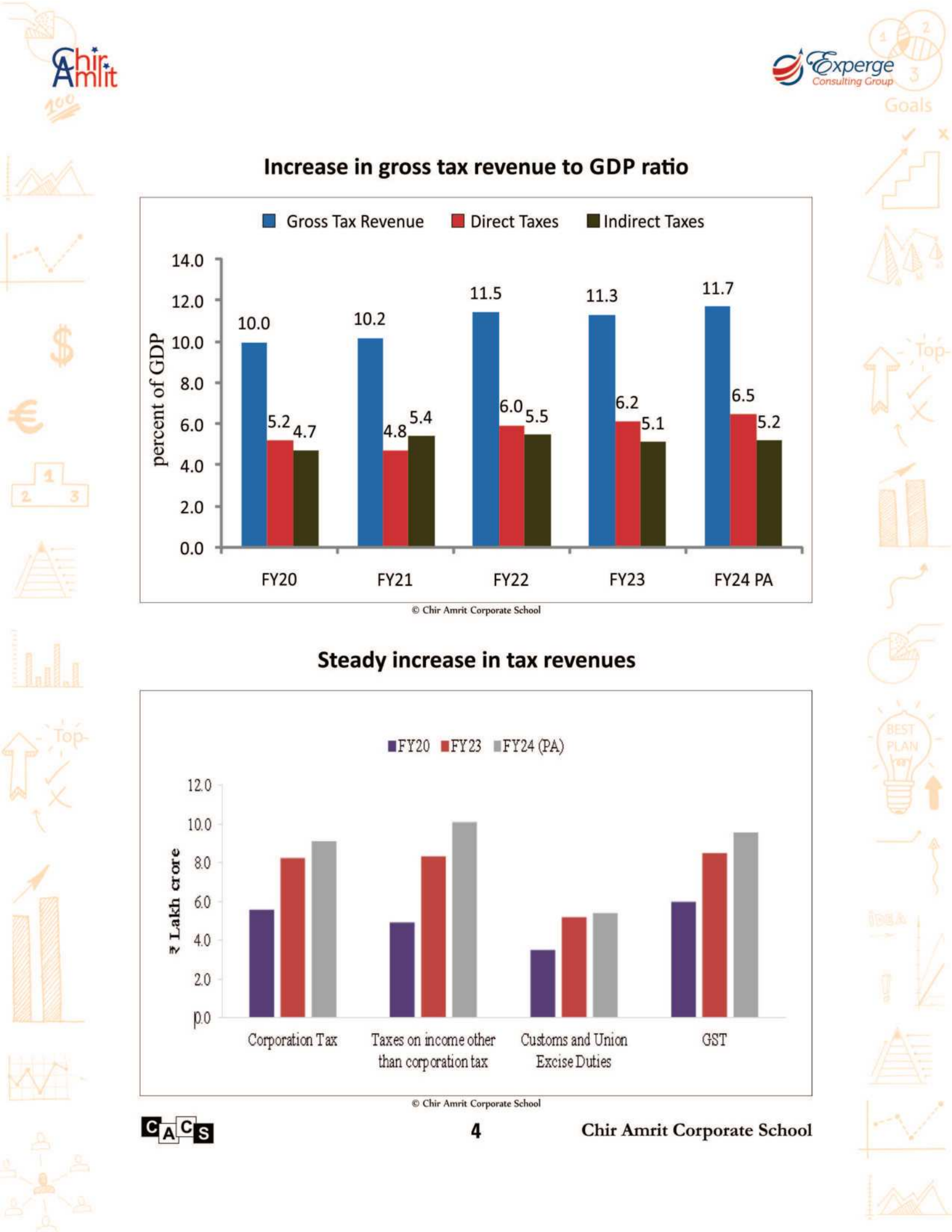


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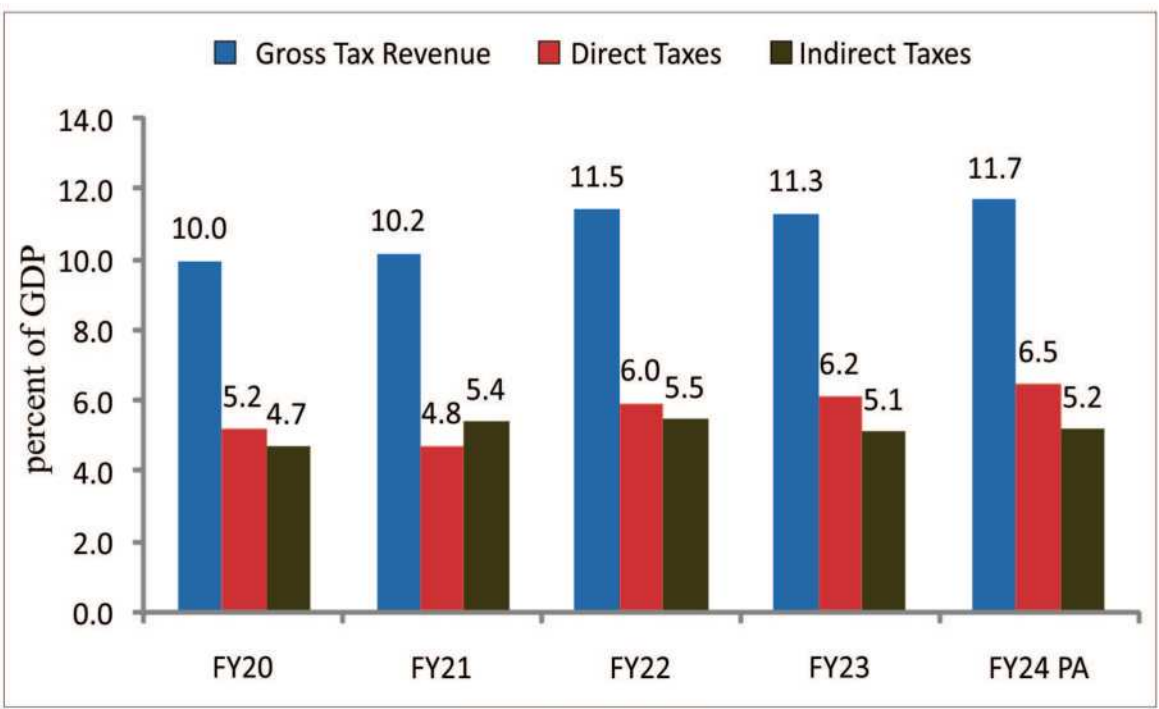
Consistent increase in revenue receipts



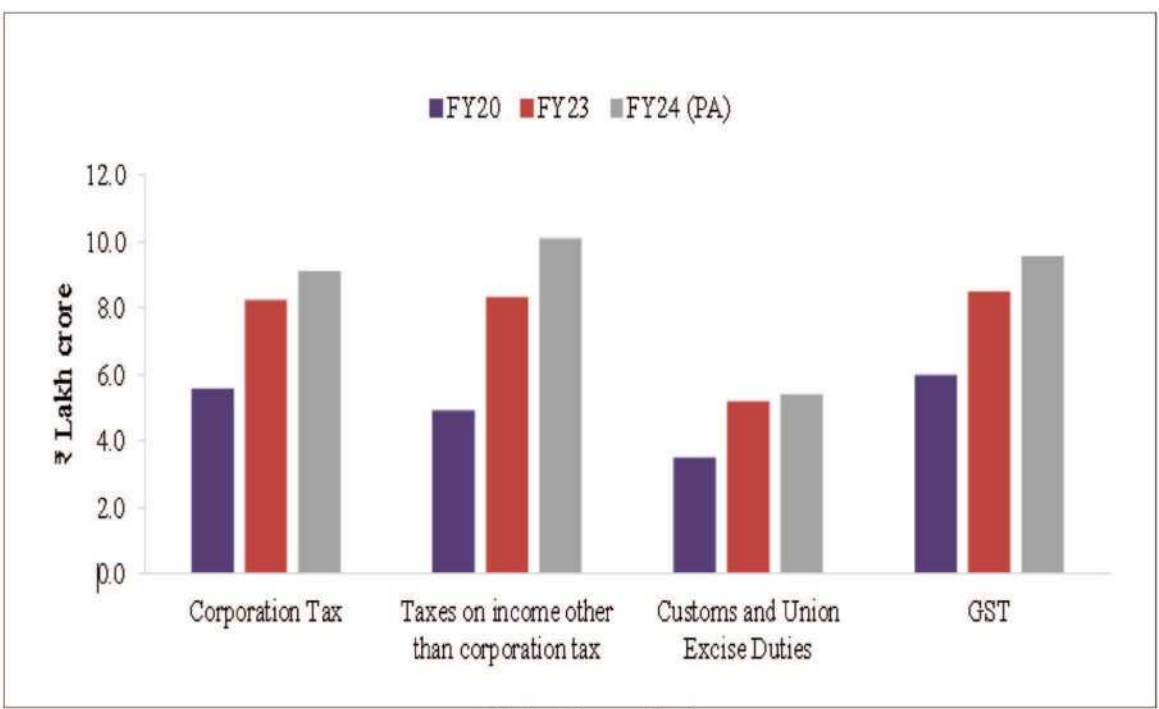
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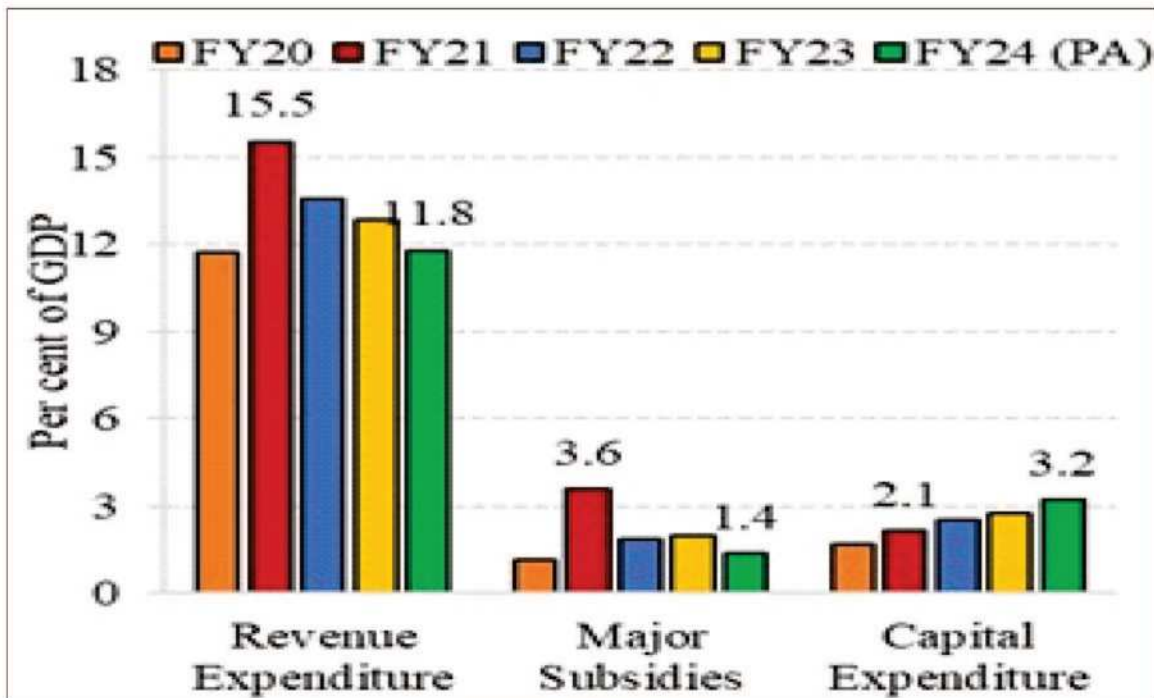
Increase in gross tax revenue to GDP ratio



Steady increase in tax revenues

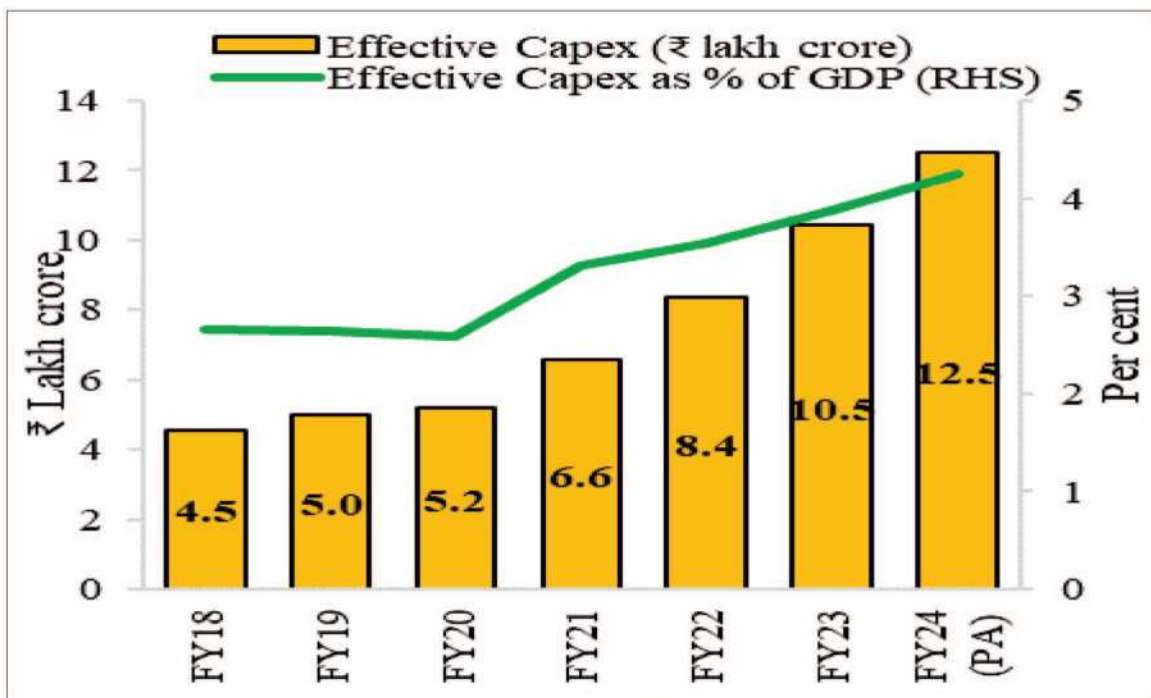


Prudent management of expenditure

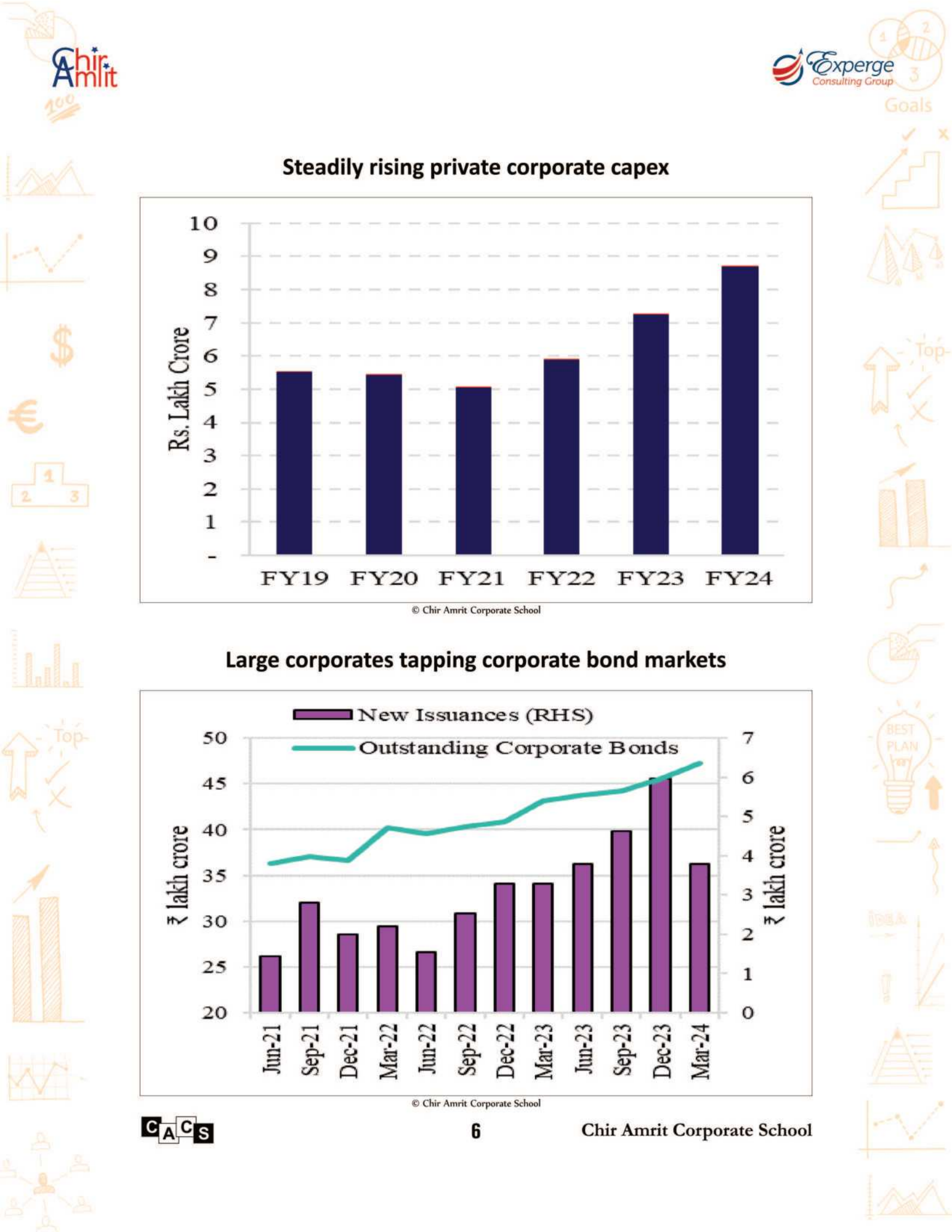


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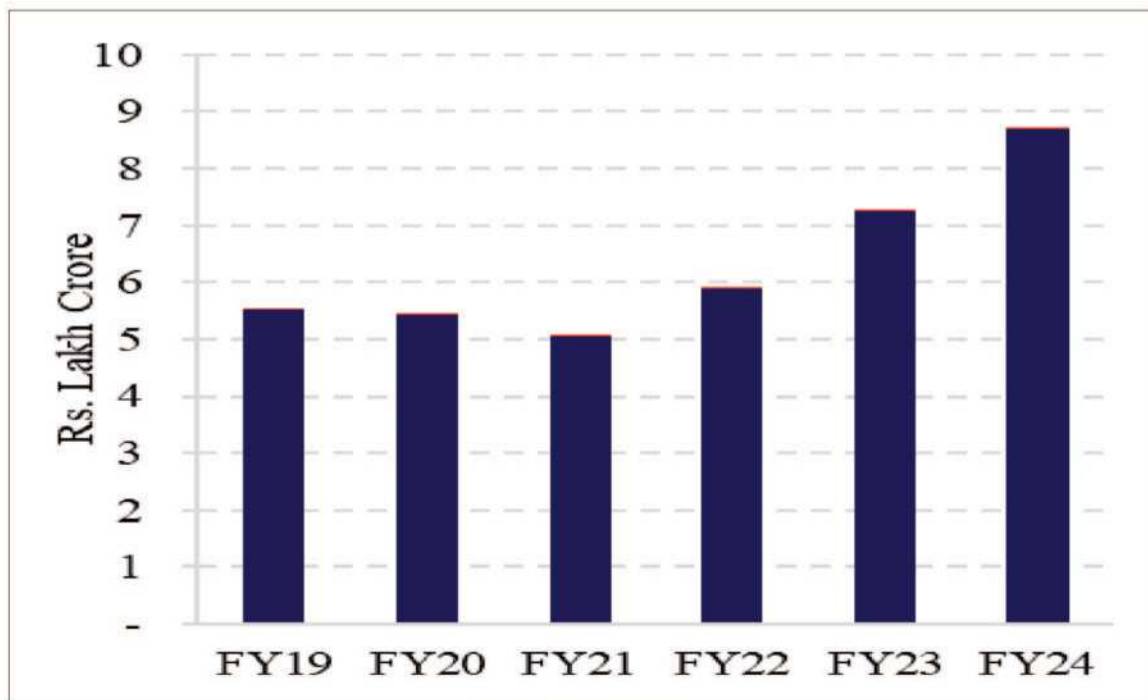
Increasing union government effective capex to GDP ratio



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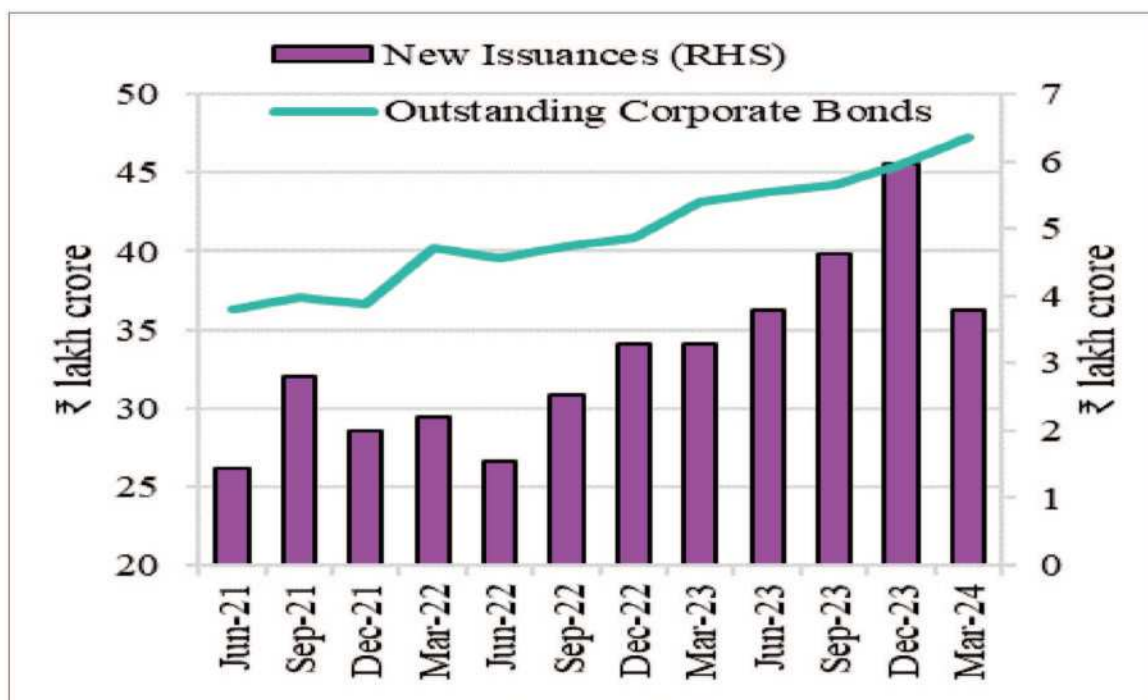


