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Joye

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A portrait of a man with a beard and short dark hair, smiling. He is wearing a dark blue blazer over a white button-down shirt. The background is a dark blue gradient with abstract light trails and bokeh effects at the bottom.

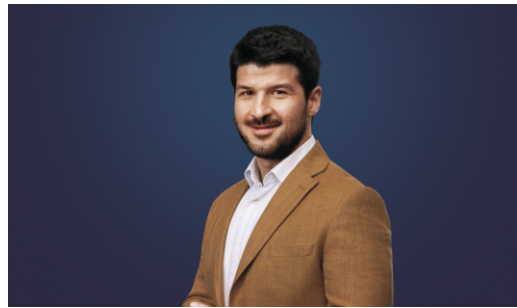
India Budget 2024 Highlights

INDIA BUDGET 2024 – Highlights

Includes

- Reading the Indian Treaties through MLI Lens
- ESG & Sustainability : Green Initiatives
- Logistics & Supply Chain Infrastructure Sector Initiatives

July 2024



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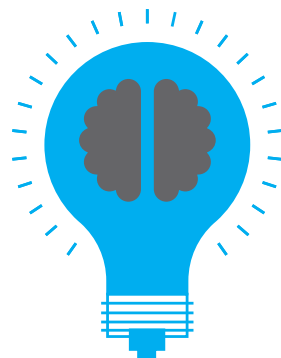
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Executive Summary

1.0 DIRECT TAXES

1.1 Effective Tax Rates

- It is proposed to change the slab rates marginally under the new regime. The tax rates and slabs for Individuals / HUF, BOI, AOP remain unchanged under the old regime.
- No change in tax rates and surcharge and Health and Education Cess for domestic companies and other non-corporate entities.
- The tax rate for foreign companies is proposed to be reduced from 40% to 35%.



1.2 Business Entities

- The provision of section 56(2)(viib) of the IT Act which deals with Angel Tax in case of any company, is proposed to be abolished.
- Explanation 1 to section 37(1) of the IT Act is proposed to be amended to state that expenditure incurred for any purpose which is an offence or which is prohibited by law' under Explanation 1 shall include any expenditure incurred to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.
- The provision of section 47(iii) of the IT Act is proposed to be amended to provide that transfer by way of gift or will or irrevocable trust is allowed only to Individual and HUF transferors. Accordingly, gift of shares by a company shall not be covered by exemption under section 47(iii) and shall be subject to tax under section 45 of the IT Act.
- The remuneration to working partners of a Partnership Firm is proposed to be increased to Rs. 6,00,000 of the book profits from present limit of Rs. 3,00,000.
- Exemption under section 10(4D) to be proposed for retail funds and exchange traded funds regulated under IFSCA Act. Venture Capital Funds regulated by IFSCA are proposed to be excluded from applicability of section 68 wherein nature and source of funds are to be explained to the tax officer.

Further, thin capitalization provisions are proposed not to be applicable to finance companies located in IFSC.

- It is proposed to decriminalise any case of failure to deposit TDS, if the same has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement under section 200(3) of the Act.
- TDS rates have been rationalised in certain cases.

1.3 Personal Taxation

- It is proposed to increase the standard deduction from Rs. 50,000 to Rs. 75,000 for individual taxpayers who opt for the new tax regime as per section 115BAC(1A) of the IT Act.
- It is proposed to increase the deduction limit in case of income from family pension to Rs. 25,000 for individual taxpayers who opt for the new tax regime as per section 115BAC(1A) of the IT Act.
- It is proposed to increase the amount of deduction in respect of the employer contribution towards pension scheme under section 36(1)(iva) of the IT Act allowed while computing income under the head 'Profits and gains of business or profession', from 10% to 14% of the salary of the employee in the previous year. A corresponding amendment in section 80CCD of the IT Act is proposed to provide that the employee shall also be eligible to claim higher deduction up to 14% instead of 10% if he opts for the new tax regime.
- It is proposed that the TCS credit of employee shall also be taken into account while calculating TDS on salary by employers in the same manner in which TDS and other income are considered.
- It is proposed that credit of TCS of the minor shall be allowed in the hands of parent where the income of the minor is being clubbed with the parent as under the IT Act.

1.4 Non-residents

- It is proposed to abolish equalisation levy @ 2% on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services.
- It is proposed to insert a new section 44BBC to provide for presumptive taxation for non-resident cruise ship operator from cruise ship operating business in India whereby 20% of the aggregate amount received /

receivable by or paid / payable to the non-resident cruise ship operator on account of carriage of passengers, can be deemed as profits and gain of such business, subject to prescribed conditions.

- An exemption is also provided where the lease rentals paid by a non-resident cruise ship operator which opts for presumptive tax regime under section 44BBC shall be exempt in the hands of the recipient foreign company, if such non-resident cruise ship operator and the foreign company are the subsidiaries of the same holding company.
- Where a Liaison Office of Non-Resident in India does not submit a statement of its activities for a FY to the AO within 60 days from the end of the FY then a penalty of Rs. 1,000 per day if the period of failure does not exceed 3 months and Rs. 1,00,000 in any other case, is proposed.

1.5 Charitable Trusts and Institutions

- It is proposed that when a trust or institution which is approved / registered under the first or second regime, as the case may be, merges with another approved / registered entity under either regime, it may not attract the provisions of Chapter XII-EB, subject to satisfaction of certain conditions.
- It is proposed that the trusts / institutions registered under first regime [section 10(23C)] of the IT Act to be transitioned to second regime (section 11 to 13 of the IT Act).
- The PCIT/CIT may be enabled to condone the delay in filing application under section 12A(1)(ac) which provides the timelines to the trust / institution for seeking registration.
- Rationalisation of timelines for funds or institutions to file applications seeking approval under section 80G of the IT Act
- PCIT or CIT to process the application for registration under section 12AB and section 80G of the IT Act, within a period of 6 months from the end of quarter in which the application is made.

1.6 General

- The taxation of capital gains is proposed to be rationalized and simplified. It is proposed that there will only be 2 holding periods, 12 months and 24 months, for determining whether the capital gains is short-term capital gains or long term capital gains. Further, the rate of short term capital gain and long term capital gain is rationalized in the range to 12.50% to 20%. The

presently available indexation benefit on certain long term capital assets to be done away with.

- Buy-back of shares to be taxed in the hands of shareholders at par with dividend. The cost of shares bought back to be treated as capital loss which shall be carried forward and set-off against the future capital gains as applicable.
- It is proposed to rationalise reassessment provisions with effect from 1 September 2024, which will facilitate ease of doing business by way of reduction in time limit for issue of notice of reassessment.
- It is proposed to amend section 251 of the IT Act to allow CIT(A) to set aside best judgment assessments under section 144 and refer them back to the AO.
- It is proposed to introduce Vivad se Vishwas Scheme, 2024 for settlement of disputed issues pending before any appellate forums, thereby reducing litigation and costs for taxpayers and the government.
- It is proposed to reintroduce the scheme of Block Assessment for the cases in which search under section 132 or requisition under section 132A has been initiated on or after 1 September 2024.
- It is proposed to provide that the appeal before the ITAT may be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the PCIT or CIT, as the case may be.
- Interest on TCS collected and not paid will be subject to tax @1.5% per month
- It is proposed to amend section 28 of the IT Act to clarify that any income from letting out of a residential house or a part of the house by the owner, shall not be chargeable under the head 'Profits and gains of business or profession' and shall be chargeable under the head 'Income from house property'.
- It is proposed to amend section 42 and section 43 of the Black Money Act, 2015 so that penalty shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20,00,000.
- Section 132B of the IT Act is proposed to be amended to include liabilities

under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 for adjustment of liabilities.

- Section 230(1A) of the IT Act requires person domiciled in India to obtain a certificate from the income-tax authorities before leaving India. It is proposed to include liabilities under the Black Money (Undisclosed Foreign Income and Assets)
- Section 206(1F) of the IT Act is proposed to be amended to include levy of TCS @ 1% on luxury goods, as may be notified, if sale consideration is more than Rs. 10,00,000.
- It is proposed to amend section 194-IA of the IT Act to clarify that aggregate of amount payable by all transferee(s) to all transferor(s) (instead of one to one) in respect of an immovable property (other than agricultural land) is to be compared with threshold limit of Rs. 50,00,000 to determine TDS liability on purchase of immovable property under section 194-IA of the IT Act.
- Sub-clause (iii) of clause (a) of the Explanation to section 55(2)(ac) of the IT Act is proposed to be amended to specifically provide for cost of acquisition of unlisted equity shares transferred under offer for sale as part of an initial public offering. Fair market value under such scenario shall be indexed cost of acquisition in same proportion as cost inflation index for FY 2017-18 bears to the cost inflation index for the first year when such unlisted equity shares were held or for FY 2001-02, whichever is later.

1.7 Transfer Pricing

- With a view to reduce litigation and provide certainty in international taxation, it is proposed to expand the scope of safe harbour rules and make them more attractive. It is further proposed to provide for safe harbour rates for foreign mining companies selling raw diamonds in the country.
- It is proposed to amend section 92CA of the IT Act to include reference of SDT in it alongwith the international transactions to TPO.

2.0 INDIRECT TAXES

2.1 GST and Customs

2.1.1 CGST Amendments

- Retrospective insertion of section 16(5) to permit entitlement to claim Input Tax Credit (ITC) in respect of invoices/debit notes pertaining to the period

FY 2017–18 to FY 2020–21 subject to claim in Form GSTR 3B and filing of Form GSTR 3B return up to 30 November 2021.

- Amendment in section 31(3)(f) to provide time limit for issuing self-invoice in case of reverse charge transactions where the supplier is not registered under GST.
- Section 74A introduces new provisions for determining unpaid tax, excess or undue input tax credit, and recovering erroneously sanctioned refunds from FY 2024–25 onwards for all taxpayers. It establishes common timelines for issuing notices and orders and imposes higher penalties for fraud, willful misrepresentation, and suppression of facts.
- Reduction in maximum amount of pre-deposit for filing an appeal before Appellate Authority from Rs. 25 crores to Rs. 20 crores by way of amendment to clause (b) of section 107(6).
- Section 112(1) and (3) of the CGST Act, 2017 is amended with effect from 1 August 2024 to enable the government to notify due dates for filing of an appeal before the Appellate Tribunal. Further, section 112(8) is being amended to reduce the maximum amount prescribed to be paid as a pre-deposit from 20% to 10% of the disputed tax and the upper-capping in value of pre-deposit is reduced from Rs. 50 crores to Rs. 20 crores.
- Insertion of section 128A in the CGST Act, 2017 to incorporate provisions for conditional waiver of interest and penalty in respect of demands for the period from FY 2017–18 to FY 2019–20 raised under section 73 of the CGST Act, 2017. Section 128A shall not be applicable to notices issued for recovery of erroneously granted refunds, and in those instances where the interest and penalty demanded are already discharged by the taxpayer.

2.1.2 IGST Amendments

- Amendment to section 16(4) to provide for notification of class of persons who may make zero rated supplies of goods or services or both or class of goods or services which may be supplied on zero rated basis and refund of IGST in respect of which can be claimed, in accordance with the provisions of section 54 of the CGST Act, 2017, subject to such conditions, safeguards and procedures as may be prescribed.
- Insertion of section 16(5) of the IGST Act, 2017 to provide that no refund of unutilized ITC or of integrated tax 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.

2.2 Changes in Customs Duty Rate

- Reduction in customs duty for precious metals. Revised customs duty on Gold and Silver Bars is 6%, Gold and Silver Dore is 5.35% and Platinum is 6.4%
- BCD has been reduced on many items such as Shea nuts (30% to 15%), Graphite, Silicon Quartz & Silicon Dioxide (2.5%).
- BCD exemption on critical minerals such as Antimony, Beryllium, Bismuth, Cobalt, Copper etc.
- BCD on Ammonium Nitrate has been increased from 7.5% to 10%.
- BCD exemption on specified Cancer Drugs (Trastuzumab Deruxtecan, Osimertinib, Durvalumab)
- BCD has been reduced from 7.5% to 5% on Methylene Diphenyl Diisocyanate (MDI) for manufacture of spandex yarn to rectify duty inversion [subject to Import of Goods at Concessional Rate of Duty condition (IGCR)]
- BCD on cellular mobile phone reduced from 20% to 15%.
- BCD on PCBA of cellular mobile phone reduced from 20% to 15%.
- BCD on charger /adapter of cellular mobile reduced from 20% to 15%.
- BCD on Oxygen Free Copper (OFC) Strip reduced from 5% to Nil for use in manufacture of resistors subject to import of goods at concessional rate of duty condition (IGCR)
- BCD rate on Printed Circuit Board Assembly (PCBA) of specified telecom equipment has been increased from 10% to 15%.
- BCD Exempted for Ferro-Nickel, Blister Copper

2.3 Changes in Imposition of Countervailing duty (CVD)

- Effective 24 July 2024, a new provision for 'New Shipper Review' has been added in The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995

2.4 Changes in Agricultural Infrastructure and Development Cess (AIDC)

- Effective 23 July 2024, changes in AIDC have been implemented

2.5 Amendment to the Customs Act, 1962

- Section 28DA is being amended to enable the acceptance of different types of proofs of origin provided in trade agreements in order to align the said section with new trade agreements which provide for self-certification.
- A proviso to section 65(1) is being inserted to empower the Central Government to restrict certain manufacturing and other operations not permitted in the warehouse.
- To facilitate trade, section 143AA is being amended to substitute the expression "a class of importers or exporters" with "a class of importers or exporters or any other persons"
- Section 157(2)(m) is being amended by substituting the expression "a class of importers or exporters" with "a class of importers or exporters or any other persons"

2.6 Amendments to the Customs Tariff Act, 1975

- Section 6 is being omitted on account of winding up of Tariff Commission
- The First Schedule to the Customs Tariff Act, 1975 is being amended to :
 - increase the rates on certain tariff items (effective from 24 July 2024)
 - create new tariff lines in respect of defence products, technical textiles, sustainable blended aviation fuel, etc.

2.7 Changes in Social Welfare Surcharge (SWS)

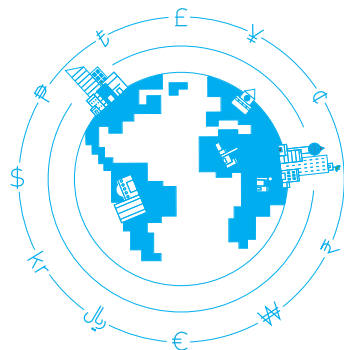
- Exemption/concessional rate of BCD and SWS to critical minerals have been provided under notification effective from 23 July 2024.

2.8 Change in Export Duty

- Effective 24 July 2024, export duty on specified items of raw hides, skins and leather has been amended.

Background

The India Union Budget 2024 has been keenly awaited as India is now the fastest growing large economy in the world and this is the first Budget post elections by the re-elected government. The Economic Survey 2023–24 and certain significant proposals announced by the Hon'ble Finance & Corporate Affairs Minister Mrs. Nirmala Sitharaman in the Union Budget on 23 July 2024 are as under:



Sound Economic Fundamentals

- India's GDP grew by 8.2% for FY 2023–24 which has been projected at 6.5% –7%, recognizing key risks as geo-political risk, elevated assets valuation risk, inflation and global economic slowdown risk.
- The fiscal deficit of the Union Government projected at 4.9% of GDP in FY 2024–25 and expected to further drop to 4.5% of GDP by FY 2025–26.
- India successfully managed to keep retail inflation at 5.4% in FY 2023–24, the lowest level since the Covid-19 pandemic period.
- Gross FDI inflow in FY 2023–24 was US\$ 71 billion
- The Foreign Exchange Reserves were at US\$ 653 billion as of 21 June 2024
- Outlay of Rs. 11.11 lakh crores (US\$ 134 billion) for infrastructural sector for FY 2024–25.

Certain Budget proposals

- Corporate tax rates – No major change except reduction in tax rates for foreign companies
- Change in capital gains tax regime – Rationalisation of rates, period of holding and removing indexation benefit
- Change in taxation of buy back of shares, treatment as dividends in the hands of shareholders and deductibility of purchase price for shareholders as capital loss
- Vivad Se Vishwas Scheme 2024 to reduce litigation and settlement of tax disputes
- Abolition of angel tax for taxation of excessive premium received on issue of shares by Indian companies

- Personal tax – Minor change in slab structure under the new regime, increase in standard deduction and other changes
- Safe Harbour Rules for transfer pricing – Widening and liberalisation
- Re-opening of tax assessments – Substantial reduction in periods resulting in greater certainty for tax filers
- Assessment in case of search cases – Re-introduction of Block Assessment for 6 years with rates of tax, interest and penalty provisions to reduce disputes and period for completion of assessment
- Rationalisation of regimes for charitable entities
- Indirect tax proposals covering Custom duty and GST
- Employment based fiscal incentives

Overall, the Union Budget focus is on growth, employment generation, fiscal stability and simplification of tax regime and should result in maintaining the sustained growth momentum.

There is no change in the overall structure of corporate tax rates. Given that the corporate tax rate under the new concessional regime is 25.17% and for new manufacturing companies it is 17.16%, the stability is a positive news. However, extension of sunset date for setting up of a new manufacturing company beyond 31 March 2024 has not been announced which was expected. Other initiatives on schemes for boosting employment have been announced with a goal to boost employment opportunities in India.

The proposal in the Finance (No. 2) Bill 2024 to abolish angel tax is a welcome measure as it would remove the genuine concerns of investors (both residents and non-residents) as the potential tax and litigation exposure on investment in an Indian company's shares will be put to rest.

There is a change in personal tax in relation to income slabs rates with nominal benefits to individuals / HUFs under new regime. There has been no change in the surcharge and cess rates. Standard deduction to salaried individuals and pensioners has been proposed to be increased from Rs. 50,000 to Rs. 75,000 under the new tax regime. However, standard deduction to salaried individuals and pensioners will continue to be Rs. 50,000 under the old tax regime. Deduction from family pension of Rs. 15,000 is proposed to be increased to Rs. 25,000 under the new tax regime.

It may be noted that while the limit of rebate from income-tax under section 87A continues to be Rs. 25,000, in effect, the maximum rebate under the new regime will get

restricted to Rs.20,000 as the rebate is not available in case the taxable income exceeds Rs. 7,00,000 under the new regime.

It is proposed to increase the amount of deduction allowed to an employer in respect of his contribution to a pension scheme referred to in section 80CCD, from the extent of 10% to the extent of 14% of the salary of the employee. Further, a non-government employee in the new tax regime shall be allowed deduction of an amount not exceeding 14% of the employee's salary in place of 10%.

As regards capital gains, there is an increase in tax rate for short term gains on certain financial assets which shall henceforth attract a tax rate of 20% (earlier 15%), while that on all other financial and non-financial assets shall continue to attract the applicable tax rate. Long term gains on all financial and non-financial assets, on the other hand, will attract a tax rate of 12.5% (earlier 10%). Listed financial assets held for more than a year will be classified as long term, while unlisted financial assets and all non-financial assets will have to be held for at least 2 years to be classified as long-term. Unlisted bonds and debentures, debt mutual funds and market linked debentures, irrespective of holding period, however, will attract tax on capital gains at applicable rates. Rates for Securities Transaction Tax has been increased in case of derivatives (Futures and Options).

It is proposed that the income from buy-back of shares by companies be chargeable in the hands of recipient investor as dividend, instead of the current regime of additional income-tax in the hands of the company. Further, the cost of such shares shall be treated as a capital loss to the investor for set off against other capital gains and will not be allowed as costs / deductions against the dividends.

One of the major proposals in Budget 2024 towards settling the pending litigation is announcement of the Vivad Se Vishwas Scheme 2024, which is expected to be notified in due course. It is notable that the earlier version, Vivad Se Vishwas Scheme 2020 received a good response. This is a welcome move and it would be helpful in clearing the backlog of pending cases with the CIT(A) level and is expected to reduce the pending litigations of the businesses. The Scheme needs to be viewed in the context of another major announcement made by the Final Budget 2024 viz. the proposal for a comprehensive review of the Income-tax Act, 1961 ('IT Act') with an expected completion timeline of 6 months. The purpose is to make the IT Act concise, lucid, easy to understand which will reduce disputes and litigation, thereby providing tax certainty to the taxpayers. The 1st phase of this process has already been done in this Budget by simplifying the tax regime for charities, TDS rate structure, provisions for reassessment and search provisions and capital gains taxation.

