

# Budget 24-25

Viksit Bharat - Part II



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# 1

## Economic Survey

Analysis of growth of GDP, factors impacting growth, outlook, etc.

# 1. Economic Survey 2024

## India Outlook in FY 23-24

**8.2%**

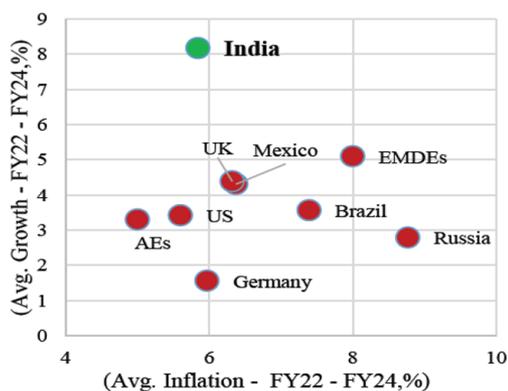
Real GDP growth in FY24  
Posting 7%+ growth for  
third consecutive year

**4.9%**

Estimated Fiscal deficit  
in terms of % of GDP

*“For the recovery to be sustained, there has to be heavy lifting on the domestic front because the environment has become extraordinarily difficult to reach agreements on key global issues such as trade, investment, and climate”*

**Chart I.53: India a high-growth and low-inflation economy**



Source: IMF WEO database (April 2024), MoSPI

**Economic Outlier:** India's position as a high-growth, low-inflation economy makes it an outlier compared to both advanced and emerging economies

**5<sup>th</sup>**

Largest Economy  
in World

**\$2,500**

Per Capita Income  
(2023-24)

**\$3.7tn**

GDP of India

# 2

## Rates of Taxes

Tax rates for assessee

## 2. Rates of Taxes (for AY 2025-26)

### Taxation of Individuals, HUF, Co-operative, Firms and Local Authorities

For Individual Tax Payer (upto 60 years) & HUF :	Old Regime
< ₹ 2.5 Lakhs	-
> ₹ 2.5 Lakhs to < ₹ 5 Lakhs	5.20%
> ₹ 5 Lakhs and < ₹ 10 Lakhs	20.80%
> ₹ 10 Lakhs and < ₹ 50 lakhs	31.20%
> ₹ 50 Lakhs and < ₹ 1 crores	34.32%
> ₹ 1 crores and < ₹ 2 crores	35.88%
> ₹ 2 crores and < ₹ 5 crores	39.00%
> ₹ 5 crores	42.74%
For Individual Tax Payer (upto 60 years) & HUF :	New Regime
< ₹ 3 Lakhs	-
> ₹ 3 Lakhs to < ₹ 7 Lakhs	5.20%
> ₹ 7 Lakhs and < ₹ 10 Lakhs	10.40%
> ₹ 10 Lakhs and < ₹ 12 Lakhs	15.60%
> ₹ 12 Lakhs and < ₹ 15 Lakhs	20.80%
> ₹ 15 Lakhs and < ₹ 50 lakhs	31.20%
> ₹ 50 Lakhs and < ₹ 1 crores	34.32%
> ₹ 1 crores and < ₹ 2 crores	35.88%
> ₹ 2 crores and < ₹ 5 crores	39.00%
> ₹ 5 crores	39.00%

#### Notes

- The above-mentioned rates are effective rates of tax (including applicable tax rate, surcharge (SC), Health and Education cess)
- In Old Regime, the base exemption for senior citizen ie. 60 years to 80 years is ₹3,00,000 and for super senior citizen ie. 80 years & above is ₹5,00,000/-
- For Salaried individuals, a standard deduction of Rs ₹75,000 in New Regime and ₹50,000 in Old Regime is available.
- An assessee has an option to choose between the New Regime and Old Regime tax rates
- The income tax rebate limit is ₹7lakhs in the new tax regime
- The highest surcharge rate on income above ₹5 crore is restricted to 25% under the new tax regime
- Surcharge on the tax in respect of income by way of dividend or income under the provisions of section 111A, 112 and 112A of the Act shall be capped at 15%.