Steadily rising private corporate capex



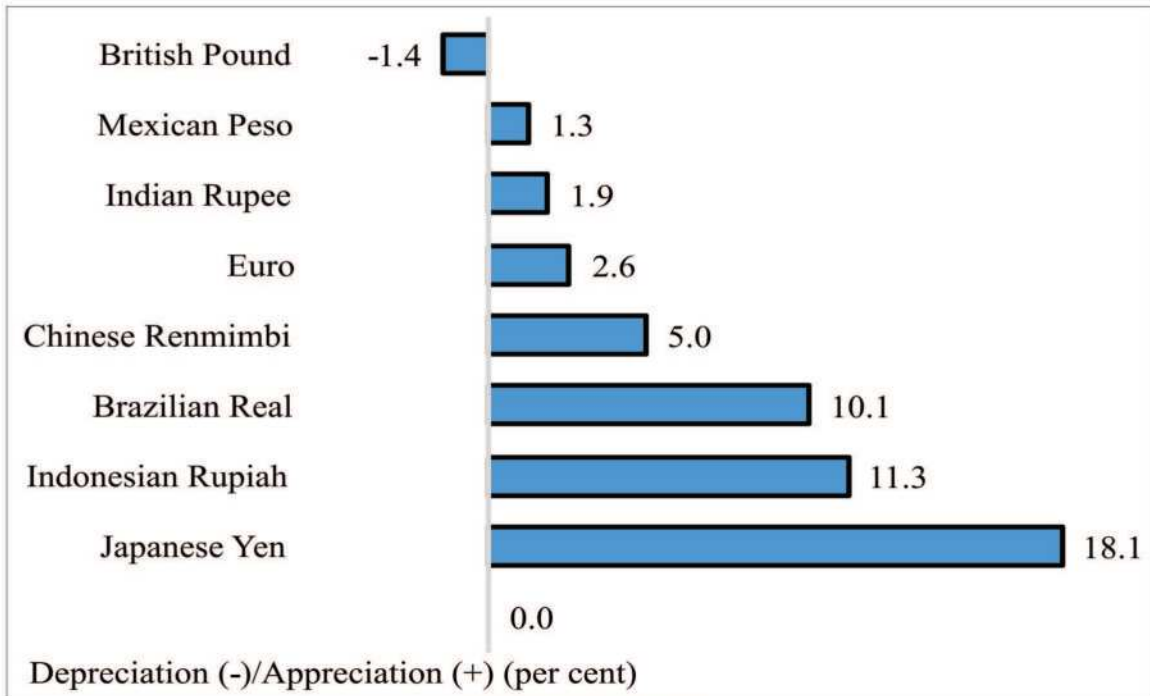
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Large corporates tapping corporate bond markets



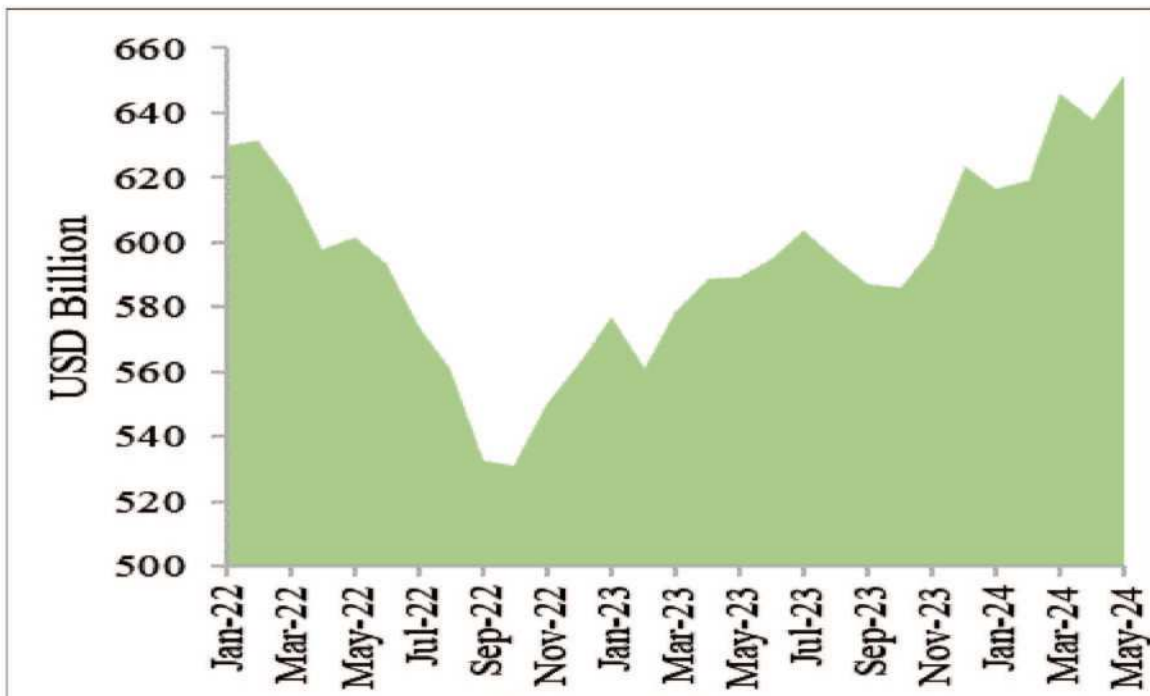
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Indian rupee : one of the most stable currencies over Apr 23-Jun24

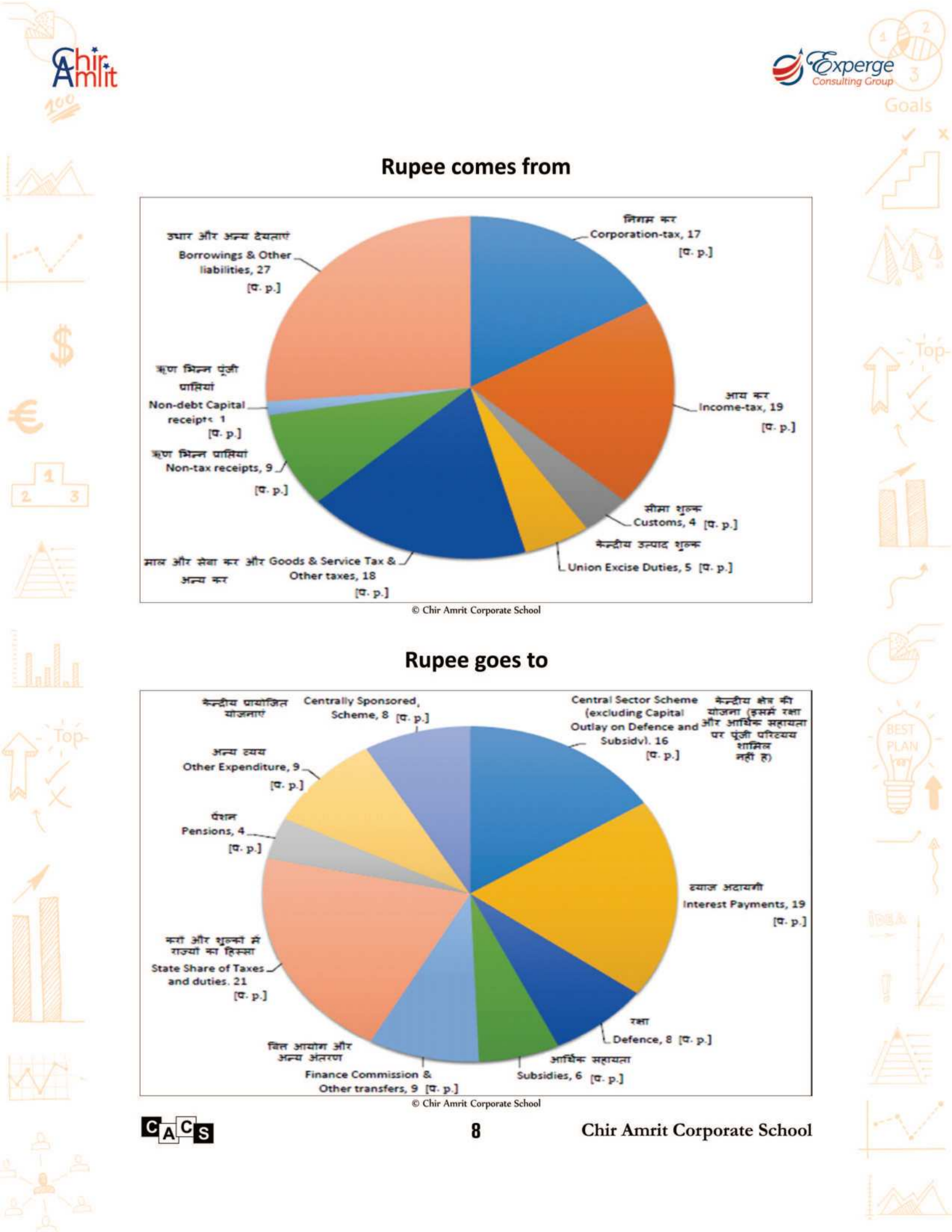


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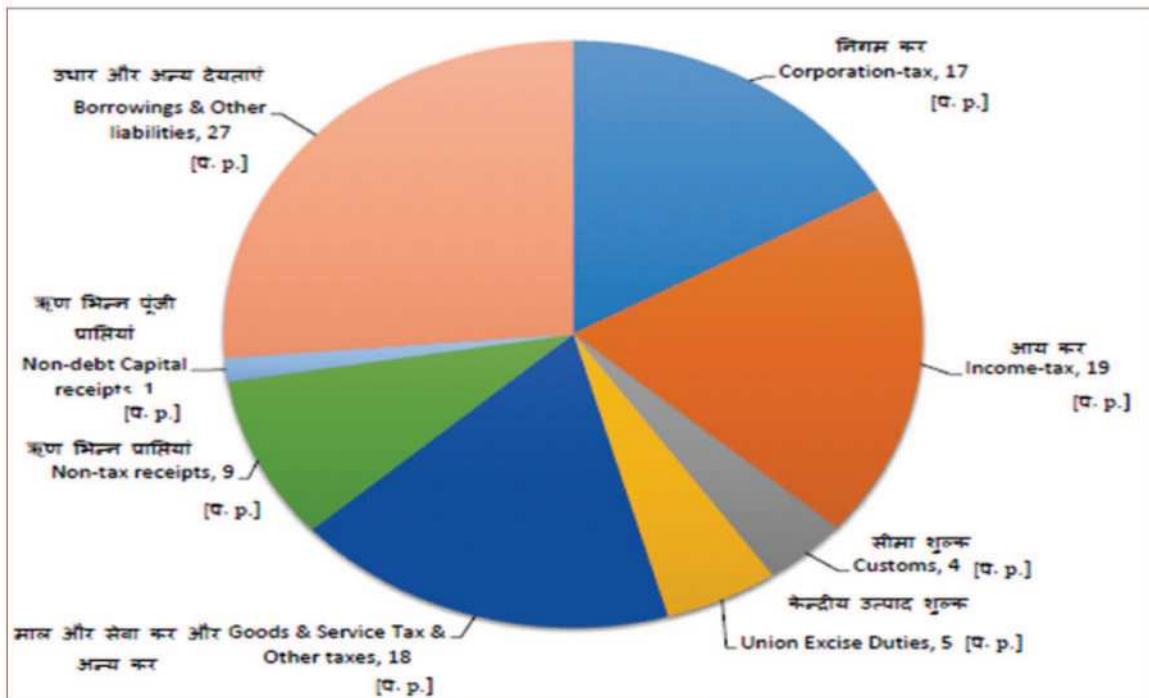
Forex reserves sufficient to cover around 11 months imports



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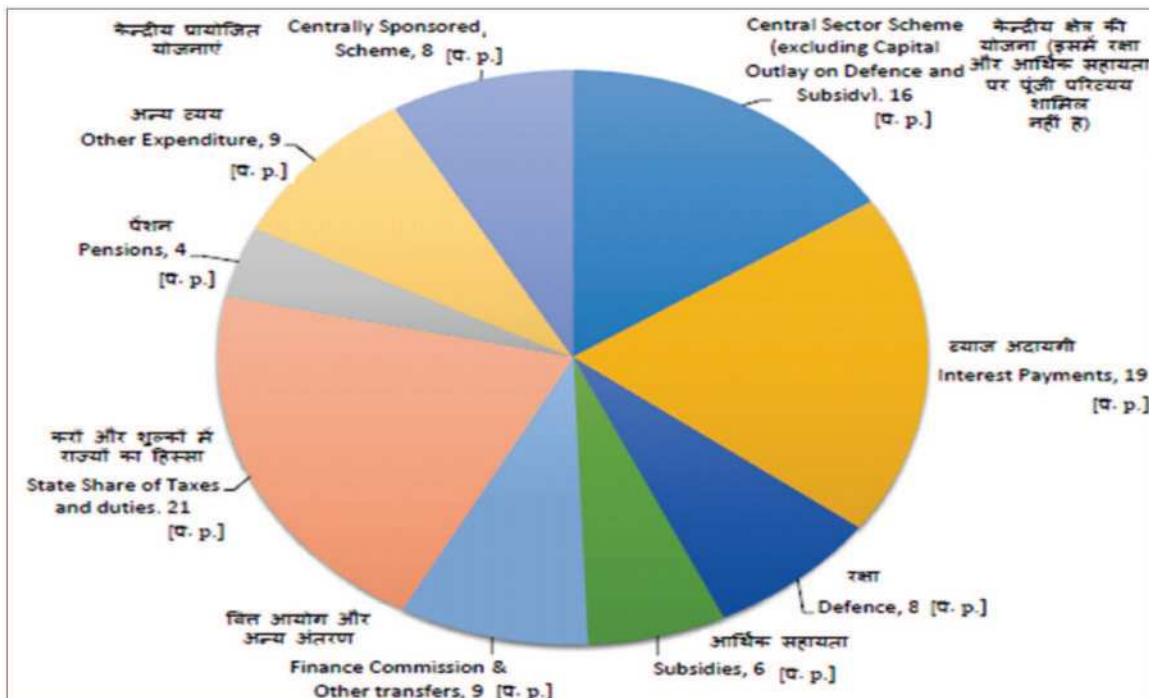


Rupee comes from



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Rupee goes to



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KEY HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO RATES OF INCOME TAX

RATES OF TAXES

- New tax regime which was introduced by Finance act 2020 is default regime from AY 2024-25 onwards.
- While the slabs of the new tax regime were more favourable, aligning with the government's aim to transition to a new tax structure, they simultaneously restricted taxpayers from claiming numerous exemptions, allowances, and deductions.
- Following major amendments have been proposed in the Finance Bill 2024:
 - New tax rates u/s 115BAC for New tax regime.
 - Increase in Standard Deduction u/s 16(ia).
 - Increase in Deduction from family pension u/s 57(ia).
 - Reduction in tax rate for Foreign companies.
 - New tax rates for Long term capital gains and short-term capital gains.
 - Holding period for defining a short-term capital asset has been simplified. Now for all listed securities, the holding period is proposed to be 12 months and for all other assets, it shall be 24 months.
 - Withdrawal of Equalisation levy of 2% (w.e.f 01.08.2024).

Tax Rates under Section 115BAC

For Certain Individuals or HUF or AOP (other than Co-operative Societies) or BOI, whether incorporated or not, or Artificial Juridical Person*

Rate of Tax	Proposed tax rates for A.Y. 2025-26	Current tax rates for A.Y. 2024-25
Nil	Up to Rs. 3,00,000	Up to Rs. 3,00,000
5%	From Rs. 3,00,001 to Rs. 7,00,000	From Rs. 3,00,001 to Rs. 6,00,000
10%	From Rs. 7,00,001 to Rs. 10,00,000	From Rs. 6,00,001 to Rs. 9,00,000
15%	From Rs. 10,00,001 to Rs. 12,00,000	From Rs. 9,00,001 to Rs. 12,00,000
20%	From Rs. 12,00,001 to Rs. 15,00,000	From Rs. 12,00,001 to Rs. 15,00,000
30%	Exceeding Rs. 15,00,000	Exceeding Rs. 15,00,000

Above rates shall apply, unless an option is exercised as per provisions Section 115BAC(6).

Note: Total income shall be computed without allowing for any exemption or deduction as provided u/s 115BAC(2)(i).

However, following deduction or exemption shall be allowable.

- Standard deduction as provided u/s 16(ia).
- Deduction of income in the nature of family pension u/s 57(ia).
- Deduction in respect of amount paid or deposited in Agniveer Corpus Fund u/s 80CCH(2).

Increase in Standard Deduction and deduction from family pension for taxpayers in tax regime u/s 115BAC(1A)

- It is proposed to increase the Standard deduction from Rs. 50,000 to Rs. 75,000 as per Section 16(ia).
- It is also proposed to increase the deduction in nature of family pension from Rs. 15,000 to Rs. 25,000 as per section 57(ia).
- w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)

Increase in Rate of Deduction from Employer's Contribution

- Section 80CCD(2) deals with deduction contribution by Central government or State government or employer towards employee's account, shall be allowed as a deduction which should not exceed –
 - 14% (In case of contribution by Central Government or State Government)
 - 10% (In case of contribution by Employer) of the employee's salary in the previous year.
- It is proposed that where contribution made by any other employer (other than Central Government or State Government) shall be allowed as deduction not exceeding 14% of the employee's salary. This above change is proposed only when such employee's salary chargeable to tax u/s 115BAC(1A).w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)

For Company, other than Domestic Company i.e. Foreign Company

- It is proposed to reduce tax rate for the foreign company from 40% to 35%, on income other than income chargeable at special rates.
- w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)
- There is no charge in surcharge rate.

Surcharge @ 2 % (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 Crore.
Surcharge @ 5 % (subject to marginal relief)	When total income exceeds Rs. 10 crores.

For Domestic Company: No Change

Rate of Tax	Existing
25% of total income	Total turnover/Gross Receipt in previous year 2021-22 was upto Rs. 400 crores.
30% of total income	In all other cases.
Surcharge @ 7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crores.
Surcharge @ 12 (subject to	When total income exceeds Rs. 10 crores.

marginal relief)

For Certain Domestic Company (Rates Under Special Cases): No change

Rate of Tax	Existing
22% of total income	Option u/s 115 BAA exercised.
15 of total income	Option u/s 115 BAB exercised.
Surcharge @ 10 % (subject to marginal relief)	On the total tax liability u/s 115BAA or 115BAB.

- No change in old tax regime for other assessee.
- For Individuals (Other than Senior Citizen and Super Senior Citizen) or HUF or AOP or BOI, whether incorporated or not, or Artificial Juridical Person*: No change**

S. No.	Rate of Tax	For A.Y. 2024-25
	Nil	Up to Rs. 2,50,000
	5%	From Rs. 2,50,001 to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Exceeding Rs. 10,00,000
1	Surcharge @ 10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceeds Rs. 1 crore.
2	Surcharge @ 15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore.
3	Surcharge @ 25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crore but does not exceed Rs. 5 crore.
4	Surcharge @ 37% (subject to marginal relief) #*	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crore.

When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crore, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

#In case of AOP consisting only of companies as its members, then the rate of surcharge shall not exceed 15%.

* If a person opts for old tax regime, the maximum surcharge rate of 37% is applicable.

For Senior Citizens – being a resident in India (i.e., whose age is more than or equal to 60 years but less than 80 years* (if Option u/s 115BAC(6) is exercised): No change

S. No	Rate of Tax	For A.Y. 2024-25
	Nil	Up to Rs. 3,00,000
	5%	From Rs. 3,00,001 to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Exceeding Rs. 10,00,000
1	Surcharge @ 10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but does not exceed Rs. 1 crore.
2	Surcharge @ 15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore.
3	Surcharge @ 25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crore but does not exceed Rs. 5 crore.
4	Surcharge @ 37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crore.

When total income (including the income by way of dividend or income u/s 111A and 112A) exceeds Rs. 2 crore, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

For Super Senior Citizens – being a resident in India (i.e., whose age is more than or equal to 80 years (if Option u/s 115BAC(6) is exercised): No change

S. No	Rate of Tax	For A.Y. 2024-25
	Nil	Up to Rs. 5,00,000
	20%	From Rs. 5,00,001 to Rs. 10,00,000
	30%	Exceeding Rs. 10,00,000
1	Surcharge @ 10% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 50 Lakhs but not exceed Rs. 1 crore.
2	Surcharge @ 15% (subject to marginal relief)	When total income (including the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore.
3	Surcharge @ 25% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 2 crore but does not exceed Rs. 5 crore.
4	Surcharge @ 37% (subject to marginal relief) #	When total income (excluding the income by way of dividend or income u/s 111A, 112 and 112A) exceeds Rs. 5 crore.

When total income (including the income by way of dividend or income u/s 111A and 112A) exceeds Rs. 2 crore, but is not covered under S. No 3 or 4 above, then the rate of surcharge is 15%.

For Co-operative Society: No change

Rate of Tax	Existing
10%	Up to Rs. 10,000
20%	From Rs. 10,001 to Rs. 20,000
30%	Exceeding Rs. 20,000
Surcharge @ 7% (subject to marginal relief)	When total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore.
Surcharge @ 12% (subject to marginal relief)	When total income exceeds Rs. 10 crore.