Further, in the Budget Speech, it has been announced that the monetary limits for filing appeals related to direct taxes, excise and service tax in the Tax Tribunals, High Courts and Supreme Court have been increased to Rs. 60,00,000, Rs. 2,00,00,000, and

Rs. 5,00,00,000, respectively. With a view to reduce litigation and provide certainty in international taxation, the scope of safe harbour rules is being proposed to be expanded and being made more attractive.

One of the far-reaching changes is the reduction in time limit for re-opening of the assessments. It is proposed that an assessment cannot be reopened beyond 3 years from the end of the assessment year except in cases where the escaped income is Rs.50 lakhs or more (in such cases the maximum period for re-opening would be 5 years from the end of the assessment year). Even in search cases, a time limit of 6 years before the year of search and concept of block assessment is proposed to be re-introduced as against the existing time limit of 10 years. This will reduce tax-uncertainty and disputes.

The Union Budget 2024 has outlined 3 schemes for 'Employment Linked Incentive' which would be based on enrolment in the EPFO, focus on recognition of first-time employees and provide support to employees and employers. This assumes great significance as it has large number of persons entering workforce every year.

It is proposed that Equalisation Levy @2% of consideration received for e-commerce supply of goods or services, shall no longer be applicable on or after 1 August 2024.

Non-reporting of small foreign assets has penal consequences under the Black Money Act. Such non-reporting of movable assets up to Rs. 20 lakhs is proposed to be de-penalised.

There was an expectation that the maximum rate of taxation on dividends which is 35.88% would have been reduced to 23.92% for resident shareholders but the same has not been met. Also, there is no proposal for introduction of inheritance tax or wealth tax which is a subject matter of discussion in many advanced economies and would be a big relief to HNIs.

There has been no change in provisions for determination of residential status related to non-residents visiting or regularly investing into India.

Indirect tax related changes are aimed to promote exports, boost domestic manufacturing, enhance domestic value addition, encourage green energy and mobility. On the GST front, several announcements have been made related to procedural aspects, decriminalization of certain offences etc. On the Customs front, there have been various rate changes and few exemptions. Customs duty on gold and silver has been reduced to 6% and for platinum, the same has been reduced to 6.4%.

The Union Budget hopes to build on the foundation laid in the Interim Budget and the blueprint drawn for 'Viksit Bharat', which envisions a prosperous and inclusive India. Overall, the Union Budget is a balanced budget despite the uncertain and challenging

times, with a focus on priorities of growth, infrastructure, fiscal consolidation, stability of corporate tax regime, simplification of personal tax regime and overhaul in capital gains taxation regime.

Scope and Limitations

In this booklet compiled by us, we intend to offer a broad outline of the highlights of the Finance Bill (No.2), 2024 presented on 23 July 2024. We have discussed the significant proposals of general interest in respect of direct taxes, indirect taxes and other policy initiatives, only the highlights have been briefly enumerated. Preceding the budget proposals are the macro indicators of Indian economy which provide a backdrop to the legal and financial proposals.

This booklet is not an offer, invitation or solicitation of any kind and it does not purport to be comprehensive, or to render legal, economic or financial advice. This booklet should not be relied upon for taking actions or decisions without appropriate professional advice as the facts of each case have to be studied and the legal position analysed properly before taking any action or decision in the matter. Further, this booklet contains only the proposals and amendments as given in the Finance Bill (No.2) 2024, which may be modified before it receives the approval and assent of the Parliament and the President. The proposals regarding direct taxes would become effective from Assessment Year 2025–26 (Financial Year 1 April 2024 to 31 March 2025), unless otherwise specified. In this booklet, the terms 'IT Act', 'the Rules' and 'the Bill' are used for the "Income-tax Act, 1961", "Income-tax Rules, 1962" and "Finance Bill (No.2), 2024" respectively.

While all reasonable care has been taken in preparation of this booklet, we accept no responsibility for any errors it may contain or for any omissions or otherwise or for any loss, howsoever caused or sustained, by the person who relies on it.

Chapter 2 Indian Economy – An Overview

2.1 India at a glance

GDP: 2023



- US\$ 14.59 trillion in terms of PPP and US\$ 3.94 trillion in nominal terms
- India is the 3rd largest economy globally (in PPP terms) and 5th largest (in nominal terms)

GDP Growth rate



- India real GDP growth rate of (as per IMF)
- 6.1% in 2023-24
- 6.5-7.0% in 2024-25

Demography



- India has a population of over 1.428 billion people, wherein the median age was 29.8 years estimate of 2024.
- India has one-sixth of the world's population and has overtaken China to become the most populous country in the world.

Equity Market Capitalisation (BSE)



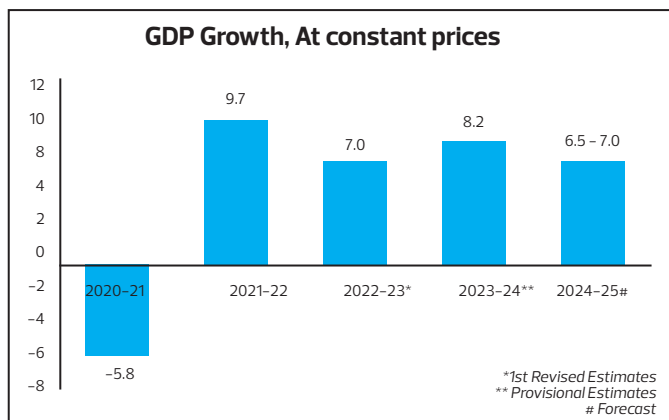
- US\$ 5.36 trillion as on 22 July 2024, 4th largest globally.

2.2 General Review

India's economy showed resilience to a gamut of global and external challenges as real GDP grew by 8.2% in FY 2023-24, driven by stable consumption demand and steadily improving investment demand. India's real GDP is projected to grow at 6.5% to 7.0% in FY 2024-25.

The domestic growth drivers have supported the Indian economic growth in FY 2023-24 despite uncertain global economic performance. The global trade outlook for 2024 remains positive, with merchandise trade expected to pick up after registering a contraction in volumes in 2023.

The fiscal deficit is projected to reduce from 5.6% of GDP in FY 2023-24 to 4.9% for FY 2024-25 and further to 4.5% for FY 2025-26.



The consistent GDP growth reflects the long-run growth prospects of the economy. However, any escalation of geopolitical conflicts may lead to supply dislocations, higher commodity prices, reviving inflationary pressures and stalling monetary policy easing with potential repercussions for capital flows.

India's inflation management has been particularly noteworthy and can be contrasted with advanced economies that are still grappling with sticky inflation rates. India's CPI inflation was 5.1% in June 2024, and core inflation declined to 3.1%. This is despite the fact that there were pressures on the food inflation front, driven by adverse weather conditions.

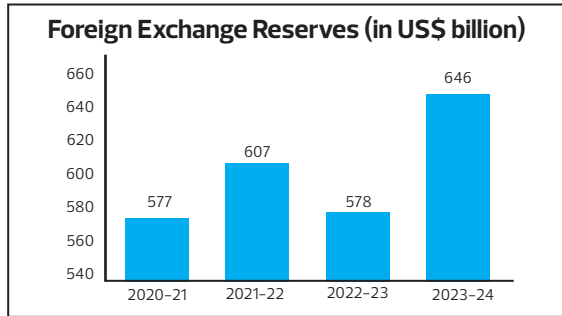
Despite the core inflation rate being around 3%, the RBI, with one eye on the withdrawal of accommodation and another on the US Federal rates, has kept interest rates unchanged for quite some time, and the anticipated easing has been delayed.

India's Balance of Payments shows us that the investment interest of external investors, measured in terms of dollar inflows of new capital, was lower at US\$ 45.8 billion in FY2023–24 compared to US\$ 47.6 billion in FY 2022–23. This slight decline is in line with global trends. Reinvestment of earnings remained the same. It is noted that the repatriation of investment was US\$ 29.3 billion in FY2022–23 and US\$ 44.5 billion in FY2023–24.

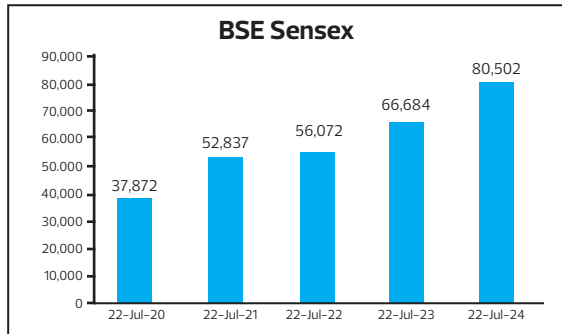
Net private transfers, mostly comprising remittances from abroad, grew to US\$ 106.6 billion in FY 2023–24. As a result, the Current Account Deficit stood at 0.7% of the GDP during the year, an improvement from the deficit of 2.0% of GDP in FY 2022–23. The net FPI inflows stood at US\$ 44.1 billion during FY 2023–24 against net outflows in the preceding two years.

The Indian Rupee has also been one of the least volatile currencies among its emerging market peers in FY 2023–24. India's external debt vulnerability indicators also continued to be benign. External debt as a ratio to GDP stood at a low level of 18.7% as of end-March 2024. The ratio of foreign exchange reserves to total debt stood at 97.4% as of March 2024 as per the Economic Survey 2023–24.

Overall, India's external sector is being deftly managed with comfortable foreign exchange reserves and a stable exchange rate. Forex reserves as of the end of March 2024 were sufficient to cover 11 months of projected imports. India's foreign exchange reserve position touched US\$ 646.4 billion at year end.



Indian stock market was among the best-performing markets, with India's Nifty 50 index ascending by 26.8% during FY 2023-24, as against -8.2% during FY 2022-23.



The growth in Gross Tax Revenue was estimated to be 13.4% in FY 2023-24, translating into tax revenue buoyancy of 1.4. The growth was led by a 15.8% growth in direct taxes and a 10.6% increase in indirect taxes over FY 2022-23.

The capital expenditure for FY 2023-24 stood at Rs.9.5 lakh crore, an increase of 28.2% on a year-on-year basis and was 2.8 times the level of FY 2019-20. The Government's thrust on capex has been a critical driver of economic growth amidst an uncertain and challenging global environment. Spending in sectors such as road transport and highways, railways, defence services, and telecommunications delivers higher and longer impetuses to growth by addressing logistical bottlenecks and expanding productive capacities.

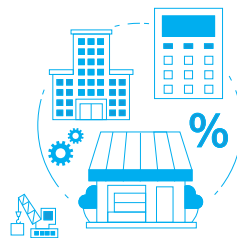
The all-India annual unemployment rate (persons aged 15 years and above, as per usual status) has been declining since the pandemic and this has been accompanied by a rise in the labour force participation rate and worker-to-population ratio. From the gender perspective, the female labour force participation rate has been rising for six years, i.e., from 23.3% in 2017-18 to 37.0% in 2022-23, driven mainly by the rising participation of rural women.

Chapter 3 TAX RATES

3.1 Individuals, HUFs, AOPs and BOIs

3.1.1 Tax rates

The Bill proposes relief for personal income tax under the new default tax regime under section 115BAC of the IT Act and the old tax regime shall continue to remain the same. Individuals/ HUFs/ AOPs and BOIs continue to have the option to opt for the old tax regime. The income-tax slabs and rates for the FYs 2024-25 and 2023-24 under the default new tax regime and the old tax regime are as under:



Default New Tax Regime

FY 2024-25		FY 2023-24	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
0 - 3,00,000	Nil	0 - 3,00,000	Nil
3,00,001 - 6,00,000*	Nil - after rebate under section 87A*	3,00,001 - 6,00,000*	Nil - after rebate under section 87A*
6,00,001 - 7,00,000*	Nil - after rebate under section 87A*	6,00,001 - 7,00,000*	Nil - after rebate under section 87A*
7,00,001 - 10,00,000	Rs. 20,800 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 7,00,000	7,00,001 - 9,00,000	Rs. 26,000 plus 10.40% [tax rate 10% plus health and education cess 4% thereon] of income exceeding Rs. 7,00,000
10,00,001 - 12,00,000	Rs. 52,000 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	9,00,001 - 12,00,000	Rs. 46,800 plus 15.60% [tax rate 15% plus health and education cess 4% thereon] of income exceeding Rs. 9,00,000
12,00,001 - 15,00,000	Rs. 83,200 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 12,00,000	12,00,001 - 15,00,000	Rs. 93,600 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 12,00,000

FY 2024-25		FY 2023-24	
Income Slabs (Rs.)	Proposed Tax Rates	Income Slabs (Rs.)	Tax Rates
15,00,001 – 50,00,000	Rs. 1,45,600 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000	15,00,001 – 50,00,000	Rs. 1,56,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 15,00,000
50,00,001 [^] – 1,00,00,000	Rs.13,61,360 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	50,00,001 [^] – 1,00,00,000	Rs.13,72,800 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000
1,00,00,001 [^] – 2,00,00,000	Rs. 32,17,240 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	1,00,00,001 [^] – 2,00,00,000	Rs. 32,29,200 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000
2,00,00,001 [^] – 5,00,00,000	Rs. 73,97,000 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	2,00,00,001 [^] – 5,00,00,000	Rs.74,10,000 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000
5,00,00,001 and above	Rs.1,90,97,000 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000	5,00,00,001 [^] and above	Rs.1,91,10,000 plus 39% [(tax rate 30% plus surcharge 25% ^{^^} thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000

The proposal allows to claim the following deduction under the new tax regime:

- a) Standard deduction to salaried taxpayer has been proposed to increase to Rs. 75,000 from Rs. 50,000
 - b) Deduction from income in the nature of family pension [1/3rd or Rs. 25,000 (earlier Rs. 15,000), whichever is less]
- * A resident individual would be entitled to rebate under section 87A of 100% of tax payable [excluding health and education cess] resulting in NIL tax liability upto total income of Rs. 7,00,000.
- ^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, or 25% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000 or Rs. 2,00,00,000 as the case may be. No marginal relief shall be available in respect of the health and education cess.
- ^^ Maximum rate of surcharge on tax payable on income chargeable to tax under section 111A, 112A, 112, 115AD(1)(b) and dividend income shall be 15%.

Old Tax Regime

The tax rates in the old tax regime in case of individuals, HUFs, AOPs and BOIs continue to remain the same. As such, the effective and present tax rates under the old tax regime for the FYs 2024–25 and 2023–24 are as follows:

Income Slabs (Rs.)	FY 2024–25 Proposed Tax Rates	FY 2023–24 Tax Rates
0 – 2,50,000 #	Nil	
2,50,001 # – 5,00,000*	Nil – after rebate under section 87A*	
5,00,001 – 10,00,000	Rs. 13,000 plus 20.80% [tax rate 20% plus health and education cess 4% thereon] of income exceeding Rs. 5,00,000	
10,00,001 – 50,00,000	Rs. 1,17,000 plus 31.20% [tax rate 30% plus health and education cess 4% thereon] of income exceeding Rs. 10,00,000	
50,00,001* – 1,00,00,000	Rs. 15,01,500 plus 34.32% [(tax rate 30% plus surcharge 10% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 50,00,000	
1,00,00,001* – 2,00,00,000	Rs. 33,63,750 plus 35.88% [(tax rate 30% plus surcharge 15% thereon) plus health and education cess 4% thereon] of income exceeding Rs. 1,00,00,000	
2,00,00,001* – 5,00,00,000	Rs. 75,56,250 plus 39% [(tax rate 30% plus surcharge 25%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 2,00,00,000	
5,00,00,001* and above	Rs. 2,11,04,850 plus 42.744% [(tax rate 30% plus surcharge 37%^^ thereon) plus health and education cess 4% thereon] of income exceeding Rs. 5,00,00,000	

- # Basic exemption income slab in case of a resident individual of the age 60 years or more (senior citizen) and resident individual of the age 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same, at Rs. 3,00,000 and Rs. 5,00,000 respectively.
- * The tax rate has been continued at 5.20% [tax rate 5% plus health and education cess 4% thereon] on the income exceeding Rs. 2,50,000 but not exceeding Rs. 5,00,000. However, a resident individual would continue to be entitled to a rebate under section 87A of tax payable [excluding health and education cess] or Rs. 12,500, whichever is lesser, resulting in NIL tax liability upto total income of Rs. 5,00,000.
- ^ Marginal relief is available to ensure that the additional income tax payable, including surcharge of 10%, 15%, 25% or 37% on the excess of income over Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 50,00,000, Rs. 1,00,00,000, Rs. 2,00,00,000 or Rs. 5,00,00,000 respectively. However, no marginal relief shall be available in respect of health and education cess.
- ^^ Maximum rate of surcharge on tax payable on income chargeable to tax under sections 111A, 112A, 112, 115AD(1)(b) and dividend income, shall be 15%.

3.1.2 Comparison of Income slabs and proposed tax incidence under the old tax regime and the new tax regime

Annual Income (Rs.)	Tax Liability (Rs.) (Including surcharge and education cess)		
	As per old tax regime**# (deduction/exemption available, but not considered)	As per proposed new tax regime**# (deduction available- but not considered)	Benefit in the proposed new tax regime
2,50,000	-	-	-
3,00,000	-	-	-
5,00,000	-	-	-
6,00,000	33,800	-	33,800
7,00,000	54,600	-	54,600
7,50,000	65,000	26,000	39,000
9,00,000	96,200	41,600	54,600
10,00,000	1,17,000	52,000	65,000
12,00,000	1,79,400	83,200	92,200
12,50,000	1,95,000	93,600	1,01,400
15,00,000	2,73,000	1,45,600	1,27,400
25,00,000	5,85,000	4,57,600	1,27,400
50,00,000	13,65,000	12,37,600	1,27,400
75,00,000	23,59,500	22,19,360	1,40,140
1,00,00,000	32,17,500	30,77,360	1,40,140

Annual Income (Rs.)	Tax Liability (Rs.) (Including surcharge and education cess)		
	As per old tax regime**# (deduction/exemption available, but not considered)	As per proposed new tax regime**# (deduction available-mentioned above- but not considered)	Benefit in the proposed new tax regime
1,50,00,000	51,57,750	50,11,240	1,46,510
2,00,00,000	69,51,750	68,05,240	1,46,510
3,50,00,000	1,34,06,250	1,32,47,000	1,59,250
5,00,00,000	1,92,56,250	1,90,97,000	1,59,250
5,50,00,000	2,32,42,050	2,10,47,000	21,95,050

** The tax incidence for AOPs and BOIs will be same as that of individuals and HUFs.

Basic exemption income slab in case of a resident individual of the age of 60 years or more (senior citizen) and resident individual of the age of 80 years or more (very senior citizens) at any time during the previous year, continues to remain the same at Rs. 3,00,000 and Rs. 5,00,000 respectively.

3.2 Companies

3.2.1 Domestic companies

I. Domestic companies opting for concessional corporate tax regime – Tax under section 115BAA

No change is proposed in the tax rates. Domestic companies continue to have an option[^] to pay tax at a concessional rate subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2024–25 and 2023–24 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2024–25 (Proposed)	FY 2023–24	FY 2024–25 (Proposed)	FY 2023–24
Irrespective of the level of total income	25.17% [(tax rate 22% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime	

[^]The option once exercised, cannot be withdrawn in subsequent AYs.

II. Domestic companies with manufacturing or electricity generation activity opting for concessional corporate tax regime – Tax under section 115BAB

No change is proposed in the tax rates for domestic companies set up on or after 1 October 2019 and commencing manufacturing or electricity generation activity

before 31 March 2024 opting[^] to pay tax at a lower tax rate of 15% plus surcharge at 10% and health and education cess thereon at 4%, subject to certain specified conditions. The MAT provisions shall not be applicable to such companies. The effective tax rates for FYs 2024–25 and 2023–24 are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2024–25 (Proposed)	FY 2023–24	FY 2024–25 (Proposed)	FY 2023–24
Irrespective of the level of total income	17.16% [(tax rate 15% plus surcharge 10% thereon) plus health and education cess 4% thereon]		Not applicable under the concessional corporate tax regime	

[^]The option once exercised, cannot be withdrawn in subsequent AYs.

III. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipt in FY 2022–23 up to Rs. 400 crores

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2024–25 (for domestic companies having total turnover / gross receipt in FY 2022–23 of up to Rs. 400 crores) and for FY 2023–24 (for domestic companies having total turnover / gross receipt in FY 2021–22 up to Rs. 400 crore) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2024–25 (Proposed)	FY 2023–24	FY 2024–25 (Proposed)	FY 2023–24
Having total income exceeding Rs. 10,00,00,000	29.12% [(tax rate 25% plus surcharge 12% thereon) plus health and education cess 4% thereon]		17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	27.82% [(tax rate 25% plus surcharge 7% thereon) plus health and education cess 4% thereon]		16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	26.00% (tax rate 25% plus health and education cess 4% thereon)		15.60% (tax rate 15% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000 / Rs. 10,00,00,000 as the case may be is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

IV. Domestic companies, not opting for concessional tax regime, having total turnover / gross receipts in FY 2022–23 exceeding Rs. 400 crore

No change is proposed in the tax rates. The effective tax rates and MAT rates for FY 2024–25 (for domestic companies having total turnover / gross receipt in FY 2022–23 exceeding Rs. 400 crores) and for FY 2023–24 (for domestic companies having total turnover / gross receipts in FY 2021–22 exceeding Rs. 400 crores) are as under:

Level of total income	Effective Tax Rates		Effective MAT Rates	
	FY 2024–25 (Proposed)	FY 2023–24	FY 2024–25 (Proposed)	FY 2023–24
Having total income exceeding Rs. 10,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]		17.472% [(tax rate 15% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	33.384% [(tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]		16.692% [(tax rate 15% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)		15.60% (tax rate 15% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7% / 12% on the excess of income over Rs. 1,00,00,000 / Rs. 10,00,00,000 as the case may be is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.2.2 Foreign companies

The Bill proposes a reduced rate of tax at 35% for foreign companies. The effective tax rates for foreign companies for FYs 2024–25 and 2023–24 are as follows:

Level of total income	Effective Tax Rates	
	FY 2024–25 (Proposed)	FY 2023–24
Having total income exceeding Rs. 10,00,00,000	38.22% [(tax rate 35% plus surcharge 5% thereon) plus health and education cess 4% thereon]	43.68% [(tax rate 40% plus surcharge 5% thereon) plus health and education cess 4% thereon]

Level of total income	Effective Tax Rates	
	FY 2024–25 (Proposed)	FY 2023–24
Having total income exceeding Rs. 1,00,00,000 but not exceeding Rs. 10,00,00,000	37.128% [(tax rate 35% plus surcharge 2% thereon) plus health and education cess 4% thereon]	42.432% [(tax rate 40% plus surcharge 2% thereon) plus health and education cess 4% thereon]
Having total income upto Rs. 1,00,00,000	36.40% (tax rate 35% plus health and education cess 4% thereon)	41.60% (tax rate 40% plus health and education cess 4% thereon)

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 2% / 5% on the excess of income over Rs. 1,00,00,000/ Rs. 10,00,00,000 as the case may be is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

3.3 Partnership Firms/LLPs

No change is proposed in the tax rates. The effective tax rates for partnership firms/LLPs for FYs 2024–25 and 2023–24 are as follows:

Level of total income	Effective Tax Rates	
	FY 2024–25 (Proposed)	FY 2023–24
Having total income exceeding Rs. 1,00,00,000	34.944% [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	
Having total income upto Rs. 1,00,00,000	31.20% (tax rate 30% plus health and education cess 4% thereon)	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 12% on the excess of income over Rs.1,00,00,000, is limited to the amount by which the income is more than Rs.1,00,00,000. However, no marginal relief shall be available in respect of the health and education cess.

3.4 Other Entities

3.4.1 Co-operative societies

No changes are proposed in the tax rates. As such, the effective tax rates for co-operative societies for FYs 2024–25 and 2023–24 are as follows:

Income slab (Rs.)	Tax Rates	
	FY 2024–25	FY 2023–24
0 - 10,000	10.40% (tax rate 10% plus health and education cess 4% thereon)	

Income slab (Rs.)	Tax Rates	
	FY 2024-25	FY 2023-24
10,001 – 20,000	Rs. 1,040 plus 20.80% of income exceeding Rs. 10,000 (tax rate 20% plus health and education cess 4% thereon]	
20,001 – 1,00,00,000	Rs. 3,120 plus 31.20% of income exceeding Rs. 20,000 (tax rate 30% plus health and education cess 4% thereon]	
1,00,00,000 – 10,00,00,000	Rs. 33,35,062 plus 33.384% of income exceeding Rs. 1,00,00,000 (tax rate 30% plus surcharge 7% thereon) plus health and education cess 4% thereon]	
Above 10,00,00,000	Rs. 3,49,40,506 plus 34.944% of income exceeding Rs. 10,00,00,000 [(tax rate 30% plus surcharge 12% thereon) plus health and education cess 4% thereon]	

Marginal relief is available to ensure that the additional income–tax payable, including surcharge of 7%/12% on the excess of income over Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be, is limited to the amount by which the income is more than Rs. 1,00,00,000 or Rs. 10,00,00,000 as the case may be. However, no marginal relief shall be available in respect of the health and education cess.

The concessional tax under section 115BAD continues to remain the same at 22% (plus surcharge @ 10% plus health and education cess @ 4%) subject to fulfillment of certain conditions similar to domestic companies. The AMT provision shall not be applicable to such co-operative societies.

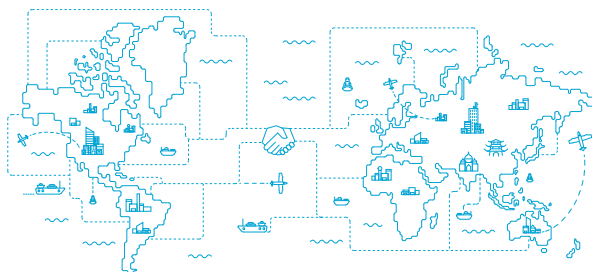
The concessional tax under section 115BAE continues to remain the same at 15% (plus surcharge @ 10% plus health and education cess @ 4%) for manufacturing co-operative society set up on or after 1 April 2023 and commenced manufacturing or production on or before 31 March 2024 and does not avail any specified incentive or deductions.

3.5 AMT on non-corporate assessees (excluding assessee opting for section 115BAC or section 115BAD/115BAE – optional tax regime)

There is no change in AMT rates for non-corporate assesses.

The G20 economies comprising of 19 countries, the EU and the African Union, account for almost 85% of the global GDP, 75% of the global trade, 2/3rd of the world population and approximately 60% of the world land area. India held the Presidency of the G20 from 1 December 2022 to 30 November 2023

and now Brazil holds the Presidency of the G20 from 1 December 2023 to 30 November 2024. Considering the significance of these economies and in order to provide an indicative overview of the prevailing tax rates in these key economies, a brief comparative matrix is tabulated below:



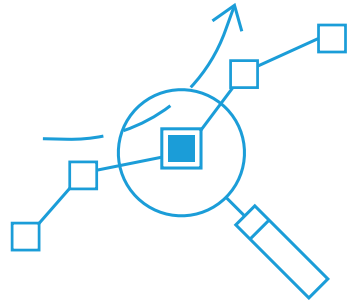
Sr. No.	Country	Corporate Tax Rate [Note 1]	Personal Tax Rate [Notes 1 & 2]
1.	Argentina	35%	35%
2.	Australia	30%	47%
3.	Brazil	34%	27.50%
4.	Canada	31%	54%
5.	China	25%	45%
6.	France	25%	45% plus surtax and social charge
7.	Germany	15.8% plus trade tax	45% plus surcharge
8.	India [Notes 3, 4 & 5]	17.16% 25.17% 29.12% 34.94%	39% 42.74%
9.	Indonesia	22%	35%
10.	Italy	27.9%	46.42%
11.	Japan [Note 6]	23.20 %	55.95%
12.	Mexico	30%	35%
13.	Russia	20%	15%
14.	Saudi Arabia [Note 7]	20%, 0%	0%
15.	South Africa	27%	45%
16.	South Korea	24%	49.5%
17.	Turkey	25%	40%
18.	United Kingdom	25%	45%
19.	United States of America [Note 8]	21%	37%

Notes:

1. The above tax rates are MMR and inclusive of provincial or local taxes as may be applicable to domestic companies / resident individuals in respective countries.
2. The taxation regime for corporate taxes is flat rate for all the G20 economies except Argentina and South Korea. The taxation regime for personal taxes is progressive for all the G20 economies except Russia and Saudi Arabia.
3. The concessional tax rate for certain domestic companies is 22% (effective tax rate is 25.17%). For Manufacturing Companies set up between 1 October 2019 to 31 March 2024, the tax rate is 15% (effective tax rate 17.16%).
4. The Bill has not proposed any changes in the tax rates for domestic companies. For domestic companies not opting for concessional tax regime, the corporate tax rate is 25% (the effective tax rate is 29.12%) in case of such companies having total turnover not exceeding Rs. 400 crores during FY 2022–23 and corporate tax of 30% (the effective tax rate is 34.94%) in case of total turnover exceeding Rs. 400 crores during FY 2022–23.
5. The MMR is 39% for individuals opting for new tax regime and 42.74% for individuals opting for old tax regime. For details, please refer 'Chapter 3: Tax Rates'.
6. Corporate tax @ 30.62% is indicative effective rate of tax. In addition, size-based business tax is also levied on companies. Personal tax rate is inclusive of 2.1% surtax and 10% local income taxes applicable to a resident of Japan.
7. Corporate Tax @ 20% is payable on the pro-rata income to the extent of non-resident shareholding. Saudi and the Gulf Cooperation Council nationals or companies owned by them have to pay Zakat (i.e. a religious tax) at 2.5%.
8. In USA, Corporate tax comprises of federal tax (21%) as well as state and local government taxes which vary from state to state. Personal tax comprises of federal tax (37%) and further each state and local government can also levy tax on income.

5.1 Background

For cross border taxation, the provisions of the IT Act or the domestic tax legislation of the relevant country have to be read with the provisions of the DTAA with the relevant country. India has comprehensive DTAA with about 96 countries. The DTAA generally provide for taxation based on residence and/or source of income and the manner and extent of taxation of business income based on Permanent Establishment, reduced rates of taxation for interest / royalty / dividends / capital gains, taxation of expatriates and salary income, taxation of artists / performers and independent personal services. The DTAA also provide for credit of tax paid in the other country, elimination of double taxation, non-discrimination, mutual agreement procedure, and exchange of information. The DTAA are extremely relevant for Indian entities for the purpose of determination of the withholding tax rates for payment of salaries, interests, dividends, royalties, fees for technical services to non-residents, etc. This has been the position for cross border taxation for the past several decades, but this is undergoing a major change due to introduction of MLI provisions.



Organisation for Economic Co-operation and Development ('OECD') under the Base Erosion and Profit Shifting ('BEPS') project has released Action Plan 15 "Developing a Multilateral Instrument to Modify Bilateral Tax Treaties". Action Plan 15 provides for development of MLI that will enable jurisdictions to swiftly amend their bilateral tax treaties to implement such measures rather than entering into long-drawn process of negotiation. **Measures that will be covered in the MLI include those on hybrid mismatch arrangements, treaty abuse, permanent establishment, and mutual agreement procedures.**

5.2 How MLI Operates?

MLI includes both mandatory provisions (referred as "minimum standards" such as improved dispute resolution mechanism, New Preamble language) as well as non-mandatory provisions. Signatories are provided the flexibility of opting out of applicability of non-mandatory provisions by way of reservation. At the time of signature, signatories submit a list of their tax treaties in force that they would want to be amended through the MLI which are designated as Covered Tax Agreements ('CTA'). If a party makes a reservation that a certain provision shall not apply to certain CTA, it shall not be applicable to that CTA even if treaty partner has not made any reservation. Similarly, in case of any optional provisions, where

the MLI provides for the parties to choose between different alternatives which are intended to address the same issue in a provision, the MLI in respect to such provision would apply only if both the parties have opted for the same alternative. Hence, MLI shall not automatically apply to all bilateral treaties that a signatory country has entered into, but it shall apply to the extent both parties to the treaty have agreed upon the treaty being governed by MLI provisions.

5.3 Applicability of MLI

On 7 June 2017, India became a signatory to the MLI along with 67 other jurisdictions. **On 25 June 2019, India has deposited the Instrument of Ratification with OECD, Paris alongwith its Final Position in terms of CTAs, Reservations, etc. under the MLI.** Till date, 93 CTAs have been notified by India. Out of which as per the data available upto 27 June 2024, 54 CTAs have or would soon become effective as tabulated below:

Date of entry into effect of MLI for India	With respect to taxes withheld	With respect to other taxes
From 1 April 2020	28	21
From 1 April 2021	12	15
From 1 April 2022	4	8
From 1 April 2023	6	3
From 1 April 2024	4	6
From 1 April 2025	-	1
	54	54

5.4 Date of entry into force and date of entry into effect of MLI provisions

For CTAs, effect of MLI will take place after both the countries ratify the MLI. The MLI will **'enter into force'** with respect to such countries within end of 3 months from the end of month of date of deposit of ratified instrument with OECD by such country.

Further, the **'entry into effect'** shall be as under:

- a) With respect to withholding taxes – From the 1st day of taxable period commencing on or after the entry into force of MLI
- b) With respect to other taxes – From the 1st day of taxable period commencing on or after 6 months of the entry into force of MLI

The table below gives a better understanding of date of entry into force and date of entry into effect of MLI provisions with respect to CTAs notified by India:

Treaty partner	Deposit of ratification instrument by treaty partner	Entry into Force (First day of the month following a 3-month period from the deposit)	Entry into effect for withholding tax (1st day of taxable period commencing on or after date of MLI entering into force)	Entry into effect for other taxes (1st day of taxable period commencing on or after 6 months of MLI entering into force)
Treaty partners who have already deposited ratification instrument till 25 June 2019	-	1 October 2019	1 April 2020	1 April 2020
Treaty partners who have not already deposited ratification instrument till 25 June 2019	Assuming it is deposited in November 2019	1 March 2020	1 April 2020	1 April 2021
	Assuming it is deposited in March 2020	1 July 2020	1 April 2021	1 April 2021
	Assuming it is deposited in FY 2020-21 and onwards	For e.g. If treaty partner deposits instrument on 30 April 2020, entry into force will be 1 August 2020	1 April 2021	1 April 2021

5.5 Aligning purpose of entering into DTAA with MLI

In order to implement the BEPS measures, MLI will modify India's DTAs and will be applied alongside the existing DTAs.

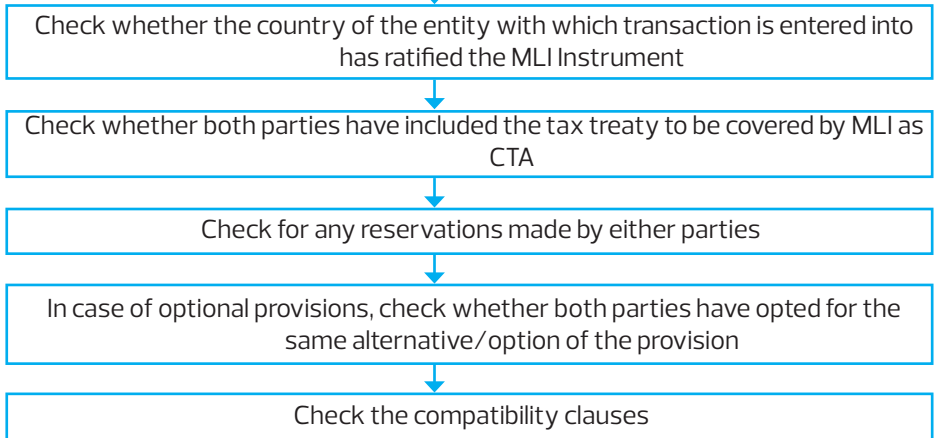
Article 6 of MLI provides for modification of the CTA to include the following preamble text:

"Intending to eliminate double taxation with respect to the taxes covered by this agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this agreement for the indirect benefit of residents of third jurisdictions),"

In order to achieve this, the provisions of section 90(1)(b) and section 90A(1)(b) of the IT Act were amended so as to provide that the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for, inter alia, the avoidance of double taxation of income under the IT Act and under the corresponding law in force in that country or specified territory, as the case may be, without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this

agreement for the indirect benefit of residents of any other country or territory).

How to go about an MLI?



5.6 Depending on the position taken under MLI by a country, India's DTAA with it shall get modified in the following prominent ways:-

- a) The minimum standard under BEPS Action 6 to tackle treaty abuse i.e., insertion of new Preamble and the Principal Purposes Test (PPT) in the DTAA's shall be achieved.
- b) The minimum standard under BEPS Action 14 relating to the mutual agreement procedure shall get implemented.
- c) Artificial avoidance of Permanent Establishment (PE) status through commissionaire arrangements and similar strategies would be prevented. Avoidance of PE formation through specific activity exemptions and splitting up of contracts would also be prevented.
- d) Avenues leading to avoidance of capital gains from alienation of shares/ interests deriving value principally from immovable property would be plugged.
- e) Certain dividend transfer transactions that are intended to lower withholding taxes payable on dividends artificially would be prevented.

5.7 Release of Synthesised Text

Synthesised text combines and reproduces (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in the light of the interaction of the MLI positions the Parties have taken. Thus, synthesised texts make it much simpler to understand the effects of the MLI

and the way it modifies each Covered Tax Agreement. As on 17 July 2024, India has released the synthesized text of 32 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Hungary and Korea.

5.8 MLI – Implications in case of CTAs

As mentioned above, in case of 54 CTAs, MLI has become effective in India or will soon become effective. As MLI becomes effective in India, tax treaties should not be replaced by MLI but it should be read alongside existing treaty provisions and modify the application of treaties to the extent of aligning it with measures specified under BEPS Action Reports. Therefore, MLI provisions need to be analyzed in detail whenever tax treaties need to be relied upon as it has wide coverage of anti-abuse rules contained in its 'minimum standards' such as principal purpose test, simplified LOB etc. Any transaction undertaken in violation of MLI provisions in future could have significant tax implications.

5.9 DTAA rates and effective date of MLI – Reading the Indian Treaties

India being a major player has considerable cross border investments and it has a comprehensive DTAA network with almost 96 countries in order to mitigate double taxation, permit foreign tax credit and to facilitate international business transactions. The tax rates in respect of Dividend, Interest, Royalty and Fees for Technical Services, based on the DTAA / synthesized texts entered into by India with various countries along with the date of entry into effect in India of the MLI with each country, are as under:

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate		with respect to taxes withheld	with respect to other taxes
	Rate as per the IT Act (Note13)	20% [Notes 2, 8 and 9]	20%/5%/4% [Notes 7,8 and 9]	10% [Notes 4, 8 and 9]	10% [Notes 4,8 and 9]			
1	Albania	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
2	Armenia	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2025
3	Australia [Note 1]	15%	15% [Note 6]	10% /15% [Covered under Article for Royalty]			1 April 2020	1 April 2020
4	Austria [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
5	Bangladesh	10% / 15%	10% [Note 5]	10%	No separate provision	a) 10% tax on dividends if at least 10% of capital of company paying dividend is held by recipient company, b) 15% in other cases	Not a signatory to MLI	

1 The date of entry into effect is derived from the OECD's MLI matching database (updated as on 17 July 2024) and synthesized text of MLI released by CBDT till 17 July 2024 as available.

