



UNION BUDGET 2024

Finance Minister Nirmala
Sitharaman presented the Final
Union Budget on 23rd July 2024

JULY 2024

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A SPOTLIGHT ON THE BUDGET

Impact on Individuals

Income tax slab	Tax rate
Upto Rs.3,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5%
From Rs. 7,00,001 to Rs. 10,00,000	10%
From Rs. 10,00,001 to Rs. 12,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%
Above Rs. 15,00,000	30%

Impact on Investors

LTCG

Increased from 10% to 12.5% on listed equities

Reduced from 20% to 12.5% - Indexation benefits are removed

Exemption limit increased from ₹1L to ₹1.25L per year

STCG

Increased from 15% to 20% on listed equities

Impact on Investors

OTHER IMPACTS

Holding period reduced to 24 Months for all assets other than listed securities to qualify as long-term.

Angel Tax abolished

Impact on Business

"Dividend" will include any payment by a company on purchase of its own shares from a shareholder (buyback) effective from October 1, 2024

Foreign company tax rate reduced from 40% to 35%

Higher minimum remuneration payable to partners in a partnership firm

Changes in TDS Rates

- Rates reduced from 5% to 2%
 - On commission or brokerage
 - For individuals on rental payments when monthly rent exceeds ₹50K and payments to contractors and professionals when the personal expenditure exceeds ₹50L in a year
- TDS rate reduced from 1% to 0.1% on E-commerce transactions
- New TDS at 10% on salary payments by partnership firm to its partners
- Penalty applicable for late filing of TDS/TCS returns even for delay of one month (versus one year previously). Penalty goes upto ₹1L
- From October 1, 2024, TCS paid will be credited towards computing TDS on salary income.
- Option for lower deduction certificate for TDS on purchase of goods u/s 194Q and TCS on sale of goods u/s 206C, effective October 1, 2024

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Standard Deduction

50,000

Pre budget

75,000

Post budget

Tax Slab Rates

Rates	Upto AY 2024-25	From AY 2025-26
Nil	Upto 3,00,000	Upto 3,00,000
5 %	From 3,00,001 to 6,00,000	From 3,00,001 to 7,00,000
10 %	From 6,00,001 to 9,00,000	From 7,00,001 to 10,00,000
15 %	From 9,00,001 to 12,00,000	From 10,00,001 to 12,00,000
20 %	From 12,00,001 to 15,00,000	From 12,00,001 to 15,00,000
30 %	Above 15,00,000	Above 15,00,000

Comparative Analysis

Particulars	Upto AY 2024-25	From AY 2025-26
Annual Income	Rs. 18 Lakh	Rs. 18 Lakh
Standard Deduction	Rs. 50,000	Rs. 75,000
Taxable Income	Rs. 17.50 Lakh	Rs. 17.25 Lakh
Tax Liability (Incl Cess)	Rs. 2.34 Lakh	Rs. 2.158 Lakh
Tax Savings		Rs. 17,500
Tax Savings (Incl Cess)		Rs. 18,200

PKC's Insight

1. The revised tax slab rates for AY 2025-26 offer reduced tax burdens, particularly for those with incomes between Rs.3,00,001 and Rs.10,00,000, resulting in an average tax saving of Rs.17,500. Additionally, the standard deduction has increased from Rs.50,000 to Rs.75,000 for those opting for the New Regime, further lowering taxable income
2. The increase in the family pension deduction limit from Rs. 15,000 to Rs.25,000 allows beneficiaries to reduce their taxable family pension income by a higher amount, leading to lower tax liability and increased tax savings

Family Pension

The increase in the family pension deduction limit from Rs. 15,000 to Rs. 25,000 allows beneficiaries to reduce their taxable family pension income by a higher amount, leading to lower tax liability and increased tax savings

Pre Budget	Post Budget
1/3 of Pension	1/3 of Pension
OR	OR
Rs.15,000	Rs.25,000
WHICHEVER IS LOWER	WHICHEVER IS LOWER

TCS Credit Availability

With effect from 01st October 2024

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

- TCS credit is now allowed on tax to be deducted on salary income of employees
- When the TCS is not taken as credit, the same can be claimed as a refund by the employee.

PKC's Insight

Employees get benefitted from more accurate tax liability calculations and streamlined refunds by allowing TCS credit to be applied against TDS on salary income, ensuring easier reconciliation and quicker access to refunds if needed.

Restriction on transfer regarded as gift

Section 47 (iii)

Pre Budget

Any transfer of a capital asset under a gift or will or an irrevocable trust (Other than specified ESOP) shall not be taxable under the head Capital Gains.

Post Budget

Any transfer of a capital asset by an **Individual or a Hindu undivided family**, under a gift or will or an irrevocable trust shall not be taxable under the head Capital Gains

Justification

Sections like 50D (introduced in Finance Act, 2012) and 50CA (introduced in Finance Act, 2017) have been added to prevent tax avoidance by ensuring fair market value is considered when actual consideration is not determinable or is less than fair market value. Despite these provisions, there have been legal disputes where taxpayers have argued successfully in courts that the transfer of shares through a gift by a company should not attract capital gains tax, citing the provisions of section 47(iii). The proposed amendment to section 47 of the Income Tax Act seeks to address concerns related to tax avoidance through gifts of capital assets by limiting the exemption to transfers made by individuals or HUFs. It represents a targeted effort to strengthen the tax framework and ensure equity in tax treatment across different types of taxpayers. The ultimate impact will depend on how taxpayers and the tax administration adapt to the new provisions once they come into effect in April 2025.