For Certain Co-operative Society (Rates Under Special Cases): No change

Rate of Tax	Existing
22 % of total income	Option u/s 115 BAD exercised.
Surcharge @ 10 % (subject to marginal relief)	On the total tax liability u/s 115 BAD .

For Certain Co-operative Society (Rates under Special Case): No change

Rate of Tax	Conditions
15 % of total income#	<ul style="list-style-type: none"> New manufacturing co-operative society is set up on or after 01.04.2023. And Commences manufacturing or production on or before 31.03.2024, and not avail any specified incentive or deduction.
Surcharge @ 10 % (subject to marginal relief)	On the total tax liability u/s 115 BAE.

Where total income of the Assessee is neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately such income shall be taxable at 22%.

For Firm and Local Authority: No change

Rate of Tax	Existing
30%	Whole of the total income.
Surcharge @ 12% (subject to marginal relief)	When total income exceeds Rs. 1 crore.

Cess on Income Tax: No change

Particulars	Existing
Health and Education Cess#	4% of income tax including surcharge.

#No Marginal Relief is available in respect of Health and Education Cess.

Proposed amendment on the incomes in the nature of capital gains, the rates shall be as per the Table below :

S. No.	Income	For transfers taking place before 23 rd day of July, 2024 / Rate of Tax	For transfers taking place after 23 rd day of July, 2024 / Rate of Tax
1.	Long-term capital gains referred in Section 112(1)(c)(iii)	10%	The clause is not applicable for transfers on or after 23 rd July, 2024
2.	Long-term capital gains referred in Section 112A exceeding one lakh twenty-five thousand rupees	10%	12.5%
3.	Long-term capital gains u/s 112.	20%	12.5%
4.	Short-term capital u/s 111A.	15%	20%

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

S. No.	Income	For transfers taking place before 23 rd day of July 2024 / Rate of TDS	For transfers taking place after 23 rd day of July 2024 / Rate of TDS
1.	Long-term capital gains referred to in Section 115E	10%	12.5%
2.	Long-term capital gains referred in Section 112(1)(c)(iii)	10%	The clause is not applicable for transfers on or after 23 rd July, 2024

3.	Long-term capital gains referred in Section 112A exceeding one lakh twenty-five thousand rupees	10%	12.5%
4.	Long-term capital gains (not being long-term capital gains referred in 10(33) and 10(36).	20%	12.5%
5.	Short-term capital referred in Section 111A.	15%	20%

Abolishment of Equalisation Levy

- Equalisation levy imposed under Chapter VIII of the Finance Act, 2016 was amended by Finance Act, 2020 for imposition of Equalisation levy @ 2% on the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services.
- The levy is applicable on the consideration received or receivable by non-resident E-commerce operator from E-commerce supply or services made or provided or facilitated by it to (a) a person resident in India (b) users accessing services/goods through Indian IP addresses (c) Online Advertisement services
- Due to ambiguity in scope of levy and resulting compliance burden, it is proposed that this equalisation levy shall not be applicable on consideration received or receivable for e-commerce supply or services on or after 01.08.2024.
- At the same time, Section 10(50) provides for exemption of any income arising from e-commerce supply or services made or provided or facilitated as per provisions above and chargeable to equalisation levy.
- Consequently, as the equalisation levy is being made inapplicable, it is proposed that income arising on or after 01.04.2020 but before 01.08.2024 only shall be covered u/s 10(50).
- **w.e.f. 01.08.2024.**

Reduction in TDS Rates

- To improve ease of doing business and better compliance by taxpayers, the TDS rates are proposed to be reduced in various sections as follows:

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 certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
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

TDS on Payments to Partners by Partnership Firm/LLP

- Currently, there is no provision for TDS on payments like salary, remuneration, interest, bonus, or commission to partners by a partnership firm or LLP.
- Hence, it is proposed to insert a new TDS section, 194T, to bring any payments made by a firm in nature of salary, remuneration, interest, bonus, or commission to a partner, exceeding Rs. 20,000/- in a FY under the purview of TDS.

- Applicable TDS rate will be 10%.
- *w.e.f. 01.04.2025 (A.Y. 2026-27 and onwards)*

Widening of Scope of Collection of TCS on Notified Luxury Goods u/s 206C(1F)

- Presently section 206C(1F) of IT Act provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding Rs. 10,00,000/-, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 1% of the sale consideration as income-tax.
- With an aim to expand tracking of spending on luxury goods, it is proposed to amend Section 206C(1F) of IT Act by insertion of another clause(ii) for “any other goods, as may be specified by the Central Government by notification in the Official Gazette” of value exceeding Rs. 10 lacs along with motor vehicle.
- Applicable rate of TCS @1% on goods.
- *w.e.f. 01.01.2025*

Rationalization of Provision Relating to TDS and TCS Section 276B-Exemption from Prosecution

- Section 276B of IT Act provides that if a person fails to pay the tax deducted at source by him to the credit of central Government, then he shall be punishable with imprisonment for a term which shall not be less than 3 months extendable to 7 years with fine.
- It is proposed that if the payment of tax deducted in respect of a quarter is made to the credit of the central Government at any time on or before the time prescribed for filing the statement of such quarter as per Section 200(3) of the IT Act, no prosecution will be initiated.
- *w.e.f. 01.10.2024.*

Inclusion of Foreign Tax Deducted in Total Income

- Section 198 clarifies that tax deducted under chapter XVII-B “Collection and Recovery of Tax” of IT Act shall be deemed to be income received for computing the total income of an assessee.
- However, the department observed that assessee were not including tax withheld outside India on foreign income rather were claiming foreign tax credit of such foreign tax leading to double deduction on account of non-inclusion of such taxes withheld and claiming credit of the same.
- Accordingly, to address the above issue, it has now been proposed to insert the following bold highlighted words in Section 198 of the IT Act.

*“all sums deducted in accordance with the provisions of this Chapter **and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act shall, for the purpose of computing the income of the assessee, be deemed to be income received.**”*

- w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)

Explicit exclusion of sums paid u/s 194J from definition of term ‘Work’ used u/s 194C

- Section 194C of the IT Act provides for TDS on payments to contractors @ 1% or 2% depending on the nature of assessee, whereas, Section 194J provides for TDS on fees for professional or technical services wherein the applicable TDS @ 2% or 10% depending on the nature of payment.
- Explanation to section 194C(iv) defines the term ‘work’ to specify which all activities would attract TDS u/s 194C. However, in this term ‘work’, there is no explicit exclusion of transaction covered u/s 194J resulting in some deductors deducting tax u/s 194C instead of section 194J of the IT Act.
- Accordingly, to avoid this confusion, the term ‘work’ defined in Explanation to section 194C(iv) has been proposed to be amended to specifically exclude any sum referred to in Section 194J of the IT Act.

- w.e.f. 01.10.2024

Amendment in section 194-IA for interpretation purposes

- Section 194IA(1) of IT Act provides for deduction of tax @ 1% in case of payment of consideration for transfer of any immovable property.
- Further, sub section 2 provides that no deduction of tax shall be made where such consideration for the transfer of an immovable property and the stamp duty value of such property, are both less than Rs. 50 lacs.
- The limit of Rs. 50 lacs was interpreted for each individual buyer's payment rather than total consideration paid for immovable property. Hence, no TDS was being deducted if payment by buyer was less than Rs. 50 lacs even if value or Stamp Duty Value exceeded Rs. 50 lacs.
- To avoid such misinterpretation, it is proposed to insert proviso to section 194-IA(2) of IT Act, providing that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.
- w.e.f. 01.10.2024

TDS on Floating Rate Savings (Taxable) Bonds (FRSB) 2020 u/s 193

- Section 193 of IT Act provides for deduction of tax at source on payment of any income to a resident by way of interest on securities.
- It is proposed to amend the proviso to clause (iv) of section 193 so as to provide that TDS should be deducted at the time of payment of interest, exceeding Rs. 10,000/- on Floating Rate Savings Bonds (FRSB) 2020 (Taxable) and any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, specify in this behalf.
- w.e.f. 01.10.2024

Notification of certain persons or class of persons as exempt from TCS u/s 206C.

- Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc.
- Entities whose income is exempt from taxation and are not required to furnish returns of income, face difficulty as tax is being collected on transactions carried out by them. Currently there is no provision in the Act for them to be exempted from the TCS provisions.
- It is therefore proposed to insert a new Section 206C(12) which provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.
- **w.e.f. 01.10.2024**

Employers to Consider TCS and TDS on other income to Calculate TDS u/s 192 for an Employee

- Section 192(2B) of the Act imposes obligation on employers to consider
 - income under any other head and
 - tax, if any, deducted thereon
 to be taken into account for the purposes of calculating TDS u/s 192(1), subject to certain conditions.
- TCS collected as well as TDS deducted under the provisions of Chapter XVII-B or Chapter XVII-BB were not being considered by the employers resulting in less cash flow with the employees and additional compliance burden on employees to claim the refund of same.
- It is proposed to amend Section 192(2B) to factor in the above TCS as well as TDS for the purpose of calculation of TDS to be deducted from salary based on information furnished by employees.
- **w.e.f. 01.10.2024**

Setting up a time limit to file correction statement in respect of TDS/ TCS statements

- Section 200(3) requires that a deductor after paying the tax deducted to the credit of the Central Government, shall prepare statements detailing the TDS deducted and furnish it within the prescribed time to the prescribed authority.
- The proviso to Section 200 states that a person may also deliver to the prescribed authority a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered in such form, as may be specified by the authority.
- 206C(3B) requires that the person collecting tax may also deliver to the prescribed authority, a correction statement for rectification of any mistake or to add, delete, or update the information furnished in the statement delivered in such form and such manner, as may be specified by the authority.
- It is proposed to amend Section 200 and Section 206C(3B) to provide that no correction statement shall be delivered after the expiry of 6 years from the end of the FY in which the statement referred to in Section 200(3) and statement referred to in the proviso of Section 206C(3) are respectively delivered.
- **w.e.f. 01.04.2025**

Penalty for failure to furnish TDS/TCS statements.

- Section 271H of the Act provides for penalty for failure to file TDS or TCS returns or statements within the due date.
- Section 271H(3) of the Act states that no penalty shall be levied if the person proves that after paying TDS or TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of 1 year from the time prescribed for furnishing such statement.
- Due to this relaxation provided to the deductor or collector, the deductees or collectees face great inconvenience if the TDS or TCS statements by deductors or collectors are not furnished in time leading to mismatch in TDS or TCS during processing of income tax returns and raising of infructuous demands.
- Hence, it is proposed to amend Section 271H(3) of the IT Act to substitute "1 year" to "1 month".
- **w.e.f. 01.04.2025**

Delay in Deposition of TCS to Government also be Liable to 1.5% Interest Per Month

- Presently failure to collect TCS u/s 206C or after collecting failure to deposit the same to the credit of Government attracts interest @ 1% u/s 206C(7). Such rates are not in line with provisions of sub-section (1A) of section 201 pertaining to late deduction / deposit of TDS.
- A higher interest rate of 1.5% per month is applicable on TDS deducted but not deposited to Government account as it deprives the deductee of due tax credit and does not reach the Central Government in time.
- Same difficulty is also faced by the collectee on TCS. However, the rate charged on such delay is 1% per month.
- To align both the interest rate under both the provisions, it is now proposed to amend Section 206C(7) to charge interest @ 1.5% per month on delay in deposition of TCS after collection.
- w.e.f. 01.04.2025

Claim of Credit for TCS of Minor in Hands of Parent

- Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Unlike TDS provisions, there is no provision in the Act for allowing credit of TCS to any other person (eg. parent) other than the collectee. For example, funds remitted under the Liberalized Remittance Scheme of RBI in the name of minor and accordingly tax would have been collected under sub-section (1G) of section 206C. However, there is no provision for the parent to claim the same in their tax return.
- Accordingly, it is proposed to amend subsection (4) of section 206C to introduce a provision in section 206C of the Act, where credit of tax collected are given to person other than collectee subject the rules to be notified by Board.
- However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under sub-section (1A) of section 64.
- w.e.f. 01.01. 2025

Section 201 & 206C-Reducing Time Limit for Orders Deeming any Person to be Assessee in Default

- As per section 201(3) of IT Act, there is a time limit of 7 years for order made u/s 201(1) of the Act deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax where the payee is a person resident in India. However, there is no time limit when there has been a failure to deduct the whole or any part of the tax from a non-resident.
- In case of TCS, Section 206C (6A) provides the consequences when a person does not collect the whole or any part of the tax or after collecting fails to pay the tax as required by or under this Act, he shall be deemed to be assessee in default.
- It is proposed to amend section 201(3) and insert a new sub-section (7A) in section 206C of the Act to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/collect the whole or any part of the tax from any person, at any time after the expiry of 6 years from the end of the financial year in which payment is made or credit is given or tax was collectible or two years from the end of the financial year in which the correction statement is delivered, whichever is later.
- w.e.f. 01.04.2025. (AY 2025-26)

Section 197 & 206C (9)-Extending the Scope for Lower Deduction/Collection Certificate of Tax at Source

- Section 197 of the Act provides that payments on which tax is required to be deducted under certain sections of Chapter XVII-B, are eligible for certificate for
- deduction at lower rate. Further, section 206C(9) provides that sums on which tax is required to *be* collected u/s 206C(1) or 206(1C), are eligible for collection of tax at lower rate.
- Section 194Q of the Act provides for TDS by a buyer for the purchase of any goods of value exceeding Rs. 50,00,000/- @ 0.1% of the sum exceeding Rs. 50,00,000/-. On the *other* hand, section 206C (1H) requires a seller to collect tax @ 0.1% of consideration exceeding Rs. 50,00,000/- against sale of any goods.

- It is proposed to include section 194Q in the ambit of section 197 and to bring section 206C(1H) in ambit of section 206C(9) so as to provide an option to seek a *lower* deduction/collection certificate.
- w.e.f. 01.10.2024.

Rationalisation and Simplification of taxation of Capital Gains

Change in Holding Period

- Presently, the period of holding is determined as per section 2(42A) of IT Act. Generally, an asset held for less than 36 months shall be deemed to be short term capital asset. This period of 36 months is relaxed for certain cases.
- However, to rationalize the provisions, it is proposed to amend the said section to reduce the period of holding from 36 months to 24 months.
- Further, it is proposed that there will be only two holding periods i.e. 12 months and 24 months for determining whether capital gain is short term or long term.
- The period of holding for determining short term and long-term capital asset is illustrated in the tabular format hereunder:

Nature of Asset	Period of holding	
	Existing	Proposed
Listed Shares	12 months	12 months
Unlisted shares and Immovable property	24 months	24 months
Bonds, debentures and gold	36 months	24 months
Listed Units of business Trust	36 months	12 months

Change in Tax rates applicable for Capital Gain

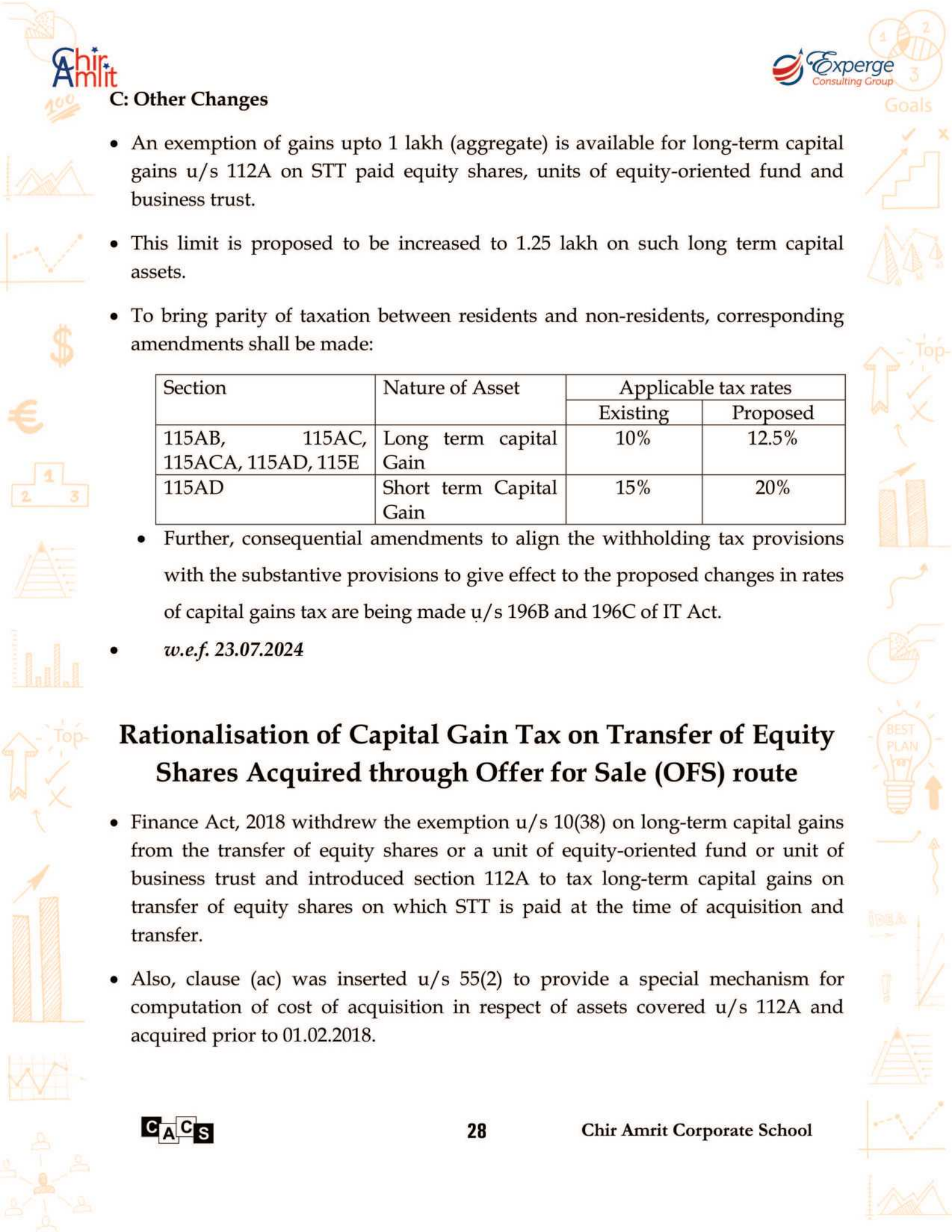
A: Tax on Short Term Capital Gain

- Currently, Short Term Capital Gain u/s 111A of IT Act on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust is chargeable to tax @ 15%. The government is of the view that the present rate is too low and the benefit from such low rate is flowing largely to high-net-worth individuals.
- Accordingly, it is proposed to amend section 111A to increase such rate from 15% to 20%.
- Other short-term capital gains shall continue to be taxed at applicable rate.

B: Tax on Long Term Capital Gain

- Also, at present long term capital gain is chargeable @10% in case of STT paid listed equity shares, units of equity-oriented fund and business trust u/s 112A and for other assets it is 20% with indexation u/s 112 of IT Act.
- The rate of long-term capital gains under provisions of various sections of IT Act is proposed to be 12.5% in respect of all categories of assets.
- To ease the computation of capital gain for the taxpayer and tax administration it is proposed that indexation benefit for calculation of long term capital gain shall not be available w.e.f. 23.07.2024.
- It has been further proposed that listed bonds and debentures shall be taxable @ 12.5%.
 - Further, unlisted debentures and unlisted bonds are proposed to be brought to tax at applicable rates by including them under provisions of section 50AA of IT Act as other short term capital asset.
- Thus, the revised rates for taxation of capital gain are tabulated hereunder:

Nature of Asset	Applicable tax rates	
	Existing	Proposed
Short term capital Gain u/s 111A	15%	20%
Other Short term Capital gain	Applicable rate	Applicable rate
Long term Capital Gain u/s 112A	10%	12.5%
Long term Capital Gain u/s 112	20% with indexation	12.5%



C: Other Changes

- An exemption of gains upto 1 lakh (aggregate) is available for long-term capital gains u/s 112A on STT paid equity shares, units of equity-oriented fund and business trust.
- This limit is proposed to be increased to 1.25 lakh on such long term capital assets.
- To bring parity of taxation between residents and non-residents, corresponding amendments shall be made:

Section	Nature of Asset	Applicable tax rates	
		Existing	Proposed
115AB, 115AC, 115ACA, 115AD, 115E	Long term capital Gain	10%	12.5%
115AD	Short term Capital Gain	15%	20%

- Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the proposed changes in rates of capital gains tax are being made u/s 196B and 196C of IT Act.
- *w.e.f. 23.07.2024*

Rationalisation of Capital Gain Tax on Transfer of Equity Shares Acquired through Offer for Sale (OFS) route

- Finance Act, 2018 withdrew the exemption u/s 10(38) on long-term capital gains from the transfer of equity shares or a unit of equity-oriented fund or unit of business trust and introduced section 112A to tax long-term capital gains on transfer of equity shares on which STT is paid at the time of acquisition and transfer.
- Also, clause (ac) was inserted u/s 55(2) to provide a special mechanism for computation of cost of acquisition in respect of assets covered u/s 112A and acquired prior to 01.02.2018.

- The cost of acquisition u/s 55(2) clause (ac) for an asset referred to in section 112A is to be determined as per the formula, Higher of (a) and (b) where:

(a) Actual cost of acquisition

(b) Lower of:

- (i) Fair Market Value (FMV) of shares as of 31.01.2018; and
- (ii) Full value of Consideration received upon sale.