## 2. Rates of Taxes (for AY 2025-26)

### Taxation of Individuals, HUF, Co-operative, Firms and Local Authorities

For Co-operatives, Firms and Local Authorities	Co-operatives*	Partnership Firms and Local Authorities
< ₹ 10,000	10.40%	31.20%
> ₹ 10,000 and < ₹ 20,000	20.80%	
> ₹ 20,000 and < ₹ 1 crores	31.20%	
> ₹1 crores and < ₹ 10 crores	33.38% (30% + 7% + 4%)	34.94% (30% + 12% + 4%)
more than ₹ 10 crores	34.94% (30% + 12% + 4%)	

#### Notes

\*A co-operative society resident in India shall have the option to pay tax at 25.16% for assessment year 2021-22 onwards as per the provisions of section 115BAD, subject to fulfilment of certain conditions

In order to bring new manufacturing co-operative society at par with new manufacturing companies, following new provisions were inserted via Finance Act, 2023

Particulars	Section 115BAE
Coverage	Tax on new manufacturing co-operative society (including electricity generation)
Date of set up condition	On or after 1st April,2023 and has commenced manufacturing on or before 31st March, 2024
Concessional rate of tax after including surcharge and cess	17.16% (15% + 10% Surcharge + 4% cess)
Taxation on income not incidental to manufacturing and production	22%
Taxation on additions made by the AO	30%
Tax on Short term capital gain derived from transfer of capital asset on which depreciation is not allowed under the Act	22%
Condition of split/ reconstruction and second hand machinery	Applicable
Applicability of concessional rate	AY 2024-25 onwards
Is it optional? When the option is to be exercised.	Yes- The option to be exercised during the first year. The option so exercised cannot be withdrawn
Essential Condition	The assessee should not avail any specified incentive or deductions

## 2. Rates of Taxes (for AY 2025-26)

### Taxation of Domestic Companies – Summary

Section	Type of company	Base MAT rate	Normal tax rate	Effective normal tax rate		
				Income upto 1 Cr	Income > 1 Cr but upto 10 Cr	Income > 10 Cr
115BA	Domestic manufacturing company set-up and registered on or after 1 March 2016	15%	25%	26% (Nil SC + 4% cess)	27.82% (7% SC+ 4% cess)	29.12% (12% SC+ 4% cess)
115BAA	Any domestic company (even if an existing company or engaged in non-manufacturing business)	NA	22%	25.17% (10% SC+ 4% cess)	25.17% (10% SC+ 4% cess)	25.17% (10% SC+ 4% cess)
115BAB	Domestic manufacturing company set-up and registered on or after 1 October 2019 and commences manufacturing upto <b>31 March 2024</b>	NA	15%	17.16% (10% SC+ 4% cess)	17.16% (10% SC+ 4% cess)	17.16% (10% SC+ 4% cess)
Para E of First Schedule	Domestic companies having turnover of less than INR 400 crores during <b>FY 2022-23</b>	15%	25%	26% (Nil SC+ 4% cess)	27.82% (7% SC+ 4% cess)	29.12% (12% SC+ 4% cess)
	Domestic companies having turnover of more than INR 400 crores during <b>FY 2022-23</b>	15%	30%	31.20% (Nil SC+ 4% cess)	33.38% (7% SC+ 4% cess)	34.94% (12% SC+ 4% cess)

## 2. Rates of Taxes (for AY 2025-26)

### Taxation of Domestic Companies – Comparative Analysis

Particulars	Section 115BA (25% tax rate)	Section 115BAA (22% tax rate)	Section 115BAB (15% tax rate)	Domestic companies (Turnover ≤ INR 400 crs)	Domestic companies (Turnover > INR 400 crs)
Coverage	Tax on domestic manufacturing companies	Tax on all domestic companies not claiming certain incentives /exemptions	Tax on new domestic manufacturing (including electricity generating) companies not claiming incentives / exemptions	All domestic companies have annual turnover during <b>FY22-23</b> less than or equal to ₹400 crores	All domestic companies have annual turnover during <b>FY22-23</b> more than ₹400 crores
Date of set-up condition	On or after 1 March 2016	No condition	On or after 1 October 2019 and has commenced manufacturing on or before <b>31 March 2024</b>	NA	NA
Rate of tax after including surcharge and cess	26% / 27.82% / 29.12%	25.17%	17.16%	26% / 27.82% /29.12%	31.2% / 33.38% / 34.94%
Applicability of MAT	Yes	No	No	Yes	Yes
MAT Credit	Available	Not Available	Not Available	Available	Yes
Base / essential conditions	Manufacturing company which is set up after 1 March 2016	Any domestic companies (including trading or service company)	Manufacturing Company which is set up on or after 1 Oct 2019 and commences operations on or before 31 March 2023	NA	NA