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Period of holding for Capital Assets

The determination of whether a capital asset qualifies as long-term or short-term has been simplified; now, one only needs to check the 12-month and 24-month holding limits

	BEFORE 23 Jul 2024	AFTER 23 Jul 2024
Security listed in RSE of India, Units of UTI, Unit of Equity oriented MF, and Zero Coupon Bonds	12 Months	12 Months
Unlisted Shares Immoveable Property	24 Months	24 Months
Unlisted Debentures and Bonds	36 Months	u/s 50 AA - STCG
Other Assets	36 Months	24 Months

Capital Gains - Revision of rates - NRI

LTCG U/S 115E INVESTMENT INCOME

10 %

PRE BUDGET

12.5 %

POST BUDGET

LTCG U/S 112(1)(C)(III) UNLISTED SECURITIES

10 %

PRE BUDGET

NA

POST BUDGET

LTCG U/S 112A LISTED EQUITY

10 %

PRE BUDGET

12.5 %

POST BUDGET

OTHER LTCG (EXCL. EXEMPT)

20 %

PRE BUDGET

12.5 %

POST BUDGET

STCG U/S 111A - LISTED EQUITY AND MF

PRE BUDGET

15 %

POST BUDGET

20 %

Capital Gains - Revision of rates - Resident

LTCG ON LISTED EQUITY

10 %

PRE BUDGET

12.5 %

POST BUDGET

LTCG ON OTHER ASSETS

20 %

PRE BUDGET

12.5 %

POST BUDGET

STCG ON LISTED EQUITY

15 %

PRE BUDGET

20 %

POST BUDGET

STCG ON OTHER ASSETS

Slab rates

PRE BUDGET

Slab rates

POST BUDGET

Capital Gains changes for both Resident and NRI

**Sale of immovable property purchased
before 23-07-2024:**

Revised rate of 12.5% with no
indexation benefit or existing rate of
20% with indexation benefit -
whichever is beneficial can be opted

**Sale of immovable property purchased
after 23-07-2024:**

Revised rate of 12.5% with no
indexation benefit is only
applicable

LTCG EXEMPTION U/S 112A

PRE BUDGET

1,00,000

POST BUDGET

1,25,000

Reporting of Income

Income from letting out of House property

- In Chennai Properties and Investments Ltd. v. Commissioner of Income Tax case law, the Apex Court ruled that the Income from letting out of property should be taxed as “profits and gains from business or profession” and not as “income from house property” if the taxpayer is in the business of leasing property.
- Overruling the verdict of the Supreme Court, the Government has proposed to amend the Section 28 to provide that the rental income from residential property or part of the house by the owner shall be chargeable under the head “Income from House Property” and not under the Profits or Gains from Business or Profession

TDS on Sale of Immovable Property – 194IA

- The government has provided clarification on the applicability of the TDS provisions in the case of transfer of immovable property. In cases where property was being transferred between multiple sellers, there used to be a confusion as to whether TDS was applicable if the aggregate value of the property exceeded 50 lakhs or if payment to a seller exceeded 50 lakhs
- The section 194 IA is amended to clarify 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

Reporting of Income

Computation of Arms Length price with respect to : SPECIFIED DOMESTIC TRANSACTIONS

Where AO considers necessary, he may refer the computation of Arm's Length Price to Transfer Pricing Officer (TPO).

Before budget

Sub sections 2A and 2B of 92 CA allowed the TPO to consider international transactions that were not referred by the AO for computation of Arms length price.

After 1 Apr 2026

Sub sections 2A and 2B of 92 CA has been amended to also consider Specified Domestic transactions that were not referred by the AO for computing Arms length price.

Specified Mutual Fund

Section 50 AA

In case of a unit of Specified Mutual Fund acquired on or after 1st April 2023 or a Market Linked Debenture, the Capital Gain shall always be Short-Term Capital Gain.

Before 1 Apr 2026

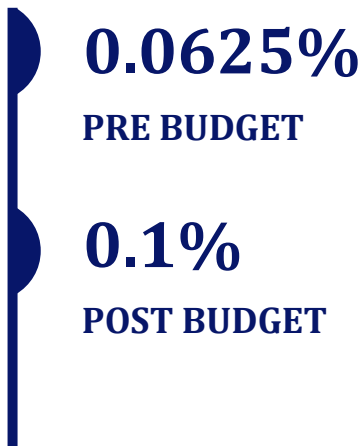
Sale of a Mutual Fund, which invests less than or equal to 35% of its total proceeds in equities of domestic companies shall always result in Short term capital gains.