- Further, Explanation to such clause (ac) of section 55(2) provides for determination of fair market value of equity shares in a company which is not listed on a recognised stock exchange as on the 31.01.2018 but listed on exchange on the date of transfer.
- The Central Government thereafter via Notification No. 60/2018 dated 1st October 2018 notified some cases of acquisitions (including unlisted equity shares) to give the benefits of section 112A where STT could not have been paid at the time of acquisition.
- Since the condition of STT payment at the time of acquisition is relaxed through the aforesaid Notification dated 1st October 2018, this resulted in a lacuna in computation of cost of acquisition in the case of equity shares transferred under Offer-For-Sale (OFS) as part of Initial Public Offering (IPO) process. In such a case of OFS, STT is paid at the time of transfer and it becomes an asset referred to u/s 112A.
- For determination of cost of acquisition as per the Explanation to Section 55(2)(ac), the computation of FMV as on 31.01.2018 is required. However, since the equity shares at the time of OFS were unlisted on the date of transfer and the listing happens a few days after the transfer, few taxpayers did not pay tax on such OFS shares taking the plea that the computation of FMV is not covered under above Explanation.
- It is therefore proposed to clarify through an amendment in sub-clause (iii) of clause (a) of Explanation to section 55(2)(ac) of the IT Act by insertion of clause AA, to specifically provide for determination of fair market value of such shares transferred via OFS in an IPO.
- The FMV of shares sold via OFS in an IPO shall be amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial

year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

- w.r.e.f. 01.04.2018 (*Retrospectively from A.Y. 2018-19 and onwards*)

Corporate Gifts Not Covered in the Ambit Provided u/s 47

- Section 47 (iii) of IT Act provides that nothing contained in section 45 of IT Act shall apply to the transfer of a capital asset through a gift, will, or irrevocable trust with an exception for specified Employee Stock Option Plan (ESOPs).
- The said scheme provided under the law was being misutilized by the corporates. Companies engaging in share gifting transactions argued that such gifts also remain exempt from capital gains tax liability under section 47(iii) of IT Act. This resulted in litigation leading to tax avoidance and erosion of tax base .
- To avoid such misuse by Companies, it is proposed to narrow the scope of this relaxation by substituting section 47(iii) and its proviso, to provide that capital gain shall not apply on transfer of a capital asset, under a gift or will or an irrevocable trust, **by an individual or a Hindu undivided family**. Any person other than individual and HUF will not be able to claim benefit of this section.
- w.e.f. 01.04.2025 (A.Y. 2025-26 and onwards)

Taxability of Buy-Back of Shares as Deemed Dividend

- Presently, as per Section 115QA of IT Act any amount of distributed income by the company on buy-back of shares shall be chargeable to tax in the hands of the company @ of 20%. Further, buy-back of shares by a company is exempt in the hands of the shareholder under section 10(34A) of IT Act.
- However, considering that dividend and buy-back are both methods to distribute accumulated reserves by a company, it is proposed to amend the existing provisions and charge tax on the buy-back of shares as deemed dividend in the hands of shareholder.

- Accordingly, it is proposed to amend the definition of dividend by inserting a new clause (f) in section 2(22) of IT Act, whereby any payment by a company for purchase of its own shares shall be charged to income-tax as 'deemed dividend' in the hands of shareholder at the applicable rates.
- It is further proposed that no deduction shall be available against such dividend income under section 57 of IT Act while determining the income from other sources.
- Shareholders participating in a buy-back extinguish their rights proportionate to the shares tendered. The difference between the cost of acquisition and value of consideration received by the shareholder from the purchase of shares are taxable as capital gains under Section 46A of IT Act. However, a proviso is proposed to be inserted in the said section to consider the value of consideration as Nil, resulting into capital loss in the hands of the assessee
- It is therefore proposed that Cost of Acquisition of the shares bought back shall be accounted in the following manner:
 - Deeming value of consideration of shares under Buy-back = Nil
 - Capital loss on buy-back = Value of consideration(Nil) - Cost of Acquisition
 - The said capital loss may be carried forward and subsequently set-off against consideration received on sale and thereby reduce the capital gains to this extent.
- The accounting for the cost of acquisition has been illustrated hereunder with the help of an example:

In 2020

100 shares bought @Rs. 40/- per share

Total cost of acquisition - Rs. 4000/-

In 2024

20 shares bought back @Rs. 60/- per share by Company

- No deduction allowed from this income u/s 57 leading to Rs. 1200/- taxable as deemed dividend u/s 2(22)(f) in hands of shareholder.
- For the purpose of Section 46A, the Value of Consideration deemed at Nil in hands of shareholder resulting in capital loss on account of Cost

of acquisition paid in 2020 on such shares (Rs. 40 x 20) = Rs. 800/-. Same is not allowed to be set off from gain of Rs. 1200 and rather the same shall be carried forward and adjusted from gains in future on sale of further shares.

In 2025

50 Shares sold @Rs. 70 per share

- Capital Gain (Rs. 3500 –original cost of acquisition Rs. 40 x 50 shares) =Rs. 1500. Net capital gain after set off of Rs. 800 = Rs. 700
- Further, scope of TDS on Dividend @10% u/s 194 of the IT Act has been proposed to be expanded to include within its ambit deemed dividend under section 2(22)(f) of IT Act.
- Consequentially, it is proposed that section 10(34) and section 115QA of IT Act shall not be applicable in respect of any buy-back of shares by a company w.e.f. 01.10.2024.
- w.e.f. 01.10.2024

Income from letting out shall not be chargeable under the head 'Profits and Gains from Business or Profession'

- Section 28 of IT Act specifies income chargeable under the head 'Profits and gains from business or profession'.
- Taxpayers are incorrectly reporting rental income from residential house property under the head 'Profits and gains from business or profession'. This misreporting reduces their tax liability significantly.
- It has been proposed to amend Section 28 of IT Act clarifying that rental income from 'residential property' shall be taxed under 'Income from house property' and not under the head 'Profits and gains from business or profession'.
- W.e.f. 01.04.2025

Revision of rates of Securities Transaction Tax

- Securities Transaction Tax (STT) was introduced by the Finance (No.2) Act, 2004 for specified securities. It is collected by recognized stock exchanges, equity-oriented mutual funds, insurance companies, and lead merchant bankers involved in IPOs and remitted to the Central Government within seven days from the end of the month of collection. STT rates have been periodically revised since its inception.
- Due to the exponential growth of derivative markets, where futures and options trading now constitute a significant portion of stock exchange transactions, it is proposed to increase the rates of STT.
- The rate for levy of STT is proposed as follows:

Nature of securities	Rate of STT	
	Existing	Proposed
Options	0.0625% of the option premium	0.1% of the option premium
Futures	0.0125% of the price at which futures are traded	0.02% of the price at which futures are traded

- w.e.f. 01.10.2024

Abolition of Angel Tax

- Section 56(2)(viib) of the IT Act, provides for taxation of consideration received against issuance of shares by a company in which public are not substantially interested which is in excess of fair market value of such shares.
- Currently certain situations are provided in which the clause is not applicable.
- It is now proposed to omit altogether clause (viib) of Section 56 of the IT Act.
- w.e.f 01.04.2025 (A.Y. 2025-26 onwards)

REVIVING OLD PROVISION RELATED TO BLOCK ASSESSMENT IN SEARCH OR REQUISITION CASES

Key Highlightes

- Whole chapter XIV-B containing Section 158B to 15BE is proposed to be made effective again for the search or requisition conducted on or after 01.09.2024.
- Concept of block assessment of total income in search or requisition cases is proposed to be reintroduced with consolidated single assessment of 6 plus current assessment year as against upto 11 assessments.
- Under the proposed amendment in Section 158B, “block period” would mean six assessment years preceding the previous year of search or requisition and also includes the period starting from 01st day of April of that previous year to date of execution of last of the authorization for such search or requisition.
- Under the proposed amendment in Section 158B, “undisclosed income” includes any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act.
- It also includes any expenses, deductions, or allowances which is found to be incorrect in respect of block period.
- In substituted chapter, the last authorization shall be deemed to be executed:
 - In the case of search under Section 132, on conclusion of search as per last panchnama drawn in relation to any person covered by warrant of authorization.
 - In the cases of requisitions under Section 132A, on the actual receipt of the books of accounts or documents, or assets by Authorized Officer.
- Total income (other than undisclosed income) of the year of search or requisition shall be assessed separately in accordance with other provisions of the IT Act.

- Tax shall be charged at 60% on total income determined u/s 158BC for the block period regardless of the specific previous year(s) to which that income relates.
- Surcharge would be applicable in addition to tax payable.
- Penalty on undisclosed income of the block period would be levied at 50% of tax payable on such income.
- No Penalty u/s 271AAD(1) ('search penalty') or 271D ('loan or deposit acceptance penalty') or 271DA ('penalty for violation of Section 269ST') or 271E ('loan or deposit repayment penalty') shall be made for block period if
 - Return of income has been furnished u/s 158BC(1)(a) of the IT Act
 - Tax payable as per return of has been paid
 - Evidence of tax paid is furnished along with return of income
 - No appeal is filed against the assessment of that part of income which is shown in the return.
 - If AO determines undisclosed income in excess of returned income, then, penalty would be levied on excess amount.
- No interest u/s 234A, 234B, 234C or penalty u/s 270A of the IT Act shall be levied or imposed in respect of undisclosed income assessed or reassessed for the block period.
- If return u/s 158BC is not filed or furnished beyond due date, then interest @ 1.5% per month or part of month on tax on undisclosed income shall be leviable.

Procedure for Block Assessment

- Under the proposed amendment in Section 158BA, the AO can assessee or reassess the total income of the block period in respect of search or requisition conducted on or after 01.09.2024
- Any pending assessment as on the date of search or requisition for assessment year falling within the block period would abate and shall be deemed to have been abated on the date of initiation of search or requisition .
- Similarly, if there is a pending reference u/s 92CA(1) or an order passed u/s 92CA(3) during the course of any pending assessment or reassessment

proceedings under the Income Tax Act, as on the date of search or requisition, the same shall also abate and deemed to have been abated on the date of initiation of search or requisition.

Computation of Total Income for Block Period

- Proposed section 158BB relates to computation of total income of block period.
- Total income shall be aggregate of the following:
 - Total income disclosed in return furnished u/s 158BC.
 - Total income assessed under 143(3), 144, 147, 153A or Section 153C prior to date of initiation of search or the date of requisition, as the case may be.
 - Total income declared in return of income filed u/s 139 in response to a notice under subsection (1) of section 142 or section 148 and not covered under clause (i) or clause (ii),
 - The total income where previous year has not ended, would be determined on the basis of entries in relation to such income in the books of account and other documents maintained in the normal course on or before the date of last authorization for the search or requisition.
 - Undisclosed income determined by the AO u/s 158BB(2).
- The undisclosed income of the block period, forming part of the total income shall be computed in accordance with provision of this Act on the basis of evidence found as a result of search or survey or requisition of books of account or other documents and include such other materials or informations as are either available with the AO or come to his notice during the course of proceedings under this Chapter.
- As per proposed Section 158BB(3), evidence discovered during a search or requisition related to international transactions or specified domestic transactions u/s 92CA, shall not be considered for the purpose of determining total income and such income would be considered in the assessment made under other provisions of the IT Act.

- As per proposed Section 158BB(4), for purpose of determination of undisclosed income:

- of a firm, income shall as assessed and determined before allowing deduction of salary, interest, commission, bonus or remuneration by whatever name called to any partner not being a working partner.
- The provisions of Sections 68, 69, 69A, 69B, and 69C shall apply to the extent possible. Normally, these sections refer to transactions or events occurring within a specific 'financial year.' However, when assessing undisclosed income within a block period, the term 'financial year' will be interpreted as referring to the relevant previous year falling within that block period.
- The provisions of section 92CA of the IT Act shall apply to the extent possible. References to 'previous year' in that section will be interpreted as referring to the relevant previous year falling within the block period, excluding the period mentioned in Section 158BB(3).
- Tax on total income would be determined on total income determined u/s 158BB(1) as reduced by total income referred to in clause (ii), clause (iii), and clause (iv) of Section 158BB(1).
- For the purpose of computation of total undisclosed income loss shall be ignored.
- Losses brought forward from previous year (prior to the first previous year comprising the block period) or unabsorbed depreciation shall not be sett of against the undisclosed income determined in this chapter but may be carry forward for being sett off in accordance with provision of the Act in the previous year subsequent to AY in which block period end.

Procedure for reviving of earlier abated proceeding

- As per substituted Section 158BA(4), it is proposed that if an assessment under this Chapter is pending for a taxpayer in whose case subsequent search or requisition is made, the ongoing assessment must be completed first. Afterward, the assessment related to the subsequent search or requisition will be made according to the provisions outlined in this Chapter.

- If the time available to complete the assessment for a subsequent search is less than 3 months, it will be extended to 3 months from the end of the month in which the assessment for the earlier search was completed.
- As per proposed Section 158BA(5), if the assessment under this Chapter has been annulled in appeal or any other legal proceeding, then, notwithstanding anything mentioned in this Chapter or section 153, the assessment or reassessment for any assessment year that has been abated u/s 158BA(2)/(3) **shall be revived** from the date the Principal Commissioner or Commissioner receives such order of annulment.
- However, such revival shall cease to have effect, if order of annulment is set aside.
- w.e.f 01.09.2024

Procedure for Block Assessment:

- As per substituted Section 158BC if a search is initiated under section 132 or books, documents, or assets are requisitioned under section 132A on or after 01.09.2024:
 - The AO after taking prior approval of Additional commissioner or the Additional Director or the Joint Commissioner or the Joint Director, will issue a notice requiring the Assessee to file a return within 60 days, disclosing total income, including undisclosed income for the block period.
 - This return is treated akin to a section 139 return, issuance of notice u/s 143(2). Person who has furnished the return under this clause shall not be entitled to furnish a revised return of income.
 - The AO will determine total income including undisclosed income, as per section 158BB, applying relevant provisions like section 142, 143(2) & (3), 144, 145, 145A, and 145B.
 - After determining total income of block period under this Chapter, the AO will pass an order of assessment or reassessment and determine tax payable.
- The provision of Section 143(1) shall not apply to return furnished under this Section.

- The AO before issuing notice under 158BC(1)(a) shall take prior approval of Additional commissioner or Additional Director or the Joint Commissioner of the Joint Director as the case may be
- The provisions of section 144C of the Act applicable on eligible assessee shall not apply to any proceeding under the said Chapter.

Undisclosed income of person other than searched person u/s 158BD

- Proposed provisions provides that if, the AO is satisfied that undisclosed income belongs to or is pertains to a person other than the one on whom a search was conducted under section 132 or whose books, documents, or assets were requisitioned under section 132A, then any money, bullion, jewelry, valuable article, asset, expenditure, books of account, documents, or information seized or requisitioned will be transferred to the AO having jurisdiction over that other person.
- The concerned AO will then initiate proceedings u/s 158BC against the other person, applying the provisions of this Chapter.

Section 158BE: Time limit for completion of block assessment

- It is proposed to provide a time limit of 12 months from the end of the month when the last search or requisition authorization (under section 132 or 132A) was executed, to pass an order u/s 158BC.
- An additional 12 months is allowed if a reference u/s 92CA(1) is initiated during the assessment or reassessment for the block period.
- For the purpose of computing time limit, a period not exceeding 180 days, from the date of initiation of search or requisition until the seized assets (like books, documents, money, jewelry) are handed over to the AO shall be excluded.
- If after excluding this period the assessment deadline ends before the end of the month, the time limit would extend to the end of such month.
- For assessment of person searched person, time limit of 12 months would start from the end of the month in which the notice u/s 158BC was issued to such other person.
- In computing the period of limitation, following period shall be excluded:

- Court Stay: The period during which assessment proceedings are stayed by a court order.
- International Agreements: The period from the date of making a reference for information exchange under international agreements (Section 90 or 90A) until the information is received (up to one year).
- Reopening Proceedings: Time taken for reopening proceedings or providing the assessee an opportunity for rehearing under proviso to Section 129.
- Audit or Valuation Directions: The period starting from the date the Assessing Officer directs audit or valuation under Sections 142(2A) or 142A(1) until the respective reports are furnished received.
- Date the AO notifies the Central Government or prescribed authority regarding contraventions under clauses (21), (22B), (23A), or (23B) of Section 10, as per sub-clause (i) of the first proviso to Section 143(3), and ending with the date on which order withdrawing approval or rescinding notification under those clauses is received by the AO.
- Period of Reference: The period from the date the AO makes references to the Principal commissioner or commissioner under various provisions (like Section 143(3), 144BA(1), etc.) until the relevant orders are received.
- Advance Rulings: The period from making applications to the Authority for Advance Rulings under Section 245Q until rejection or receipt of rulings by the Principal Commissioner or Commissioner under Section 245R.
- Provisions also been made to provide that if, after excluding the aforementioned periods, the time limit available to the Assessing Officer to make an order is less than 60 days, that remaining period shall be extended to 60 days.
- If after excluding this period the assessment deadline ends before the end of the month, the time limit would extend to the end of such month.

Miscellaneous:

- As per Section 158BFA, no order imposing penalty under 158BFA(2) shall be made:
 - Unless Assessee has been given a reasonable opportunity of being heard.

- Where the amount of penalty exceeds Rs. 2 Lakh, the order of Penalty cannot be passed except with the prior approval of the Additional Commissioner or the Additional Director or Joint Commissioner or the Joint Director.

- As per Section 158BG, the order of assessment for the block period shall be passed by an Assessing Officer not below the rank of a Deputy Commissioner or an Assistant Commissioner or a Deputy Director or an Assistant Director, as the case may be.
- No order shall be passed without prior approval of the Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director, as applicable.
- As per Section 158BH, except as provided all the other provisions of the Act shall apply to assessment under this chapter.
- As per Section 158BI, the provision of this chapter shall not apply where search or requisition is made on or before 01.09.2024.
- Consequential amendment is also proposed in Section 276CCC of the Act

Rationalization of Provisions related to Assessment and Re-assessment under the IT Act

- The provisions of Section 148 of the IT Act provide the procedure for issuance of notice to initiate re-assessment of the income of the Assessee that has escaped assessment. Section 148A provide the procedure to be followed by the AO before the issuance of notice under Section 148.
- In this regard, due to multiple interpretations of the said provisions a considerable amount of litigation has arose at various forums across the country. Furthermore, various representations have been received by the government to reduce the time limit for issuance of notice for the proceedings for re-assessment. In view of these challenges, the legislature has proposed to completely re-write the said provisions.
- Amendments in Section 148A



- For simplification of the procedure to be followed by the AO before issuance of notice u/s 148, it is proposed to substitute the existing provisions with Section 148A(1), (2), (3) and (4).
- According to the proposed amendment the show cause notice u/s 148A(1) would be accompanied by the information which suggests that income chargeable to tax has escaped assessment for relevant assessment year
- By the virtue of proposed Section 148A(2), the Assessee on receipt of the notice will be required to file its reply within the time-period as prescribed in the notice.
- The proposed Section 148A(3) empowers the AO to pass the order determining whether it is a fit case to issue notice under Section 148.
- As per the proposed Section 148A(4) the provisions of Section 148A will not apply in the cases where the AO has received information under Section 135A.
- In effect thereto, the proposed amendment eliminates the specific time frame provided in the existing law for the Assessee to respond to the notice and removes the time period for passing the order.
- w.e.f 01.09.2024.

• Amendments in Section 148

- To facilitate a clearer comprehension of the existing Section 148, it has been proposed to be structured into three subsections.
- It has been proposed to amend time limit to furnish the return of income by the Assessee u/s 148(1) to the period which may be specified in the notice by the AO, however, such period shall not exceed 3 months from the end of the month in which such notice is issued.
- The proviso to the substituted Section 148 requires obtaining approval of the specific authority before issuing notice and now it is only proposed to obtain approval in case where information is received u/s 135A of IT Act.
- The new Section 148(3) proposes to expand the scope of 'information' with the Assessing officer which suggests that the income has escaped assessment by adding sub-clause (vi) to include any information in the case of the Assessee emanating from survey conducted under Section 133A (other than sub-section (2A) of the said section – 'TDS Survey'), on or after the 01.09.2024.

