

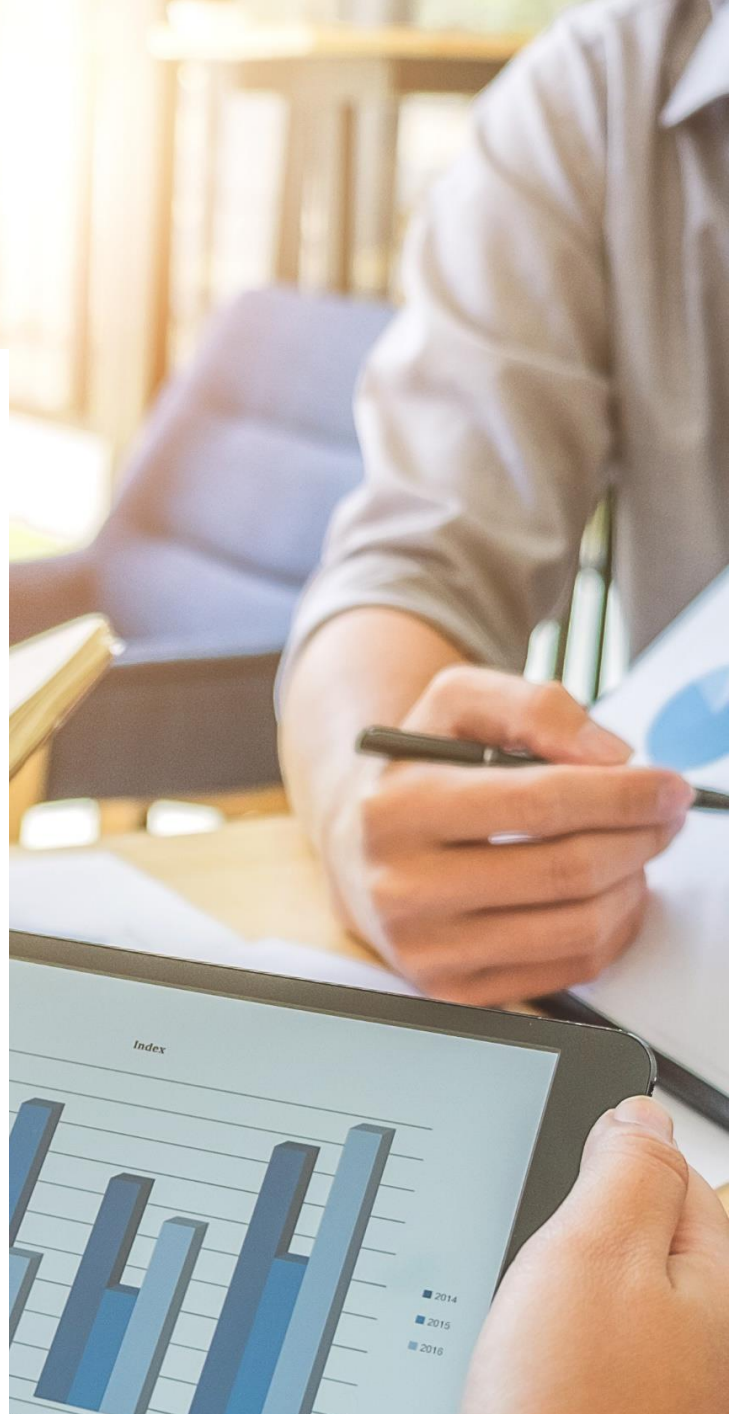


# Path towards Certainty & Reformation

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## Key Takeaways

### India Union Budget 2024-25



# Budget proposals



## Employment Initiatives

- The government has launched multiple schemes focused on youth, employment, and skill development, benefiting 41 million youth with a total outlay of INR 2 lakh crore.
- A proposal has been made to allocate INR 1.48 lakh crore for education, employment, and skilling programs.
- Government to partner with multiple MNCs to create more than 1 crore internship opportunities for the Indian youth.

## Infrastructure and Rural Development

- Proposal to allocate INR 26,000 crore for highways, new airports, medical colleges, and sports infrastructure in Bihar.
- Financial assistance worth INR 15,000 crore for Andhra Pradesh through multilateral agencies to bolster growth and development prospects.
- The government aims to construct 3 crore additional houses under the Pradhan Mantri Awas Yojana (PMAY). Additionally, the PMAY Urban initiative will see an investment of INR 10 lakh crore, with INR 2.2 lakh crore in central assistance over the next five years.
- A proposal has been made to allocate INR 2.66 lakh crore for rural development, representing a 40% year-on-year increase.
- The government has announced an infrastructure investment of INR 11,11,111 crore, representing 3.4% of GDP.
- The government will launch PM Suryaghar Muft Bijli Yojana to provide free electricity up to 300 units per month.
- INR 11,500 crore has been allocated for flood mitigation in Bihar and flood management in Assam, Himachal Pradesh, Uttarakhand, and Sikkim.
- The Vishnupad Temple corridor, Mahabodhi corridor, Rajgir, and Nalanda will be developed into tourist destinations.