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
6	Belarus	10% / 15%	10% / 15% 10% [Note 5]	15%	15%	a) 10% tax on dividends if paid to a Company holding 25% shares, b) 15%, in all other cases.	Not a signatory to MLI	
7	Belgium	15%	15% / 10%	10%	10%	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) MFN clause with respect to Royalty and FTS.	1 April 2020	1 April 2020
8	Botswana	7.50% / 10%	10% [Note 5]	10%	10%	a) 7.50% tax on dividends if shareholder is a company and holds at least 25% shares in the investee company, b) 10%, in all other cases.	Not a signatory to MLI	
9	Brazil	15%	15% [Note 5]	15% (25% for trademark)	15% [Covered under Article for Royalty]	15% tax on dividends if paid to a company; in any other case as per domestic tax laws.	Not a signatory to MLI	
10	Bulgaria	15%	15% [Note 5]	15% / 20%	20%	15% tax on royalties if relating to copyrights of literary, artistic, or scientific works, other than cinematograph films or films or tapes used for radio or television broadcasting, in any other case 20%.	1 April 2023	1 April 2024
11	Bhutan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
12	Canada	15% / 25%	15% [Note 5]	Note 6	Note 6	a) 15% tax on dividends if at least 10% of the voting power in the company paying the dividends is controlled by the recipient company. b) 20%, in other cases.	1 April 2020	1 April 2021
13	China	10%	10% [Note 5]	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
14	Chile	10%	10%	10%	10%		Not notified by either jurisdiction and hence not a covered tax agreement	
15	Croatia	5% / 15%	10% [Note 5]	10%	10%	a) 5% tax on dividends if at least 10% of the capital of the company paying the dividend is held by the recipient company (other than partnership);	1 April 2022, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						b) 15% in all other cases.		
16	Cyprus	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
17	Czech Republic	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
18	Colombia	5%	10% [Note 5]	10%	10%		Not yet ratified by Colombia	
19	Denmark	15% / 25%	15% / 10% [Note 5]	20%	20%	a) 15% tax on dividends if at least 25% of the capital of the company paying the dividend is held by the recipient b) Interest taxable at 10% if recipient is bank; in any other case 15%.	1 April 2020	1 April 2021
20	Estonia	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2023
21	Ethiopia	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
22	Finland [Note 1]	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty, and FTS.	1 April 2020	1 April 2020
23	France	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
24	Fiji	5%	10% [Note 5]	10%	10%		Not yet ratified by Fiji	
25	Georgia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
26	Germany	10%	10% [Note 5]	10%	10%		Germany has not included India in its notification and hence not CTA	
27	Greece	Taxable as per domestic laws in source country			No separate provision		1 April 2022	1 April 2022
28	Hong Kong	5%	10% [Note 5]	10%	10%		1 April 2023 g Kong; hence not effective	1 April 2024
29	Hungary	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2022	1 April 2022
30	Indonesia	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2022
31	Iceland	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
32	Iran	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
33	Ireland [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
34	Israel	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
35	Italy	15% / 25%	15% [Note 5]	20%	20%	15% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company; in any other case 25%.	Not yet ratified by Italy	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
36	Japan [Note 1]	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
37	Jordan	10%	10% [Note 5]	20%	20%		1 April 2021	1 April 2022
38	Kazakhstan	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2021	1 April 2021
39	Kenya	10%	10%	10%	10%		Not yet ratified by Kenya	
40	Korea	15%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
41	Kuwait	10%	10% [Note 5]	10%	10%		Not yet ratified by Kuwait	
42	Kyrgyz Republic	10%	10% [Note 5]	15%	15%		Not a signatory to MLI	
43	Latvia	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
44	Libya	Taxable as per domestic laws in source country			No separate provision		Not a signatory to MLI	
45	Lithuania [Note 1]	5% / 15%	10%	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is beneficially owned by the recipient company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2020
46	Luxembourg	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
47	Macedonia	10%	10% [Note 5]	10%	10%		Not yet ratified by Macedonia	
48	Malaysia	5%	10% [Note 5]	10%	10%		1 April 2022	1 April 2022
49	Malta	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
50	Mauritius	5% / 15%	7.5%	15%	10%	a) 5% tax on dividend, if at least 10% of the capital of the company paying the dividend is held by the recipient company, in any other case 15%. b) 7.5% tax on interest in respect of loans made after 31 March 2017. Interest income of Mauritian resident banks in respect of debt-claims existing on or before 31 March, 2017 shall be exempt from tax in India. [Note 5] c) The amended DTAA now provides for specific provision relating to Fees for Technical Services and the same will be taxable at the rate of 10% with effect from 1 April, 2017	Mauritius has not included India in its notification and hence not a CTA	

Sr.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
51	Mongolia	15%	15% [Note 5]	15%	15%		Not yet ratified by Mongolia	
52	Montenegro (Note 1)	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	Not a signatory to MLI	
53	Morocco	10%	10% [Note 5]	10%	10%		Not yet ratified by Morocco	
54	Mozambique	7.50%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
55	Myanmar	5%	10% [Note 5]	10%	No separate provision		Not a signatory to MLI	
56	Namibia	10%	10% [Note 5]	10%	10%		Not yet ratified by Namibia	
57	Nepal	5% / 10%	10% [Note 5]	15%	No separate provision	a) 5% tax on dividends if the beneficial owner of the shares is a company which holds at least 10% of the shares of the company paying the dividends; in any other case 10%. b) MFN clause with respect to Royalty shall be applicable if Nepal enters into treaty with any other country for a lower rate on royalties.	Not a signatory to MLI	
58	Netherlands	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	1 April 2020	1 April 2020
59	New Zealand	15%	10% [Note 5]	10%	10%		1 April 2020	1 April 2020
60	Norway	10%	10% [Note 5]	10%	10%		1 April 2020	1 April 2021
61	Oman	10% / 12.5%	10% [Note 5]	15%	15%	10% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 12.50%.	Oman has not included India in its notification and hence not a CTA	
62	Philippines	15% / 20%	15% / 10%	15%	No separate provision	a) 15% tax on dividends if at least 10% of the shares of the company paying the dividend is owned by the recipient company; in any other case 20%. b) Interest taxable @ 10% if recipient is Financial Institution	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						(including an insurance company) and where the interest is payable by a company resident of Philippines to a resident of India in respect of public issues of bonds, debentures or similar obligations. In any other case 15%. c) Royalty taxable @ 15% if it is payable in pursuance of any collaboration agreement approved by the Government of India. No rates prescribed in any other case.		
63	Poland [Note 1]	10%	10% [Note 5]	15%	15%		1 April 2020	1 April 2020
64	Portuguese Republic	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital stock is owned by company for an uninterrupted period of 2 years prior to the payment of dividend; in any other case 15%.	1 April 2021	1 April 2021
65	Qatar	5% / 10%.	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares are owned by company; in any other case 10%.	1 April 2021	1 April 2021
66	Romania	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
67	Russian Federation	10%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
68	Saudi Arabia	5%	10% [Note 5]	10%	No separate provision		1 April 2021	1 April 2021
69	Serbia [Note 1]	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership) throughout a 365-day period; in any other case 15%.	1 April 2020	1 April 2020
70	Singapore [Note 1]	10% / 15%	10% / 15%	10%	10%	a) 10% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company, in any other case 15% b) Interest taxable at 10% if recipient is bank or similar financial institution including an	1 April 2020	1 April 2020

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						insurance company; in any other case 15%.		
71	Slovak Republic [Note1]	15% / 25%	15% [Note 5]	30%	30%	15% tax on dividends, if at least 25% of the shares of the company paying the dividend is held by the recipient company throughout a 365-day period; in any other case 25%.	1 April 2020	1 April 2020
72	Slovenia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 10% of the shares of the company paying the dividend is held by the recipient company; in any other case 15%.	1 April 2020	1 April 2020
73	South Africa	10%	10% [Note 5]	10%	10%		1 April 2023	1 April 2024
74	Spain	15%	15% [Note 5]	10% / 20%	20%	a) 10% tax on royalties if paid for the use or right to use any industrial, commercial or scientific equipment; 20% in case of fees for technical services and other royalties. b) MFN clause with respect to Royalty and FTS.	1 April 2023	1 April 2023
75	Sri Lanka	7.50%	10% [Note 5]	10%	10%		Not a signatory to MLI	
76	Sudan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
77	Sweden	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	MLI entered into force but internal procedures not completed by Sweden; hence not effective	
78	Switzerland	10%	10% [Note 5]	10%	10%	MFN clause with respect to Dividend, Interest, Royalty and FTS.	Swiss Confederation has not included India in its notification and hence not a CTA	
79	Syrian Arab republic	5% / 10%	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 10% of the shares are owned by company (other than a partnership), in any other case 10%.	Not a signatory to MLI	
80	Taipei (under section 90A)	12.5%	10% [Note 5]	10%	10%		Not a signatory to MLI; further India has not included Taipei in its list of CTA	
81	Tajikistan	5% / 10%.	10% [Note 5]	10%	No separate provision	5% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 10%.	Not a signatory to MLI	
82	Tanzania	5%/10%	10% [Note 5]	10%	No separate	5% tax on dividends if at least 25% of	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
					provision	the shares are beneficially owned by company; in any other case 10%.		
83	Thailand	10%	10% [Note 5]	10%	No separate provision	As per the revised DTAA with Thailand, effective from 1 April 2016, the rate of withholding tax is 10% in respect of Dividend, Interest and Royalty. There is no specific provision with respect to FTS.	1 April 2023, however, there is a notification mismatch reflected in the MLI database and one needs to check if both jurisdictions have identified same agreement.	
84	Trinidad and Tobago	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
85	Turkey	15%	10% / 15% [Note 5]	15%	15%	Interest is taxable at 10% if recipient is bank, insurance company or similar financial institution; in any other case 15%.	Not yet ratified by Turkey	
86	Turkmenistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
87	Uganda	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
88	Ukraine	10% / 15%	10% [Note 5]	10%	10%	10% tax on dividends if at least 25% of the capital is owned by company (other than a partnership); in any other case 15%.	1 April 2020	1 April 2021
89	United Arab Emirates [Note 1]	10%	5% / 12.5% [Note 5]	10%	No separate provision	Interest taxable at 5% if recipient is bank or similar financial institution; in any other case 12.50%.	1 April 2020	1 April 2020
90	United Arab Republic (Egypt)	As per domestic law		Taxable in source country as per domestic tax rate	No separate provision		1 April 2022	1 April 2021
91	United Kingdom [Note 1]	15% / 10%	15% / 10% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) Interest taxable at 10% if recipient is bank; in any other case 15%. b) Dividend taxable at 15% where dividend is paid out of income derived directly or indirectly from immovable property. In other case –10%.	1 April 2020	1 April 2020
92	United Mexican States	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
93	United States	15% / 25%	10% / 15% [Note 5]	10%/15% [Note 6]	10% / 15% [Note 6]	a) 15% tax on dividends if at least 10% of the voting stock is owned by company; in any other case 25%.	Not a signatory to MLI	

Sr. No.	Country	Dividend	Interest	Royalty	FTS	Remarks	MLI –Date of entry into effect in India (status as on 17 July 2024)	
		Tax rate	Tax rate	Tax rate	Tax rate			
						b) Interest taxable at 10% if recipient is bona fide bank or financial institution including an insurance company; in any other case 15%.		
94	Uruguay	5%	10% [Note 5]	10%	10%		1 April 2021	1 April 2021
95	Uzbekistan	10%	10% [Note 5]	10%	10%		Not a signatory to MLI	
96	Vietnam	10%	10% [Note 5]	10%	10%		1 April 2024	1 April 2024
97	Zambia	5% / 15%	10% [Note 5]	10%	10%	5% tax on dividends if at least 25% of the shares are owned by company during a period of 6 months immediately preceding the date of payment of dividend; in any other case 15%.	Not a signatory to MLI	

Notes:

- As on date, CBDT has released synthesized texts for MLI modified DTAA's with 32 countries viz. UK, Austria, Australia, Netherlands, Luxembourg, Russia, Belgium, Canada, Cyprus, Czech Republic, Portuguese Republic, Georgia, Lithuania, Ireland, Poland, Japan, UAE, Singapore, Serbia, Finland, Latvia, Malta, Slovenia, Ukraine, France, Norway, Slovak Republic, Iceland, Spain, Estonia, Korea and Hungary.
- Dividend withholding tax is applicable on payment of dividend made on or after 1 April 2020 at a rate specified under the IT Act or relevant DTAA, whichever is applicable.
- Unless otherwise provided in the DTAA, both the countries have the right to tax.
- The rate of tax under the IT Act on Royalty and/or FTS receivable by a non-resident is 20% (plus applicable Surcharge and Education Cess).
- Interest earned by or paid to the Government and certain specified institutions, inter-alia, Reserve Bank of India is exempt from taxation in the country of source (subject to certain conditions).

Note:- As per DTAA amended between India-China by Notification dated 17 July 2019 with effect from 1 April 2020.
- Tax rate is 10% in case of Royalties for equipment rental and fees for services ancillary or subsidiary thereto. For other cases, the tax rate is 15%.

7. Lower withholding tax of 5% is applicable in case of interest on borrowing in foreign currency under a loan agreement, interest on long term bond including long term infrastructure bond, interest on infrastructure debt fund and interest on rupee denominated bond and a Government security. However, in case of interest on rupee denominated bonds issued during a period from 17 September 2018 to 31 March 2019, the interest shall be exempt under new section 10(4C) of the IT Act. Therefore, it is not subject to any withholding tax on such interest income.

Lower withholding tax of 4% is applicable in case of interest on borrowing in foreign currency from a source outside India by way of any long-term bond or rupee denominated bond listed on recognized stock exchange located in IFSC.

Lower withholding tax of 5% is applicable to FIIs or Qualified Foreign Investor in case of investment in government securities or rupee denominated bond or municipal debt securities.

8. In case the payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates under section 206AA of the IT Act:
- (i) rate specified in the relevant provision of the IT Act,
 - (ii) at the rates in force or
 - (iii) at the rate of 20%

Payments namely dividend, interest, royalty and fees for technical services will not require PAN if alternative documents/details such as TRC, tax identification number of country of residence, etc. are furnished by the non-resident to the Indian deductor.

9. In case the payee is specified person under section 206AB of the IT Act (i.e., non-filers of income tax return in India), tax will be deducted at the higher of the following rates:
- (i) Twice the rate specified in the relevant provision of the IT Act; or
 - (ii) Twice the rate or rates in force; or
 - (iii) At the rate of 5%.

Provided that the specified person shall not include

- a) a non-resident, who does not have a permanent establishment in India or
- b) a person who is not required to furnish the income tax return for the year

and is notified by the Central Government in the Official Gazette

10. Where the provisions of GAAR (applicable from FY 2017-18) and MLI are attracted, tax treaty benefit may be denied to a non-resident.
11. Any income in the nature of Royalty or FTS arising to non-resident from services rendered to the National Technical Research Organization, is exempt under section 10(6D) of the IT Act.
12. Capital Gain taxation under the Tax Treaties
 - The India-Mauritius, India-Singapore & India-Cyprus tax treaties were amended in 2016 to provide source-based taxation for capital gains on the transfer of shares on or after 1 April 2017 of Indian companies with respect to shares acquired prior to 1 April 2017. As such, capital gains from the alienation of shares acquired on or after 1st April 2017 in a company which is resident of a Contracting State, may be taxed in that State (i.e., the source state).
 - The India-Mauritius DTAA & India-Singapore DTAA also provided concessional tax rate of 50% of the domestic capital gains tax rate for the period of 2 years (Between 1 April 2017 and 31 March 2019) in the source state. This concessional tax rate is subject to fulfillment of the Limitation of Benefit (LOB) clause under the India-Mauritius DTAA and India-Singapore DTAA.
13. As per section 90(2) of the IT Act, tax rate as per the provisions of DTAA or the IT Act, whichever is beneficial to the assessee, shall apply. For availing the benefit of DTAA, furnishing of TRC and self-declaration in electronically filed Form 10F on the income-tax portal (while earlier physical was sufficient) by the payee is mandatory. It may kindly be noted that Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself.

6.1. Background

6.1.1. The Organisation for Economic Co-operation and Development ('OECD') in collaboration with major economies envisioned to advance reforms and multilateral solutions to global challenges arising out of international business.

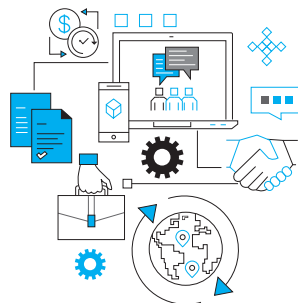
6.1.2. In September 2013, OECD in partnership with G20 countries came together to address Base Erosion Profit Shifting ('BEPS') issues and launched a BEPS project to develop various action plans to address the challenges in response to growing public and political concerns about tax avoidance by Multi-National Enterprises ('MNEs'). These Action Plans identified 15 actions (generally referred as BEPS 1.0) with the below aims:

- Introducing coherence in the domestic rules that affect cross-border activities;
- Reinforcing substance requirements in the existing international standards; and
- Improving transparency and certainty.

6.1.3. BEPS 1.0 predominantly focused on traditional MNEs and varied among countries resulting in conflicting approaches for tackling tax avoidances. Although implementation of the BEPS 1.0 package dramatically changed the international tax landscape and improved the fairness of tax systems, one of the key outstanding BEPS issues – to address the tax challenges arising from the digitalisation of the economy – remained unresolved.

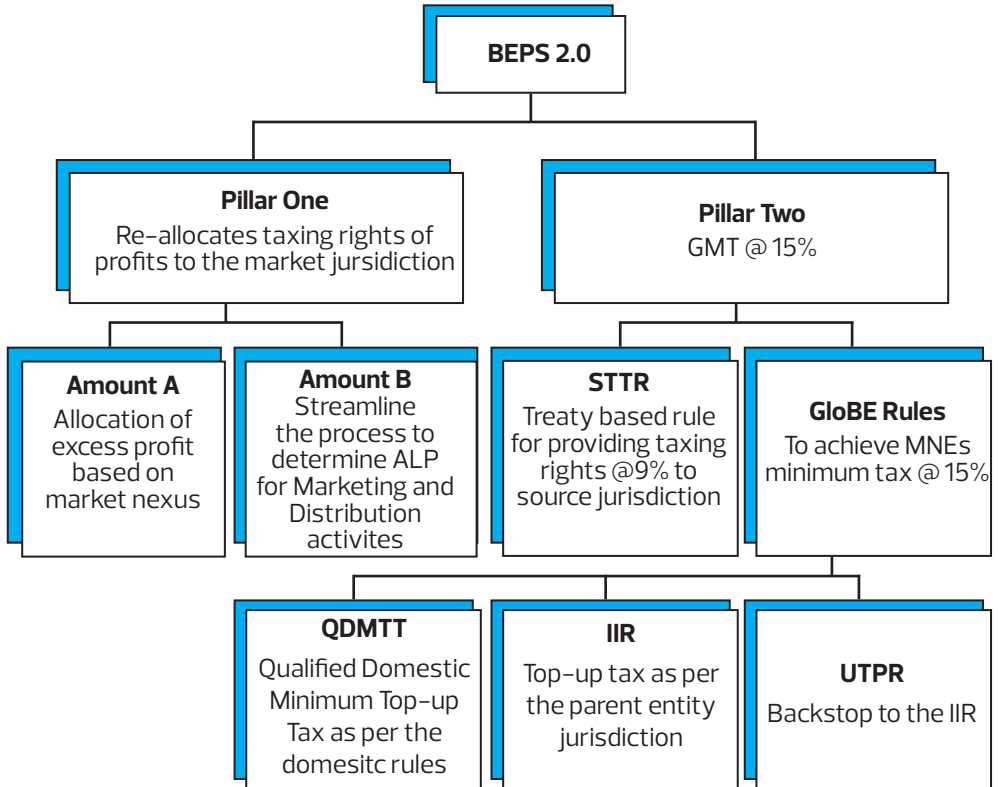
6.1.4. Addressing the tax challenges raised by digitalisation has been a top priority of the OECD/G20 Inclusive Framework ('IF') in BEPS since 2015 with the release of the BEPS Action 1 Report. At the request of the G20, the IF has continued to work on the issue, delivering an interim report in March 2018. In 2019, members of the IF agreed to examine proposals in two pillars, which could form the basis for a consensus solution to the tax challenges arising from digitalisation. That same year, a programme of work to be conducted on Pillar One and Pillar Two was adopted and later endorsed by the G20.

6.1.5. In a major step forward on 8 October 2021, over 135 IF members, representing more than 95% of global GDP, joined a two-pillar solution (Generally referred as 'BEPS 2.0' or 'Two Pillar Solution') to reform the international taxation rules and ensure that MNEs pay a fair share of tax wherever they operate and generate profits in today's digitalised and globalised world economy. As on April 2024, over



140 member jurisdictions have agreed to Two-Pillar Solution.

In the ensuing paragraphs, the broad architecture and design of both Pillars solution is provided.



6.2. Pillar One

- 6.2.1. Pillar One can be viewed as a new unified approach for the taxation of MNEs primarily operating in a digital environment that aims to replace the unilateral tax measures adopted by individual jurisdictions to ensure fair taxation of digital companies.
- 6.2.2. The design of Pillar One is split into two sections – Amount A and Amount B.
- **Amount A** re-allocates a portion of in-scope residual profit of MNEs towards market jurisdictions; and
 - **Amount B** provides a baseline marketing and distribution return for activities taking place physically in a market jurisdiction.