- The proceedings related to deemed information has been done away with in view of the amendments proposed for search assessment separately.
- **w.e.f 01.09.2024**

• Amendments in Section 149

- It is proposed to extend the time limit for issuing the notice under existing Section 149(1)(a) from 3 years to 3 years and 3 months unless the case falls under clause (b).
- An amendment to clause (b) has been proposed to reduce the time period for issuing notice from 10 years to 5 years and 3 months in relation to any asset or expenditure or transaction or entries which show that the income chargeable to tax has escaped assessment amounts to or is likely to amount to Rs. 50 lakh or more.
- The proposed amendment has expanded the scope of Section 149 and the time limit for issuance of notice under Section 148A is given as
 - Period of 3 years from the end of relevant A.Y. in case other than a case below
 - Period of 5 years where the amount is related to any asset or expenditure or transaction which show that the income escapement is or likely to be more than Rs. 50 lakhs.
- **w.e.f 01.09.2024.**

• Amendments in Section 151

- To eliminate any ambiguity or inconsistency in the re-assessment proceedings, the proposed Section 151 has removed the classification of specified authority based on the time-period lapsed.
- The new amendment also proposes to change the authority empowered to issue notice u/s 148 and 148A to the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.
- **w.e.f 01.09.2024**

• Amendments in Section 152

- It is proposed to add sub-sections (3) and (4) to Section 152 of the IT Act which states the follows:

- The proposed sub-section (3) states that where proceedings are initiated under Section 132, 132A or 133A between 01.04.2021 to 01.09.2024, the provisions of Section 147-151 of the IT Act shall apply as they stood before commencement of Finance (No. 2) Act, 2024.
- The proposed sub-section (4) states that where notice or order has been passed under Section 148/148A prior to 01.09.2024 the re-assessment in such case shall be governed as per provisions of Section 147 to 151 as stood before commencement of Finance (No. 2) Act, 2024.
- o **w.e.f 01.09.2024**

Power of CIT(A) to Set Aside and Refer Back the case to AO

- Presently u/s 251(1) of IT Act, Commissioner (Appeals) have the following powers in disposing of an appeal:
 - o He may confirm, reduce, enhance or annul the assessment, in the case of an appeal against an order of assessment.
 - o He may confirm, cancel, or vary to enhance or reduce, the penalty order, in the case of an appeal against an order imposing a penalty.
- Further, Section 250(4) of IT Act prescribes that CIT(A) may seek the report from the AO after making further inquiry, before disposing any appeal.
- There are incidences where taxpayers receive notices from the Faceless AO, to which they often do not respond. Instead, they opt to directly appeal to the CIT(A) against the relevant assessment order. This results in huge pendency of appeals and disputed tax demands at the Commissioner (Appeals) stage.
- To avoid such pendencies, it is proposed that in cases where assessment orders are issued u/s 144 of IT Act as best judgment cases, Commissioner (Appeals) shall have the authority to set aside the assessment and refer the case back to AO for a fresh assessment.
- Consequential amendment has been proposed Section 153(3) of IT Act to specify the time limit for disposing of cases set aside by the Commissioner (Appeals).
- **w.e.f. 01.10.2024.**

Time-Limit for Completion of Assessment, Reassessment and Recomputation at a Glance

- Section 153 of the IT Act provides for various time limits for completion of assessment, reassessment and recomputation of income.
- In view of the proposed amendments made in the law, enabling provisions have been made for various time limits, which are proposed as under:-
 - Time limit to complete assessment has been proposed to be 12 months from the end of the financial year in which relevant event occurs.
 - where a return is furnished in consequence of an order u/s 119(2)(b), the order of assessment u/s 143 or 144 may be made before expiry of 12 months from the end of the F.Y. in which such return was furnished.
 - Where assessment order is remanded by CIT(A) - 12 months from the end of the F.Y. in which the order u/s 250 is received by the PCCIT or CCIT or PCIT or CIT.
 - where order of assessment or reassessment relating to any A.Y., which stands revived u/s 153A(2) - 1 year from the end of the month of such revival or within the period specified in the said section or 153B(1), whichever is later, for passing of order in the case of revived assessment or reassessment proceedings as a consequence of annulment of block assessments under Chapter XIV-B of IT Act.
 - Miscellaneous: Explanation 1(xii) to the Section 153, inter alia, provides that the period (not exceeding 180 days) commencing from the date of initiation of search and ending on the date on which the books of accounts or documents or seized materials are handed over to the AO is excluded while computing the period of limitation.
 - It has been proposed to insert 6th proviso in the said Explanation to provide that where after exclusion of the above mentioned period, the period of limitation ends before the end of the month, the said period in such cases shall extend to the end of the month.
- Further, it has been proposed to insert a new Sub-section (9A) to the Section 139 to provide that provisions u/s 139 shall apply to any return of income which is furnished in pursuance of an order passed u/s 119(2)(b).

- *w.e.f. 01.10.2024.*

The Direct Taxes Vivad se Vishwas Scheme 2024

1. Overview

The **Direct Tax Vivad se Vishwas Scheme, 2024**, introduced by the Finance (No.2) Bill, 2024, builds on previous efforts to streamline and expedite the resolution of tax disputes in India. The IT Act, 1961, provides a mechanism for filing appeals against orders passed under its proceedings by both taxpayers and the Department. These appeals may be preferred before various appellate fora, including the JCIT (Appeals), CIT (Appeals), the ITAT, HC, and the SC.

In an effort to provide expeditious disposal of appeals by appellate authorities, the CBDT launched the Direct Tax Vivaad Se Vishwas Act, 2020, which targeted appeals pending as of January 31, 2020. The 2020 scheme received a very encouraging response from taxpayers and resulted in substantial revenue generation for the government.

Despite these efforts, the pendency of litigation at various levels has continued to rise, with more cases being filed for appeal than are disposed of. This has led to a backlog of cases, particularly at the CIT (Appeals) level.

2. Objective

The Direct Tax Vivad se Vishwas Scheme, 2024 aims to address the mounting backlog of tax disputes by providing a mechanism for the settlement of disputed issues. The primary objectives of the scheme are to:

- **Reduce Litigation:** By offering a settlement mechanism, the scheme seeks to reduce the number of cases pending in various appellate fora, thereby lessening the burden on the judicial system.
- **Expedite Resolution:** The scheme aims to provide a faster resolution to tax disputes, ensuring that cases are settled without prolonged delays.
- **Minimize Costs:** The scheme is designed to settle disputes at a lower cost to both taxpayers and the exchequer, making it an attractive option for resolving outstanding issues.

3. Important Definitions-

○ Appellant

Appellant means any person whose/who has-

- Appeal, writ petition or special leave petition which is pending on 22.07.2024 before any appellate forum, filed by the person themselves or the tax authorities
- Filed objections before the Dispute Resolution Panel u/s 144C of the IT Act and no order has been issued in this regard uptill 22.07.2024.
- The Dispute Resolution Panel has issued direction u/s 144C of the IT Act and the Assessing Officer has not completed the assessment uptill 22.07.2024.
- Filed an application for revision u/s 264 of the IT Act which is pending uptil 22.07.2024.

○ **Disputed Tax**

Disputed Tax in relation to the assessment year or financial year would mean the income tax, including the surcharge and cess, payable under the provisions of the Income Tax Act, which is to be computed in the following manner-

- In case of appeal, writ petition or special leave petition pending before the appellate form as on 22.07.2024, the amount of tax that would become payable in case such appeal, writ petition or special leave petition is decided against the Appellant, would be the disputed tax.
- In case of objections filed and pending before the Dispute Resolution Panel u/s 144C of the IT Act as on 22.07.2024, the amount of tax that would become payable if the variation proposed in the draft order is confirmed by the Dispute Resolution Panel, would be the disputed tax.
- In case of pending assessment by the assessment officer after issuance of directions by the Dispute Resolution Panel as on 22.07.2024, the disputed tax shall be the amount of tax that would become payable as per the assessment order to be passed by the Assessing Officer.
- In case of pending revision application filed by the Appellant u/s 264 of the IT Act as on 22.07.2024, the disputed tax shall be the amount of tax that would become payable if such application for revision of order is rejected.

A specific proviso has been provided in relation to where the dispute in relation to an assessment year relates to reduction of tax credit u/s 115JAA or 115JD of the IT Act, or any loss or depreciation computed thereunder, the appellant shall have an option either to include the amount of tax related to such tax credit or loss or depreciation in the amount of disputed tax, or to

carry forward the reduced tax credit or loss or depreciation, in such manner as may be prescribed.

○ **Tax Arrears**

Tax arrears would mean-

- Aggregate amount of disputed tax, interest chargeable or charged on such disputed tax, and penalty leviable or levied on such disputed tax; or
- Disputed interest; or
- Disputed penalty; or
- Disputed fee.
- **Last Date-** Such date as may be notified by the Central Government in the Official Gazette.
- **Specified Date-** 22nd July 2024

4. **Amount Payable by Appellant**

Under this Scheme, if a declarant files a declaration to the designated authority regarding tax arrears on or before the last date as per clause 91, the payable amount will be as specified in the Table below, regardless of the IT Act or any other current law.

S. No.	Nature of Tax Arrear	Amount payable under this Scheme on or before 31.12.2024	Amount payable under this Scheme on or after 1.01.2025 but on or before the last date
1.	Aggregate amount of disputed tax, interest chargeable and penalty in a case where the declarant is an appellant after 31.01.2020 but on or before the specified date	Amount of the disputed tax	110% of disputed tax

2.	Aggregate amount of disputed tax, interest chargeable and penalty in a case where the declarant is an appellant on or before 31.01.2020 at the same appellate forum	110% of the disputed tax	120% of disputed tax
3.	Where tax arrear relates to disputed interest, disputed penalty, disputed fee where the declarant is an appellant after 31.01.2020 but on or before the specified date.	25% of disputed interest or disputed penalty or disputed fee	30% of disputed interest or disputed penalty or disputed fee
4.	Where tax arrear relates to disputed interest, disputed penalty, disputed fee where the declarant is an appellant on or before 31.01.2020 at the same appellate forum	30% of disputed interest or disputed penalty or disputed fee	35% of disputed interest or disputed penalty or disputed fee

The payable amount will be half of the amount in the Table, when;

- Where the income-tax authority files an appeal, writ petition, or special leave petition on a disputed issue before the appellate forum.
- If the appellant files an appeal before the CIT (Appeals) or JCIT (Appeals), or raises objections before the Dispute Resolution Panel on an issue already decided in their favour by the ITAT or the HC in their case.
- If the appellant files an appeal before the ITAT on an issue already decided in their favour by the HC in their case.

5. Procedure for filing of Declaration by the Declarant and Certificate-Procedure

- Declaration to be filed before the designated authority in the prescribed form and verified in the prescribed manner.

- Upon filing of the declaration, any appeals pending before the CIT (Appeals) or JCIT (Appeals) or ITAT shall be deemed to be withdrawn with effect from the date of certificate issued by designated authority clause 92(1).
- Appeal filed before the appellate forum or writ filed before HC or SC shall be withdrawn with the leave of the Court after issuance of the certificate and furnish the proof of such withdrawal along with the intimation of payment to the designated officer.
- The declarant shall furnish an undertaking waiving his right, whether direct or indirect, to seek or pursue any remedy or any claim in relation to the tax arrear.
- The declaration made by any declarant shall be deemed not to have been made and all the proceedings and consequences against the Declarant under the IT Act shall be deemed to be revived, if-
 - any material particular furnished in the declaration is found to be false at any stage;
 - the declarant violates any of the conditions referred to in this Act;
 - the declarant acts in any manner which is not in accordance with the undertaking given by him u/s 91(4).
- No appellate forum shall proceed to decide any issue relating to the tax arrear mentioned in the declaration in respect of which an order has been made u/s 92(1) by the designated authority or the payment of sum determined under that section.

Time and Manner of Payment

- **Determination of Payable Amount:** - Within fifteen days of receiving the declaration, the designated authority will determine the payable amount as per the Scheme and issue a certificate to the declarant with details of the tax arrear and the determined amount.
- **Payment by Declarant:** - The declarant must pay the determined amount within fifteen days of receiving the certificate and inform the designated authority of the payment in the prescribed form. The designated authority will then confirm the payment by passing an order.

- **Finality of Order:** - The order determining the payable amount will be conclusive and cannot be reopened in any other proceeding under the IT Act or any other law.
- **No Concession of Tax Position:** - Declaring under this Scheme does not imply conceding the tax position, and it cannot be used by either party in any appeal, writ petition, or special leave petition to argue that there was acquiescence in the decision on the disputed issue.

6. Ineligibility Criteria-

The provisions of this scheme shall not apply in certain cases-

- In case of tax arrears relating to-
 - Assessments for an assessment year done u/s 143(3) or 144 or 153A or 153C pursuant to search proceedings u/s 132 or 132A;
 - An assessment year in respect of which prosecution has been instituted on or before date of filing of declaration.
 - Undisclosed income from foreign source or undisclosed assets located outside India.
 - Assessment or reassessment made on the basis of information received under agreement referred to section 90 or 90A.
- To any person in respect of whom order of detention has been made under provision of Conservation of Foreign Exchange and Prevention of Smuggling Activities, 1974 on or before date of filing of declaration provided order of detention is not revoked or set aside.
- To any person in respect of whom prosecution for any offence under the following Acts has been instituted on or before filing of declaration or such person has been convicted of any such offence punishable under any of those Acts.:
 - Unlawful Activities (Prevention) Act, 1967
 - Narcotic Drugs and Psychotropic Substances Act, 1985
 - Prevention of Corruption Act, 1988
 - Prevention of Money Laundering Act, 2002
 - Prohibition of Benami Property Transactions Act, 1988
- To any of the following persons-
 - Person in respect of whom prosecution has been initiated by an income-tax authority on or before filing of declaration for offence punishable

under Bharatiya Nyaya Sanhita, 2023 or for the enforcement of any civil liability under any law.

- Person who has been convicted of any offence consequent to prosecution initiated by an Income-tax authority
- Any notified person u/s 3 of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 on or before the filing of declaration.*

*(Notified persons involved in any offence relating to transactions in securities after 1st April, 1991 and on and before the 6th June, 1992).

7. Miscellaneous Clauses

- **Immunity from initiation of proceedings in respect of offence and imposition of penalty in certain cases.**

Subject to Clause 92, the designated authority shall not institute proceedings for an offence, impose a penalty, or charge any interest under the IT Act regarding tax arrear.

- **No refund of amount paid**

- Any amount paid under a declaration made in Clause 91 is non-refundable.
- If the declarant paid an amount under the IT Act exceeding the amount payable under Clause 90 before filing the declaration, they are entitled to a refund of the excess amount, but no interest will be paid on this excess amount under section 244A of the IT Act.

- **No benefit, concession or immunity to declarant**

Except as provided in sub-clause (3) of clause 92 or clause 93, this Scheme does not confer any benefit, concession, or immunity on the declarant in proceedings unrelated to the declaration.

- **Power of Board to issue directions, etc.**

- The CBDT may issue directions or orders to income-tax authorities as deemed fit, except that no order shall require a designated authority to dispose of a particular case in a specific manner.
- The Board may issue general or special orders for any class of cases, providing guidelines, principles, or procedures for the authorities,

including revenue collection, and may relax any provision of this Chapter if deemed necessary in the public interest.

○ **Power to remove difficulties**

- If any difficulty arises in implementing this Scheme, the Central Government may issue an order to remove it, provided no such order is made after two years from the Scheme's commencement.
- Every such order shall be laid before Parliament as soon as possible."

○ **Power to make rules**

- The Central Government may make rules for carrying out the provisions of this Scheme by notification in the Official Gazette.
- These rules may cover:
 - ◆ Determination of disputed tax, including set-off of tax credit u/s 115JAA or 115JD of the IT Act and loss or allowance of depreciation under the IT Act;
 - ◆ Calculation of one-half of the amount in the Table under the provisos to Clause 90;
 - ◆ The form and verification of declarations under Clause 91;
 - ◆ The form and manner of undertakings under Sub-Clause (4) of Clause 91;
 - ◆ The form of certificates under sub-section (1) of section 92;
 - ◆ The form of payment intimations under Sub-Clause (2) of Clause 92;
 - ◆ The manner of calculating the amount payable under this Scheme;
 - ◆ Any other prescribed matter or provision to be made by rules.
- Every rule made shall be laid before Parliament for 30 days, during one or more sessions. If both Houses modify or annul the rule, it will take effect only in its modified form or not at all, without affecting its prior validity.

Exemptions - Uniting Two Regimes for Charitable Institutions/Trusts

- Presently, charitable trusts and institutions can claim an exemption under any of the following two regimes:
 - Institutions approved by the Principal Commissioner or Commissioner of Income-tax ("PCIT/CIT") under Section 10(23C)(iv)/(v)/(vi)/(via) ("*First Regime*")
 - Trusts registered under Section 12AA/ 12AB and covered by provision of Section 11 to 13 ("*Second Regime*")
- It is proposed that both the Regimes be merged into one due to the fact that both the regimes intend to grant similar benefit.
- To take forward the process of simplification of procedures and to reduce administrative burden, it is proposed that *First Regime* be shutdown and trusts, funds or institutions be transitioned to the *Second Regime* in a gradual manner.
- As per the proposed amendment in Section 10(23C), 24th proviso has been proposed to be inserted to provide that no application seeking approval or provisional approval shall be allowed in relation to any application made or after 01.10.2024.
- Applications filed u/s 10(23C)(vi)/(v)/(vi)/(via) before 01.10.2024 and which are pending would be processed and considered under the extant provisions of the *First Regime* itself.
- Necessary amendments has been proposed in Section 12A to cover the cases of institutions or Trust registered under *First Regime*.
- As per the amendments proposed in Section 12A, such trust or institution would be eligible to apply for registration subsequently, under the second regime
 - Till the approval in Second Regime, Approved trusts, funds or institutions would continue to get the benefit of exemption.
 - As per amendment proposed in Section 13, certain eligible modes of investment, under the first regime shall be protected in the second regime.

- Amendment has been proposed in Section 12A by way of proviso to give power to PCIT or Commissioner w.e.f. 01.10.2024 to condone the delay in filing of application provided he considers that there is a reasonable cause for filing the application.
- Amendments are also proposed in Section 12AB(3) to give increased time to PCIT or Commissioner pass an order u/s 12AB(1)(b)(ii) within six month from the end of quarter of the filling of the application as against from the end of month of the filling of the application.
- Similar amendments have been proposed in Section 80G of the IT Act.
- **w.e.f. 01.10.2024.**
- New Section 12AC is proposed to be inserted w.e.f. 01.04.2025 to provide that whereaapproved or registered trust or institution as the case may be, merges with another approved/registered trust or institution under either regime, then, it would not attract the provision of Chapter XII-EB i.e (Exit Tax on Accredited Income of Trusts and Institutions), provided following conditions are satisfied:
 - the other trust or institution has same or similar objects;
 - the other trust or institution is registered under section 12AA or section 12AB or approved under subclause (iv) or sub-clause (v) or sub-clause (vi) or subclause (via) of clause (23C) of section 10, as the case may be; and
 - the said merger fulfils such conditions as may be prescribed.
- Amendments are also proposed in Section 11(7) of IT Act to include reference to Section 10(23EA), 10(23ED), 10(46B) giving them one time option to apply for registration u/s 12AB operative.
- **w.e.f. 01.04.2025.**

Rationalisation of Provisions relating to Period of Limitation for Imposing Penalties u/s 275

- As per existing provisions of Section 275(1)(a) of the IT Act, for calculating period of limitation for imposing penalty under said section, date of receipt of order of

the JCIT(A) or the CIT(A) or the ITAT by the PCCIT or CCIT or PCIT or CIT is to be considered.

- Likewise, Section 275(1A) of the IT Act also considers date of receipt of order of JCIT(A) or the CIT(A) or ITAT or High Court or Supreme Court by the PCCIT or CCIT or PCIT or CIT while determining period of limitation for imposing penalty.
- In order to remove ambiguity on account of reference to the office of PCCIT or CCIT in the calculation of the number of days for imposing penalties, it has been proposed to omit reference to the date of receipt of order by the PCCIT or CCIT.
- w.e.f. 01.10.2024.

Rationalisation of Provisions relating to Set Off and Withholding of Refunds u/s 245

- Presently, Section 245 of the IT Act empowers the AO or CIT or PCIT or CCIT or PCCIT to adjust the refund or a part of it against any sum remaining payable under IT Act after giving an intimation in writing.
- Section 245(2) of the IT Act states that in case of pending assessment or re-assessment, where refund becomes due to a person, then, AO may after recording reasons in writing and obtaining previous approval of the PCIT or CIT, where in his opinion grant of refund is likely to adversely affect the revenue, withhold the refund till the date on which such assessment or reassessment is made.
- The authorities observed that the 2nd condition of recording of reasons already takes care of the 1st condition as even if an opinion is formed, it has been expressed in terms of reasons recorded in writing. Thus, it has been proposed to omit the phrase '*is of the opinion that the grant of refund is likely to adversely affect the revenue*' from Section 245(2) of IT Act.
- Further, it has been observed that the period of withholding the refund 'up to the date of assessment' is inadequate as the demand itself becomes due after 30 days of the date of assessment. Hence, the period of withholding of the refund is proposed to be extended up to 60 days from the date on which such assessment or reassessment is made.

- Consequential amendments have been made in calculation of time limits for additional interest on refund u/s 244A(1A) of the IT Act.
- w.e.f. 01.10.2024.

Rationalisation of the Time-Limit for Filing Appeals to ITAT u/s 253

- Existing provisions u/s 253 of the IT Act lays down the provisions for filing an appeal with the ITAT against orders passed by AO, JCIT(A), CIT(A), PCCIT, CCIT or PCIT under different sections of the IT Act.
- Presently, Section 253 does not include reference to Section 158BFA of the IT Act which is an interest and penalty provision due to which an aggrieved assessee is not able to appeal against such penalty orders passed by the CIT(A). Thus, to provide an opportunity of appeal against the orders passed u/s 158BFA, it is proposed to amend Section 253(1)(a) to include the reference of Section 158BFA therein.
- Section 253(3) of the IT Act provides that an appeal to the ITAT is to be filed within 60 days of the date on which the order sought to be appealed is communicated to the assessee or to the PCIT/CIT. In the new Faceless Appeal dispensation, the CIT(A) upload the orders on a day-to-day basis rather than the erstwhile practice of sending a monthly/fortnightly bunch of orders to the PCIT. This, in turn, means that the limitation for filing an appeal to the ITAT would fall on a daily basis making it difficult for the PCIT and AO to track the same.
- Thus, to simplify the time limit to file an appeal before the ITAT, it is proposed to amend Section 253(3) to provide that the appeal before the ITAT may be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to PCIT or CIT, as the case may be.
- w.e.f. 01.10.2024.

Increase in Limit of Remuneration to Working Partners of Firm

- Section 40 (b) (v) provides for disallowance of any payment of remuneration to any working partner which is authorized by and is in accordance with the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as the amount of such payment to all partners during the previous year exceeds the aggregate amount computed as hereunder:

(a)	on the first Rs. 3,00,000 of the book profit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the book profit, whichever is more
(b)	on the balance of the book-profit	at the rate of 60 per cent

- The above limits were in effect from AY 2010-11, which are now proposed to amend that on the first Rs 6,00,000 of the book-profit or in case of a loss, the limit of remuneration is increased to Rs 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more as follows:

(a)	on the first Rs. 6,00,000 of the book profit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the book profit, whichever is more
(b)	on the balance of the book-profit	at the rate of 60 per cent

- w.e.f. 01.04.2025 (from A.Y. 2025-26 and onwards)

Determination of Arms Length Price in respect of Specified Domestic Transactions in proceedings before Transfer Pricing Officer

- Section 92CA(1) of the IT Act provides that where assessee has entered into any international or specified domestic transaction, the (AO) may refer the computation of Arm's length Price to Transfer Pricing Officer (TPO) if deemed necessary after approval from the Principal Commissioner or Commissioner.