After 1 Apr 2026

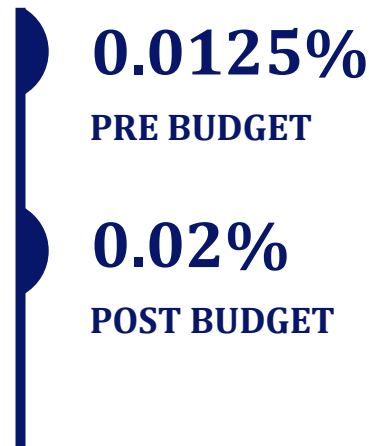
Sale of a Mutual Fund, which invests more than 65% of its total proceeds in debt and money market instruments; or in units of such fund, shall always result in Short term capital gains.

Security Transaction Tax- Revision of rates

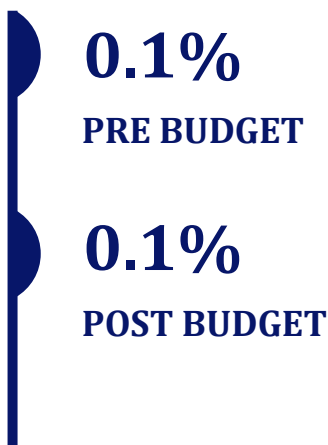
STT ON OPTIONS - SALE



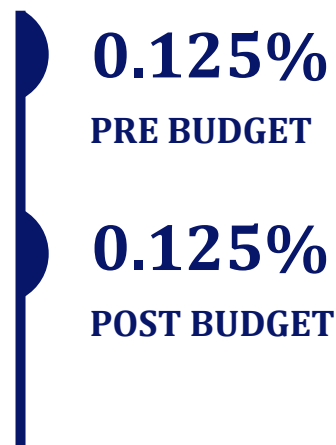
STT ON FUTURES - SALE



STT ON EQUITY - SALE AND PURCHASE



STT ON OPTIONS - PURCHASE



PKC's Insight

The increased transaction costs for options and futures raise the overall cost of trading, which can erode investment returns and reduce profitability for traders and investors. Higher costs can also discourage frequent trading and may impact smaller investors more significantly, potentially limiting their market participation and affecting their investment strategies.

Tax on Income distributed by domestic company through buy-back of shares

Background

Both dividend as well as buy-back are methods for the company to distribute accumulated reserves and thus ought to be treated similarly. Prior to the amendments made by the Finance Act, 2020, a company had to pay dividend distribution tax (DDT), on the distributed profits by way of dividends.

Reason for amendment

Concerns have been raised that payments made on buy-back of shares should be taxed similarly to dividends, aligning with the tax treatment of dividend income. Shareholders who tender their shares in a buy-back lose their rights to those shares, which is akin to extinguishing their ownership. There is also a need to account for the cost of acquisition of these shares

As proposed by Finance Bill 2024

The proposal suggests treating the amount paid by a domestic company for the purchase of its own shares as dividend income in the hands of shareholders who receive payments from such buy-backs.

This dividend income would be subject to income tax at applicable rates. No deduction for expenses would be allowed against this dividend income when calculating income from other sources.

The cost of acquisition of the shares bought back would result in a capital loss for the shareholder, as these assets are extinguished.

Tax on Income distributed by domestic company through buy-back of shares

Practical Application of the above provision

In case a person has purchased 1000 shares at Rs. 50 in 2020, out of which 100 shares at Rs. 80 are bought back in November 2024 and balance shares are sold at Rs.90 in January 2025

1. The capital loss incurred by the person would be Rs.5,000(100 shares at Rs.50 which the purchase cost). This loss can be utilised by the person in case of any capital gains incurred on sale of shares.
2. Income taxable as deemed dividend would be Rs.8,000 (100 ×80)
3. Gross capital gain for sale of shares would be Rs.1,80,000(900 shares at Rs.90). The above capital loss of Rs.5,000 will be claimed against this and hence the Net taxable capital gain would be Rs.1,75,000.

PKC's Insight

The provisions allow the person to offset the capital loss of Rs. 5,000 against capital gains, reducing taxable gains and potentially lowering their tax liability

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Changes in TDS rates

With effect from 1 Oct 2024

Income (Capital gains)	Pre budget	Post budget
Section 194DA - Payment in respect of life insurance policy	5%	2%
Section 194G – Commission etc. on sale of lottery tickets	5%	2%
Section 194H - Payment of commission or brokerage	5%	2%
Section 194IB - Payment of rent by certain individuals or HUF	5%	2%
Section 194M - Payment of certain sums by certain individuals or HUF	5%	2%
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted	
Section 194T - Payment of salary, remuneration, interest, bonus or commission by partnership firm to partners	Proposed to introduce at 10% Threshold Rs.20,000	

Changes in TDS rates

With effect from 1 Apr 2025

Income (Capital gains)	Pre budget	Post budget
Section 194D - Payment of insurance commission (Persons other than company)	5%	2%

With effect from 1 Oct 2025

Income (Capital gains)	Pre budget	Post budget
Section 194O - Payment of certain sums by E-commerce operator to E-commerce participant	1%	0.1%

PKC's Insight

The recent revisions in TDS rates across various sections are designed to not only improve cash flow by reducing immediate tax outflows but also enhance compliance with updated tax regulations. These changes offer an opportunity to optimize financial planning and operational strategies. It's essential for businesses to review and adjust their TDS deduction processes to ensure adherence to the revised rates, thereby maintaining smooth compliance with tax laws.