Amount A:

- 6.2.3. Amount A would apply where the Adjusted Revenue [accounting revenues reported in the Consolidated Financial Statements ('CFS'), excluding VAT/similar taxes and subject to limited adjustments] of a MNE is more than Euro 20 billion and the pre-tax profit margin is greater than 10%¹. Extractives and regulated financial services revenue would be excluded (subject to certain eligibility requirements) while computing revenue of the group for the purposes of Amount A. The revenue threshold will be reduced to Euro 10 billion, contingent on successful implementation including of tax certainty on Amount A, with the relevant review beginning 7 years after the agreement comes into force, and the review being completed in no more than 1 year.
- 6.2.4. For purposes of Amount A, a Covered Group shall be treated as having nexus in a jurisdiction for a period if the Adjusted Revenues of the Covered Group are equal to or greater than:
- EUR 1 million; or
 - In the case of a jurisdiction with a GDP of less than EUR 40 billion with respect to the period, EUR 250,000.
- 6.2.5. The process of determining Amount A is a systematic step-by-step approach that includes MNEs analysing and following rules/ processes relating to scope, special purpose nexus, revenue sourcing, tax base determination, profit allocation and elimination of double taxation.
- 6.2.6. The profit to be allocated under Amount A to eligible market jurisdictions, is based on a formula which allocates 25% of the MNEs profit in excess of 10% of the revenues. These profits will be allocated to market jurisdictions in proportion to the amount of revenues that the MNE generates in that jurisdiction, and subject to any adjustment arising from the Marketing and Distribution Profits Safe Harbour ('MDSH'). The MDSH adjusts the allocation of Amount A for market jurisdictions that already have existing taxing rights over the MNEs residual profits.
- 6.2.7. On 11 October 2023, OECD released the Multilateral Convention ('MLC') to establish the legal obligations of the parties to implement the Amount A, in a coordinated and consistent manner. This includes binding rules on all aspects of implementing Amount A, including the allocation of Amount A to market jurisdictions, the elimination of double taxation, MDSH, a simplified administration process,

¹ Where the MNE Group was not in scope in two immediately preceding periods, two additional tests must be satisfied:

- i. Pre-tax profit margin greater than 10% in at least two of the four periods immediately preceding the period; and
- ii. Weighted average pre-tax profit margin over the five periods ending in the current period exceeds 10%.

exchange of information, and the tax certainty process.

- 6.2.8. It is envisaged that a single tax return covering all the MNE's Amount A tax liabilities across the world, together with a standardized common documentation package, would need to be filed with the lead tax administration (typically the parent jurisdiction), which would distribute it to all affected jurisdictions. A Designated Payment Entity ('DPE') of the MNE would make all payments for all Amount A tax liabilities, and relief entities within the MNE are required to make compensating payments to fund the DPE (with those payments ignored for tax purposes)
- 6.2.9. In addition to the operative provisions of Amount A, the MLC also contains provisions requiring the withdrawal of all existing digital service taxes and relevant similar measures, as well as a commitment to not enact such measures in the future.

Amount B:

- 6.2.10. Another core element of Pillar One is Amount B that is intended to streamline the process for pricing baseline marketing and distribution activities in accordance with the arm's length principle, to enhance tax certainty and reducing resource-intensive disputes between taxpayers and tax administrations.
- 6.2.11. On 8 December 2022, the OECD released a public consultation document titled 'Pillar One – Amount B.' Further, to ensure the appropriateness of the scope and pricing framework public consultation was sought in July 2023 with two alternatives to scope. 'Alternative A', does not require a separate qualitative scoping criterion to identify and exclude non-baseline contributions, and 'Alternative B', does require a separate qualitative scoping criterion to identify and exclude non-baseline contributions.
- 6.2.12. Subsequently, on 19 February 2024, the OECD published the final report on Pillar One – Amount B. Amount B aims to simplify and streamline the application of the arm's length principle for intra-group transactions. The final report contains the guidance on 'Special considerations for baseline distribution activities' which is incorporated into the OECD Transfer Pricing Guidelines for MNEs and Tax Administrations 2022 as an Annexure to Chapter IV. The report also provides considerations regarding the application of the simplified and streamlined approach, qualifying transaction, scoping criteria, transitional provisions etc. The reports also contain Appendix A and Appendix B providing the benchmarking criteria and illustrative examples respectively.
- 6.2.13. Amount B would typically cover qualifying transactions as under –
- **Buy-sell marketing and distribution transactions** – where a distributor purchases goods from its Associated Enterprise ('AE') for wholesale distribution to unrelated parties.

- **Sales agency and commissionaire transactions** – where a sales agent or commissionaire contributes to AE in relation to wholesale distribution of goods to unrelated enterprises.

- 6.2.14. The qualifying transaction must exhibit economically relevant characteristics, i.e., it can be reliably priced using a one-sided transfer pricing method with the distributor, sales agent or commissionaire being the tested party. The tested party in the qualifying transaction must not incur annual operating expenses lower than 3% or greater than an upper bound of between 20% and 30% of the tested party's annual net revenues.
- 6.2.15. The distribution of non-tangible goods, services, or marketing, trading, or distribution of commodities. The tested party carries out non-distribution activities (in addition to the qualifying transactions) that can be separately evaluated.
- 6.2.16. The report suggests that the Transactional Net Margin Method ('TNMM') within the Amount B pricing methodology should be the most appropriate method in most instances of in-scope transactions. In a few instances, an alternative transfer pricing method to the TNMM, particularly when information regarding the internal comparables is readily available, Comparable Uncontrolled Price ('CUP') method may also be preferred.
- 6.2.17. The report provides that jurisdictions can choose to apply the simplified and streamlined approach for in scope transactions of tested parties in their jurisdictions for fiscal years commencing on or after 1 January 2025.

It is pertinent to note that India has recorded its reservation owing to disagreement on various aspects of Amount B design, including but not limited to the scope, definitions, operating expense cross-check mechanism and the overall design of the pricing methodology. India expressed its inability to support the Amount B work further if its reservations are not considered.

6.3. Pillar Two

- 6.3.1. Pillar Two is designed to ensure that large MNEs pay a minimum level of tax regardless of where they are headquartered or jurisdiction they operate in. Pillar Two consists of the Global Anti-Base Erosion ('GloBE') rules and the Subject to Tax Rule ('STTR'). The introduction of the Pillar Two rules, will eventually and gradually lead to reduced tax competition amongst various jurisdictions, effectively bringing to halt the effect of 'race to the bottom'.
- 6.3.2. The GloBE Rules (also known as 'global minimum tax' or 'GMT') are meant to ensure that MNEs are subject to a minimum tax rate of 15% while the STTR will allow countries to retain their taxing right by way of withholding tax rate of 9%,

which they may have otherwise ceded under a tax treaty, on certain payments made to related parties, such as interest, royalties etc.

- 6.3.3. The application of the GloBE Rules is limited to MNE Groups whose annual consolidated revenues in at least two of the four preceding Fiscal Years equal or exceed EUR 750 million.
- 6.3.4. The GloBE rules set out the general charging provisions through two interlocking rules namely Income Inclusion Rule ('IIR') and Undertaxed Profit Rule ('UTPR'). Brief overview of IIR and UTPR are as under:

Income Inclusion Rule (IIR): Under this rule, the ultimate parent entity ('UPE') of the multinational group that owns directly or indirectly an ownership stake in the low-taxed constituent entity is required to pay a top-up tax in its jurisdiction equal to its allocable share. The IIR incorporates a top-down cascading approach which ensures that priority in the application of IIR is given to the parent entity at the highest point in the ownership chain. If a UPE is not subject to IIR, then the next intermediate parent entity down the ownership chain will be required to pay its allocable share of the top-up tax for a low taxed constituent entity.

Under Tax Profit Rule (UTPR): UTPR acts as a backstop or safeguard to the IIR, ensuring that if any top-up tax is left unallocated to the UPE under the IIR due to non-implementation of the GloBE Rules in the respective jurisdiction, etc., then the jurisdictions of remaining constituent entities (except investment entities) of MNE Group would be entitled to collect the said top-up tax amount based on respective apportionment. The UTPR is applied using a 'denial of deduction' approach or by making an equivalent adjustment under the domestic laws.

This method ensures that the IIR takes precedence over the UTPR and prevents multiple taxation of the same low-taxed income due to the operation of GloBE Rules.

Exclusion from GloBE Rules

- 6.3.5. GloBE Rules do not apply to government entities, international organizations and non-profit organizations, nor do they apply to entities that meet the definition of a pension, investment or real estate fund. These entities are excluded even if the MNE group they control remains subject to the rules. Pillar Two applies to the entire MNE group, which consists of the UPE and all entities that are included in the financial consolidation of that UPE.
- 6.3.6. Further, GloBE Rules provide for *de minimis* exclusion for the jurisdictions on the basis specified thresholds (i.e. average GloBE revenue and income of less than EUR 10 million and EUR 1 million respectively) and certain test-based criteria (i.e. ownership test and activities test).

Qualified Domestic Minimum Top-Up Tax (QDMTT) to precede over GloBE Rules

- 6.3.7. QDMTT lays down that in case a jurisdiction has a domestic minimum tax that is

consistent with the GloBE rules, then such tax is thus considered as a 'Qualified' Domestic Minimum Top-up ('QDMTT') wherein such domestic tax offsets the top-up tax liability on this income under the GloBE rules. The QDMTT reinforces a jurisdiction's primary right of taxation over its own income.

- 6.3.8. A jurisdiction, if it adopts QDMTT and utilizes local financial accounting standards for calculating the effective tax rate ('ETR'), it is likely that the low-tax jurisdiction will collect most, if not all, of the top-up tax required, rather than the standards mandated by the GloBE jurisdictions.

6.4. Safe Harbours

- 6.4.1. For the purpose of reducing unnecessary compliance and administrative burdens of MNE groups and tax authorities, IF aims to consider establishing GloBE Safe Harbours. QDMTT Safe Harbours would provide relief to MNE groups from performing full GloBE calculations, if certain conditions are satisfied, including peer review to determine whether it meets additional standards. IF has also agreed on the design of certain other transitional safe harbour for initial years.

6.5. Filing Obligations

- 6.5.1. The GloBE Model Rules require the annual filing of a GloBE Information Return ('GIR') that provides information on the tax calculations made by an MNE Group under the GloBE Rules. The GIR requires detailed information and OECD in consultation with IF is in process of finalizing the GIR schema which may be considered by IF as template and guide in their jurisdictions.
- 6.5.2. OECD published a Consolidated Commentary to GloBE Rules dated 25 April 2024 which provided guidance on scope, charging provisions, computation mechanism, adjustments, administrative aspects, transactional rules, Safe Harbours etc.

6.6. Subject to Tax Rule ('STTR')

- 6.6.1. STTR is a treaty-based rule wherein source jurisdictions are allowed to impose an additional tax liability (in the form of withholding tax) on certain cross-border payments² between connected persons in case the nominal corporate tax rate in the recipient's jurisdiction is less than 9% (subject to adjustments for tax base reductions such as tax exemptions, tax credits, etc.). The STTR complements GloBE rules and adapts the underlying principles and mechanisms to a treaty context. The STTR takes priority over the GloBE Rules (STTR tax is creditable under GloBE rules) and is designed to help developing IF members to protect their tax base.
- 6.6.2. STTR is only applicable when the amount of covered income (excluding interest and royalties) received by the recipient surpasses the associated costs incurred

²a) Interest; b) Royalties; c) Payments for distribution rights for a product or service; d) Insurance or reinsurance premiums; e) Payments of guarantee or financing fees; f) Rental payments for industrial, commercial or scientific equipment; and g) Payments for provision of services.

in generating that income, plus a mark-up of 8.5% (i.e. restricted BEPS risk). It is pertinent to note that India has recorded its reservation on the mark-up percentage which it considers too high, and it finds the guardrails ineffective.

- 6.6.3. STTR is not applicable on certain categories of recipients like Individuals, Non-Profit Organizations, States and Government entities fulfilling a government function, International Organizations, Investment funds/ pension funds meeting specific conditions, holding vehicles wholly owned by an excluded recipient.

6.7. Global Development in Pillar Two Solution

- 6.7.1. As per OECD press release dated 11 July 2024, more than 35 jurisdictions are currently implementing, or plan to implement, the 15% minimum corporate effective tax rate with effect from 2024, reducing competitive pressures on statutory corporate income tax ('CT') rates.
- 6.7.2. While it was expected that India would provide some roadmap to Pillar 2 proposals in the current Budget; however, no such guidance is provided in the budget proposals. Given the speed of development and action around Pillar 2 proposals, it is expected that the Government will come up with some update on this front in the near future.

6.8. Concluding Remarks

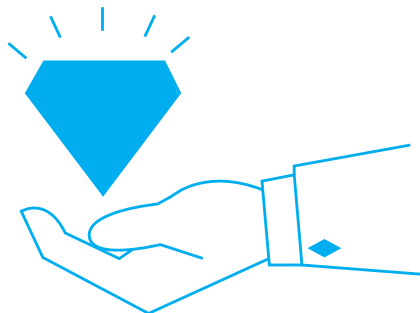
- 6.8.1. Press release of OECD dated 11 July 2024 on *Corporate Tax Statistics* shows that average statutory CT rates have remained steady @ 21.1% over the past 3 years. The stabilisation is on account of anticipation of the new GMT agreed by more than 140 members of the IF on Base Erosion and Profit Shifting.
- 6.8.2. The GMT is estimated to raise additional CT revenues of USD 155–192 billion globally each year or between 6.5% and 8.1% of global CT revenues. Countries like United Kingdom, Switzerland, Ireland, Australia, Netherlands, Korea, Canada etc. have already enacted GMT related legislations in their domestic tax laws.
- 6.8.3. Given that GloBE Rules are complex, requiring significant data points, accounting adjustments, multi-jurisdictional implications etc., it is recommended that in scope MNE groups start evaluating the impact of these regulations.
- 6.8.4. On the other hand, Pillar One could not achieve consensus till the extended deadline of 30 June 2024, due to geopolitical and economic disagreements among IF member countries and therefore one needs to continuously follow developments in this regard. It is worth noting that India has agreed with USA to withdraw Equalisation Levy ('EL') provisions **which were introduced vide Finance Act 2020 (i.e. 2% EL)**, once Pillar One solution is implemented and has also agreed to provide credit of transitional taxes paid under EL.

On account of various ambiguities in its implementation and compliance burden on the stakeholders, **Finance (No. 2) Bill 2024 (Budget 2024) has proposed that such 2% EL shall not apply on or after 1 August 2024.**

Part A – Production Linked Incentive Schemes in India

7.1 Background

Production Linked Incentive ('PLI') Schemes is a cornerstone of the Government's push for accomplishing the vision of Atmanirbhar Bharat. The objective is to make domestic manufacturing globally competitive and to create domestic champions in manufacturing. The strategy behind the Scheme is to offer financial incentives to boost manufacturing and attract large scale investments.



The Scheme has been a game-changer in attracting industries from certain geographic locations to countries like India, where they can participate in both the domestic and export markets. While it invites foreign companies to set up their units in India, the Scheme also encourages domestic enterprises to expand their production units. The flourishing of local manufacturing will enable India to be able to compete in global markets in the long run. By increasing manufacturing in various sectors, India can also reduce the unemployment ratio and also create skilled manpower.

The PLI Scheme was conceived and launched in March 2020 to scale up domestic manufacturing capability to up to 30 lakh crores, substitute higher imports while also creating 60 lakh new jobs. The Scheme initially targeted three industries viz. Mobile and Allied Component manufacturing; Electrical Component manufacturing and Medical Devices. Later, 14 key sectors were brought under the Scheme with an outlay of Rs 1.97 lakh crore including automobile and auto components, electronics and IT hardware, telecom, pharmaceuticals, solar modules, metals and mining, textiles and apparel, white goods, drones, and advanced chemistry cell batteries. An additional allocation of Rs 19,500 crores was made towards PLI for solar PV modules in the Budget 2022–23. The Indian Government upscaled the allocation for the PLI Scheme to Rs. 6,200 crores during the interim budget for FY 2024–25 marking an increase of 33% as compared to the previous year's estimate of Rs. 4,645 crore. The PLI Scheme offers cash incentives to businesses for enhancing their domestic production while also focusing on cutting import costs and boosting the cost competitiveness of local products. The amount of incentive varies from sector to sector. The Scheme commenced in 2020–21 to be effective

for five years till 2025–26. The identified beneficiaries are required to commit to a certain minimum investment in India.

7.2 Key Objectives of PLI Schemes are:

7.2.1 Large-scale manufacturing capacities

The grant of incentives is directly linked to production capacity/ incremental turnover, compelling investors to create large scale manufacturing facilities. This should lead to improvements in industrial infrastructure, benefiting the industry at large. Thus, its effects are expected to be felt by manufacturers of all sizes, even if they are not direct recipients of the incentives.

7.2.2 Import substitution and increase in exports

Currently, there is heavy reliance on imports for raw material and finished goods. PLI Schemes intend to plug this gap by enabling domestic manufacture of goods. This would trigger a two-fold impact – an immediate reduction in reliance on imports and in the long term, a higher quantum of exports from India.

7.2.3 Employment generation

It is evident that envisaged large-scale manufacturing would require abundant manpower. Hence, this initiative should also enable utilization of the country's ample human capital.

7.3 Key Eligibility Criteria of the PLI Scheme

Companies that are registered in India and are involved in the manufacturing of goods covered under the target segments of the Scheme, can apply under the PLI Scheme. Eligibility under the Scheme shall be subject to thresholds of Incremental Investment (covered under Target Segments) over the base year as defined. Further, companies need to satisfy certain additional eligibility criteria which may vary from scheme to scheme in terms of Gross Management Revenue (GMR), Net Worth, Incremental Sales, Domestic Value Addition (DVA), etc.

An applicant must meet threshold criteria (i.e. incremental investment) i.e. a minimum of Rs. 10 crores (MSME) or Rs. 100 crores (Others) and a maximum of Rs. 1,000 crores, to be eligible for disbursement of incentive for the year under consideration. To meet the threshold criteria of incremental investment for any year, the cumulative value of investment done till such year (including the year under consideration) over the Base Year (2019–20) shall be considered.

The applicant can operate existing or new manufacturing unit at one or more

locations in the country.

Any additional expenditure incurred by companies on plant, machinery, equipment, research and development and transfer of technology for manufacture in the target segments will be eligible for the Scheme.

7.4 Incentives Offered under PLI Schemes:

The PLI Schemes provide eligible manufacturing companies incentives ranging from 4% to 6% on incremental sales over the base year of 2019–20 for a 4–6–year period. It is like a subsidy being provided by direct payment for domestically manufactured goods by eligible manufacturing companies.

7.5 Sector Wise Details of PLI Schemes:

Sectors	Concerned Department	Total Financial Outlay (Rs. In crores)	Last Date of Application
Mobile Manufacturing and specified electronic products	Ministry of Electronics and Information Technology	38,601*	31 March 2021
Electronic/Technology Products (IT Hardware Products)		7,350 17,000 (PLI 2.0)	30 April 2021 30 August 2023 (PLI 2.0)
Critical Key Starting Material	Department of Pharmaceuticals	6,940	30 April 2022
Medical Devices		3,420	21 November 2022
Pharmaceutical Drugs		15,000	31 August 2021
Food Products	Ministry of Food processing Industries	10,900	24 June 2021
Telecom & Networking Products	Department of Telecommunication	12,195	25 August 2022
High Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4,500	15 September 2021 (Tranche I)
		19,500	11 January 2023 (Tranche II)

Sectors	Concerned Department	Total Financial Outlay (Rs. In crores)	Last Date of Application
White Goods	Department of Promotion of Industry and Internal trade	6,238	15 September 2021 (Round 1) 25 April 2022 (Round 2) 12 October 2024 (Round 3)
Advance Chemistry Cell (ACC) Battery	NITI Aayog and Department of Heavy Industries	18,100	14 January 2022
Specialty Steel	Ministry of Steel	6,322	15 September 2022
Automobiles & Auto components	Department of Heavy Industries	25,938**	9 January 2022
Textile Products	Ministry of Textiles	10,683	31 December 2023
Drone and Drone Components	Ministry of Civil Aviation	120	20 May 2022

* – As per Notification dated 23 September 2021 File No. W-28/1/2020-IPHW-Meity-Part 1, the financial outlay has been revised from Rs. 40,951 crores to Rs. 38,601 crores. The budget outlay of Rs. 2,350 crores have been utilised for the PLI for IT Software.