- Section 92CA(2B) mandates that the provisions of clause (1) will apply to any other “international transaction” not referred by the AO, if it comes to the notice of the TPO during proceedings.
- Section 92CA(2C) similarly applies the provisions of clause (1) to international transactions not furnished in the audit report u/s 92E, but which came to the notice of TPO during the proceedings.
- It is now proposed to amend sub-clauses (2B) and (2C) to include “Specified Domestic Transactions” to enable the TPO to deal with such transactions which have not been referred to him by the AO and/or in whose respect audit report u/s 92E has not been filed.
- w.e.f 01.04.2025 (AY 2025-26 onwards)

Removal of Reference to National Housing Board in Section 43D of the Act

- Clause (b) of Section 43D of the Act states that in case of a public company involved in housing finance, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by NHB in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that company, whichever is earlier.
- However, the Finance (No. 2) Act, 2019 has amended the NHB Act, 1987, conferring powers for regulation of Housing Finance Companies (HFCs) with RBI. Consequently, HFCs have come under the purview of the RBI as a category of NBFC. In the Act, separate provisions already exist in Section 43D with respect to NBFCs.
- It is proposed to remove reference to National Housing Bank by omitting Section 43D(b) of the Act and clause (a) and (b) of Explanation to Section 43D of the Act.
- w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)

Definition of Specified Mutual Fund (SMF) modified u/s 50AA

- Section 50AA of IT Act provides that where the capital asset is a unit of a Specified Mutual Fund (SMF) acquired on or after the 1st day of April, 2023 or a Market Linked Debenture, the full value of consideration received or accruing as a result of the transfer or redemption or maturity of such debenture or unit as reduced by –
 - the cost of acquisition of the debenture or unit; and
 - the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity,
 shall be deemed to be the capital gains arising from the transfer of a short-term capital asset
- The term SMF is defined in Explanation (ii) of Section 50AA which requires investment not exceeding 35% of its total proceeds in domestic equity shares.
- The requirement of investment of not more than 35% in equity shares has impacted other funds such as Exchange Traded Funds (ETFs), Gold Mutual Funds and Gold ETFs which are not debt-oriented funds, but invest below 35% in equity shares. There is ambiguity in case of Fund-of-Funds (FoFs) as well as to whether they will be considered SMF u/s 50AA.
- Hence, to remove such ambiguity, it is proposed to amend the definition of SMF under clause (ii) of Explanation of section 50AA to provide that a SMF shall mean:
 - a Mutual Fund by whatever name called, which invests more than sixty five per cent of its total proceeds in debt and money market instruments; or
 - a fund which invests sixty five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a).
- **w.e.f. 01.04.2026 (A.Y. 2026-27 and onwards)**

Tax Incentives to International Financial Services Centre

- International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee.
- To incentivize the operations in IFSC, certain tax exemptions have been proposed.
 - Section 10(4D) of the IT Act, exempts certain income earned by **Specified Fund**.
 - Specified fund means -
 - (i) fund established or incorporated in India in the form of trust or a company or a limited liability partnership or a body corporate
 - ◆ Which has been granted a certificate of registration as a Category III Alternative Investment Fund under SEBI Regulations, 2012 or IFSC Regulations, 2022.
 - ◆ Located in any IFSC and
 - ◆ Of which all the units other than unit held by a sponsor or manager are held by non-residents.
 - (ii) investment division of an offshore banking unit

The scope of Specified Fund is now proposed to include retail scheme or an Exchange Traded Fund, which have been granted a certificate and are regulated under IFSCA (Fund Management), Regulations, 2022.

Retail scheme in IFSCA (Fund Management), Regulations, 2022 means a scheme offered to all the investors or section of investors for subscription with no ceiling as to number of investors.

- Section 10(23EE) of the IT Act exempts specified income of Core Settlement Guarantee Fund set up by a recognised clearing corporation in accordance with the regulations.

- For facilitating recognised stock exchange established in IFSC, a clearing corporation also has to be set up.
- As per the current provisions, specified income earned by core settlement guarantee fund set up by recognised clearing corporation set up in IFSC was not exempt.
- It is proposed to include clearing corporation in an IFSC recognised by IFSCA in the definition of “recognised clearing corporation”.
- It is proposed to include IFSCA (Market Infrastructure Institutions), Regulations, 2021 in the definition of “regulations”
- Section 68 of the IT Act, taxes the unexplained cash credits in the books of the assessee, if explanation is not provided to AO about the nature and source of such credit or the explanation provided is not satisfactory in the opinion of the AO.
- This section was amended in Finance Act 2023 to include a proviso that states that any explanation offered by assessee will be deemed to be satisfactory only if
 - ♦ the person in whose name such credit is recorded in the books of such assessee also offers an explanation about the nature and source of such sum so credited; and
 - ♦ AO finds the explanation satisfactory
- The proviso stated above is not applicable where such sum is received from a Venture Capital Fund or Venture Capital Company as defined in Section 10(23FB) of the IT Act.
- It is now proposed to add Venture Capital Funds regulated by IFSCA in the above definition.
- Thus, as per proposed amendment if there is any credit in the books of an assessee from a Venture Capital fund regulated by IFSCA, then first proviso or second proviso shall not apply.

- Section 94B of the IT Act, provides that if an Indian company or a permanent establishment of a foreign company in India receives any debt from a non resident associated enterprise and is required to pay interest or an amount of similar nature exceeding one crore rupees, then such expense shall be allowed as deduction under the head “Profits and Gains of Business or Profession” only upto 30% of EBITDA

of such borrower. Any amount over and above such limit shall not be allowed as deduction.

- It is now proposed that this section shall not apply to Finance Companies located in IFSC as defined in IFSCA (Finance Company) Regulations, 2021.

Finance Company as per IFSCA (Finance Company) Regulations, 2021 means a unit set up in IFSC and which is engaged in providing financial services in respect of a financial product. Provided it does not accept public deposits from residents and non residents and not registered as a banking unit.

- *w.e.f 01.04.2025 (A.Y. 2025-26 onwards)*

Submission of statement by liason office of non-resident in India

- Section 285 of the IT Act mandates every non-resident having liaison office in India to submit within 60 days from end of FY, a statement of activities undertaken by them in prescribed format.
- It is proposed to amend Section 285 of the IT Act to substitute 60 days from end of the FY to “such period”. Thus the time limit of 60 days is proposed to be omitted and the revised time limit will be prescribed in the rules.
- It is also proposed to introduce a new section 271GC in the IT Act, which provides that in case of failure to furnish the statement under section 285, AO may direct such person to pay penalty of –
 - Rs. 1000 for every day for which such failure continues, if the period of failure does not exceed 3 months or
 - Rs 1 lakh, in any other case.
- Section 273B of the IT Act provides that no penalty shall be imposed under specified sections of the IT Act if the assessee proves that there was a reasonable cause for such failure. It is proposed to amend the above section to include Section 271GC of the IT Act in Section 273B.

- Thus, the proposed amendment will penalise the assessee under Section 271GC in case of failure to furnish statement under Section 285 of the IT Act and at the same time provide relief to assessee under Section 273B in case if failure is for a reasonable cause.
- **w.e.f 01.04.2025 (A.Y. 2025-26 onwards)**

Promotion of Cruise Ship Operations by Non- Residents in India

- An existing Section 44B provides for presumptive taxation for computing profits & gains of shipping business in the case of non- residents.
- A carve out for business of operating of cruise ships is made in the said section.
- A new Section 44BBC is proposed which is a presumptive taxation regime for a non-resident assessee engaged in the business of operation of cruise ships.
- Under the presumptive taxation regime, 20% of the aggregate amount received/receivable by, or paid/payable to, the non-resident cruise- ship operator, on account of the carriage of passengers shall be deemed to be the profits and gains of such business.
- Further, a new clause (15B) in Section 10 is proposed to be inserted to exempt the lease rentals paid by a company which opts for presumptive regime u/s 44BBC, to a foreign company, if such recipient company and the payer company are subsidiaries of the same holding company.
- This exemption shall be available upto A.Y. 2030-31.
- **W.e.f. 01.04.2025 (A.Y. 2025-26 onwards)**

Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number

- Section 139AA of the Act mandates quoting of Aadhaar Number or the Enrolment ID of Aadhaar application when the person does not possess the

Aadhaar Number, in the application form for allotment of Permanent Account Number and in the return of income.

- The said Section is proposed to be amended to discontinue the option of quoting of the Enrolment ID of Aadhaar application in the said forms or returns.
- It is further proposed that every person who has been allotted Permanent Account Number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.
- **W.e.f. 01.10.2024**

Disallowance of Settlement Amounts Being Paid to Settle Contraventions u/s 37

- Section 37 of the IT Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession.
- Explanation 1 read with Explanation 3 of section 37(1) provides that any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.
- The department is of the view that Settlement Amounts are incurred due to an infraction of law and relate to contraventions and, therefore, should not be allowed as business expenses.
- Accordingly, it is proposed to amend Explanation 3 to section 37(1) to specifically include the following clause (iv) as follows:-
“(iv) to settle proceedings initiated in relation to contravention under such law as may be notified by the Central Government in the Official Gazette in this behalf.”
- **w.e.f. 01.04.2025 (A.Y. 2025-26 onwards)**

Expenditure not admissible u/s 37 shall be added to the profits and gains of life insurance business

- Section 44 of IT Act provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by a co-operative society, to be in accordance with First Schedule of IT Act, notwithstanding other specific provisions of IT Act
- As per Rule 2 of the First Schedule, the profits and gains of life insurance business shall be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938.
- The above provision was being misused by some life insurance companies, where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies.
- In order to ensure that provisions are not misused to claim deduction for expenses which are otherwise not admissible u/s 37 of IT Act, it is proposed to amend Rule 2 of the First Schedule of IT Act, which provides that any expenditure which is not admissible u/s shall be added back to the profits and gains of the life insurance business.
- w.e.f. 01.04.2025 (A.Y. 2025-26 and onwards)

Amendment in Section 80G

- The existing provision of Section 80G(2)(a)(iiihg) of IT Act provides that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, any sums paid by the assessee in the previous year as donations to the National Sports Fund to be set up by the Central Government.
- The Government had set up the aforesaid fund by the name National Sports Development Fund w.e.f 12.11.1998. Therefore, it has been proposed to amend Section 80G(2)(a)(iiihg) of IT Act to provide that in computing the total income of an assessee, there shall be deducted any sums paid by the assessee

in the previous year as donations to the National Sports Development Fund set up by the Central Government.

- w.e.f. 01.04.2025 (A.Y. 2025-26 onwards).

Relief for Transferred Applications to BAR in Sections 245Q and 245R

- Finance Act, 2021 read with Notification S.O. 3562(E), dated 01.09.2021 brought amendments to the effect that the Authority for Advance Ruling shall cease to operate from 01.09.2021.
- After AAR was made ineffective, certain applications that were filed before the erstwhile AAR, in which no order was passed, were transferred to the newly constituted Board for Advance Ruling (BAR) u/s 245Q(4).
- In order to address this issue, it has been proposed to insert a proviso under Section 245Q(4) providing that an applicant may request the BAR on or before 31st of October, 2024 in writing that the application so transferred may not be proceeded with where BAR has not passed an order u/s 245R(2) up to the date of request.
- Consequential amendment has also been proposed u/s 245R to insert a proviso stating that on receipt of application by the Board for Advance Rulings under proviso to Section 245Q(4), the BAR may, by an order, reject the application referred to in Section 245R(1) thereof as withdrawn on or before the 31st day of December, 2024.
- w.e.f. 01.10.2024.

Upgrading Section 271FAA for Global Financial Transparency

- The current provisions of section 271FAA(1) of IT Act states that if a person required to submit a statement under section 285BA(1) of IT Act provides inaccurate information due to:

- Failure to comply with the due diligence requirement as per section 285BA(7) of IT Act, or
- Deliberate action, knowledge of the inaccuracy without informing the authorities, or
- Discovery of the inaccuracy post-submission without timely correction as per section 285BA(6) of IT Act.

the prescribed income-tax authority u/s 285BA(1) may impose a penalty of Rs. 50,000/-

- In the context of India's legislative framework for the Common Reporting Standard (CRS) under the Automatic Exchange of Information (AEOI), the Global Forum on Transparency and Exchange of Information for Tax Purposes has noted that penalties under this section may not apply universally if due diligence failures do not result in incorrect reporting.
- In light of the above, it has been proposed to substitute the existing provisions with the following amendments to specify that penalties shall attract in the following circumstances:
 - Furnishing inaccurate information in the statement;
 - Failure to comply with due diligence requirement in the statement;
- Further, in Section 273B of IT Act, it is proposed to add the reference of Section 271FAA of IT Act in order to provide that no penalty shall be imposed for any failure referred to in the said section, if the assessee proves that there was reasonable cause for such failure.
- w.e.f. 01.10.2024.

Widening of Scope of Section 132B of IT Act, So As to Recover Existing Liabilities under Black Money Act from Seized Assets

- Section 132B of IT Act provides for recovery of existing liabilities under IT Act, Wealth Tax Act, Expenditure Tax Act, Gift Tax Act and Interest Tax Act and the liability determined on completion of the assessment or reassessment in consequences of search or requisition, out of seized assets.

- Further, Black Money Act provides for taxation of undisclosed foreign income and undisclosed foreign assets.
- Most of the liabilities arising under the Acts administered by CBDT have been covered in Section 132B of IT Act, for the purpose of extinguishment of liability by recovery out of the seized assets, except liabilities arising under Black Money Act.
- In view of the above, it is proposed to insert the reference of Black Money Act in Section 132B of IT Act so as also to recover the existing liabilities under Black Money Act, out of seized assets.
- *w.e.f. 01.10.2024*

Amendment in Section 42 and 43 of Black Money Act Related to Penalty For Failure to Disclose Foreign Income And Asset In The ITR

- Section 42 of Black Money Act provides for penalty for failure to furnish details of foreign income and assets in ITR. This section is applicable i.r.o. an assessee being resident other than not ordinarily resident in India, who has failed to furnish the ITR when such assessee is having any asset or is a beneficiary of an asset located outside India or is having any income from a source located outside India.
- Section 43 of Black Money Act provides for failure to furnish in ITR, an information or furnish inaccurate particulars about an asset located outside India. This section is applicable when the assessee being a resident other than not ordinarily resident in India, has failed to furnish the details of any asset located outside India, held by him as beneficial owner or otherwise, or i.r.o. which he was a beneficiary, or relating to any income from a source located outside India.
- The provisos to the above Section 42 and 43 states that the provisions of these sections shall not apply i.r.o. an asset, being one or more bank accounts having an aggregate balance which does not exceed Rs.5 Lacs at any time during the previous year.
- It is proposed to amend the provisos to Section 42 and 43 to provide that the provisions of above sections shall not apply i.r.o. an asset or assets (other than

immovable property) where the aggregate value of such asset or assets does not exceed Rs.20 Lacs.

- w.e.f. 01.10.2024

Amendments in Black Money Act and Consequential Amendments in IT Act

- The bill proposes that the reference of liabilities under Black Money Act in the Section 230(1A) of IT Act should be inserted for the purposes of obtaining a tax clearance certificate.
- The bill proposes to insert reference of Black Money Act in the Section 132B of the IT Act so as to recover the existing liabilities under Black Money Act out of seized assets u/s 132 or requisitioned u/s 132.
- Section 42 of the Black Money Act provides for penalty for failure to furnish details of foreign income and assets in the return of income. Further, Section 43 provides for penalty on failure to furnish in return of income, an information or inaccurate particulars about an asset located outside India.
- The bill proposes to amend the provisos to Sections 42 and 43 of the Black Money Act to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20 lacs.
- w.e.f. 01.10.2024.

Tax Clearance Certificate Required for liabilities under Black Money Act

- The existing provisions of Section 230(1A) of IT Act provides restriction on person domiciled in India that he/she shall not leave India, unless he obtains a certificate from the income-tax authorities that he has no liabilities under IT Act or the Wealth-tax Act, 1957, or the Gift-tax Act, 1958, or the Expenditure-tax Act, 1987, or he makes satisfactory arrangements for the payment of all or any of such taxes which are or may become payable by that person.

- Such certificate is required to be obtained where circumstances exist which, in the opinion of an income-tax authority render it necessary for such person to obtain the same.
- It was observed that most of the liabilities arising under the Acts administered by the Central Board of Direct Taxes (CBDT) have been covered in the Section 230(1A) of the IT Act, except the liabilities arising under Black Money Act.
- Thus, it has been proposed to insert the reference of liabilities under Black Money Act, in Section 230(1A) of the IT Act for the purposes of obtaining a tax clearance certificate.
- w.e.f. 01.10.2024.

Amendment in Time Limits of Section 24 under Benami Act

- Section 24 of Benami Act relates to issue of notice and attachment of property involved in Benami transactions.
- The existing provisions do not provide for any time limit within which a benamidar or beneficial owner has to furnish a reply or submission i.r.o. the notice issued.
- Therefore, it is proposed to amend Section 24 as under:-
 - **Insertion of sub-section (2A)-** To provide a maximum time limit of 3 months from the end of the month in which notice is issued, for benamidar or beneficial owner to furnish their reply or submission.
- Amendment of sub-section (3) and (4)
 - The existing Section 24(3) and 24(4) provide for a time limit of 90 days from the last day of the month in which notice is issued for the IO to provisionally attach the property or to pass an order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property.
 - This time limit of 90 days is proposed to be increased to 4 months.
- Amendment of sub-section (5).

- The existing Section 24(5) provides that where, IO passes an order u/s 24(3) and 24(4), he shall, within 15 days from the date of attachment, draw up a statement of the case and refer it to the adjudicating authority.
- This time limit of 15 days is proposed to be increased to 1 month.

• w.e.f. 01.10.2024

Insertion of New Section 55A under Benami Act to Tender Immunity From Penalty/Prosecution to Benamidar or Such Other Person Other Than Beneficial Owner

- Section 53(2) of Benami Act provides that the offence of benami transaction referred u/s 53(1) shall be punishable with
 - rigorous imprisonment for a term not less than 1 year, but which may be extend to 7 yrs and
 - fine which may extend to 25% of FMV of the property.
- Above penalty is same for benamidar or beneficial owner or any person who abets or induces any person to enter into a benami transaction. Due to same quantum of penalty and prosecution, benamidars do not come forward to give evidence against the beneficial owner.
- Various other enacted laws of the land provides for a tender of pardon/immunity from prosecution/ reduced penalty in cases where the witness assists in the due process of law.
- It is thus proposed to insert a new Section 55A under Benami Act to provide power to IO for tendering immunity from penalty/ prosecution:-
 - **Section 55A(1)-** With the previous sanction of the competent authority, IO may tender immunity from prosecution to the benamidar or such other person other than beneficial owner subject to the condition that benamidar or such other person makes a full and true disclosure of benami transaction.
 - **Section 55A(2)-** The tender of immunity made to, and accepted by, the benamidar or such other person, shall to the extent to which the immunity extends, render him immune from prosecution for the

offence i.r.o. which the tender was made and from the imposition of any penalty u/s 53.

- **Section 55A(3)-** Where it appears to IO that person to whom immunity has been tendered has not complied with conditions, IO may record a finding to that effect, and with previous sanction of competent authority, may withdraw the immunity tendered.
- **Section 55A(4)-** Any person against whom the immunity tendered is withdrawn, may be tried for the offence i.r.o. which tender of immunity was made or for any other offence of which he appears to have committed in connection with the same transaction and shall also be liable to any penalty under Benami Act to which he would otherwise have been liable.

• w.e.f. 01.10.2024

HIGHLIGHTS OF IMPORTANT AMENDMENTS RELATING TO INDIRECT TAXES

CENTRAL GOODS AND SERVICE TAX

Relaxation in Time Limit for Availment of Input Tax Credit

- Section 16 provides for conditions for availing Input Tax Credit.
- New provision i.e. Section 16(5) of the CGST Act, 2017 has been proposed to be inserted to provide a relaxation in condition Section 16(4) of CGST Act, 2017.
- As per the new provision, in respect of any invoice or debit note pertaining to F.Y. 2017-18, 2018-19, 2019-20, 2020-21, a registered person shall be entitled to take ITC in any return in FORM GSTR-3B filed upto 30.11.2021.
- Further, a separate section i.e. Section 146 has been introduced as part of Finance Bill, 2024 which provides that where the tax has been paid or ITC has been reversed, no refund of the same shall be admissible.
- During the 53rd GST Council Meeting, the in-principal approval for relaxation in condition of Section 16 (4) of CGST Act, 2017 i.e. time limit to take ITC for financial year was granted.
- w.e.f. 01.07.2017

Allowance to Claim ITC for the Period From Date of Cancellation of Registration or Effectice Date of Cancellation of Registration till the Date of Order of Revocation of Registration

- New provision i.e. Section 16(6) of the CGST Act, 2017 has been proposed to be inserted to allow registered person to claim ITC in respect of an invoice or debit note in a return filed for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration.
- If any ITC which is unclaimed and not restricted u/s 16(4) then such ITC can be claimed in any returns filed u/s 39 for the period from date of cancellation to date of revocation of cancellation, if filed within 30 days from revocation.

Time limit introduced for issuance of invoices in respect of goods or services received from the supplier who is not registered

- Section 31(3)(f) provides for self-invoicing by a person who is liable to pay tax under reverse charge, if goods or services received from supplier who is not registered.
- As per the proposed amendment, invoice in respect of goods or services or both received from the supplier is not registered, 'must be issued to self' within period prescribed.
- Further, an explanation after clause (g) has been inserted. As per the explanation, the expression 'supplier who is not registered' shall include the supplier who is registered solely for the purpose of deduction of tax under Section 51.

Restriction on Applicability of Section 73 of CGST Act, 2017, upto F.Y. 2023-24

- New provision i.e. Section 73(12) have been proposed to be inserted to restrict the applicability of Section 73 for determination of tax pertaining to the period upto F.Y. 2023-24.
- The marginal heading after proposed insertion of 73(12) will read as *"Determination of tax, pertaining to the period upto Financial Year 2023-24, not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason other than fraud or any wilful-misstatement or suppression of facts"*.