## 2. Rates of Taxes (for AY 2025-26)

### Taxation of Domestic Companies – Comparative Analysis

Particulars	Section 115BA (25% tax rate)	Section 115BAA (22% tax rate)	Section 115BAB (15% tax rate)	Domestic companies (Turnover ≤ INR 400 crs)	Domestic companies (Turnover > INR 400 crs)
Condition of split/reconstruction and second hand machinery	Not Applicable	Not Applicable	Applicable	Irrelevant	Irrelevant
Impact on claim of incentives and losses attributable to incentives	Need to be foregone	Need to be foregone	Need to be foregone	Available	Available
Specified domestic transfer – Transfer pricing	Applicable where certain profit linked deduction is claimed		Applicable on any business transacted by company with related party	Applicable where certain profit linked deduction is claimed	
Is it optional? When the option is to be exercised.	Yes - Option to be exercised during the first year - once opted in, opt out unlikely to apply. The exception provided is only when 115BAB applicable	Yes – Option can be exercised anytime - once opted the choice is irreversible	Yes – Option can be exercised anytime - once opted the choice is irreversible	NA	NA

# 3 Capital Gains

### 3. Capital Gains

#### Amendments in Capital Gains tax rates and holding period

Asset Type	Earlier Holding Period	Proposed Holding Period	Earlier Short-term Rate	Proposed Short-term Rate	Earlier Long-term Rate	Proposed Long-term Rate
Listed Securities	12 months	12 months	15%	20%	10% (with STT), exemption up to ₹1 lakh	12.5% (with STT), exemption up to ₹1.25 lakh
Units of Listed Business Trust	36 months	12 months	15%	20%	10% (with STT), exemption up to ₹1 lakh	12.5% (with STT), exemption up to ₹1.25 lakh
Bonds & Debentures (listed)	36 months	24 months	Applicable Rate	Applicable Rate	20% without indexation	12.50%
Bonds & Debentures (unlisted)	36 months	24 months	Applicable Rate	Applicable Rate	Applicable Rate	Applicable Rate
Gold	36 months	24 months	Applicable Rate	Applicable Rate	20% with indexation	12.5% without indexation
Unlisted Shares	24 months	24 months	Applicable Rate	Applicable Rate	20% with indexation	12.5% without indexation
Immovable Property	24 months	24 months	Applicable Rate	Applicable Rate	20% with indexation	12.5% without indexation
Units of Equity Oriented Mutual Funds	12 months	12 months	15%	20%	10% (with STT), exemption up to ₹1 lakh	12.5% (with STT), exemption up to ₹1.25 lakh
Units of Business Trust (unlisted)	36 months	24 months	Applicable Rate	Applicable Rate	Applicable Rate	Applicable Rate

## 3. Capital Gains

### Simplification of Holding Periods:

#### New Holding Periods:

- The holding periods for determining short-term and long-term capital gains are being simplified to just two periods: 12 months and 24 months.
- 12 Months: For all listed securities, including units of listed business trusts.
- 24 Months: For all other assets, including bonds, debentures, gold, unlisted shares, and immovable property.

#### Changes in Specific Assets:

- Units of listed business trusts now have a holding period of 12 months, reduced from 36 months.
- Bonds, debentures, and gold will have their holding periods reduced from 36 months to 24 months.
- The holding period for unlisted shares and immovable property remains unchanged at 24 months.

### Changes in Tax Rates:

#### Short-term Capital Gains (STCG):

- The STCG rate on STT-paid equity shares, units of equity-oriented mutual funds, and units of business trusts is proposed to increase from 15% to 20%.
- Other short-term capital gains will continue to be taxed at applicable rates.

#### Long-term Capital Gains (LTCG):

- A unified LTCG tax rate of 12.5% is proposed for all asset categories.
- Previously, STT-paid listed equity shares, units of equity-oriented funds, and business trusts were taxed at 10% (with an exemption of up to ₹1 lakh).
- For other assets, LTCG was taxed at 20% with indexation

benefits. For listed bonds and debentures, the rate was 20% without indexation.

- The exemption limit for LTCG on STT-paid equity shares, units of equity-oriented funds, and business trusts is increased from ₹1 lakh to ₹1.25 lakh.

### Indexation Benefit:

- The indexation benefit currently available for property, gold, and other unlisted assets will be removed. This simplification will ease the computation of capital gains for taxpayers and the tax administration.

### Residents vs. Non-residents:

- Amendments will align the tax rates for residents and non-residents under sections 115AD, 115AB, 115AC, 115ACA, and 115E, ensuring parity in the taxation of long-term and short-term capital gains.

### Effective Date:

- These proposals are to be effective from July 23, 2024, ensuring that all relevant amendments are synchronized and applied uniformly from this date.

### Summary:

The proposed changes simplify the holding periods for capital gains, unify tax rates, and remove indexation benefits for certain assets. By aligning tax rates for residents and non-residents and updating withholding tax provisions, these amendments aim to streamline the capital gains tax system, reduce complexity, and enhance compliance.