** – As per Notification dated 29 December 2023, Ministry of Heavy Industries has officially extended the tenure of the PLI Scheme for the Automobile and Auto Components Industry by one year, with partial amendments to the Scheme and its guidelines.

The Central Government announced re-bidding under PLI Scheme on 24 January 2024 for Advanced Chemistry Cells (ACC). The last date for receiving applications was 22nd April 2024. Ministry of Heavy Industries received bids from 7 bidders under global tender for 10 GWh capacity under PLI ACC Scheme.

7.6 Second Edition of Existing PLI Schemes:

Specialty Steel: The PLI Scheme for speciality steel approved by the Union Cabinet in July 2021 has received 79 applications from 35 companies, resulting in an investment of Rs 46,020 crores. The government is planning to launch a second edition of the PLI Scheme for speciality steel, which will cover steel used in some

defence equipment and automobiles.

IT Hardware: The PLI Scheme – 2.0 for IT Hardware has been approved with a Rs. 17,000 crores outlay and proposes a financial incentive to boost domestic manufacturing and attract large investments in the value chain. The Target Segment under PLI 2.0 Scheme shall include (i) Laptops (ii) Tablets (iii) All-in-One PCs (iv) Servers and (v) Ultra Small Form Factor (USFF). The incentive per company shall be applicable on net incremental sales of manufactured goods (covered under the Target Segment) over base year subject to ceiling of Rs. 4,500 crores for global companies, Rs. 2,250 crores for hybrid (Global/Domestic) companies and Rs. 500 crores for domestic companies.

Textiles: The first phase of PLI Scheme for textiles received applications from around 67 applicants. The Selection Committee selected 64 applicants under the Scheme.

7.7 Conclusion

The PLI Scheme is a big step towards India becoming self-reliant. The government is anticipated to extend some of the existing PLI Scheme in order to give boost to the Make in India initiative. As per news reports, as on January 2024, 746 applications have been approved under PLI Scheme.

Further, the implementation of PLI Scheme has led to actual investment of nearly Rs. 1.03 lakh crore till November 2023, production or sales of Rs. 8.61 lakh crore of eligible products and employment generation of over 6.78 lakhs.

PLI Scheme has witnessed exports surpassing Rs. 3.20 lakh crore, with significant contributions from sectors such as Large-Scale Electronics Manufacturing, Pharmaceuticals, Food Processing, and Telecom & Networking products.

176 MSMEs are among the PLI beneficiaries in sectors such as Bulk Drugs, Medical Devices, Pharma, Telecom, White Goods, Food Processing, Textiles & Drones. Several MSMEs are serving as investment partners/ contract manufacturers for large corporates.

Further, the Government is likely to extend fiscal incentives for production of toys, bicycles and leather and footwear as it looks to expand the Scheme to cover more high-employment potential sectors. This would necessitate an additional investment of Rs. 35,000 crores over time.

Government initiatives such as the PLI Scheme will undoubtedly support home-grown businesses in expanding its manufacturing capabilities, boosting exports and bringing large-scale manufacturing to India. This is an incredible opportunity for the manufacturing economy to become self-sufficient and produce high-quality, globally competitive goods.

Part B – TAX INCENTIVES FOR BUSINESSES (DIRECT TAXES)(As updated up to the Finance (No. 2) Bill, 2024)

The IT Act provides for far reaching tax holidays and other tax incentives for businesses. We have briefly enumerated below, the significant tax holidays and incentives available to businesses along with the nature of deductions, eligibility criteria, quantum of deduction and period for which the deductions are available. The tax holidays and incentives are subject to fulfillment of specified conditions. The tax incentives / deductions which are available to newly set up units are highlighted in **Blue**. The changes proposed by the Finance (No.2) Bill, 2024 are highlighted in **BOLD** font.

7.1 New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 – Eligibility criteria and specified conditions

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 [^] – Eligibility criteria and specified conditions
115BAB	<ul style="list-style-type: none"> ● The Taxation Laws (Amendment) Act, 2019 introduced special provision in order to attract fresh investment in manufacturing, which allows any new domestic company incorporated on or after 1 October 2019 making fresh investment in manufacturing, an option to pay income-tax @ 17.16% inclusive of surcharge and cess and MAT shall not be applicable to such companies. This benefit is available to companies which do not avail any exemption / incentive and have commenced their production on or before 31 March 2024. ● The generation of electricity will fall within the purview of manufacturing under section 115BAB. The business of manufacture or production would not cover development of computer software in any form or in any media, mining, conversion of marble blocks or similar items into slabs, bottling of gas into cylinder, printing of books or production of cinematograph film or any other business as would be notified by the Central Government from time to time. ● The domestic companies opting for lower corporate tax regime as mentioned above would not be able to claim incentive / deductions under the following sections of the IT Act: <ul style="list-style-type: none"> ➤ Section 10AA – deduction for exports by SEZ units ➤ Section 32(1)(iia) – additional depreciation allowance ➤ Section 32AD – deduction for investment in new plant and machinery in notified backward states ➤ Section 33AB – Tea/Coffee/ Rubber development allowance ➤ Section 33ABA – Site restoration fund ➤ Section 35AD – deduction in respect of specified business ➤ Section 35(1)(ii), (iia), (iii) and section 35(2AA), (2AB) – certain scientific research expenditure ➤ Section 35CCC – expenditure on agricultural extension project

Section	New Tax Regime for New Manufacturing Companies set up on or after 1 October 2019 [^] – Eligibility criteria and specified conditions
	<ul style="list-style-type: none"> ➤ Section 35CCD – expenditure on skill development project ➤ Deduction under Chapter VIA other than section 80JJAA (deduction in respect of employment of new employees) and section 80M (deduction in respect of certain inter-corporate dividends) ● It may be noted that the losses pertaining to normal depreciation would be allowed to be carried forward and set off for future years. ● In case of a corporate who has opted for concessional tax regime under section 115BAB and such option is rendered invalid, the taxpayer may opt for concessional tax regime under section 115BAA of the IT Act. ● It may also be noted that option once exercised cannot be withdrawn subsequently.

7.2 Deduction in respect of Expenditure on Specified Business – Eligibility criteria and specified conditions

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions [^]																		
35AD	<ul style="list-style-type: none"> ● Any expenditure of capital nature (other than expenditure incurred on the acquisition of any land or goodwill or financial instrument) incurred, wholly and exclusively, during the year for specified business shall be allowed as deduction subject to the specified provisions. ● Specified business and the year (in which the operations to be commenced) for availing deduction under this section are tabulated as under: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="background-color: #0070C0; color: white;">Sr. No.</th> <th style="background-color: #0070C0; color: white;">Specified Business</th> <th style="background-color: #0070C0; color: white;">Specified Year of Commencement</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Setting up and operating a cold chain facility</td> <td>From 1 April 2009 onwards</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Setting up and operating a warehousing facility for storing agricultural produce</td> <td>From 1 April 2009 onwards</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network</td> <td>From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India</td> <td>From 1 April 2010 onwards *</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Building and operating a hospital with at least 100 beds for patients anywhere in India</td> <td>From 1 April 2010 onwards</td> </tr> </tbody> </table>	Sr. No.	Specified Business	Specified Year of Commencement	1	Setting up and operating a cold chain facility	From 1 April 2009 onwards	2	Setting up and operating a warehousing facility for storing agricultural produce	From 1 April 2009 onwards	3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards	4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards *	5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards
Sr. No.	Specified Business	Specified Year of Commencement																	
1	Setting up and operating a cold chain facility	From 1 April 2009 onwards																	
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3	Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network	From 1 April 2007 onwards for Natural Gas Pipeline And In other cases, from 1 April 2009 onwards																	
4	Building and operating a new hotel of two star and above category as classified by the Central government anywhere in India	From 1 April 2010 onwards *																	
5	Building and operating a hospital with at least 100 beds for patients anywhere in India	From 1 April 2010 onwards																	

Section			Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions [^]
Sr. No.	Specified Business	Specified Year of Commencement	
6	Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the Central or State Government, as the case may be, and which is notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2010 onwards	
7	The Business of developing and building a housing project under a scheme for affordable housing framed by the Central Government or a State Government, as the case may be, and notified by the Board in this behalf in accordance with the guidelines as may be prescribed	From 1 April 2011 onwards	
8	Production of fertilizers in India through a new plant or a newly installed capacity in an existing plant	From 1 April 2011 onwards	
9	Setting up and operating an inland container depot or a container freight station notified or approved under the Customs Act, 1962	From 1 April 2012 onwards	
10	Bee-keeping and production of honey and beeswax	From 1 April 2012 onwards	
11	Setting up and operating a warehousing facility for storage of sugar	From 1 April 2012 onwards	
12	Laying and operating a slurry pipeline for transportation of iron ore	From 1 April 2014 onwards	
13	Setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Board in accordance with the prescribed guidelines.	From 1 April 2014 onwards	
14	Developing or operating and maintaining or developing, operating & maintaining any infrastructure facilities	From 1 April 2017 onwards	
<p>*Where the assessee builds a hotel of 2 star or above category as classified by the Central Government and subsequently, while continuing to own the hotel, transfers the operation thereof to another person, the said assessee shall be deemed to be carrying on the 'specified businesses of building and operating hotel as referred at Sr. No. 4 in the above table, with retrospective effect from AY 2011-12.</p> <ul style="list-style-type: none"> Any asset, in respect of which a deduction is claimed and allowed under this section, shall be used only for the specified business for a period of 8 years beginning with the financial year in which such asset is acquired or constructed Where such asset is used for any purpose other than the specified business, then, the total amount of deduction so claimed and allowed in any financial year in respect of such asset (after reducing the depreciation allowable under section 32 of the IT Act on deduction allowed under 			

Section	Deduction in respect of expenditure on Specified Businesses – Eligibility Criteria and specified conditions [^]
	<p>section 35AD of the IT Act), shall be deemed to be income of the assessee chargeable under the head 'Profits and gains of business or profession'.</p> <ul style="list-style-type: none"> ● While computing AMT, adjusted total income shall be increased by the deduction claimed under section 35AD of the IT Act as reduced by the amount of depreciation allowable under section 32 of the IT Act. ● In case deduction has been availed under section 35AD of the IT Act on account of capital expenditure incurred for the purposes of specified business in any assessment year, no deduction under section 10AA of the IT Act or under the provisions of Chapter VI-A or under any other provisions of the IT Act shall be available in the same or any other assessment year in respect of such specified business. ● Any expenditure in respect of which payment or aggregate of payments made to a person in a day, otherwise than by account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, exceeds Rs. 10,000, then no deduction shall be allowed under section 35AD. ● The deduction under section 35AD(1) of the IT Act is optional. ● A domestic company opting for concessional tax rate under section 115BAA or section 115BAB of the IT Act, which does not claim deduction under section 35AD, can claim normal depreciation under section 32 of the IT Act on such expenditure.

7.3 Deduction of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. – Eligibility criteria and specified conditions

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)[^]				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
1	Start-up Undertaking –Section 80-IAC <ul style="list-style-type: none"> ● Undertaking being an eligible start-up which is engaged in business of innovation, 	Company or LLP Incorporated between 1 April 2016 to 31 March 2024	100%	Any 3 consecutive years out of first 10 years

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80-IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>development or improvement of products or processes or services, or a scalable business model with a high potential of employment generation or wealth creation.</p> <ul style="list-style-type: none"> ● The total turnover of the company should not exceed Rs. 1 billion in the previous year in which deduction is claimed. ● It holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government. 			
2	<p>Undertaking engaged in processing / preservation / transportation of specified food items –Section 80-IB (11A)</p> <ul style="list-style-type: none"> ● An undertaking deriving profit from the integrated business of handling, storage and transportation of food grains or an undertaking engaged in the business of processing, preservation and packaging of fruits and vegetables, subject to such business beginning its operations on or after 1 April 2001. ● An undertaking engaged in the business of meat and meat products or poultry or marine or dairy products which begin to operate such business on or after 1 April 2009. 	<p>Company</p> <p>Others</p>	<p>100% 30%</p> <p>100% 25%</p>	<p>First 5 years Next 5 years</p> <p>First 5 years Next 5 years</p>
3	Affordable Housing Project –Section 80-IBA	All	100%	Not Applicable

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<ul style="list-style-type: none"> ● Any undertaking engaged in the business of developing and building housing projects approved by the competent authority between 1 June 2016 and 31 March 2022. ● The project should be completed within a period of 5 years from the date of approval. ● The deduction is allowed subject to fulfillment of various conditions like minimum area of land, minimum floor area ratio of land, maximum carpet area of residential and commercial unit. ● Carpet area shall not exceed 30 square meter for Chennai, Delhi, Kolkata or Mumbai and 60 square meter for any other place ● Separate books of account in respect of the housing project ● Not more than 1 residential unit is allotted to any individual or the spouse or the minor children of such individual. ● Deduction shall not be available to a person executing the housing project as works contract. <p>If the housing project is approved on or after 1 September 2019, following modified conditions shall be applicable:</p> <ul style="list-style-type: none"> ● Carpet area shall not exceed 60 square meter for metropolitan cities of Bengaluru, Chennai, Delhi National Capital Region (limited to Delhi, Noida, Greater Noida, 			

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80-IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan region) and 90 square meter for any other place.</p> <ul style="list-style-type: none"> ● The stamp duty value of a residential unit in the housing project does not exceed Rs. 45,00,000. 			
4	<p>Affordable Rental Housing Project – Section 80-IBA(1A)</p> <ul style="list-style-type: none"> ● Any undertaking engaged in the business of developing and building rental housing project notified by Central Government on or before 31 March 2022 ● Deduction shall not be available to a person executing the rental housing project as works contract 	All	100%	Not Applicable
5	<p>Offshore banking unit in SEZ and International Financial Services Centre – Section 80LA</p> <p>Income from:</p> <ul style="list-style-type: none"> ● Offshore banking unit in SEZ or ● The business referred to in section 6(1) of the Banking Regulation Act, 1949 ● Any unit of International Financial Services Center from its approved business. ● Income arising from transfer of an asset, being an aircraft or ship, which was leased by an IFSC unit before such transfer shall also be 	Scheduled Bank or any bank incorporated by or under the law of a country outside India	100%	<p>First 5 years (beginning with the year in which prescribed permissions are obtained)</p> <p>Next 5 year</p>

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80-IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>eligible for 100% deduction subject to condition that the unit has commenced operation on or before 31 March 2024.</p> <p>“Aircraft” means an aircraft or a helicopter, or an engine of an aircraft or a helicopter, or any part thereof; “ship” means a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof;</p>	A unit of an International Financial Services Center		Any 10 consecutive years out of first 15 years (beginning with the year in which prescribed permissions are obtained)
6	<p>Eligible unit set up in SEZ on or after 1 April 2005 –Section 10AA</p> <ul style="list-style-type: none"> ● Exemption is available to the entrepreneur as referred to in Section (2j) of SEZ Act, 2005 for profits derived from export of articles or things or services, manufactured, or produced or provided by an eligible unit. ● Deduction shall be available to units which has received approval on or before 31 March 2020 and have commenced manufacture or production of article or thing / providing of services on or before 31 March 2021. ● Deduction shall only be available to units who furnish ROI on or before the due date specified under section 139(1) of the IT Act. ● Deduction shall be available if the proceeds from sale of goods or provision of services is received in, or brought into, 	All	100% 50% 50%	<p>First 5 years Next 5 years Next 5 years+</p> <p>+The deduction is allowed only on creation of a specified reserve, which is required to be utilized for specified purposes.</p>

Deductions of Profits derived by Start-Up / Industrial Undertakings / Infrastructure Projects / Facilities / Banking units, IFSC's etc. (Sections – 80- IAC / 80-IB(11A) / 80-IBA / 80LA / 10AA)^				
Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>India in convertible foreign exchange within a period of 6 months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.</p> <p>It is also provided that the sale of goods or provision of services referred to shall be deemed to have been received in India where such export turnover is credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the RBI.</p>			

7.4 Deduction in respect of Additional Wages – Eligibility criteria and specified conditions

Section	Deductions in respect of employment of new employees^ – Additional Wages			
	Nature of Activity	Type of Organization	Quantum of Deduction	Number of Years
80JAA	<ul style="list-style-type: none"> Deduction of an amount equal to 30% of additional employee cost of any new employee (whose total emolument is less than or equal to Rs. 25,000 per month). However, no deduction shall be allowed in respect of employees for whom the entire contribution under 	All assessee covered under tax audit provisions	30% of additional employee cost of new	3 AYs including the AY relevant to the FY in which such employment is provided

Section	Deductions in respect of employment of new employees [^] – Additional Wages			
	Nature of Activity	Type of Organization	Quantum of Deduction	Number of Years
	<p>notified Employees' Pension Scheme is paid by the Government.</p> <ul style="list-style-type: none"> • The minimum number of days of employment of such new employees in a financial year is 240 days. • However, the requirement of minimum period of employment is 150 days in the case of apparel, footwear and leather industry. • Further where a new employee is employed during the previous year for a period of less than 240 days or 150 days, as the case may be, but is employed for a period of 240 days or 150 days, as the case may be, in the immediately succeeding year, he shall be deemed to have been employed in the succeeding year and the provisions of this section shall apply accordingly. 			

7.5 Deduction / Allowances of New Capital Expenditure / Scientific Research – Eligibility criteria and specified conditions

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(ia) / 35) [^]	
Section	Eligibility Criteria, Quantum and Period of Deduction
32(1)(ia)	<p>Additional Depreciation</p> <ul style="list-style-type: none"> • General rate of depreciation for plant and machinery is 15% (other than certain specified types of plant and machinery). • An assessee engaged in the business of manufacture or production of any article or thing or in the business of generation, transmission or distribution of power can claim the additional depreciation of 20% on the cost of new plant and machinery

Deduction / Allowances of New Capital Expenditures / Scientific Research (Sections – 32(1)(ia) / 35)^		
Section	Eligibility Criteria, Quantum and Period of Deduction	
	<p>claim the additional depreciation of 20% on the cost of new plant and machinery (other than ships and aircraft) which are acquired and installed after 31 March 2005.</p> <ul style="list-style-type: none"> • The above additional depreciation shall be allowed only to the extent of 50% (i.e. 10% or 17.5%) if the machinery is put to use for a period less than 180 days in the year of its acquisition and installation and balance 50% shall be allowed in the immediate next year. 	
Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid / expenditure incurred
35(1)(i)	Deduction on various expenditure incurred on scientific research Any expenditure (not being in nature of capital expenditure) laid or expended on scientific research related to business carried on by the assessee.	100%
35(1)(ii)	Any sum paid to an approved research association, (which has its object of undertaking scientific research) or to a university, college or other institution to be used for scientific research.	100%
35(1)(ia)	Any sum paid to an approved company to be used by it for scientific research. Such approved company will not be entitled to claim weighted deduction under section 35(2AB) of the IT Act. However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research, which is available under section 35(1)(i) of the IT Act will continue to be allowed.	100%
35(1)(iii)	Any sum paid to approved research association (which has its object of undertaking research) or university, college or other institution to be used for research in social science or statistical research.	100%
35(1)(iv)	Any capital expenditure (other than expenditure on land and building) incurred on scientific research related to the business carried on by the assessee.	100%
35(2AA)	Any sum paid to a National Laboratory or a University or an Indian Institute of Technology or a specified person with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved by the prescribed authority.	100%
35(2AB)	Any expenditure incurred (other than expenditure on cost of land and building), on in-house research and development facility, as approved by the prescribed authority, incurred by the company, engaged in the business of bio-technology or manufacture or production of article or thing (except those specified in the Eleventh Schedule).	100%

Section	Details of Deduction on Scientific Research	Quantum of deduction of sum paid / expenditure incurred
	Deduction under the said section shall be allowed only if the company enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfills prescribed conditions with regard to maintenance and audit of accounts and also furnishes prescribed reports.	