Introduction of New Section - TDS

194T for Partnership firms

A new TDS section **194T** is inserted where TDS is attracted on payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm for aggregate amounts more than Rs 20,000 in the financial year at applicable TDS rate of 10% on or after 1st April 2025

PKC's Insight

The introduction of TDS section 194T imposes a new requirement for partnership firms. This enhances tax compliance by ensuring appropriate deductions on partner income and These amendments aim to refine TDS regulations, aligning with the evolving dynamics of digital commerce and investment sectors.

Failure to remit the deducted TDS

Section 276B

Before 1 Oct 2024

If a person fails to pay to the Government the TDS amount deducted, he shall be punishable with imprisonment which shall not be less than 3 months but may extend to 7 years.

After 1 Oct 2024

Exemption from prosecution shall be provided if the tax deducted in respect of each quarter has been paid before filing the respective quarterly return.

Abolishment of Angel Tax

Introduction

Introduced in Union Budget 2012 by then FM Pranab Mukherjee

Section 56(2)(vii)(b)

Where a Closely-held company receives any consideration for issues of shares in excess of the face value of such shares, the consideration received in excess of the FMV of such shares shall be chargeable to income tax under the head “ Income from other Sources”

Reason for Introducing Angel Tax

The provisions were introduced with a view to prevent money laundering.

Consequences

Majority of the investors were not pleased by the introduction of the angel tax as it led to the startups losing a majority portion of the investments in taxes. It resulted in discouraging the resident investors from investing startups.

Abolishment

Angel tax was abolished in the finance budget 2024

PKC's Insight

The annulment of angel tax provisions will encourage more investment in startups by removing the tax burden on excess share value, thereby fostering a more favorable investment climate.

Shipping Business

Tax on shipping business in the hands of Non Resident



7.5%

PRE BUDGET - Section 44 BB

Tax shall be payable at 7.5% on Aggregate of amounts received on accounts of carriage of persons, livestock, mail or goods shipped.



20%

POST BUDGET - Section 44BBC

Tax shall be payable at 20% on aggregate of amount received/ receivable by, or paid/ payable to, the non-resident cruise-ship operator, on account of the carriage of passengers

Additionally, the lease rentals paid by such non-resident shipping company shall be exempt in the hands of the recipient foreign company, if such recipient company and the non-resident shipping company are subsidiaries of the same holding company.

PKC's Insight

The introduction of Section 44BBC provides a clear and beneficial tax rate for non-resident cruise-ship operators and exempts lease rentals for affiliated companies, enhancing tax predictability and promoting business in the cruise industry.

Changes in Prohibition of Benami Act

Provision

- As per section 53(2) of the Prohibition of Benami Property Transactions Act (PBPT) Act, 1988, the offence of Benami transaction is punishable with a penalty of rigorous imprisonment for minimum one year to maximum seven years along with fine extending to 25% of the fair market value of the Benami property. **This penalty is the same for a benamidar or a beneficial owner or any person who abets or induces any person to enter into a Benami transaction.**

Issues

Due to same quantum of penalty & prosecution as is imposable in the case of beneficial owner and abettor, benamidars do not come forward to give evidence against the beneficial owner.

Further, many benamidars being of poor means and illiterate, imposing on them the same penalty as the beneficial owner of such a benami transaction could be disproportionate in nature.

Steps taken in the budget

It is thus proposed to insert a new section 55A to provide that the Initiating Officer may, with a view to obtaining the evidence, tender to such person immunity from penalty for any offence under section 53 on condition of his making a full and true disclosure of the whole circumstances relating to the benami transaction. **(With effect from 1st October 2024)**

Disclaimer

It is also proposed to provide that if it appears to the Initiating Officer that any person to whom immunity has been tendered under this section has not complied with the condition on which the tender was made, the immunity shall be deemed to have been withdrawn.

PKC's Insight

Introduction of Section 55A in the PBPT Act provides immunity to benamidars who disclose Benami transaction details, aiding in investigations. Clients should note the importance of timely responses to show cause notices, as failure may lead to penalties and immunity withdrawal. Additionally, the extension of provisional attachment period to four months enhances the Initiating Officer's investigative capabilities, requiring prompt action upon order issuance

Rationalization of TDS/TCS provisions

Reduction of time limit to raise Order on defaults in TDS return

If a person has not deducted TDS or after deduction has not paid to Government, then such person is treated as Assessee in default. Accordingly, Orders shall be passed on such Assessee.

Time limit for Passing an Order – New Section 206C(7A)

Before 01-04-2025

For Resident,
Within 7 years from FY

For Non Resident,
Unlimited Time

On or after 01-04-2025

Within 6 years from FY
OR

Within 2 years of filing
Revised return

WHICHEVER IS LATER

PKC's Insight

Clients should ensure strict adherence to TDS/TCS deduction and payment timelines to avoid being deemed Assessee in default, which can lead to penalties and legal implications.

Change in Interest Rate for Non-Deposit of TCS

SECTION 206C(7)

As per section 206C(7), **Simple interest** shall be charged on failure to deposit the collected TCS to the credit of the Central Government within specified due date.

CHANGE OF INTEREST RATE

1 %

PRE BUDGET

1.5 %

POST BUDGET

Time limit for Revision of TDS or TCS Returns

Section 200 requires that a deductor after paying the TDS to the credit of the Government, shall prepare statements detailing the TDS deducted and furnish it within the prescribed time.

A correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under this sub-section in such form and verified in such manner as may be specified by the authority.

Before 1 Apr 2025

While there is a time limit for furnishing TDS/TCS returns, there is no time limit for furnishing TDS/TCS Revised returns. Hence such statements may be revised multiple times indefinitely.

On or After 1 Apr 2025

No Revised return shall be furnished after the expiry of six years from the end of the financial year in which the original TDS/TCS return was submitted

Extension of goods liable for TCS

Section 206C(1F) provides for collection of tax at source by a seller, who receives any amount as consideration for sale of a motor vehicle.

Goods covered under the Section :

Before 1 Jan 2025

Motor Vehicle
exceeding ₹10 Lakh

On or After 1 Jan 2025

Any luxury goods
exceeding ₹10 Lakh

PKC's Insight

Enhanced Compliance for Luxury Goods: The expansion of TCS to include luxury goods valued over ten lakh rupees, in addition to motor vehicles, improves tracking of high-net-worth individuals' expenditures and helps curb tax evasion in the luxury market

Penalty for failure to furnish TDS or TCS Returns

Section 271H of the Act inter alia relates to penalty for failure to file TDS or TCS returns/ statements within the due date.

Before 1 Apr 2025

No penalty shall be levied if the person pays TDS/ TCS along with fees and interest to the credit of the Government before the expiry of period of **ONE YEAR** from the time limit.

On or After 1 Apr 2025

No penalty shall be levied if the person pays TDS/ TCS along with fees and interest to the credit of the Government before the expiry of period of **ONE MONTH** from the time limit.

Certain persons or class of persons - Exempt from TCS

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc.

However, there are entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them.

Amendment - It is therefore proposed w.e.f **1st October 2024**, to 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.

PKC's Insight

We advise staying informed about the amendments starting October 2024, which exempt certain entities from TCS if they are exempt from income tax and do not file returns. It's important to monitor notifications from the Government regarding specific transactions eligible for reduced or exempted TCS collection. This awareness will ensure accurate compliance and effective management of financial operations

Tax Deduction at source on Floating Rate Savings Bonds 2020

Section 193 of the Act provides for deduction of tax at source on payment of any income to a resident by way of interest on securities.

The Government has introduced Floating Rate Savings (Taxable) Bonds (FRSB) 2020. The provisions of section 193 of the Act are proposed to be amended to allow for deduction of tax at source at the time of payment of interest exceeding ten thousand rupees on or after 1st October 2024, on –

- The 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

Amendment of provisions of TDS on sale of immovable property

Provision

Section 194-IA of the Act provides for deduction of tax on payment of consideration for transfer of certain immovable property other than agricultural land.

Deduction of Tax

Deduction of tax shall be made where the consideration for the transfer of an immovable property and the stamp duty value of such property, exceeds fifty lakh rupees.

Misinterpretation

Some taxpayers are interpreting that the consideration being paid or credited refers to each individual buyer's payment rather than the total consideration paid for the immovable property.

Amendment

It is proposed to amend the Act to clarify 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

With effect from

1st October 2024

Extension of scope of Lower Deduction certificate

The provisions contained in **Section 197** of the Income Tax Act, permit taxpayers a facility of Nil or lower tax rate deduction of TDS or exemption of TDS.

With effect from 1st Oct'24

TDS Section **194Q** and TCS Section **206C** have been brought into the ambit of this section.

Widening the ambit of processing TDS returns

Section 200A of the Income Tax Act specifies the manner in which a statement of Tax Deduction at Source (TDS) under section 200 or a correction statement, filed by a person deducting TDS shall be processed. This section primarily deals with the processing of TDS statements filed by Deductors.

Proposed Amendment :

The proposed amendment aims to expand the scope of Section 200A to include statements filed by persons other than the deductor.

Specifically, it mentions Form No. 26QF, which is filed by an Exchange (likely referring to a stock exchange or similar entity) where the deductee (recipient of income) provides details related to tax. It suggests that the Central Board of Direct Taxes may introduce a scheme for processing such statements filed by entities other than the deductor.

PKC's Insight

The amendment to Section 200A expands the processing framework to include statements filed by entities other than the deductor, such as exchanges, streamlining tax compliance. This enhancement improves efficiency in handling various tax statements and ensures better oversight of tax-related information

Amendment to Expenditure allowed as deduction – Section 37

Provision

Section 37: Allows deduction of expenditure that is laid out or expended wholly and exclusively for the purpose of business or profession.

Disallowance

Any expenditure incurred for a purpose which is an offence or prohibited by law shall not be allowed as deduction, which includes

- Expenditure incurred to provide any benefit or perquisite in violation of laws.
- Expenditure incurred to compound an offence under any law.
- Expenditure incurred for purposes in contravention of any law in or outside India

Inclusions made in the budget

Now, Disallowed expenditure shall also include Any expenditure incurred by an Assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force

What is Settlement Amount?

Settlement amounts refer to sums paid to resolve legal disputes or issues arising from contraventions of laws or regulations. They are not considered legitimate business expenses in many jurisdictions, including India, when they arise from unlawful activities.