### 3. Capital Gains

#### Revision of STT rates

Transaction Type	Earlier Rate	Proposed Rate	Effective Date
<b>Sale of an option in securities</b>	0.0625% of the option premium	0.1% of the option premium	1st October 2024
<b>Sale of a future in securities</b>	0.0125% of the traded price	0.02% of the traded price	1st October 2024
<b>Delivery trades in equity shares</b>	0.1% on purchase and sale transactions	No change	N/A
<b>Sale of an option in securities (exercised)</b>	0.125% of the intrinsic price (payable by purchaser)	No change	N/A

The change is brought due to the exponential growth of derivative markets, with derivatives accounting for a large proportion of stock exchange trading. Increasing the STT rates on options and futures aims to align with this growth and ensure appropriate tax collection from these high-volume transactions.

# 4 Impact on Individuals and Businesses

## 4. Direct Tax amendments impacting individuals and businesses

### Angel Tax Abolition

Angel tax in India is levied on capital raised by unlisted companies through shares issued to investors, including angel investors, at prices higher than the fair market value. The difference is taxed as "Income from Other Sources."

It is proposed to discontinue this provision starting from the assessment year 2025-26. This means companies will no longer pay tax on the excess consideration received for shares issued above their fair market value.

This change aims to simplify tax compliance and reduce administrative burdens on companies. By eliminating the need to justify and document share valuations, the amendment seeks to create a more business-friendly environment and boost the start-up ecosystem in India.

### Taxation of Specified Mutual Funds:

**Earlier Provision:** Under the Finance Act, 2023, section 50AA taxed gains from Market Linked Debentures and Specified Mutual Funds as short-term, regardless of holding period, affecting funds investing less than 35% in equities, such as ETFs, Gold Mutual Funds, and Fund-of-Funds (FoFs).

**Change:** The definition of "Specified Mutual Fund" is amended to include funds investing more than 65% in debt instruments or units of such funds, explicitly covering FoFs.

**Impact:** ETFs, Gold Mutual Funds, Gold ETFs, and FoFs investing predominantly in debt will be correctly classified, avoiding misclassification and adverse tax implications.

### Buy Back Tax

The Finance Act, 2013 taxed distributed income from the buy-back of shares by domestic companies, similar to the Dividend Distribution Tax (DDT). Companies paid an additional income tax of 20% on the difference between the buy-back price and the issue price of the shares, with shareholders exempt from further tax. The Finance Act, 2020 abolished DDT, shifting the tax liability on dividends to shareholders.

Starting October 1, 2024, payments made by domestic companies for buying back shares will be treated as dividends in the hands of shareholders, taxed at applicable rates without deductions for expenses. The cost of acquisition of the bought-back shares will generate a capital loss for shareholders, as the deemed value of consideration for the buy-back is treated as nil. This capital loss can be carried forward and offset against future capital gains.

For example, if 100 shares bought at ₹40 each in 2020 are partly bought back at ₹60 each in 2024, the deemed dividend income is ₹1200, with a capital loss of ₹800. If remaining shares are sold later, the capital loss can offset future gains.

### Impact and Rationale

Aligning buy-back taxation with dividend taxation ensures consistent treatment of profit distribution. By taxing buy-back payments as dividends and allowing capital loss carryforward, the amendment addresses double taxation and simplifies compliance, treating both profit distribution methods similarly for tax purposes.

## 4. Direct Tax amendments impacting individuals and businesses

### Clarification on Cost of Acquisition for Unlisted Shares Sold via Offer for Sale in IPOs

#### Earlier Provision

Before 2018, gains from selling long-term equity shares with STT paid were tax-exempt. The Finance Act, 2018, removed this exemption and introduced section 112A to tax these gains, and section 55(2)(ac) provided a formula to calculate the acquisition cost for shares acquired before February 1, 2018, using the higher of the actual cost or the fair market value (FMV) as of January 31, 2018.

#### Loophole in Law

A loophole arose for shares sold via Offer for Sale (OFS) during IPOs, where STT is paid at transfer but the shares are unlisted at the time. Taxpayers claimed the cost of acquisition was indeterminable, arguing the law did not clearly cover FMV computation for such shares, thus avoiding capital gains tax.

#### Proposed Change and Impact

The amendment clarifies that for unlisted shares sold under OFS in an IPO, the FMV will be calculated using the Cost Inflation Index ratio from FY 2017-18 to the year the asset was first held. This change, effective retrospectively from April 1, 2018, ensures that capital gains tax is properly applied to these transactions.