Restriction on Applicability of Section 74 of CGST Act, 2017, upto F.Y. 2023-24

- New provision i.e. Section 74(12) have been proposed to be inserted to restrict the applicability of Section 74 for determination of tax pertaining to the period upto F.Y. 2023-24.
- The marginal heading after proposed insertion of 74(12) will read as *"Determination of tax, pertaining to the period upto Financial Year 2023-24, not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by reason of fraud or any wilful-misstatement or suppression of facts."*
- Further explanation 2 which provides the meaning of expression '*suppression*', has been omitted. Earlier the expression "suppression" shall mean non-declaration of facts or information which a taxable person is required to declare in the return, statement, report or any other document furnished under this Act or the rules made thereunder, or failure to furnish any information on being asked for, in writing, by the proper officer.
- The meaning provided was specific and inclusive. The omission of explanation will cause ambiguity in the definition of suppression and make it susceptible to general interpretation which will lead to increase in the volume of litigation in the GST regime.

Introduction of Section 74A in CGST Act, 2017

- New provision i.e. Section 74A in CGST Act, 2017 have been proposed to be inserted to provide for a common time limit for issuance of demand notices and orders in respect of demands for F.Y, 2024-25 onwards, in cases where charges of fraud, suppression, wilful misstatement etc. are not involved, and in cases where those charges are involved.
- The marginal heading for proposed Section 74A will be *"Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to F.Y. 2024-25 onwards"*.
- In view of the above, it is proposed to amend:
 - Section 74A(1) deals with determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to Financial Year 2024-25 onwards. Thus, whether there is fraud, suppression or willful misstatement or not, it doesn't makes any difference, provided the tax amount is not less than Rs. 1000/-.
 - Section 74A (2) of CGST Act, 2017, provides for time limit to issue the notice. The proper officer shall issue the notice under sub-section (1) within 42 months from the due date for furnishing of annual return for a financial year to which the tax not paid or short paid or ITC wrongly availed or utilised relates or to within 42 months from the date of erroneous refund.
 - Section 74A(5) provides for penalty where any tax has not been paid or short paid or erroneously refunded or where ITC has been wrongly availed or utilised:
 - (i) **For any reason, other than fraud or wilful misstatement-** 10% of tax due or Rs. 10,000/-, whichever is higher.
 - (ii) **For the reason of fraud or any wilful misstatement-** equivalent to tax due.
 - Section 74A(7) provides that proper officer shall issue the order within 12 months from the date of issuance of notice specified in sub-section (2).

- Proviso to Section 74A(7) provides that where proper officer is unable to pass the order within time limit specified, the Commissioner, or an officer authorised by the Commissioner senior in rank to the proper officer but not below the rank of Joint Commissioner, may extend the said period further by a maximum of six months.
- Section 74A(8) provides that where a person chargeable with tax for any reason, other than reason of fraud or any wilful misstatement or suppression of facts to evade tax:
 - (i) Pays the full amount with interest u/s 50 on the basis of his own ascertainment and informs the Proper Officer, the proceedings under sub-section (1) shall stand concluded and there would be no need for issue of SCN.
 - (ii) Pays full amount along with interest u/s 50 within 60 days of issue of show cause notice, the proceedings under sub-section (1) and (3) shall stand concluded and no penalty shall be payable.
- Section 74A(9) provides that where a person chargeable with tax by reason of fraud or any wilful misstatement or suppression of facts to evade tax:
 - (i) Pays the full amount with interest u/s 50 and penalty equivalent to 15% of tax, on the basis of his own ascertainment and informs the Proper Officer, the proceedings under sub-section (1) shall stand concluded and there would be no need for issue of SCN.
 - (ii) Pays full amount along with interest u/s 50 and penalty equivalent to 25% of such tax, within 60 days of issue of show cause notice, the proceedings under sub-section (1) shall stand concluded.
 - (iii) Pays full amount along with interest u/s 50 and penalty equivalent to 50% of such tax, within 60 days of communication of order, the proceedings in respect of said notice shall stand concluded.
- Further explanation to newly proposed Section 74A provides that:
 - (i) Applicability of proceedings u/s 132 shall apply irrespective of initiation or not of proceedings under section 74A.
 - (ii) If there are parallel proceedings initiated under this section against main person and other persons too, further if such proceeding is concluded against the main person then

proceedings against other person shall also be deemed to be concluded.

(iii) Suppression is defined as non declaration of facts or information which a taxable person is required to provide or declare in returns etc or failure to provide the same to proper officer when asked for.

- Further, corresponding amendments has been made in th respective provisions of the CGST Act, 2017.

Clarification regarding non-availability of ITC u/s 17(5) of CGST Act, 2017

- Section 17 provides for apportionment of credit and blocked credits. Availment of input tax credit has been restricted in respect of any tax paid in accordance with the provisions of Sections 74, 129 and 130.
- Section 17(5)(i) is proposed to be amended and will be read as *“any tax paid in accordance with the provision of Section 74 in respect of any period upto F.Y. 2023-24.”*
- The amended provision omits the reference to *“tax paid in accordance with the provisions of Section 129 and 130”*. This is a corrective measure as amount paid under both the sections is not in the nature of ‘tax’ but of ‘penalty’.
- Section 129 provides for for the detention and seizure of goods and conveyance, which can be released upon payment of of the requisite penalty in cases where the goods are transported in violation of provisions of CGST Act or rules made thereunder.
- Section 130 provides for confiscation of goods in certain circumstances and the person shall be liable for penalt as deemed fit by the proper officer.

Empowering Government to regularize non-levy or short-levy of central tax due to any general trade practice.

- New provision i.e Section 11A is proposed to be inserted which empowers the Government to regularize non-levy or short levy of central tax where tax was being short paid or not paid due to any general practice prevalent in trade.
- Insertion of Section 11 A is a welcome move as it will provide relief from retrospective tax demands and reduce the volume of litigation in the GST regime.
- Section 11A proposes to introduce a level of clarity and predictability in the GST framework. Businesses can operate with the assurance that genuine trade practices, even if they result in GST shortfalls, can be regularized.

GST not to be levied on 'undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption'

- Section 9 of the CGST Act, 2017 provides for levy and collection of Central tax on intra-State supplies of goods or services or both **except** on the supply of alcoholic liquor for human consumption.
- In order to facilitate the trade, it is proposed to insert the words "*and undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption*" after the words "*alcoholic liquor for human consumption*" in Section 9(1) of CGST Act, 2017.
- Similar amendments are also proposed in Section 5(1) of the IGST Act and Section 7(1) of the UTGST Act.
- Consequent to the said amendments, integrated tax and central tax shall not be levied on undenatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor, for human consumption
- **w.e.f. to be notified.**

Amendment to prohibit refund in zero rated supply of goods where such goods are subjected to export duty.

- Section 54 of CGST Act, 2017 contains the provisions relating to the refund of excess tax and interest or any other amount paid under GST.
- Section 54(3) provides that a registered person may claim refund of any unutilised input tax credit at the end of tax period in case of zero-rated supplies made without paying GST or when ITC accumulates due to higher tax rates on input supplies as compared to output supplies (other than Nil-rated or exempt supplies). Second proviso of Section 54(3) restricts the refund of unutilised ITC in case where goods exported out of India are subjected to export duty.
- The second proviso of Section 54(3) of CGST Act, 2017 provided that refund of ITC shall not be allowed, if the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of integrated tax paid on such supplies. It is proposed to omit the said proviso.
- A new Section 54(15) is proposed to be inserted which provides that the refund of unutilised ITC on account of zero rated supply of goods or integrated tax paid on account of zero rated supply of goods shall not be allowed where such zero rated supply of goods is subjected to export duty.
- Corresponding to the amendment in Section 54 of CGST Act, 2017, Section 16 of IGST Act is also proposed to be amended by inserting sub-section (5) in Section 16 of IGST Act.
- In addition to above amendment, in both clauses of Section 16 (4) of the IGST Act the words "in accordance with the provisions of section 54 of the Central Goods and Services Tax Act or the rules made thereunder" shall be substituted.
- **w.e.f. date to be notified.**

Amendment in provisions of time of supply of services in reverse charge supplies.

- Section 13 of CGST Act, 2017 lays down the provisions to determine time of supply. Section 13(3) of CGST deals with Time of supply(TOS) provisions for supplies of services liable to be taxed under Reverse Charge Mechanism
- Under old provision of section 13(3)(b) TOS would be the date immediately following 60 days from the date of issue of the invoice or any other document by the supplier.
- It is proposed to substitute the words *“by the supplier.”*, with the words *“by the supplier, in cases where invoice is required to be issued by the supplier; or”*. Therefore, after the proposed amendment, for the determination of time of supply in case of reverse charge mechanism, the date of issue of invoice by the supplier will also be taken into account in case where invoice is required to be issued by the supplier
- Further, clause (c) is proposed to be inserted which would provide that the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient will also be taken into account to determine time of supply as per Section 13(3) of CGST Act, 2017.
- Thus Time Of Supply for services under RCM would be:
 - a) the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier.
 - b) the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, in cases where invoice is required to be issued by the supplier
 - c) the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient.
- In addition, first proviso was also amended to include clause (c) in the said proviso.
- **w.e.f. a date to be notified..**

Authorised representative to be allowed to appear on behalf of a summoned person

- Section 70 of the CGST Act, 2017 empowers concerned officers to issue summons to persons to give evidence and produce documents.
- It is proposed to insert sub-section (1A) in section 70 of the CGST Act, 2017, to enable an authorised representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.

Reduction in the maximum amount of pre-deposit for filing appeals

- Section 107 of the CGST Act, 2017 read with Rule 108 and 109 of the CGST Rules lays down provisions for preferring an appeal against the order of the Adjudicating Authority to the Appellate Authority.
- Section 107(6) of CGST Act, 2017 prescribes the amount required to be paid before filing appeal. It is proposed to reduce the maximum amount of pre-deposit for filing appeal with the Appellate Authority from Rs. 25 crore of central tax to Rs. 20 crore of central tax.
- It is proposed to reduce the maximum amount of pre-deposit for filing appeal before the Appellate Tribunal from Rs. 25 Crores to Rs. 20 Crores in central tax.

Extension of time limit for filing appeals before the Appellate Tribunal

- Section 112(1) of CGST Act, 2017 provides the time limit for filing the appeal against the order passed under Section 107 or Section 108 of CGST Act, 2017. It provides that any person aggrieved by the order as mentioned above may appeal to the Appellate Tribunal against such order within 3 months from the date on

which the order sought to be appealed against is communicated to the person preferring the appeal.

- It is proposed to be insert the words, in subsection (1), after the words *“from the date on which the order sought to be appealed against is communicated to the person preferring the appeal”*, the words *“; or the date, as may be notified by the Government, on the recommendations of the Council, for filing appeal before the Appellate Tribunal under this Act, whichever is later.”*
- Therefore, the time limit of 3 months for filling the appeal before the Appellate Tribunal would start from later date between the date on which the **order** sought to be appealed against is communicated to the person preferring the appeal or the date as may be notified by the Government, on the recommendations of the Council.
- Further, sub section (3) was amended to insert words *“or the date, as may be notified by the Government, on the recommendations of the Council, for the purpose of filing application before the Appellate Tribunal under this Act, whichever is later”* after the words *“from the date on which the said order has been passed”*.
- Hence, the time limit of 6 months would start from later date between from the date on which the said order has been passed” or the date as may be notified by the Government, on the recommendations of the Council.
- It is also proposed to insert the words brackets and figure *“or permit the filing of an application within three months after the expiry of the period referred to in sub-section (3)”* after the words, brackets and figure *“after the expiry of the period referred to in sub-section (1)”*. CGST Act, 2017. This would enable the Appellate Tribunal to admit appeals filed by the department within three months after the expiry of the specified time limit of six months.
- **w.e.f. from the 1st day of August, 2024.**

Restriction on the applicability of penal provisions under Section 122(1B) to Electronic Commerce Operators who deduct TCS

- A new section i.e. 122(1)(B) of the CGST Act was inserted by the Finance Act, 2023, w.e.f. 1-10-2023 to provide for penal provisions applicable to Electronic Commerce Operators in case of contravention of provisions relating to supplies of goods made through them by or composition taxpayers.
- The said sub-section is proposed to be amended to restrict the applicability of the said sub-section to electronic commerce operators, who are required to collect tax at source under Section 52 of the CGST Act, 2017.
- *w.e.f 1st day of October, 2023 when sub-section (1B) had come into force.*

Conditional waiver of interest or penalty or both relating to demands raised under Section 73 pertaining to financial years 2017-18, 2018-19 and 2019-20

- Section 128 of CGST Act, 2017 empowers the Central Government to waive any penalty referred to in section 122 or section 123 or section 125 or any late fee referred to in section 47 in part or full for such class of taxpayers and under such mitigating circumstances as may be specified therein on the recommendations of the Council.
- A new proviso i.e. Section 128A is proposed to be inserted to provide for a conditional waiver of interest and penalty in respect of demands pertaining to financial years 2017-18, 2018-19 and 2019-20, in cases where demand notices have been issued under section 73 and full tax liability is paid by the taxpayer before a date to be notified except the demands notices in respect of erroneous refund.

- It is proposed that in cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.
- As per Section 128A(2), nothing contained in sub-section(1) shall be applicable in respect of any amount payable on account of erroneous refund.
- As per Section 128A(3), this benefit will not be provided in cases where an appeal or writ petition filed by the said person is pending before Appellate Authority or Appellate Tribunal or a court, as the case may be, and has not been withdrawn by the said person on or before the date notified under sub-section (1) of this section.
- As per Section 128A(4) this benefit will not be provided in case where any amount specified under sub-section (1) has been paid and the proceedings are deemed to be concluded under the said sub-section, no appeal under Section 107(1) or Section 112(1) shall lie against the order levying penalty and interest.

Conditions and Restrictions for Revocation of Cancellation of Registration

- Section 30 of CGST Act provides for Revocation of Cancellation of Registration on application made by the registered person.
- It has been proposed to insert a second proviso to Section 30(2) of CGST Act, which states that the revocation of cancellation of registration shall be subject to conditions and restrictions as specified in the CGST Rules. The Rules prescribing conditions will be issued in the course of time.
- **w.e.f date to be notified**

Furnishing of Return by a Person Required to Deduct TDS Under Section 51

- Section 39 of CGST Act provides for Furnishing of Returns by a registered person.
- According to existing provision of Section 39(3) of CGST Act, a registered person who is required to deduct tax at source u/s 51 of CGST Act is required to furnish return electronically, for the month in which such deductions have been made, within 10 days after the end of such month.
- It has been proposed to substitute the provisions of Section 39(3) as, a registered person who is required to deduct tax at source u/s 51 of CGST Act is required to furnish a return electronically for the month in which such deductions have been made within such time as may be prescribed. After modifying this provision separate rules will be issued for notifying the due date of return.
- It has been also proposed to insert proviso to Section 39(3) of CGST Act which states that every registered person who is required to deduct tax at source u/s 51 of CGST Act is required to furnish return electronically for every calendar month irrespective whether any deduction has been made or not in the said month.
- **w.e.f date to be notified**

Determination of Penalty Demanded in a Notice issued under Section 74A(1)

- Section 75 of CGST Act provides for General provisions related to determination of tax for proceedings carried under Section 73, 74 and 74A of CGST Act.
- Section 75(2A) under CGST Act is proposed to be inserted which states that when penalty under clause (ii) of Section 74A(5) of CGST Act is not sustainable for a reason that charges of fraud, willful misstatement or suppression of facts to evade tax has not been established then the penalty shall be payable as per the provision of clause (i) of Section 74A(5) of CGST Act i.e. penalty for tax short paid, not paid or erroneously refunded or where ITC has been wrongly utilised or availed for any reason other than fraud, willful misstatement or suppression of facts.
- **w.e.f date to be notified**

CUSTOMS ACT, 1972

Change in Rate of Basic Custom Duty

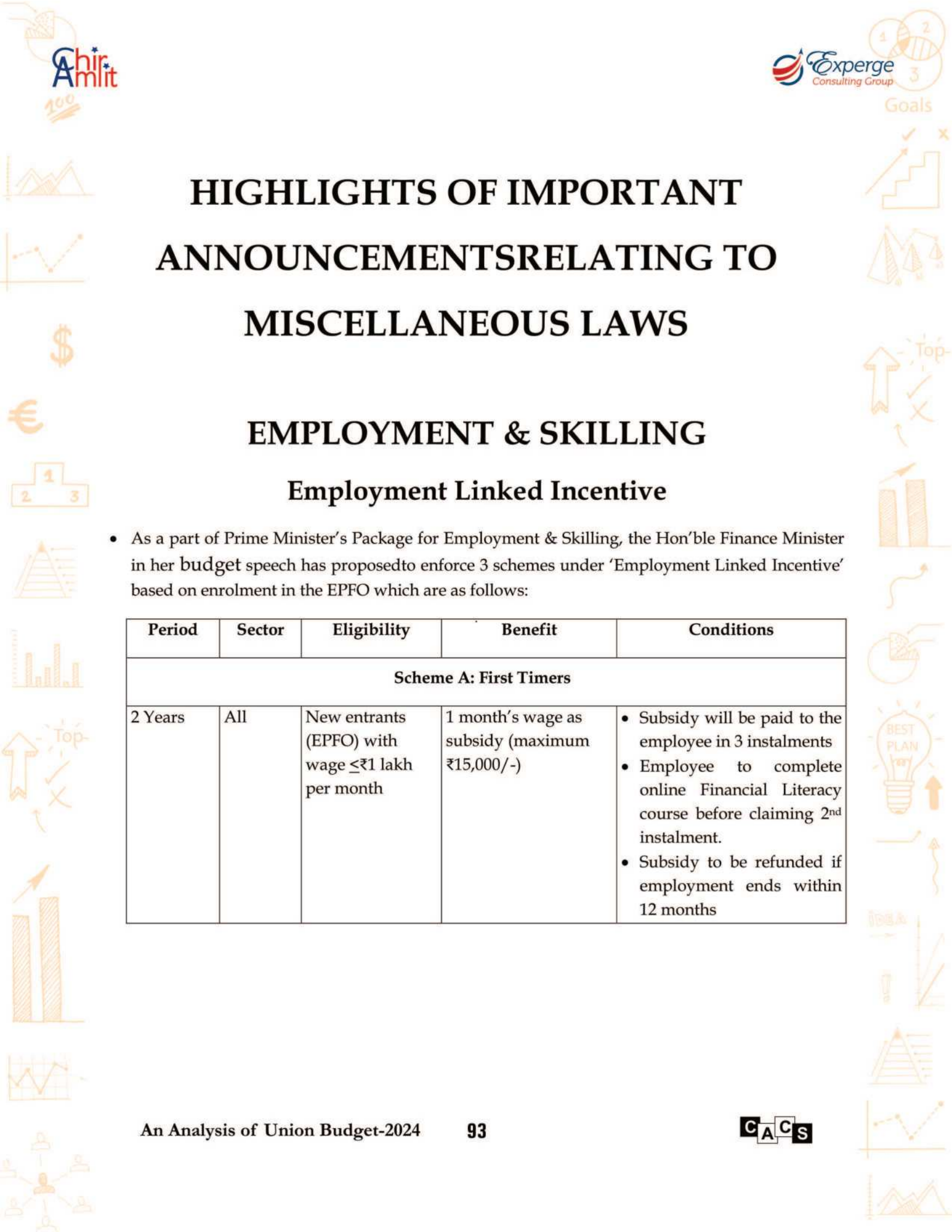
S No.	Category	Chapter, Heading, sub-heading, tariff item	Commodity	Effective from	Change in Basic Custom Duty		Impact
					From	To	
1	Steel	7202 60 00	Ferro Nickel	24.07.2024	2.50%	Nil	Decrease
2	Copper	7402 00 10	Blister Copper	24.07.2024	5.00%	Nil	Decrease
3	Chemicals and Plastics	3920 (other than 3920 99 99) or 3921	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	24.07.2024	25.00%	10.00%	Decrease
4	Chemicals and Plastics	3920 99 99	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	24.07.2024	25.00%	15.00%	Decrease
5	Textile and Leather Sector	41	Wet white, Crust and finished leather for manufacture of textile or leather garments, leather/synthetic footwear or other leather products, for export	24.07.2024	10.00%	Nil Items under Sl. No. 257B and 257C of Notification 50/2017 - Customs, dated 30.06.2017	Decrease

6	Textile and Leather Sector	38, 48 or any other chapter	Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/synthetic footwear or other leather products, for export	24.07.2024	As applicable	Nil Items under Sl. No. 257B and 257C of Notification 50/2017 - Customs, dated 30.06.2017	Decrease
7	Textile and Leather Sector	0505 10	Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export	24.07.2024	30.00%	10.00%	Decrease
8	Cancer Drug	30	(i) Trastuzumab Deruxtecan (ii) Osimertinib (iii) Durvalumab	24.07.2024	10.00%	Nil	Decrease
9	Precious Metals	7108	Gold Bar	24.07.2024	15.00%	6.00%	Decrease
10	Precious Metals	7108	Gold dore	24.07.2024	14.35%	5.35%	Decrease
11	Precious Metals	7106	Silver Bar	24.07.2024	15.00%	6.00%	Decrease
12	Precious Metals	7106	Silver dore	24.07.2024	14.35%	5.35%	Decrease
13	Precious Metals	7118	Coins of precious metals	24.07.2024	15.00%	6.00%	Decrease
14	Precious Metals	7113	Gols/Silver findings	24.07.2024	15.00%	6.00%	Decrease
15	IT and Electronics Sector	8517 13 00, 8517 14 00	Cellular mobile phone	24.07.2024	20.00%	15.00%	Decrease