With effect from

1st April 2025

PKC's Insight

Clients should be mindful that expenditures aimed at settling legal disputes arising from violations of specified laws may no longer qualify for tax deductions under Section 37. It's essential to review and potentially adjust business practices to avoid such expenditures or plan for their tax implications effectively

Revised limits for Partnership Remuneration

Section 40 of the Act provides for amounts that shall not be deducted for computing Income chargeable.

The threshold limits for remuneration paid for working partners has been elevated thereby increasing the amounts allowed as deduction.

Before 01 Apr 2025

On the first Rs.3,00,000 of the book profit or in case of a loss (higher of the below):

- Rs. 1,50,000 or
- Rate of 90% of Book Profit

On the balance of the book-profits
At the rate of 60 per cent

After 01 Apr 2025

On the first Rs. 6,00,000 of the book profit or in case of a loss (higher of the below):

- Rs. 3,00,000 or
- Rate of 90% of Book Profit

On the balance of the book-profits
à At the rate of 60 per cent

PKC's Insight

By doubling the threshold from Rs. 3,00,000 to Rs. 6,00,000, businesses can allocate higher remuneration without extra tax implications. This benefits small and mid sized firms by allowing them to reward key personnel more generously within the same profit margins. The unchanged rate of 90% for the initial threshold and 60 % on balance book profit ensures consistent remuneration relative to profits

Equalization Levy – No longer applicable on E-commerce

Provision

Equalization levy of two per cent is applicable on the amount of consideration received/ receivable by a Non-Resident E-commerce operator from e-commerce supply or services.

Services Covered:

- Online Advertisement Services
- Digital Services: Including digital advertising space, services sold to Indian residents, or accessed via Indian IP addresses.
- Other services may be included as notified.

Issues

Some stakeholders have raised concerns that the scope of 2% equalisation levy is ambiguous and as a result it leads to compliance burden.

Steps taken in the budget

It is proposed that this equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services.

Associated provisions

Any service which was liable to equalisation levy was exempt in sub-section (50) of section 10 subject to certain conditions. Consequently as the 2% levy is being made inapplicable, it is proposed that income arising from e-commerce supply or services shall fall back in the ambit of clause (50) of section 10 of the Act.

With effect from

1st August 2024

Interest Expense on Debt issued by Non-Resident - Restrictions on “Deduction allowed”

Introduction

Section 94B of the Act puts in place a restriction on deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower.

Applicable to

Borrowers who are

- An Indian company
- Permanent establishment of a foreign company in India

Provision

If such person mentioned above incurs any expenditure by way of interest or of similar nature exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession", the interest deductible shall be restricted to the extent of **Thirty per cent** of its earnings before interest, taxes, depreciation and amortization

Before 01-04-2025

This section did not apply to companies engaged in the business of banking or insurance and Notified Non Banking companies

On or after 01-04-2025

Now Finance company located in IFSC is also included.

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GST

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CGST Amendments

Time of supply in case of Reverse charge basis

Pre Budget

Date of payment in the books of recipient

60 days from the date of issue of invoice by the supplier.

Post budget

Date of payment in the books of recipient

If invoice issued by supplier,
60 days from the date of issue of invoice by the supplier.

If invoice issued by recipient
Date of issue of Invoice

Amendment to Section 16(4)

Pre Budget

The Government may, on the recommendation of the Council, and subject to such conditions, safeguards and procedures, by notification, specify-

- A **class of persons** who may make zero rated supply on payment of integrated tax and claim refund of the tax so paid;
- A **class of goods or services** which may be exported on payment of integrated tax and the supplier of such goods or services may claim the refund of tax so paid

Post Budget

Sub-section (4) in section 16 of IGST Act is being amended to provide that refund of IGST which can be claimed, is **subject to the provisions of Section 54** of the CGST Act.

Section 54 of the GST Act provides that no refund of unutilized input tax credit or of integrated tax shall be allowed in cases of zero-rated supply of goods where such goods are subjected to export duty.

PKC's Insight

Clients will benefit from the updated Section 16(4) and Section 16(5) provisions, as they now enable clearer and more streamlined refunds for zero-rated supplies and unutilized ITC, including cases where zero-rated exports are subject to export duty, thereby enhancing liquidity

Section 16(5) - Insertion

Refund of unutilised ITC or IGST paid on account of zero-rated supply of goods shall be allowed in cases where the zero-rated supply of goods is subjected to export duty.

Additions to CGST Act

Sub section (5) and (6) of Section 16 - Insertion

Insertion of Sub Section (5)

As per Section 16(5), ITC pertaining to Financial Years 2017- 18, 2018-19, 2019-20 and 2020-21, can be taken as input tax credit in any return which is filed upto 30th November 2021.

Insertion of sub Section (6)

Sub Section (6) allows the availment of input tax credit in respect of an invoice or debit note filed during the period ;

- From the date of cancellation of registration or the effective date of cancellation of registration
- Till the date of order of revocation of cancellation of registration

However, this new section is subject to the condition that the time-limit for availment of credit should not have already expired under sub-section (4).