### Increase in limit of remuneration to working partners of a firm allowed as deduction

It is proposed to increase the limit of remuneration allowed as a deduction for working partners in a firm. The current provisions under Section 40(b) of the Income Tax Act specify limits on the amount of remuneration that can be claimed as a deduction based on the book profit of the firm. The new proposed limits are aimed at providing higher remuneration to working partners, reflecting inflation and increased cost of living.

Book Profit	Current Maximum Deduction Allowed	Proposed Maximum Deduction Allowed
On the first ₹3 lakh of book profit	₹1.5 lakh or 90% of book profit, whichever is higher	₹2 lakh or 90% of book profit, whichever is higher
On the balance of book profit	60% of the book profit	70% of the book profit

### Introduction of presumptive taxation for domestic cruise operations by non-residents

To boost domestic cruise tourism, the government has introduced a simplified tax regime for non-resident cruise operators, presuming 20% of their income as profit. Additionally, lease rentals to foreign companies within the same group are tax-exempt, making India's cruise sector more attractive to international operators.

## 4. Direct Tax amendments impacting individuals and businesses

### Tax incentives to IFSC

The Indian government has proposed new tax incentives to boost financial activities within the International Financial Services Centre (IFSC). Key changes include:

1. **Expanded Fund Eligibility:** Retail funds and Exchange Traded Funds (ETFs) in the IFSC will now qualify for tax exemptions. These funds must be established in India and regulated by the International Financial Services Centres Authority (IFSCA).
2. **Tax Exemption for Settlement Guarantee Funds:** Income from Core Settlement Guarantee Funds set up by recognized clearing corporations in the IFSC will be exempt from taxes.
3. **Simplified Fund Source Verification:** Venture Capital Funds regulated by IFSCA won't need to prove the source of funds in the hands of the creditor, easing compliance burdens.
4. **Interest Deduction Benefits:** Finance companies in the IFSC will be exempt from restrictive rules that limit interest deductions, making it more attractive for financial institutions to operate there.

These incentives aim to enhance the IFSC's competitiveness and attract more global financial players.

### Disallowance of settlement amount paid to settle contraventions

It is proposed that settlement amounts are incurred due to an

infraction of law and shall not be allowed as business expenditure.

### Clarification on reporting of rental income

To prevent undue reduction in tax liability by misclassifying rental income, a clarification has been made that rental income from letting out a residential house or part of it by the owner must be charged under 'Income from House Property', not 'Profits and Gains of Business or Profession'.

### Other Amendments

- Notification of the fund for National Sports Fund as "National Sports Development Fund" as eligible for deduction under Donation.
- To reduce the ambiguity and the compliance burden associated with the equalisation levy. It is proposed that 2% equalisation levy will cease to apply from August 1, 2024 and income from e-commerce activities between April 1, 2020, and July 31, 2024, will remain exempt.
- A clarification is added that capital gains tax exclusions for transfers under a gift, will, or irrevocable trust apply only to individuals or Hindu undivided families, not companies. This change addresses tax avoidance and litigation issues, ensuring that gifts of shares by companies are subject to capital gains tax. Effective from April 1, 2025, it aims to bolster anti-avoidance measures and protect the Indian tax base.

# 5 Amendments related to TDS and TCS provisions

## 5. Amendments related to TDS and TCS provisions

### Rationalization of TDS rates

Section	Heading	Present TDS Rate	Proposed TDS Rate	With Effect From
194D	Payment of insurance commission (other than company)	5%	2%	1st April 2025
194DA	Payment in respect of life insurance policy	5%	2%	1st October 2024
194G	Commission on sale of lottery tickets	5%	2%	1st October 2024
194H	Payment of commission or brokerage	5%	2%	1st October 2024
194-IB	Payment of rent by certain individuals or HUF	5%	2%	1st October 2024
194M	Payment of certain sums by individuals or HUF	5%	2%	1st October 2024
194-O	Payment by e-commerce operator to e-commerce participant	1%	0.10%	1st October 2024
194F	Payments on account of repurchase of units by Mutual Fund or UTI	20%	Omitted	1st October 2024

### Ease in claiming credit for TCS collected/TDS deducted by salaried employees

It is proposed to simplify the process of claiming credit for TCS (Tax Collected at Source) and TDS (Tax Deducted at Source) for salaried employees. Currently, only certain types of income and tax deductions are considered when calculating TDS on

salary. The proposed change, effective from October 1, 2024, will expand the scope to include all taxes deducted or collected under Chapter XVII-B and Chapter XVII-BB. This amendment aims to help employees avoid cash flow issues and reduce the need for claiming refunds, thus easing compliance and simplifying the tax deduction process.