16	IT and Electronics Sector	8504 40	Charger/ Adapter of cellular mobile phone	24.07.2024	20.00%	15.00%	Decrease
17	IT and Electronics Sector	8517 79 10	Printed Circuit Board Assembly (PCBA) of cellular mobile phone	24.07.2024	20.00%	15.00%	Decrease
18	IT and Electronics Sector	28, 29, 38	Specified parts for use in manufacture of connectors	24.07.2024	5%/7.5 %	Nil	Decrease
19	IT and Electronics Sector	74	Oxygen Free Copper for use in manufacture of Resistors	24.07.2024	5.00%	Nil	Decrease
20	IT and Electronics Sector	40	Specified die-cut parts for use in manufacture of cellular mobile phones	24.07.2024	As applicable	Nil	Decrease
21	IT and Electronics Sector	40, 70, 76	Specified mechanics for use in manufacture of cellular mobile phones	24.07.2024	As applicable	Nil	Decrease
22	IT and Electronics Sector	8517 79 10	Printed Circuit Board Assembly (PCBA) of specified telecom equipment	24.07.2024	10.00%	15.00%	Increase
23	Aquafarming & Marine Exports	0306 36	Live SPF Vannamei shrimp (Litopenaeus vannamei broodstock)	24.07.2024	10.00%	5.00%	Decrease
24	Aquafarming & Marine Exports	0306 36	Live Black tiger shrimp (Penaeus monodon) broodstock	24.07.2024	10.00%	5.00%	Decrease
25	Aquafarming & Marine Exports	1504 20	Fish lipid oil for use in manufacture of aquatic feed	24.07.2024	15.00%	Nil	Decrease

26	Aquafarming & Marine Exports	1504 20	Crude fish oil for use in manufacture of aquatic feed	24.07.2024	30.00%	Nil	Decrease
27	Aquafarming & Marine Exports	1518	Algar oil for use in manufacture of aquatic feed	24.07.2024	15.00%	Nil	Decrease
28	Aquafarming & Marine Exports	2102 20 00	Algar Prime (flour) for use in manufacture of aquatic feed	24.07.2024	15.00%	Nil	Decrease
29	Aquafarming & Marine Exports	2309 90 90	Single Cell Protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing	24.07.2024	15.00%	5.00%	Decrease
30	Aquafarming & Marine Exports	2309 90 31	Prawn and shrimps feed	24.07.2024	15.00%	5.00%	Decrease
31	Aquafarming & Marine Exports	2309 90 39	Fish Feed	24.07.2024	15.00%	5.00%	Decrease
32	Medical Equipment	9022 30 00	X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	24.07.2024	15.00%	5.00% (till 31st March 2025) 7.50% (w.e.f 1st April, 2025 to 31st March, 2026) 10.00% (w.e.f 1st April, 2026)	Decrease

33	Medical Equipment	9022 90 90	Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	24.07.2024	15.00%	5.00% (till 31st March 2025) 7.50% (w.e.f 1st April, 2025 to 31st March, 2026) 10.00% (w.e.f 1st April, 2026)	Decrease
34	Renewable Energy Sector	84, 85, or any other chapter	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods	24.07.2024	7.50%	Nil	Decrease
35	Renewable Energy Sector	7007	Solar glass for manufacture of solar cells or solar modules	24.07.2024	Nil	10.00% (w.e.f. 01.10.20 24)	Increase
36	Renewable Energy Sector	74	Tinned copper interconnect for manufacture of solar cells or solar modules	24.07.2024	Nil	5.00% (w.e.f. 01.10.20 24)	Increase



HIGHLIGHTS OF IMPORTANT ANNOUNCEMENTS RELATING TO MISCELLANEOUS LAWS

EMPLOYMENT & SKILLING

Employment Linked Incentive

- As a part of Prime Minister's Package for Employment & Skilling, the Hon'ble Finance Minister in her budget speech has proposed to enforce 3 schemes under 'Employment Linked Incentive' based on enrolment in the EPFO which are as follows:

Period	Sector	Eligibility	Benefit	Conditions
Scheme A: First Timers				
2 Years	All	New entrants (EPFO) with wage \leq ₹1 lakh per month	1 month's wage as subsidy (maximum ₹15,000/-)	<ul style="list-style-type: none">Subsidy will be paid to the employee in 3 instalmentsEmployee to complete online Financial Literacy course before claiming 2nd instalment.Subsidy to be refunded if employment ends within 12 months

Scheme B: Job Creation in manufacturing

2 years	Manufacturing	<ul style="list-style-type: none"> New entrants (EPFO) with wage \leq ₹1 lakh per month Employer to have a 3-year track record of EPFO contribution. Employer must hire at least 50 or 25% of the baseline* [whichever is lower] 	<p>Incentives(as % of wage, shared equally between employer & employee)for 4 years as follows:</p> <p>1st year - 24%</p> <p>2nd year - 24%</p> <p>3rd Year - 16%</p> <p>4th Year - 8%</p>	<ul style="list-style-type: none"> Incentives for first timers earning wages $>$ ₹25,000/- p.m., their incentive will be calculated based on ₹25,000/- p.m. Subsidy to be refunded if employment ends within 12 months. Benefit in addition to Scheme A. Employers must maintain the threshold level of enhanced employment, failing which subsidy suspended.
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Scheme C: Support to employers

2 years	All	<ul style="list-style-type: none"> Employees with salary \leq ₹1 lakh per month Employer who Increases employment above the baseline* by at least 2 employees (for those $<$ 50 employees) OR 5 employees (for those with \geq 50 employees) and sustains the higher level. 	<p>Annual reimbursement to EPFO employer contribution up to ₹3,000 p.m.</p> <p>If the employer creates $>$ 1000 jobs:</p> <ul style="list-style-type: none"> Reimbursement on quarterly basis Subsidy will continue for the 3rd & 4th year on the same scale as Employer benefit in Scheme B. 	<p>New employees under this Part need not be new entrants to EPFO.</p> <p>This subsidy in addition to benefit under Scheme A</p> <p>This subsidy is not applicable for those Employees covered under Scheme B.</p>
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*previous year's number of EPFO employees

INTERNSHIP IN TOP COMPANIES

- To cater to the needs of budget focus area 'Employment', the Hon'ble Finance Minister has announced to launch a scheme for providing internship opportunities to 1 crore youth in top 500 companies over the next 5 years.
- This scheme will be applicable for:
 - those who are not employed and not engaged in full time education; and
 - youth aged between 21 and 24 years.
- The ineligible candidates under this scheme are as follows (indicative list):
 - Candidate has IIT, IIM, IISER, CA, CMA etc. as qualification
 - Any member of the family is assessed to Income Tax
 - Any member of the family is a government employee, etc.
- Participation of companies under this scheme is voluntary. The company participating under this Scheme are expected to provide the person an actual working experience on a skill in which the company is directly involved. In case the Company cannot directly do so, it must tie-up with:
 - Companies in its forward and backward supply chain (e.g. suppliers or customers) or
 - Other Companies/Institutions in its Group or otherwise
- The candidates are required to fill the application through online portals and the selection of a candidate by a company will be from the short list and the short listing will be based on the objective criteria with emphasis on those with lower employability.
- This scheme will provide them with real-life business exposure for 12 months. Interns will receive:
 - monthly allowance of ₹ 5,000/-; and
 - one-time assistance of ₹ 6,000/-.
- The Cost of the allowance provided to interns will be shared (per annum) as follows:
 - Government - ₹ 54,000/- towards monthly allowance (plus ₹ 6,000/- grant for incidentals).
 - Company - ₹ 6,000/- from CSR funds towards monthly allowance
 - Training cost to be borne by the Company from CSR funds.
 - Administrative costs to be borne by respective parties (for the Company, reasonable administrative expenses can be counted as CSR expenditure).
- This scheme will be co-ordinated with the State Government initiatives wherever applicable.
- Phase 1 of the scheme will be for 2 years followed by Phase 2 for 3 years.
- The proposals are not a part of the Finance Bill and necessary measures will have to be rolled for implementation of these proposals.

Support to MSMEs

Turnover Threshold Reduced for TReDS

- The RBI introduced Trade Receivables Discounting System Platform (TReDS) in 2014 to facilitate the financing/ discounting of trade receivables of MSMEs through multiple financiers.
- In order to address cash flow problems of MSMEs, Government of India, vide Gazette notification S.O. 5621(E) dated 02.11.2018 instructed that all companies with a turnover of more than ₹500 crore and all Central Public Sector Enterprises (CPSEs) shall be required to get themselves onboarded on the TReDS platform.
- In Budget 2024-25, the Hon'ble Finance Minister has proposed to reduce the said threshold from ₹500 crores to 250 crores for further enhancing the inclusion of companies and to increase the cash flows of MSMEs.
- The proposed amendment aims to bring 7000 more companies onto the TReDS platform.
- It is also proposed to include medium enterprises in the definition of 'Supplier' as outlined in Section 2(n) of the MSME Act. This inclusion will allow medium enterprises to benefit from the provisions of the MSME Act.
- This proposal is not a part of the Finance Bill, 2024 and appropriate legislative amendments will have to be made for implementation of this proposal.

Introduction of Credit Guarantee Scheme for Machinery and Equipment

- The Hon'ble Finance Minister, in her budget speech, has proposed to introduce a credit guarantee scheme to help MSMEs in obtaining term loans for purchasing machinery and equipment without collateral or third-party guarantees.
- It is proposed to create a self-financing guarantee fund that will provide up to ₹100 crore as a guarantee cover for each applicant.
- In order to obtain the benefit under the proposed guarantee scheme, the borrower will have to provide an upfront guarantee fee and an annual guarantee fee calculated on the reducing loan balance.

Introduction of New Assessment Model for Credit

- It is proposed that public sector banks will develop a new in-house credit assessment model to evaluate the creditworthiness of MSMEs, aiming for self-reliance rather than depending on external assessments.
- The proposed new credit assessment model will evaluate credit eligibility based on the digital footprints of MSMEs, rather than relying solely on traditional assessment based on assets or turnover.
- The proposed credit assessment model will also cover the MSMEs which do not have a formal accounting system.

Credit Support during Stress Period

- With the objective of protecting the MSMEs which falls under the special mention account (SMA) stage for reasons beyond their control, from moving to the NPA stage due to lack of credit, the Hon'ble Finance Minister has proposed a new mechanism to enhance the credit availability for such MSMEs through a guarantee from a government-supported fund.

Mudra Loans Limit Enhancement

- The Pradhan Mantri Mudra Yojana (PMMY) was introduced in April 2015 to enable extension of collateral free loans on affordable terms to MSMEs. For this, the Micro Units Development & Refinance Agency Ltd (MUDRA) was set up as a refinancing institution.
- Currently, the beneficiary can avail of the following types of loans depending on the stage of growth and funding needs:
 - Shishu - Loans up to ₹ 50,000/-;
 - Kishor - Loans between ₹ 50,000/- and up to ₹ 5 lacs;
 - Tarun - Loans between ₹ 5 lacs to ₹ 10 lacs.
- To provide financial support to MSMEs for their development and growth, the Hon'ble Finance Minister in her budget speech has proposed that the limit of Mudra loans will be enhanced to ₹ 20 lacs from ₹ 10 lacs for the entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.

Next Generation Reforms

Urban and Rural Land Reforms

- As a part of next generation reforms, the Hon'ble Finance Minister in her budget speech has proposed significant land- related reforms and actions in both rural and urban areas which will cover:
 - land administration, planning and management; and
 - urban planning, usage and building bylaws.
- These reforms will facilitate credit flow and improvement in the financial position of urban local bodies. The target date for completion is next 3 years.
- Rural Land
 - Digitization through assignment of Bhu-Aadhaar, i.e. Unique Land Parcel Identification Number (ULPIN) for all lands which is a 14-digit identification number accorded to a land parcel based on the longitude and latitude coordinates of the land parcel;
 - Digitization of cadastral maps;
 - Survey of map sub-divisions as per current ownership;
 - Establishment of land registry; and
 - Linking to the farmers registry.
- Urban Land
 - Digitization with Geographic Information System (GIS) mapping; and
 - Establishment of IT based system for property record administration, updating, and tax administration.
- The proposals are not a part of the Finance Bill and necessary measures both at Centre and State level will have to be brought for implementation of these proposals.

IBC Eco-system & Easy Corporate Exit

- With a view to achieve consistency, transparency, timely processing and better oversight for all stakeholders, the Hon'ble Finance Minister, in the budget speech, has announced that 'Integrated Technology Platform' will be set up for improving the outcomes under the Insolvency and Bankruptcy Code ("IBC"). Further, to speed up the insolvency resolution, appropriate changes will be made to the IBC.
- Regarding the Tribunals, it has been announced that (i) steps for reforming and strengthening of National Company Law Tribunal (NCLT), Debt Recovery Tribunal (DRT) and their respective Appellate Tribunals will be initiated; (ii) additional Tribunals will be established to speed up the process; and (iii) exclusive Tribunals for disposal of cases under the Companies Act, 2013 will be notified.

- It is proposed that the Centre for Processing Accelerated Corporate Exit ("C-PACE") scheme, which was announced in April 2023 for time bound striking-off process, will be widened to include voluntary closure of LLPs also. Currently, it is available for companies only. This will help in reduction of closure time.

Education Loans

- To ensure that no student is deprived of higher education because of poor financial status, Government of India has been announcing various schemes from time to time to provide financial assistance to students who are economically weak to pursue their education in the form of scholarships, interest subsidy on education loan and credit guarantees for education loan.
- Central Sector Interest Subsidy Scheme is one such scheme being run by the government since 2009. Under this scheme, Interest subsidy is given during the moratorium period i.e. course period plus one year on education loan taken from scheduled banks. However, those students whose parental income is up to ₹ 4,50,000/- from all sources are eligible under this scheme.
- Similarly, Credit Guarantee Fund Scheme for Educational Loans was notified on 16.09.2015. Under this scheme, the government provides guarantee cover to the extent of 75% of the amount in default against collateral free loan of up to ₹7,50,000/-.
- In this series, in the budget speech, the government has announced financial support for loans up to ₹ 10,00,000/- for higher education in domestic institutions.
- Financial support would be given in the form of annual interest subvention of 3% of the loan amount. This subvention would be given through E-vouchers.
- This scheme, however, would be allowed to only those students who have not been eligible for benefit under any other government schemes and policies.
- This education loan subsidy is in line with the National Education Policy 2020's vision of improving the country's gross enrolment ratio.

Ease of Doing Business

- In the year 2023, Jan Vishwas (Amendment of Provisions) Bill, 2023 ("**Jan Vishwas Bill**") was passed by the government. Through this bill, total 183 criminal and penal provisions of 42 Central Acts were rationalized.
- The objective of this bill was to create an environment for citizens, businesses and government departments that enables them to work freely without fear of being punished severely for minor, technical or procedural defaults. It would also ensure that punishment for any offence commensurate with the seriousness of the offence.
- With an intend to further create a business-friendly environment, it is proposed that Jan Vishwas Bill 2.0 will be launched soon. This will provide ease of doing business. State

governments will also be motivated for executing their Business Reform Action Plans and implement digitalization.

NPS Vatsalya

- The Budget 2024 has announced the National Pension Scheme for Minors (“NPS Vatsalya”). Under this scheme, parents and guardians can contribute to secure the future of their minor children.
- This plan can be easily converted into a normal NPS once the minor attains the age of majority.

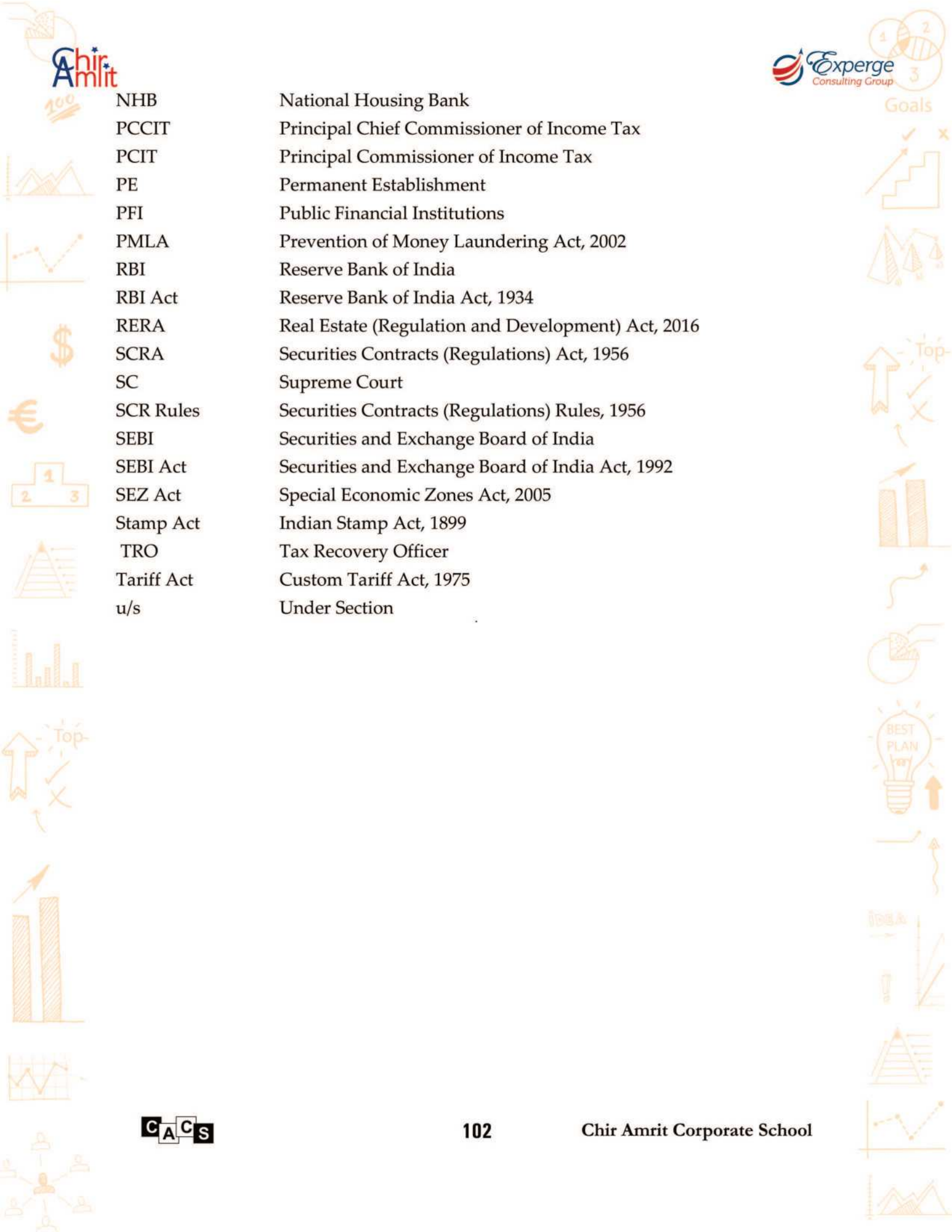
Simplifying Norms for FDI and OI

- The Hon’ble Finance Minister in her budget speech has proposed to simplify the rules and regulations of overseas investment (OI) and foreign direct investment (FDI) to:
 - Facilitate and enhance the inflow of FDIs.
 - encourage the use of Indian Rupee as a currency for overseas investments.
 - focus investments on priority sectors.
- This proposal is not a part of the Finance Bill, 2024 and appropriate legislative amendments will have to be made for implementation of this proposal.



List of Abbreviations

AO	Assessing Officer
AR	Authorized Representative
Benami Act	Prohibition of Benami Property Transactions Act, 1988
Black Money Act	Black Money (Undisclosed Money Act Foreign Income and Assets) and imposition of Tax Act, 2015
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income Tax
CGST Act	Central Goods and Services Tax Act, 2017
CGST Rules	Central Goods and Services Tax Rules, 2017
Companies Act	Companies Act, 2013
CIT	Commissioner of Income Tax
CIT	Commissioner of Income Tax
CIT(A)	Commissioner of Income Tax (Appeals)
Customs Act	Customs Act, 1962
Excise Act	Central Excise Act, 1944
FCRA	Forward Contract (Regulation) Act, 1952
FEMA	Foreign Exchange Management Act, 1999
FMV	Fair Market Value
FRBM Act	Fiscal Responsibility and Budget Management Act, 2003
HUF	Hindu Undivided Family
HC	High Court
i.r.o.	In Respect Of
IBC	Insolvency and Bankruptcy Code, 2016
IGST Act	Integrated Goods and Services Tax Act, 2017
IGST Rules	Integrated Goods and Service Tax Rules, 2017
IO	Initiating Officer
IRDA	Insurance Regulatory and Development Authority Act, 1999
IT Act	Income Tax Act, 1961
IT Rules	Income Tax Rules, 1962
ITAT	Income Tax Appellate Tribunal
ITO	Income Tax Officer
ITR	Income Tax Return
JCIT	Joint Commissioner of Income Tax
JCIT(A)	Joint Commissioner of Income Tax (Appeals)
NBFC	Non-Banking Finance Company



NHB	National Housing Bank
PCCIT	Principal Chief Commissioner of Income Tax
PCIT	Principal Commissioner of Income Tax
PE	Permanent Establishment
PFI	Public Financial Institutions
PMLA	Prevention of Money Laundering Act, 2002
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
RERA	Real Estate (Regulation and Development) Act, 2016
SCRA	Securities Contracts (Regulations) Act, 1956
SC	Supreme Court
SCR Rules	Securities Contracts (Regulations) Rules, 1956
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEZ Act	Special Economic Zones Act, 2005
Stamp Act	Indian Stamp Act, 1899
TRO	Tax Recovery Officer
Tariff Act	Custom Tariff Act, 1975
u/s	Under Section

NOTES

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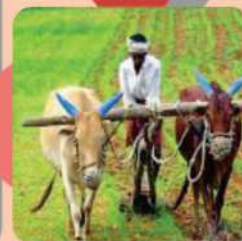


Budget Priorities

- 1) **Productivity and resilience in Agriculture**
- 2) **Employment & Skilling**
- 3) **Inclusive Human Resource Development and Social Justice**
- 4) **Manufacturing & Services**
- 5) **Urban Development**
- 6) **Energy Security**
- 7) **Infrastructure**
- 8) **Innovation, Research & Development and**
- 9) **Next Generation Reforms**



Sabka Saath
Sabka Vikas
Sabka Vishwas
Sabka Prayas



C A C S

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