PKC's Insight

The extension of input tax credit (ITC) availability until November 30, 2021, permits businesses to claim ITC on invoices from financial years 2017-18 to 2020-21, enhancing their cash flow and financial flexibility. Additionally, the new provision under Section 16(6) allows businesses to claim ITC on invoices or debit notes within 30 days of a revocation order, even if the registration was previously canceled, thus safeguarding their credit rights and reducing the financial burden from registration issues

Insertion of Section 74 A

Purpose of Section

The purpose of this section is to determine

- Tax not paid or short paid
- Tax Erroneously refunded
- Input tax credit wrongly availed or utilised

Issual of Notice

The notice shall be issued within 42 months from the due date of furnishing Annual return for the relevant year of non compliance.

Actions to be taken

Where the tax is ₹ 1,000 or more, The person has to show cause the reason as to why he should not pay the amount specified in the notice along with interest and penalty payable.

Penalty provision

Fraud - 100% of Tax Due

Other than Fraud - Higher of (a) 10% of Tax due (b) ₹10,000

IGST Amendments

Pre-deposit limit for filing appeal

	BEFORE FY 2024-25	AFTER FY 2024-25
APPELLATE AUTHORITY	10% of Disputed Tax (or) 50 crore rupees Whichever is higher	10% of Disputed Tax (or) 40 crore rupees Whichever is higher
APPELLATE TRIBUNAL	20% of Disputed Tax (or) 100 crore rupees Whichever is higher	20% of Disputed Tax (or) 40 crore rupees Whichever is higher

PKC's Insight

Clients benefit from reduced pre-deposit limits for filing appeals, lowering the upfront financial burden for disputes with the Appellate Authority from ₹50 crore to ₹40 crore and with the Appellate Tribunal from ₹100 crore to ₹40 crore, making it more affordable to challenge decisions

Section 253 – Appellate Tribunal

Time limit to make an appeal to Appellate Tribunal

Before 01 Oct 2024

Within 60 days from the communication of order

On or After 01 Oct 2024

Within 2 months from the end of the month in which the order was communicated.

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MISCELLANEOUS

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Trust

Section 12A - Exemption u/s 11 and 12

Before 01 Apr 2025

Trust registered under Section 12AB to make application for renewal at least 6 months prior to expiry of the said period.

Trust provisionally registered under section 12AB to make application for final registration at least 6 months before expiry of provisional registration or within 6 months of commencement of activities whichever is earlier

On or After 01 Apr 2025

Now Trust or institution under Section 10(23C)(iv),(v),(vi),(via) can also apply for approval under the same section

Section 12AB(1)(b)(ii)

Time limit for order for registering the trust or institution under Section 12AB(1)(b)(ii)

Before 01 Apr 2025

Before expiry of 6 months from the end of the month in which the application was received.

On or After 01 Apr 2025

Before expiry of 6 months from the end of the quarter in which the application was received.

PKC's Insight

From April 1, 2025, trusts and institutions can apply for approvals under a broader range of sections, and the time limit for processing registration applications will be extended to align with quarterly cycles. This provides more flexibility and efficiency in compliance and registration processes

Section 12AC**Non-Applicability of Tax on Accreted Income under Chapter-XII-EB****Before 01 Apr 2025**

If any fund or institution or trust or university referred to in Section 10 (23C) (iv), (v), (vi), (via) or registered under 12AA or 12AB converted into any form which is not eligible for registration under above sections or merged with entity other than the entity having similar objects shall pay tax on accreted income at maximum marginal rate

On or After 01 Apr 2025

Where any fund or institution or trust or university referred to in Section 10 (23C) (iv), (v), (vi), (via) or registered under 12AB, then provision of Chapter XII-EB shall not apply if other trust or institution has same or similar objects and registered under above mentioned sections

PKC's Insight

The proposed Section 12AC aims to provide clarity for taxpayers, excluding specified financial entities and finance companies in IFSCs. Additionally, understanding the non-applicability conditions under Chapter XII-EB for institutions converting or merging will help clients navigate tax implications effectively and ensure compliance with revised regulations

Assessment

Section 245 - Set off and Withholding of Refund

Introduction

Section 245 of the Act relates to set off and withholding of refund in certain cases.

Provision

Where refund becomes due to a person but the assessment or reassessment proceeding is pending in his case, then, the Assessing Officer may, with the approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax, withhold the refund till the date on which such assessment or reassessment is completed.

Conditions

The AO shall withhold the refund if

He is of the opinion that grant of refund is likely to adversely affect the revenue and He has to record the reasons in writing for withholding the refund.

Budget Amendment

The words ;

“He is of the opinion that grant of refund is likely to adversely affect the revenue” have been removed

Section 251 –Commissioner (Appeals) w.e.f 01.10.2024

Proviso to Subsection (1) Clause (a) – Where an appeal is against an order of assessment under Section 144, the Commissioner (Appeals) shall have the power to set aside such assessment made under Section 144, and refer the case back to the Assessing Officer for making a fresh assessment

Amendment to Section 198

Provision

Section 198 of the Act provides that all sums deducted (tax deducted), shall be deemed as income received for the purpose of computing the income of an assessee.

Issue

Some assesseees are not including taxes withheld outside India for the purposes of calculating their total income which was leading to under reporting of total income.

Over and above, credit for foreign taxes withheld was being claimed.