## 5. Amendments related to TDS and TCS provisions

### Alignment of interest rates for late payment to Government account of TCS

It is proposed to align the interest rates for late payment of Tax Collected at Source (TCS) with the rates applicable for Tax Deducted at Source (TDS). Currently, the interest rate for late payment of TCS is 1% per month or part of the month, while the rate for TDS is 1.5% per month or part of the month. The alignment will standardize the interest rate for both TCS and TDS at 1.5% per month or part of the month. This change aims to reduce discrepancies, simplify compliance, and ensure consistency in the tax administration process, making it easier for taxpayers to manage their obligations.

### Claiming credit for TCS of minor in the hands of parent

It is proposed to allow parents to claim credit for Tax Collected at Source (TCS) on income earned by their minor children. This simplifies the tax process, enabling parents to include the TCS in their own tax returns. For example, if a minor earns interest income with TCS deducted, the parent can now claim this TCS credit while filing their tax return, reducing complexity and easing compliance. This change ensures that tax credits are utilized effectively and avoids the need for separate tax filings for minor children, streamlining the overall tax process for families.

### TDS on payment to partners of partnership firms

A new TDS section 194T is proposed to mandate tax deduction at source (TDS) on payments like salary, remuneration, interest, bonus, or commission made by partnership firms to partners. This applies to aggregate payments exceeding ₹20,000 in a financial year, with a TDS

rate of 10%. This provision aims to ensure tax compliance and will be effective from April 1, 2025.

### TCS on luxury goods

The existing rule mandates a 1% tax collected at source (TCS) on the sale of motor vehicles over ₹10 lakhs. Given the rise in luxury spending by wealthy individuals, the amendment proposes extending this 1% TCS to any luxury goods exceeding ₹10 lakhs, as notified by the Central Government, effective from January 1, 2025.

### TDS on sale of immovable property

Section 194-IA will be amended to ensure TDS on the sale of immovable property, except agricultural land, is based on the total property value, not individual payments. If multiple buyers are involved, the combined consideration must be considered. TDS at 1% will apply if the total value exceeds ₹50 lakh. This amendment, effective from October 1, 2024, prevents misinterpretation by taxpayers who avoid TDS by splitting payments below ₹50 lakhs.

### Exemption for Certain Entities from TCS

From October 1, 2024, entities whose income is tax-exempt and who don't need to file tax returns can be exempted from Tax Collection at Source (TCS) or have it reduced for specified transactions. This change addresses the difficulties these entities face with TCS on their transactions, allowing the Central Government to notify eligible persons or groups.

## 5. Amendments related to TDS and TCS provisions

### Introduction of Lower Tax Deduction and Collection Certificates for Large Transactions

To facilitate ease of doing business and reduce compliance burdens, amendments have been proposed to the tax deduction and collection process. Currently, buyers making purchases over ₹50 lakh must deduct tax at 0.1% on the amount exceeding this threshold. Similarly, sellers must collect tax at 0.1% on sales over ₹50 lakh.

However, there have been concerns that these tax requirements cause financial strain for businesses, particularly those incurring losses, as their funds get blocked. Additionally, sellers face the added compliance burden of verifying whether the buyer has already deducted the tax.

To address these issues, the proposed amendments will allow both buyers and sellers to obtain certificates for lower tax deduction and collection rates. Specifically, buyers will be able to request a certificate for lower tax deduction on large purchases, and sellers can seek a certificate for lower tax collection on significant sales. This adjustment aims to free up funds for businesses and streamline their tax processes, reducing the need for refunds and the associated administrative workload.

These changes are set to take effect from October 1, 2024, thereby making the tax compliance process more manageable for affected businesses.

### Time Limit for Filing TDS/TCS Correction Statements

From April 1, 2025, amendments to the tax laws will limit the time for submitting correction statements for TDS and TCS to

six years from the end of the financial year in which the original statement was filed. This aims to prevent indefinite revisions and misuse, providing finality to the filing process and reducing difficulties for taxpayers.

### Reduced Grace Period for Filing TDS/TCS Statements without Penalty

Starting April 1, 2025, the grace period for filing late TDS/TCS statements without penalty is reduced from one year to one month after the due date. This change aims to ensure timely filing, reducing mismatches in TDS/TCS during tax return processing and preventing unnecessary tax demands.

# 6 Improvement in compliance and tax administration

## 6. Improvement in compliance and tax administration

### Launch of Vivad se Vishwas Scheme, 2024

Mounting on the success of Vivaad se Vishwas Scheme, 2020, yet another initiative which exemplifies the efforts taken by the CBDT to streamline the appeals process and reduce the backlog, providing quicker resolutions for taxpayers and enhancing revenue collection for the government shall be introduced.