7.6 Deduction on Specified Projects – Eligibility criteria and specified conditions

Deduction on Specified Projects (Sections – 35CCA / 35CCC / 35CCD)^	
Sr. No.	Eligibility Criteria, Quantum and Period of Deduction
1	<p>Deduction for payment towards rural development programmes:[Section 35CCA]</p> <ul style="list-style-type: none"> ● 100% Deduction is allowed subject to fulfillment of certain conditions for any sums paid to: <ul style="list-style-type: none"> i. An association or institution for carrying out any programme of rural development ii. An association or institution for training of persons for implementation of rural development programme iii. National Fund For Rural Development iv. National Urban Poverty Eradication Fund
2	<p>Deduction of expenditure incurred on agriculture extension project: [Section 35CCC]</p> <ul style="list-style-type: none"> ● This section provides for deduction of 100% of the expenditure incurred on agricultural extension project. The conditions for eligibility of agricultural extension project have been provided under Rule 6AAD and Rule 6AAE of the IT Rules.
3	<p>Deduction of expenditure incurred on skill development project: [Section 35CCD]</p> <ul style="list-style-type: none"> ● Any expenditure (not being expenditure in the nature of cost of any land or building) incurred on skill development project shall be eligible for 100% deduction in the hands of a company. The conditions of eligibility of skill development project have been provided under Rule 6AAF to Rule 6AAH of the IT Rules.

7.7 Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80-IAB / 80-IB(9) / 80-IC / 80-IE)^

Deductions of Profits derived by Existing Industrial Undertakings / Infrastructure Projects / Facilities / Developers of SEZs / Banking units, etc. (Sections – 80-IA / 80-IAB / 80-IB (9) / 80-IC / 80-IE)
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Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>Specified Infrastructure Projects –Section 80-IA(4)(i)n</p> <ul style="list-style-type: none"> Enterprise being company or consortium of companies registered in India or any authority or board or a corporation or any other body established or constituted under any Central or State Act, for carrying on business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining of any infrastructure facility (such as road including toll road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste management system, airport, port, inland waterways and inland ports or navigational channel in the sea) commencing its operations on or after 1 April 1995. Widening of an existing road by constructing additional lanes as a part of highway project is also regarded as a new infrastructure facility eligible for deduction as per Circular No. 4/2010 dated 18 May 2010. No deduction shall be available if the specified activity commences on or after 1 April 2017. 	Company / Any other body established or constituted under any Central or State Act	100%	For any 10 consecutive years out of first 15 years (20 years for road, bridge, rail system, highway project, water supply project, water treatment system, irrigation project, sanitation and sewerage system or solid waste management system)
2	<p>Development of Industrial Park- Section 80-IA(4)(iii)</p> <ul style="list-style-type: none"> Any undertaking which begins to develop or develops and 	All	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	operates or maintains and operates an industrial park which has commenced operations during 1 April 1997 to 31 March 2011.			
3	<p>Power Undertakings – Section 80-IA(4)(iv)</p> <ul style="list-style-type: none"> ● Undertaking set up in any part of India for the generation or generation and distribution, of power, which has commenced operations during 1 April 1993 to 31 March 2017. ● Undertaking which starts transmission or distribution by laying a network of new transmission or distribution lines between 1 April 1999 and 31 March 2017. ● Undertaking which undertakes substantial renovation and modernization of the existing network of transmission or distribution lines between 1 April 2004 and 31 March 2017. 	All	100%	Any 10 consecutive years out of first 15 years
4	<p>Developer of SEZ – Section 80-IAB</p> <ul style="list-style-type: none"> ● Any assessee being developer of a SEZ notified by the Central Government after 1 April 2005. ● No deduction shall be available if the specified 	All	100%	Any 10 consecutive years out of first 15 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	activity commences on or after 1 April 2017.			
5	<p>Undertakings in North Eastern States* – Section 80-IE</p> <ul style="list-style-type: none"> ● New undertakings and enterprises, which begin to manufacture or produce any eligible article or thing or provide any services or undertake substantial expansion or carry on any eligible business in any of the North Eastern states beginning from 1 April 2007 to 31 March 2017 ● The eligible businesses for this purpose are hotel (not below 2 star category), adventure and leisure sports including ropeways, providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training; running information technology related training centre; manufacturing of information technology 	All	100%	First 10 years

Sr. No.	Nature of Activity and Location	Type of Organization	Quantum of Deduction	Number of Years
	<p>hardware and bio-technology.</p> <p>*States of Assam, Tripura, Meghalaya, Mizoram, Nagaland, Manipur, Sikkim and Arunachal Pradesh.</p>			

7.8 Other Deductions and Incentives to Businesses

Other Deductions / Exemptions in certain cases [^]	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
80M	<ul style="list-style-type: none"> Dividends received by a domestic company from any other domestic company or a foreign company or a business trust is allowed as deduction to the extent of such dividend distributed by the domestic company on or before the due date (1 month prior to the date of filing of return of income).
54EC	<ul style="list-style-type: none"> Capital gain on transfer of a long term capital asset, being land or building or both, shall be exempt from tax, if an assessee invests, within a period of 6 months from the date of transfer of a long-term capital asset, the capital gains in the specified asset. The specified asset must be held for a period of 5 years from the date of its acquisition. This exemption shall be least of the following: <ul style="list-style-type: none"> ➤ Investment in specified assets viz. any bonds notified by the Central Government in this behalf. The investment is restricted up to Rs. 50,00,000 per assessee per financial year; ➤ Amount of capital gains. Further, the exemption in respect of capital gains upon aforesaid investments made during the financial year in which the original asset or assets are transferred and in the subsequent financial year shall not exceed Rs. 50,00,000. Further, the long-term specified asset, for making any investment under this section in bonds issued on or after the 1 April 2018, shall mean any bond redeemable after 5 years.
54G	<p>Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any area (other than an urban area) shall be eligible for exemption. This exemption shall be least of the following:</p>

Other Deductions / Exemptions in certain cases [^]	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
	<ul style="list-style-type: none"> ➤ Amount of capital gains; ➤ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions
54GA	<p>Capital gains arising on transfer of plant, machinery, land, building or any rights in land / building effected in course of or in consequence of the shifting of an industrial undertaking situated in an urban area to any SEZ shall be eligible for exemption. This exemption shall be least of the following:</p> <ul style="list-style-type: none"> ➤ Amount of capital gains; ➤ Amount of capital gains utilized within a period of 1 year before or 3 years after the date of transfer of the above assets, for purchase of new plant and machinery, land and building and for shifting expenses, subject to specified conditions
9(1)(i) – Explanation (1) (e)	<ul style="list-style-type: none"> ● In the case of a foreign company engaged in the business of mining of diamonds, no income shall be taxed from the activities which are confined to the display of uncut and unsorted diamond in any special notified zone by the Central Government
10(34A)	<ul style="list-style-type: none"> ● Any income arising to an assessee, being a shareholder on account of buy back of shares as referred in section 115QA by the company shall not be included in the total income of assessee. The exemption under this section is available to shareholders of the listed company on a recognized stock exchange on account of buy back of shares on which additional income tax has been paid by the company. <p>(Consequent to amendment to section 115QA of IT Act, it is proposed that provision of section 10(34) shall not apply with respect to any buy back of shares by a company on or after 1 October 2024.)</p>
10(48A)	<ul style="list-style-type: none"> ● Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India shall not be included in the total income subject to approval of Central Government.
10(48B)	<ul style="list-style-type: none"> ● Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from a facility in India after the expiry of an agreement or an arrangement referred to in section 10(48A) shall also be exempt subject to such conditions as may be notified by the Central Government. ● Further provided that the benefit of tax exemption in respect of income from left over stock will be available even if the agreement or the arrangement is terminated in accordance with the terms mentioned therein.

Other Deductions / Exemptions in certain cases [^]	
Section	Eligibility criteria, Quantum and period of deduction / Exemptions
115BBF	<ul style="list-style-type: none"> Any royalty income earned by resident patentee in India in respect of a patent developed and registered in India shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty.
115BBG	<ul style="list-style-type: none"> Income from transfer of carbon credit shall be taxable at the concessional rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. However, no expenditure or allowance in respect of such income shall be allowed under the IT Act.

[^]1. The above deduction, exemption, incentive and allowance are subject to fulfillment of specified conditions mentioned in the IT Act.

[^]2. Section 80AC of the IT Act provide that the benefit of deduction under the entire class of deductions under the heading 'C.—Deductions in respect of certain incomes' in Chapter VIA shall not be allowed unless the return of income is filed by the due date specified under section 139(1) of the IT Act.

[^]3. The domestic companies opting for lower corporate tax regime under section 115BAA / 115BAB of the IT Act would not be able to claim specified incentives/ deductions/ exemptions other than section 80JJAA (deduction in respect of employment of new employees), section 80M (deduction in respect of certain inter-corporate dividends) and section 80LA(1A) (deduction in respect of certain income of Offshore Banking Units and IFSC Units, only in case of 115BAA).

Part C – EXPORT INCENTIVES FOR EXPORTERS

The Foreign Trade Policy 2023 (FTP) offers various schemes intended to provide incentives to the exporters to compensate the costs incurred while exporting products. These incentives are subject to fulfilment of export obligations and other conditions as may be specified in the policy. The approach of the new FTP is to move away from incentive based regime and create an enabling ecosystem to support the philosophy of 'Atmanirbhar Bharat' and 'Local goes Global'. The Foreign Trade Policy 2023 is focused on e-commerce exports, district level export initiatives, and easing guidelines to promote high technology exports. It is also focused on process re-engineering and automation to facilitate ease of doing business for the exporters.

7.1 Special Economic Zones

- The Hon'ble Finance Minister has announced in her Budget Speech of FY 2021 - 22 that the Special Economic Zones Act will be replaced with a new legislation that will enable the States to become partners in 'Development of Enterprise and Service Hubs'. This will cover all large existing and new industrial enclaves to optimally utilize available infrastructure and enhance competitiveness of exports.

- Alongside the new legislation, reforms in the Customs Administration of Special Economic Zones would be undertaken. The administration would be fully information technology driven and function on the Customs National Portal with a focus on higher facilitation and with only risk-based checks. This will ease doing business by SEZ units considerably.

7.2 Remission of Duties and Taxes on Exported products (RoDTEP) Scheme

Key Pointers	Particulars
Highlights	<ul style="list-style-type: none"> ● RoDTEP support is available to eligible exporters at a notified rate as a percentage of Freight on Board (FOB) value with value cap per unit of exported product. For certain products, a fixed quantum of rebate amount per unit is notified. ● Incentives under RoDTEP are subject to the realisation of sales proceeds within the time frame allowed under the Foreign Exchange Management Act, 1999. Failure to receive money within the time frame shall result in recovery of rebates/ incentives along with penalty. Even suspension/ withholding of RoDTEP can be invoked in case of frauds and misuse. ● These e-scrips can be used for the payment of Basic Customs Duty leviable under First Schedule to the Customs Tariff Act of 1975. The exporters are required to keep records substantiating claims made under the scheme, for the purpose of audit and verification by authorities. ● The benefit under the RoDTEP Scheme shall be in addition to the refunds being claimed under the GST Act.
Objective	<ul style="list-style-type: none"> ● The RoDTEP scheme reimburses embedded central, state, and local taxes and duties incurred by exporters in relation to exported goods including electricity duty, mandi tax, coal cess, and other local levies on fuel, toll tax, and stamp duty on import-export documentation, that are not compensated for under any other existing scheme. This electricity duty, mandi tax, coal cess, and other local levies on fuel, toll tax, and stamp duty on import-export documentation. ● The scheme is available in the form of duty credit /electronic scrips (e-scrip) and would be allowed as a percentage of the FOB value of Exports. ● The scheme is implemented with end-to-end digitalization. The entire process of generation, tracking, utilization and transfer of scrips operates online and through the exporter's electronic credit ledger maintained on the ICEGATE portal
Broad Process	<ul style="list-style-type: none"> ● To avail the scheme, exporters shall make a claim for RoDTEP in the shipping bill by making a declaration. It is mandatory for the exporters to indicate in their Shipping Bill whether or not they intend to claim RoDTEP on the export items. ● Once the Export General Manifest is filed, the claim will be processed by Customs.

Key Pointers	Particulars
	<ul style="list-style-type: none"> ● Once processed, a scroll with all individual Shipping Bills for admissible amount would be generated and made available in the users account at ICEGATE. ● A robust monitoring and audit mechanism, with an information technology based Risk management system (RMS), would be put in place to physically verify the records of the exporters on sample basis. Exporters must maintain records substantiating their claims for audit purposes. Additionally, an Output Outcome framework will be maintained for broad-level monitoring and reviewed at regular intervals. ● User can create RoDTEP credit ledger account under Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a DSC. ● The exporter can log into his account and generate scrip after selecting the relevant shipping bills.

7.3 Advance Authorization

Key Pointers	Particulars
Objective	<ul style="list-style-type: none"> ● Advance Authorisation is a scheme that entitles the applicant to undertake duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition to the inputs, packaging materials, fuel, oil, and catalyst which is consumed/ utilized in the process of production of export product, may also be allowed. ● The quantity of inputs allowed for a given product is based on specific norms defined for that export product, which considers the wastage generated in the manufacturing process. DGFT provides a sector-wise list of Standard Input-Output Norms (SION) under which the exporters may choose to apply. Alternatively, exporters may apply their own ad-hoc norms in cases where the SION does not suit the exporter.
Eligibility Applicant/ Export/ Supply Criteria	<ul style="list-style-type: none"> ● Advance Authorisation and / or material imported under Advance Authorisation shall be subject to 'Actual User' condition. This means that the actual user alone will be allowed to import the goods. The authorization shall not be transferable even after completion of export obligation. The holder will have the option to dispose of the product manufactured out of duty-free input once export obligation is completed. ● Since Advance Authorisation Scheme comes with an 'Actual User' condition, it can be issued to either manufacturer exporter or merchant exporter tied with a supporting manufacturer. <p>Advance Authorisation shall be issued for:</p> <ul style="list-style-type: none"> ● Physical Exports including export to SEZ units. ● Intermediate supply ● Supply of specific categories of goods as specified in Foreign Trade Policy, including deemed exports such as supply of goods to EOU/EHTP/STP/BTP, supply against Advance Release Order/Invalidation Letter, and supply to UN organizations and specified international agencies.

Key Pointers	Particulars
	<ul style="list-style-type: none"> ● Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.
Eligibility Condition	<ul style="list-style-type: none"> ● Exporters having past export performance (in at least the preceding two financial years) shall be entitled to Advance Authorisation for Annual requirement. ● Entitlement in terms of CIF value of imports shall be up to 300% of the FOB value of physical export and / or FOR value of deemed export in preceding financial year or Rs 1 crore, whichever is higher.
Other Highlights	<ul style="list-style-type: none"> ● The Inputs imported shall be subject to pre import condition and they shall be physically incorporated in the export product (making normal allowance for wastage). In case of local procurement under invalidation/ARO, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product. ● Minimum Value addition required to be achieved as per the policy. ● Advance Authorization is valid for 12 months from the date of issue of such Authorization. ● Export proceeds shall be realized in freely convertible currency except otherwise specified. Provisions regarding realization and non-realization of export proceeds are provided in the Foreign Trade Policy. ● Export to SEZ Units shall be considered for discharge of export obligation subject to the condition that payment is realized from the Foreign Currency Account of the SEZ unit.

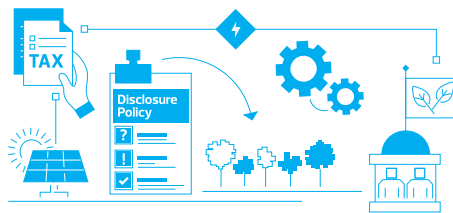
Chapter 8 Direct Taxes – Significant Changes

8.1 Business Entities

8.1.1 Abolition of Angel Tax

Section 56(2)(viib) of the IT Act provides that where a company, other than a company in which public are substantially interested, receives any consideration

for issue of shares exceeding the face value of such shares, the aggregate consideration received in excess of FMV of such shares shall be chargeable to income tax under the head 'Income from Other Sources', commonly known as Angel Tax. It is proposed to abolish the said Angel Tax provision prescribed under section 56(2)(viib) of the IT Act.



8.1.2 Expenditure incurred to settle proceedings initiated in relation to a contravention shall be disallowed

It is proposed to include a clarificatory amendment in Explanation 3 to section 37(1) of the IT Act stating that 'expenditure incurred for any purpose which is an offence or which is prohibited by law' under Explanation 1 shall include any expenditure incurred to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.

8.1.3 Exemption on transfer by way of gift or will or irrevocable trust allowed only to Individuals and HUFs

Section 47 of the IT Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under 'Capital Gains' under section 45. Section 47(iii) provides that capital gains shall not be applicable to any transfer of a capital asset under a gift or will or an irrevocable trust. The first proviso to the said clause makes an exception to the clause in respect of specified ESOPs.

In multiple cases, taxpayers have argued before judicial forums that transaction of gift of shares by company is still not liable to capital gains tax, in view of the provisions of section 47(iii) of the IT Act. It is proposed to clarify that section 45 shall not be applicable to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a HUF.

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

The limit of remuneration to working partners of a Firm is proposed to be increased as under:

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

8.1.5 Tax incentives to International Financial Services Centre

In order to further incentivize operations from IFSC, the following amendments are proposed –

- (a) The meaning of 'specified fund' which can claim exemption under section 10 of the IT Act is proposed to be extended to include funds established or incorporated in India in the form of a trust or a company or a LLP or a body corporate 'which have been granted a certificate as a retail scheme or an exchange traded fund and are regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022 and satisfy such conditions as may be prescribed'.
- (b) Section 10(23EE) is proposed to be amended whereby the definition of 'regulation' shall include the IFSCA (Market Infrastructure Institutions) Regulations, 2021 and the definition of 'recognised clearing corporation' shall include recognised clearing corporation as defined in clause (n) of sub-regulation (1) of regulation 2 of the IFSCA (Market Infrastructure Institutions) Regulations, 2021. Due to this amendment, the specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, is proposed to be exempted from tax.
- (c) It is proposed to extend the relaxation under section 68 of the IT Act from the additional onus of proof of satisfactorily explaining the source in the hands of creditor by amending the definition of Venture Capital Fund in explanation to section 10(23FB) of the IT Act to include Venture Capital Fund in IFSC which are regulated by IFSCA.
- (d) Section 94B of the IT Act provides restriction on deduction of interest expense in the hands of the borrower in respect of any debt issued by a non-resident, being an AE of the borrower to the extent of 30% of its earnings before interest, taxes, depreciation and amortisation ('EBITDA'), subject to certain conditions. It is proposed that the provisions of section 94B shall not apply to a Finance Company located in IFSC.

8.1.6 TDS on payment to partners by firm

It is proposed to introduce section 194T of the IT Act to levy TDS @ 10% on payment in the nature of salary, remuneration, interest, bonus or commission by

firm to partners, on amount or aggregate of amounts exceeding Rs. 20,000 during a FY. This amendment shall take effect from 1 April 2025.

8.1.7 Exemption from prosecution in case of failure to deposit TDS

It is proposed to insert a proviso to section 276B of the IT Act to provide exemption from prosecution in case of failure to deposit TDS if the same has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement under section 200(3) of the IT Act.

This amendment will take effect from 1 October 2024.

8.1.8 Reduction in time limit to pass TDS / TCS order

Section 201(3) and section 206C(7A) of the IT Act is proposed to restrict the time limit to pass order deeming any person (including non-residents) to be an assessee in default for failure to deduct or collect the whole or any part of the tax upto 6 years from the end of the FY or 2 years from the end of the FY in which correction statement is delivered, whichever is later.

8.1.9 Extending scope of LDC application

Section 197 and section 206C(9) of the IT Act have been proposed to be amended to allow application for lower deduction / collection certificate with respect to TDS on purchase of goods under section 194Q of the IT Act and TCS on sale of goods under section 206(1H) of the IT Act respectively. This amendment will take effect from 1 October 2024.

8.1.10 Time limit to file TDS / TCS correction statement

In order to put certainty and finality on the filing process of TDS and TCS statements, it is proposed to amend section 200 and section 206C(3B) to provide that no correction statement shall be delivered after the expiry of 6 years from the end of the FY in which the statement referred to in section 200(3) and statement referred to in the proviso to section 206C(3) are respectively delivered.