Steps taken in the budget

It is proposed to amend section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India shall deemed to be income received.

With effect from

1st April 2025

PKC's Insight

The amendment to Section 198 is beneficial as it prevents underreporting of income by including foreign taxes withheld in the total income calculation, thereby eliminating double deductions and ensuring fairness and transparency in the tax system

Exceptions to Section 68

Amendment relating to Section 68 - w.e.f April 1, 2025

Basic understanding of section 68

Section 68 of the Income-tax Act mandates that any sum found credited in the books of an Assessee for any previous year must be satisfactorily explained in terms of its nature and source. If the Assessee fails to provide a satisfactory explanation, the credited sum is treated as income for that previous year.

Increased Burden of Proof as Amended by Finance Act 2023

Before Finance bill 2023, the Assessee had to satisfactorily explain the nature and source of any sum credited in their books, detailing its origin. Post the finance bill 2023, the Assessee, had to also explain the source of funds in the hands of the creditor or entry provider, tracing the origin of the credited amount further up the chain.

Exception for Well-Regulated Entities

If the creditor is a VCF or VCC registered with SEBI, the additional requirement to explain the source of funds in the hands of the creditor does not apply.

Proposed Amendment

The relaxation will be extended to include VCFs regulated by the International Financial Services Centers Authority (IFSCA). This will be achieved by amending the definition of VCF in the Explanation to clause (23FB) of section 10 to include VCFs regulated by IFSC.

PKC's Insight

The proposed amendment will allow Venture Capital Funds (VCFs) regulated by the International Financial Services Centers Authority (IFSCA) to benefit from the same exemptions under Section 68, simplifying compliance for such funds. This extension enhances the attractiveness of IFSC-regulated VCFs for investment, fostering greater financial innovation and participation

Elimination of Regulatory Overlap (NBH)

Removal of references made to NHB w.e.f 1st day of April 2025 in Section 43 D

Basics of section 43D

Section 43D of the Income-tax Act outlines special tax provisions for various financial institutions, including housing finance companies, addressing the treatment of interest income from bad or doubtful debts with references to National Housing Bank (NHB) guidelines.

Clause removed

Clause (b) of Section 43D: Provides that interest income from bad or doubtful debts of public housing finance companies should be charged to tax in the year it is credited to the profit and loss account or actually received, whichever is earlier, based on NHB guidelines.

Reason for removal

Finance Act, 2019 has amended the National Housing Bank Act, 1987, conferring powers for regulation of Housing Finance Companies (HFCs) with Reserve Bank of India (RBI). Consequently, HFCs have come under the purview of the RBI. Hence, it is proposed to remove reference to National Housing Bank in this section

PKC's Insight

Housing finance companies will need to adjust their accounting and tax practices in line with the RBI's regulations and the existing provisions for NBFCs. This transition may require updates to financial reporting systems and compliance procedures. Clients should be aware that this amendment removes specific references to NHB guidelines for tax treatment, reflecting the regulatory shift of HFCs to RBI oversight. They should stay informed about these changes to ensure compliance with updated tax provisions applicable to interest income from bad or doubtful debts, particularly if they operate or invest in the housing finance sector.

Discontinuation of Aadhaar Enrolment ID

Proviso to sub-section (1) of section 139AA shall not apply from the 1st day of October, 2024

Pre Budget

Quoting Aadhaar Number:

- Mandatory for PAN application and income tax returns.

Quoting Enrolment ID:

- Allowed if Aadhaar number is not available

Post Budget

Discontinuation of Enrolment ID:

- From October 1, 2024, quoting Aadhaar Enrolment ID will no longer be allowed.

Mandatory Aadhaar Intimation:

- Individuals who were allotted PAN based on Enrolment ID must update their Aadhaar number by a notified date.

PKC's Insight : Individuals may face a one-time administrative step to update their records, but this will improve compliance and reduce the risk of fraudulent activities related to multiple PANs.

Compliance related to Liaison office by Non-residents – Section 285

Governing Laws

Foreign Exchange Management Act, 1999 (FEMA) : Regulates the establishment and operations of liaison offices by non-residents in India

Income-tax Act, Section 285 : Mandates the reporting requirements in a statement for non-residents having a liaison office in India. in prescribed format must be delivered within sixty days from the end of the financial year.

Period to file statement

Pre Budget

The statement in prescribed format must be delivered within sixty days from the end of the financial year.

Post Budget

w.e.f 1 Apr 2025

The exact period for submission will now be prescribed under the Rules rather than specified directly in the Act.

Penalties for Non-Compliance

New Section 271GC:

- Introduces penalties for failing to submit the required statement within the prescribed period.

Penalty Structure:

- If the failure period does not exceed three months: ₹1,000 per day of delay.
- If the failure period exceeds three months: ₹1,00,000 as a lump sum penalty.

Reasonable Cause Exception

Amendment to Section 273B :

Provides relief from penalties if the Assessee can prove that there was a reasonable cause for the failure to submit the statement on time.

PKC's Insight

This implies that the Board may prescribe rules and procedures for handling and verifying TDS details filed by third parties.

Individuals may face a one-time administrative step to update their records, but this will improve compliance and reduce the risk of fraudulent activities related to multiple PANs.