### Introduction of block assessments

The government has introduced block assessment provisions for tax cases involving searches or requisitions. This aims to streamline the process by consolidating assessments for multiple years into one, reducing prolonged litigation and costs. The new system will assess income over six years in a single procedure, ensuring quicker and coordinated investigations.

The block period consists of the previous years relevant to six assessment years preceding the previous year in which the search was initiated, or requisition was made. It includes the additional period which shall start from the 1st day of April of the previous year, in which search was initiated and ending on the last date of the execution of the last authorization for the search,

Example: Suppose a search is initiated on 15th June 2023. The block period will cover the previous years relevant to the six assessment years preceding the financial year 2023-24, i.e., from assessment years 2017-18 to 2022-23 and the additional period shall be the period from 1st April 2023 to 15th June 2023 (assuming 15th June is the date the last authorization is

executed). Hence the block period shall be from 1st April, 2017 to 15th June 2023.

Tax shall be charged @60% for the block period, no surcharge is proposed as of now, no interest for the undisclosed income.

Penalty shall be levied on the undisclosed income @50% of the tax payable of the undisclosed income.

The time limit to complete the block assessment shall be 12 months from the end of month of search.

Regular assessments shall abate.

### Time-limit to file an appeal at ITAT

As per the IT Act, an appeal at ITAT shall be filed within 60 days from the receipt of the order by the assessee.

It is now proposed the time limit to file an appeal shall be within 2 months from the end of the month from the receipt of the order by the assessee.

### Power of the Commissioner (Appeals) for best judgement assessment

It has been proposed that for cases where the assessment order was passed under best judgment assessment, the Commissioner (Appeals) will have the power to set aside the assessment and refer the case back to the Assessing Officer for a fresh assessment. An amendment will be made to provide a specific time limit for the disposal of cases that are set aside by the Commissioner (Appeals).

## 6. Improvement in compliance and tax administration

### Procedure for re-assessment

Particulars	Existing Provisions	Proposed Provisions
<b>Procedure for Issuance of Notice</b>	Section 148 outlines issuing notices for assessment or reassessment under Section 147, detailing what constitutes 'information' for such notices.	Section 148 requires a notice along with an order determining it as a fit case after passing an order under 148A(3). No notice without information suggesting that income has escaped assessment.  AO must provide an opportunity for the assessee to be heard before issuing a notice.
<b>Time Limits for Issuance of Notice</b>	Section 149 provides time limits for issuing notices under Section 148, considering various circumstances.	Notices under Section 148A cannot be issued after 3 years (normal cases) or 5 years in case if the income escaping assessment amounts to Rs.50 lakhs or more (specific cases) from the end of the relevant assessment year.
<b>Authority for Sanction</b>	Section 151 requires obtaining sanction from the specified authority i.e. PCIT/PCCIT before issuing notices under Sections 148 or 148A	Section 151 specifies that the authority for Sections 148 and 148A shall be the Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director
<b>Transition provisions</b>	-	Notices or orders issued before September 1, 2024, will be governed by the old provisions of Sections 147 to 151.
<b>Specific Cases for Extended Notices</b>	Notices can be issued up to 10 years in some cases where the escaped income is significant, and the AO has necessary evidence.	Notices can be issued beyond 3 years but within 5 years if the escaped income amounts to ₹50 lakh or more, with specific evidence.

## 6. Improvement in compliance and tax administration

### Period of limitation for imposition of penalties

It is proposed to remove the ambiguity by clearly stating the time limit for imposing penalties without referencing the date of receipt in the office of PCCIT/PCIT. This makes the limitation period more straightforward and reduces potential disputes over when the order was officially received.

### Widening of the scope to cover specified domestic transactions in the proceedings before the Transfer Pricing Officer

If, during proceedings, the TPO discovers an international transaction that was not referred to him by the Assessing Officer (AO), the TPO has the authority to determine the Arm's Length Price (ALP) for that transaction as well along-with transactions that were not disclosed to him in the audit report. It is proposed to widen the scope by including specified domestic transactions.

### Penalty for furnishing inaccurate statement of financial transaction or reportable account

It is proposed to clarify that in case when a reporting financial institution is required to furnish its specified financial transaction (SFT) in a statement as required, if inaccurate information is provided or when there is a failure to comply with due diligence requirements, a penalty of Rs.50,000/- for inaccuracies in the statement of financial transactions or reportable accounts.

### Prosecution for non-payment of tax to the credit of the Central Government

It is proposed to encourage timely payment of TDS by offering an exemption from prosecution if the TDS is paid by the deadline for filing the quarterly TDS statement against the existing timeline being before 7th of the following month/30th April (for March) as the case maybe.