## MSME Upliftment:

- The upper limit for MUDRA loans has been increased from INR 10 lakh to INR 20 lakh.
- The TReDS turnover threshold for buyers will be reduced from INR 500 crore to INR 250 crore, bringing more CPSEs onto the platform.
- The Small Industries Development Bank of India (SIDBI) will open 24 new branches, and the post-payment bank will open more than 100 branches in the Northeastern region to enhance financial inclusion.

## Innovation and Energy

- A venture capital fund worth INR 1,000 crore will be established to support emerging startups in the space economy.
- Partnership with the private sector for R&D in small modular nuclear reactors, with funding initiatives for the same provided by the government.
- A critical mineral initiative will be established for recycling and overseas acquisitions, including the auction of offshore blocks for mining.
- The Anusandhan National Research initiative will create a financing pool of INR 1 lakh crore to spur private sector R&D.

## Budgetary Provisions and Fiscal Policies

- Total receipts for 2025: INR 32.07 lakh crore; total expenditure: INR 48.21 lakh crore.
- Gross borrowing target: INR 14.01 lakh crore; net borrowing target: INR 11.06 lakh crore.

# Direct Tax Proposals



## 1. Capital gains

- Short-term gains of financial assets to attract a 20% tax rate if the transfer is post July 23, 2024
- Long-term gains on all financial and non-financial assets to attract a tax rate of 12.5% if the transfer is post July 23, 2024
- Increase in limit of exemption of capital gains on financial assets to INR 1.25 lakh per year
- The period of holding for non-financial assets is reduced from 36 months to 24 months in order to be considered a long-term capital asset
- No benefit of indexation is available on all categories of capital assets
- Transfer of unlisted bonds/ unlisted debentures on or after July 23, 2024, would be considered as short-term capital gains irrespective of the period of holding.

## 2. Angel Tax

- Angel Tax abolished for all classes of investors with effect from AY 2025-26

## 3. Buy-back of shares

- Buy-back of shares proposed to be taxed in the hands of the recipient. Relevant changes are made to include the same as dividend with effect from October 01, 2024.
- No deduction of expenses is allowed under section 57; however, the cost of acquisition of shares bought back is proposed to be considered as a capital loss, which can be adjusted or carried forward against other capital gains income.

## 4. IFSC proposals:

- Exemption provided to a fund that is granted a certificate as a retail scheme or ETF and is regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 ["IFSC Fund Regulations"]
- IFSC accepted as a "Recognised Clearing corporation" and specified income of the Core Settlement Fund set up by the IFSC being exempt
- Venture Capital Fund seeks to cover a fund having obtained registration from the IFSC Fund Regulations

## 5. Business profits

- Deduction for NPS contribution increased from 10% to 14%
- Threshold with respect to deductibility on base remuneration to partners increased from INR 300,000 to INR 600,000, on which deduction would be available to the extent of INR 300,000 or 90% of the book profit, whichever is more
- Introduction of new section 44BBC for presumptive taxation of cruise-shipping business for a foreign company.

## 6. Individual Taxation – New Regime

- Standard deduction increased from INR 50,000 to INR 75,000 under the new regime
- Deduction for family pension increased from INR 15,000 to INR 25,000 under the new regime
- Deduction in respect of contribution to the National Pension Scheme increased from 10% to 14% in case of non-government employers
- Tax slabs amended

Total Income	New Regime - Existing	New Regime Proposed
Upto ₹ 300,000	NIL	NIL
₹ 300,001 to ₹ 600,000	5%	5%
₹ 600,001 to ₹ 700,000	10%	5%
₹ 700,001 to ₹ 900,000	10%	10%
₹ 900,001 to ₹ 1,000,000	15%	10%
₹ 1,000,000 to ₹ 1,200,000	15%	15%
₹ 1,200,000 to ₹ 1,500,000	20%	20%
Above ₹ 1,500,000	30%	30%

## 7. Transfer pricing

- Specified domestic transactions not referred by the Assessing Officer could also now be evaluated by the Transfer Pricing Officer independent of the reference
- Limitation of interest deduction to associated enterprise now expanded to include a finance company located in an IFSC as well