### Withdrawal of application pending before Board for Advance Rulings (BAR)

It is proposed that the applicants with pending cases transferred to the BAR can withdraw their applications until October 31, 2024, if no order has been passed. These amendments provide relief to applicants who initially sought rulings from the Advance Authority Ruling (AAR), allowing them to withdraw their applications under the new BAR framework, addressing their concerns over procedural changes and the appealable nature of BAR decisions.

### Penalty for non-disclosure of foreign assets in the ITR under Black Money Act, 2015

In order to levy penalty for non-disclosure of foreign assets in the return of income, it is proposed to enhance the limit of assets (other than the immovable property) from Rs.5,00,000/- to Rs.20,00,000/-.

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# 7 Indirect tax updates

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### Customs rate amendments

Category	Item	Previous Duty	New Duty
Mobile Phones	Mobile Phones	20%	15%
Mobile Phones	Chargers/Adapters	20%	15%
Mobile Phones	PCBA for Mobile Phones	20%	15%
Telecom Equipment	PCBA for Telecom Equipment	10%	15%
Electronics Manufacturing	Parts for Connectors and Resistors	Applicable Rate	Nil
Renewable Energy	Capital Goods for Solar Cell/Module Manufacturing	Exempt	Exempt
Renewable Energy	Solar Glass and Tinned Copper Interconnects (from Oct 1, 2024)	Not applicable	Introduced
Shipping Industry	Components and Consumables for Vessel Manufacturing	Exempt	Exempt
Maintenance	Maintenance of Aircraft and Vessels	Duty-free for 6 months	Duty-free for 1 year
Petroleum Exploration	Goods used in Petroleum Exploration	Exempt	Exempt
Export Duties	Tanned or Crust Hides	40%	20%
Export Duties	Raw Fur Skins	Higher rate	40%
Export Duties	Tanned/Dressed Furskins	Higher rate	20%
Textile and Leather	Specific Accessories and Embellishments for Exports	Reduced rates	Reduced rates
Pharmaceuticals	Certain Cancer Drugs (e.g., Trastuzumab Deruxtecán)	Applicable Rate	Exempt
Precious Metals	Gold and Silver Bars and Dore	Higher rates	Reduced
Precious Metals	Platinum, Palladium, and Other Precious Metals	15.40%	6.40%
Social Welfare Surcharge	Ores, Concentrates, and Specific Chemicals	Applicable Rate	Exempt from July 24, 2024

#### Impact Summary

**Boost to Domestic Manufacturing:** Reductions in duty for mobile phones, chargers, and solar manufacturing inputs are expected to encourage local production and reduce dependency on imports.

**Support for Renewable Energy:** Exemptions and new duties in the solar sector aim to promote renewable energy projects and reduce costs for solar manufacturing.

**Enhanced Export Competitiveness:** Reduced export duties for leather and fur products, along with specific

## 7. Indirect tax updates

### GST and Excise amendments

#### GST Amendments:

- i. Extra Neutral Alcohol used in making alcoholic beverages is now exempt from central tax .
- ii. A new section empowers the government to regularize non-levy or short levy of central tax due to prevalent trade practices .
- iii. The time of supply for services in reverse charge supplies has been clarified .
- iv. Changes allow taking input tax credit for certain years up to November 30, 2021 .
- v. New provisions for anti-profiteering cases and use of Appellate Tribunal as Authority .
- vi. Apportionment of co-insurance premiums by lead insurers is not considered a supply of goods or services .
- vii. Services by insurers to reinsurers are not considered a supply, provided tax is paid on gross reinsurance premium.

#### IGST Amendments:

- i. Integrated tax will not apply to Extra Neutral Alcohol used in making alcoholic beverages .
- ii. Government can now regularize non-levy or short levy of integrated tax due to general practice .
- iii. Specific classes of persons or goods/services can now be notified for zero-rated supply, with conditions for refund of integrated tax.

#### UTGST Amendments:

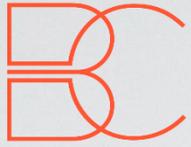
- i. Union territory tax will not apply to Extra Neutral Alcohol used in making alcoholic beverages .
- ii. New provisions allow regularizing non-levy or short levy of union territory tax due to general practice .

#### GST (Compensation to States) Act Amendments:

- i. Government can now regularize non-levy or short levy of cess due to general practice .

#### Excise Amendments:

- i. Time for submitting the final Mega Power Project certificate extended from 120 to 156 months .
- ii. Clean Environment Cess exempted on excisable goods in stock as of June 30, 2017, subject to GST Compensation Cess on supply post-July 1, 2017 .



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