## 8. Other key Direct Tax amendments proposed

- Tax rate for foreign companies is proposed to be reduced from 40% to 35%
- Exemption provided to foreign company from lease rentals of cruise ships received from the specified company until the assessment year 2030-31
- Equalisation levy proposed to be deleted with effect from August 1, 2024
- Exemption from gift restricted to Individuals and Hindu Undivided Families and other persons now not covered under the transfer exemption provisions.
- Time limits for initiating reassessment reduced to rationalise and fast-track litigation
- TDS rates rationalised with respect to life insurance policy (from 5% to 2%), repurchase of units by a mutual fund (from 5% to 0% - omitted), sale of lottery tickets (from 5% to 2%), rent by individuals/ HUF (from 5% to 2%), commission or brokerage (from 5% to 2%), e-commerce operators (from 1% to 0.1%) with effect from October 1, 2024, while new TDS requirement introduced to withhold taxes on remuneration to partners at the rate of 10%
- Vivad se Vishwas Scheme 2024 introduced to settle litigation

## 9. Other Direct Tax announcements made -

- Comprehensive review of the Income Tax Act 1961 has been proposed to be completed in 6 months to simplify the provisions and ease the compliance burden
- Safe harbour provisions in relation to international taxation proposed to be expanded to make the same more attractive.

## 10. Goods and Services Tax

- The levy of GST has been amended to exclude un-denatured Extra Neutral Alcohol (ENA) or rectified spirit used in the manufacture of alcoholic liquor from the GST framework.
- The government is empowered to waive GST recovery for non-levy or short-levy due to prevalent practices; amendments made to CGST, IGST, UTGST, and Compensation Acts.
- An amendment to Section 13 of the CGST Act is proposed to provide clarity on the time of supply of services where the invoice is required to be issued by the recipient in cases of reverse charge supplies.
- New sub-sections (5) and (6) have been inserted in Section 16 of the CGST Act, allowing input tax credit under certain conditions for specific financial years and scenarios where registration is cancelled and then revoked.
- Section 30 of the CGST Act has been amended to include conditions and restrictions on the revocation of registration cancellation.
- Section 39 of the CGST Act has been amended to mandate monthly returns for tax deductors.
- Section 73 and Section 74 now explicitly apply to tax determination up to FY 2023-24, and Section 74A has been inserted for the determination of tax from FY 2024-25 onwards.
- The pre-deposit amount for filing an appeal with the Appellate Authority has been reduced from INR 25 crores to INR 20 crores. Similarly, the pre-deposit amount for filing appeals before the Appellate Tribunal has been reduced to ten percent and capped at INR 20 crore.
- Time limit for filing appeals with GST Appellate Tribunal effective from August 01, 2024; certain cases to be heard by Principal Bench only.
- Section 128A is inserted providing waiver of interest and penalty for tax periods from July 01, 2017, to March 31, 2020, if the tax is paid by a specified date subject to specific conditions.
- Transitional input tax credit received by an Input Service Distributor ('ISD') is clarified to be eligible whether the invoices are received before, on, or after the appointed day.
- Section 171 of the CGST Act allows the GST Appellate Tribunal to handle anti-profiteering cases; sunset clause introduced for filing applications with the Authority for Anti-Profiteering.
- Schedule III is amended to include activities like apportionment of co-insurance premiums and services by insurers to reinsurers thereby treating it neither as a supply of goods nor a supply of services.

## 11. Customs Act

- Insertion of a proviso to sub-section (1) of Section 65 authorizes the Central Government to prohibit specific manufacturing and operations related to certain goods within warehouses.

### Amendments to the First Schedule of the Customs Tariff Act, 1975

- A. Effective 24.07.2024: Increase in tariff rates for Plastics (PVC), Consumer Goods (Garden Umbrellas), and Chemicals (Laboratory Chemicals).
- B. Effective 01.10.2024: Changes in tariff rates for Other Roasted Nuts and Seeds, and Other Nuts.
- C. Effective 01.10.2024: Modifications to tariff entries in the First Schedule.

- Basic Customs Duty (BCD) Adjustments: Changes made to BCD for Agricultural Products, Aquafarming & Marine Exports, Critical Minerals, Steel, Copper, Chemicals & Plastics, Textiles & Leather, Cancer Drugs, Precious Metals, Medical Equipment, IT & Electronics, Renewable Energy, Shipping, and Capital Goods.
- Export Duty Changes: Simplification and rationalization of export duties on raw skins, hides, and leather, with adjustments to duties on tanned or crust hides of skins, raw fur skins, and tanned or dressed fur skins.
- Repair and re-export rules updated; the duty-free re-import period extended to 5 years; India-UAE Comprehensive Economic Partnership Agreement tariff rates adjusted.
- SOCIAL WELFARE SURCHARGE exemptions list updated (from 24.07.2024); AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS rates revised for gold and silver (from 24.07.2024).

## Excise

- Mega Power Project: Extension of certificate submission period from 120 to 156 months.
- Clean Environment Cess: Exemption for goods in stock as of 30th June 2017, with GST Compensation Cess applicable on supplies post-1st July 2017.

*This is the executive summary and detailed budget amendments will follow*



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