8.1.11 Penalty for failure to furnish statements

To ensure better compliance and avoid TDS / TCS mismatch while processing of income-tax return, it is proposed to amend section 271H(3) of the IT Act to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest, he has filed the TDS/TCS statement before 1 month instead of earlier 1 year from the time prescribed for furnishing such statement.

8.2 Personal

8.2.1 Increase in Standard Deduction and deduction from family pension for taxpayers in new tax regime

It is proposed to amend the provisions of section 16(ia) to increase the standard deduction from Rs. 50,000 to Rs. 75,000 for individual taxpayers who opt for the new tax regime as per section 115BAC(1A) of the IT Act.

Currently, section 57(ia) of the IT Act allows a deduction for income from family pension, either 33.33% of the income or Rs. 15,000, whichever is lower. It is proposed to amend the said clause to increase the deduction limit of Rs. 15,000 to Rs. 25,000 for individual taxpayers who opt for the new tax regime as per section 115BAC(1A) of the IT Act.

8.2.2 Increase in amount allowed as deduction to non-government employers and their employees for employer's contribution to a Pension Scheme referred in section 80CCD

It is proposed to increase the amount of deduction allowed in respect to the employer contribution towards pension scheme under section 36(1)(iva) of the IT Act while computing income under the head 'Profits and gains of business or profession', from 10% to 14% of the salary of the employee in the previous year.

A corresponding amendment in section 80CCD of the IT Act is proposed to provide that the employee shall also be eligible to claim higher deduction of up to 14% instead of 10% of salary if he opts for the new tax regime as per section 115BAC(1A) of the IT Act.

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

The existing provisions of section 192 of the IT Act, provides for deduction of tax at source on salary income. Further, as per section 192(2B) of the IT Act, while calculating TDS from salary, incomes under any other head and tax, if any, deducted thereon, are to be taken into account.

Section 192(2B) is proposed to be amended to expand the scope to include any tax deducted or collected under the provisions of Chapter XVII-B or Chapter XVII-BB, as the case may be, to be taken into account for the purposes of making the deduction under section 192(1) of the IT Act. In view of this, TCS credit shall also be taken into account while calculating TDS on salary by employers in the same manner in which TDS and other income are considered.

The proposed amendment will take effect from 1 October 2024.

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

It is proposed that a provision under section 206C shall be introduced wherein the Board will notify the rules for cases where credit of tax collected are given to person other than collectee. However, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under Section 64(1A) of the IT Act.

The amendment will take effect from 1 January 2025.

8.3 Non-Residents

8.3.1 Removal of equalisation levy on supply of service by e-commerce operator

Chapter VIII of the Finance Act, 2016 is proposed to be amended to remove equalisation levy @ 2% on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services. Further, section 10(50) of the IT Act is proposed to be amended to restrict exemption from income-tax on such e-commerce supply of service provided or facilitated from 1 April 2020 to 31 July 2024.

This amendment will take effect from 1 August 2024.

8.3.2 Presumptive taxation under Section 44BBC to promote domestic cruise ship operations in India by non-residents

It is proposed to insert a new section 44BBC to provide for presumptive taxation for non-resident cruise ship operators from cruise ship operating business in India whereby 20% of the aggregate amount received / receivable by or paid / payable to the non-resident cruise ship operator on account of carriage of passengers can be deemed as profits and gain of such business, subject to prescribed conditions.

Provisions of section 44B of the IT Act shall no longer apply to cruise ship business.

An exemption is also provided by inserting section 10(15B) where the lease rentals paid by a non-resident cruise ship operator which opts for presumptive tax regime under section 44BBC shall be exempt in the hands of the recipient foreign company, if such non-resident cruise ship operator and the foreign company are subsidiaries of the same holding company.

This exemption shall be available up to AY 2030-31.

8.3.3 Penalty for failure to submit statement of its activities by a Liaison Office of Non-Resident in India

Under the existing provisions of section 285 of the IT Act, a non-resident entity

with a liaison office in India is required to submit a statement of its activities for a FY to the AO within 60 days from the end of the FY.

An amendment is proposed to prescribe the filing period under the Income tax Rules. Further, a penalty of Rs. 1,000 per day if the period of failure does not exceed 3 months and Rs. 1,00,000 in any other case, is proposed on failure to furnish the statement. The penalty will not apply if the assessee proves a reasonable cause for the failure to furnish the statement.

8.4 Charitable Entities

8.4.1 Merger of trusts under the exemption regime with other trusts

When a trust or institution which is approved / registered under the first or second regime, as the case may be, merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.

It is proposed that the conditions under which the said merger shall not attract provisions of Chapter XII-EB, may be prescribed, to provide greater clarity and certainty to taxpayers. A new section 12AC is proposed to be inserted for this purpose.

8.4.2 Transition of Trusts registered under first regime to second regime

Under the existing provisions of the IT Act, there are 2 regimes to claim exemptions by the Trusts. The first regime covers the provisions of sub-clause(s) (iv), (v), (vi) or (via) of section 10(23C). The second regime covers the provisions of sections 11 to 13 of the IT Act. The provisions of the respective regimes lay down the procedure for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc. Both the regimes intend to grant similar benefit. In order to simplify the procedures and reduce administrative burden, it is proposed that the first regime be sunset and trusts, funds or institutions be transitioned to the second regime in a gradual manner.

This amendment will take effect from 1 October 2024.

8.4.3 Condonation of delay in filing application for registration by trusts or institutions

Section 12A(1)(ac) provides the timelines to the trust / institution for seeking registration. In case a trust or institution is unable to apply within time specified, it may become liable to tax on accreted income as per provisions of Chapter XII-EB of the IT Act. A situation of permanent exit of trust or institution from the exemption regime may also arise.

Thus, to avoid the hardship to the trust / institution, it is proposed that the PCIT / CIT may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if the PCIT / CIT considers that there is a reasonable cause for the same.

These amendments will take effect from 1 October 2024.

8.4.4 Rationalisation of timelines for funds or institutions to file applications seeking approval under section 80G

Under the existing provisions of the IT Act, the first proviso to section 80G(5) provides timelines for filing application for approval, for funds or institutions referred in section 80G(2)(a)(iv). The second proviso lays down the procedure for processing the same. In events of failure to file application within specified timelines by funds or institutions, a situation of unintended permanent exit of fund or institution from section 80G approval, may also arise.

In order to mitigate the above stringent provisions, it is proposed to amend the first and second provisos to rationalise the timelines for filing applications for approval for section 80G of the IT Act.

These amendments will take effect from 1 October 2024.

8.4.5 Rationalisation of timelines for disposing applications made by trusts or funds or institutions, seeking registration for exemption under section 12AB or approval under section 80G

Under existing provisions of the IT Act, applications seeking registration under section 12AB and under section 80G(2)(a)(iv) of the IT Act are required to be processed by the Principal Commissioner or Commissioner of Income Tax within a period of 6 months from the end of the month in which the application was received.

In order to rationalise timelines for disposing applications made by the trusts or funds or institutions and for better administration and monitoring, the existing time limit is now proposed to be 6 months from the end of the quarter in which the application was received.

This amendment will take effect from 1 October 2024.

8.5 General

8.5.1 Rationalisation of Capital Gains Taxation

It is proposed to rationalise the provisions relating to capital gains taxation. The

capital gains tax rates on different class of assets as well as the term of holding for classification of asset as long term and short term for residents and non-residents are tabulated hereunder:

Sr. No.	Class of Capital Asset	Holding period for classification as LTCA	Proposed Short Term Tax Rate	Proposed Long Term Tax Rate
1	Listed equity shares or units of equity oriented mutual funds / Listed units of business trusts (REITs / InvITs)	>12 months	20%	12.5% [on gains exceeding Rs. 1,25,000]
2	Unlisted shares	>24 months	Applicable rates	12.5% without indexation
3	Listed securities (other than units) or zero-coupon Bonds (including listed debentures / bonds*)	>12 months	Applicable rates	12.5% without indexation
4	Unlisted debentures and bonds	>24 months	Applicable rates	Applicable rates
5	Market linked debentures and Debt Mutual Funds	>24 months	Applicable rates	Applicable rates
6	Land & Building	>24 months	Applicable slab rates	12.5% without indexation
7	Any other capital asset	>24 months	Applicable slab rates	12.5% without indexation

8.5.2 Tax on distributed income of domestic company for buy-back of shares

In the existing provisions of the IT Act, amount received on the buy-back of shares is exempt in the hands of the shareholders while the company pays the tax on distributed income.

It is proposed that, the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates. No deduction for expenses shall be available against such dividend income while determining the income from other sources.

The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. The said capital loss shall be computed as follows:

- (i) deeming value of consideration of the bought back shares shall be

considered as NIL;

- (ii) the capital loss on buy-back shall be computed as value of consideration (NIL) less cost of acquisition;
- (iii) the capital loss shall be set-off against other capital gains as applicable or shall be carried forward and may subsequently be set-off against other capital gains as applicable.

The amendments will take effect from the 1 October 2024 and will accordingly apply to any buy-back of shares that takes place on or after this date.

8.5.3 Rationalisation of provisions relating to Re-assessment under the IT Act

The existing provisions of section 148 of the IT Act provides the procedure for issuance of notice to initiate assessment or reassessment or recomputation. Further, section 148A specifies the procedure to be followed by AO before issuance of notice under section 148 of the IT Act. The provisions of section 149 of the IT Act provide the time limits for issuance of notice under section 148 and computation of the period of limitation under various circumstances. It is proposed to rationalise these reassessment provisions with effect from 1 September 2024, which will facilitate ease of doing business by way of reduction in time limit for issue of notice of reassessment. Some of the salient features of the proposed amendments are as under –

- The time limit for furnishing the return in response to notice under section 148 is restricted to 3 months from the end of the month in which the notice under section 148 is issued.
- The definition of information with the AO which suggests that the income chargeable to tax has escaped assessment, has been amended to further include any information in the case of the assessee emanating from survey conducted under section 133A, other than under sub-section (2A) of the said section, on or after the 1st day of September 2024.
- The show cause notice to be issued under section 148A for providing the assessee an opportunity of being heard shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment.
- Further, the process laid down under section 148A for issuing notice under section 148 shall not apply where the AO has received information under the scheme notified under section 135A i.e. faceless collection of information pertaining to income chargeable to tax escaping assessment

for any assessment year.

- The timeline for issuance of notices under section 148A and section 148 provided under section 149, are amended as follows–

Cases	Existing Time limit	Proposed Time limit with effect from 1 September 2024	
	Notice – Section 148	Notice – Section 148A	Notice – Section 148
Normal case	Within 3 years from end of AY	Within 3 years from end of AY	Within 3 years 3 months from end of AY
Specific cases (Income escaping assessment >= Rs. 50,00,000)	Within 10 years from end of AY	Within 5 years from end of AY	Within 5 years 3 months from end of AY

- The Specified Authority for the purpose of section 148 and section 148A shall be the Additional Commissioner or Additional Director or Joint Commissioner or Joint Director.

These amendments will take effect from 1 September 2024.

8.5.4 Power of CIT(A) in case of Best Judgement assessment by AO

It is proposed to amend section 251 of the IT Act to allow CIT(A) to set aside best judgement assessments under section 144 and refer them back to the AO.

This amendment will take effect from 1 October 2024 and apply to orders passed on or after this date.

8.5.5 Rationalization of time-limits for completion of assessments and re-assessments

Section 153 of the IT Act contains provisions of time-limit for completion of assessment, reassessment and re-computation. Due to procedural difficulties, the following changes have been proposed:

- Insertion of new sub-section (1B) to allow assessments where the return of income is furnished following an order under section 119(2)(b) to be completed within 12 months from the end of the FY in which such return is furnished.
- Adding a reference to section 250(3) providing the time limit for passing fresh assessment orders within 1 year from the end of the FY in which the order under section 250 is received in cases set aside by the Commissioner

(Appeals), aligning it with existing provisions for sections 254, 263, and 264.

- Amending sub-section (8) to include time limit for passing of order in case of revived assessment or reassessment proceedings due to the annulment of block assessments under Chapter XIV-B. Accordingly, the time limit of 1 year from the end the month of such revival will be applicable to such revived assessment or reassessment proceedings.
- Section 139 is proposed to apply to returns of income furnished following an order under section 119(2)(b).

These amendments will take effect on 1 October 2024.

8.5.6 Introduction of the Direct Tax Vivad se Vishwas Scheme, 2024

It is proposed to introduce 'Vivad se Vishwas Scheme, 2024' for settlement of disputed issues pending before any appellate forums, thereby reducing litigation and costs for taxpayers and the government. The detailed scheme is specified in the Finance Bill and shall come into force from the date to be notified by the Government.

Highlights of the scheme are as under:

Sr. No.	Nature of Tax Arrears	Pending Dispute by Appellant	Amount payable on or before 31 December 2024	Amount payable on or after 1 January 2025 but before the last date
1	Disputed tax, interest and penalty	After 31 January 2020 but before 22 July 2024	100% of disputed tax	110% of disputed tax
2		before 31 January 2020 and pending at the same appellate forum	110% of disputed tax	120% of disputed tax
3	Disputed interest or penalty or fee	After 31 January 2020 but before 22 July 2024	25% of disputed interest or disputed penalty or disputed fee	30% of disputed interest or disputed penalty or disputed fee
4		before 31 January 2020 and pending at the same appellate forum	30% of disputed interest or disputed penalty or disputed fee	35% of disputed interest or disputed penalty or disputed fee

In case of department appeal or favourable order in own case from higher appellate authority, the above amount payable to be reduced by 50%.

8.5.7 Reintroduction of Block Assessment in relation to Search under section 132 and Requisition under section 132A

As per Finance Act 2021, separate regime for search assessments was abolished and such assessments were subsumed into the reassessment provisions. It is proposed to reintroduce the scheme of Block Assessment for the cases in which search under section 132 or requisition under section 132A which may be initiated on or after 1 September 2024. Some of the main features of the proposed block assessment regime are as under:

- The block period includes 6 AYS preceding the year in which the search was initiated or requisition was made including the previous year in which the search / requisition is initiated till the date of the execution of the last of the authorisations for such search or date of such requisition.
- The tax rate applicable to the undisclosed income shall be 60%.
- No surcharge, interest under section 234A, 234B and 234C or penalty under section 270A shall be levied on the undisclosed income for the block period.
- Penalties for undisclosed income during the block period are set at 50% of the tax payable. No penalty if the assessee voluntarily discloses the undisclosed income in the return and pays the tax along with the return.
- The block assessment shall be completed within 12 months from the end of the month in which last of the authorisation for search or requisition under section 132A, was executed or made.
- The provisions of section 144C of the IT Act shall not apply.

This amendment will take effect from 1 September 2024.

8.5.8 Rationalization of provisions relating to period of limitation for imposing penalties

For the purpose of computing the period of limitation for imposing penalties where the assessment order was subject matter of appeal, reference is given to the date of receipt of order in the office of Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner.

It has been proposed to amend section 275 of the IT Act to omit the reference to the date of receipt of order by the 'Principal Chief Commissioner or the Chief

Commissioner' as it causes ambiguity for the purpose of calculation of the number of days for imposition of penalties.

The said amendment will take effect from 1 October 2024.

8.5.9 Amendment in provisions relating to set off and withholding of refunds

Section 245 of the IT Act relates to set off and withholding of refund in certain circumstances. It is now proposed to be amended as under:

- The requirement of the AO forming an opinion that the grant of refund is likely to adversely affect the revenue, is omitted and the provision is to be retained as "he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax".
- The period of withholding of the refund is proposed to be extended up to 60 days from the date on which the assessment or reassessment is made.

Consequential amendment shall be made in section 244A of the IT Act to state that no additional interest shall be paid up to the date till which such refund is withheld under the amended provisions of section 245(2) of the IT Act.

The amendment will take effect from 1 October 2024.

8.5.10 Rationalisation of the time-limit for filing appeals to the ITAT

Under the existing provisions of section 253(3) of the IT Act, appeals to the ITAT are to be filed within 60 days of the date on which order sought to be appealed against is communicated to the assessee or to the PCIT/CIT, as the case may be.

It is proposed to provide that the appeal before the ITAT may be filed within 2 months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the PCIT or CIT, as the case may be.

It is further proposed to amend section 253(1)(a) of the IT Act to include the reference of section 158BFA (search cases) therein so that the aggrieved assessee can file appeal against penalty orders passed by the Commissioner (Appeals).

This amendment will take effect from 1 October 2024.

8.5.11 Amendment to definition of Specified Mutual Fund

In order to provide clarity regarding the proportion of investment being made in

terms of debt and money market instruments, and also to clarify the investment requirements in the case of Fund-of-Funds (FoFs), it is proposed to amend the definition of "Specified Mutual Fund" under clause (ii) of explanation of section 50AA to provide that a specified mutual fund shall mean a mutual fund:

- a) a Mutual Fund by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments; or
- b) a fund which invests 65% or more of its total proceeds in units of a fund referred to in sub-clause (a).

This amendment will take effect from 1 April 2026 and shall be applicable from AY 2026–27 onwards.

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

It is proposed to amend section 206C(7) of the IT Act to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased 1.5% for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid. At present, the said interest rate is 1% for every month or part thereof.

8.5.13 Revision of rates of securities transaction tax

It is proposed to increase the STT rates on transactions in derivative market (future and option) as tabulated below:

Sr.No.	Particulars	Existing STT Rate	Proposed STT Rate
1.	Sale of an option in securities	0.0625 % of the option premium	0.1 % of the option premium
2.	Sale of a future in securities	0.0125 % of the price at which such futures are traded	0.02 % of the price at which such futures are traded

The proposed amendment is to be made effective from 1 October 2024.

8.5.14 Reporting of income from letting out of house property under 'Income from House Property'

It is proposed to amend section 28 of the IT Act to clarify that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head 'Profits and gains of business or profession' and shall be chargeable under the head 'Income from house property'.

8.5.15 Penalty for failure to comply with due diligence requirements by person furnishing

statements under section 285BA

Section 271FAA prescribes for penalty for furnishing inaccurate statements under section 285BA. It is proposed to extend these penalty provisions to include failures to comply with due diligence requirements, even if such failures did not result in incorrect reporting. Additionally, an amendment to section 273B is proposed to allow for the non-imposition of penalties if reasonable cause is demonstrated. These amendments will take effect from 1 October 2024.

8.5.16 Increase in threshold for imposing penalty under Black Money Act, 2015

Section 42 and section 43 of the Black Money Act, 2015 provides for penalty on individual being resident and ordinarily resident in India for failure to furnish or furnishing incorrect details of foreign income and assets in the income tax return. The penalty under this section shall not be applicable in respect of an asset, being one or more bank accounts having an aggregate balance which does not exceed Rs. 5,00,000 at any time during the previous year. It is proposed to amend these provisions to enact that penalty shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20,00,000.

This amendment will take effect from 1 October 2024.

8.5.17 Adjustment of Black Money Liabilities Against Seized Assets

Earlier, section 132B of the IT Act allowed for adjustment of liabilities under the Income-tax Act and other direct tax laws against assets seized during search and survey operations under the Income-tax Act. However, it does not cover liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

It is proposed to amend section 132B of the IT Act, to also include liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, allowing these liabilities to be recovered from seized assets.

8.5.18 Tax Clearance Certificate for Black Money Act, 2015

Section 230(1A) of the IT Act requires person domiciled in India to obtain a certificate from the income-tax authorities before leaving India. This certificate confirms that the person has no outstanding liabilities under the IT Act, the Wealth-tax Act, 1957, the Gift-tax Act, 1958, or the Expenditure-tax Act, 1987, or has made satisfactory arrangements to pay any such liabilities. However, the existing provisions under this section does not includes the liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act,

2015.

To rationalise section 230, it is proposed to include liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, in the tax clearance certificate requirements.

This amendment will take effect from 1 October 2024.

8.5.19 Amendments to the Prohibition of Benami Property Transactions Act, 1988

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

Section 24 of the Prohibition of Benami Property Transactions (PBPT) Act, 1988 relates to notice and attachment of property involved in Benami transaction/s. Earlier, no time limit was provided for a benamidar or beneficial owner to furnish a reply to the notice issued under this section.

Now, section 24 of the PBPT Act, 1988 will be amended to set a 3 month limit for responses to notices issued under this section and allow extension of the time for provisional attachment from 90 days to 4 months.

These amendments aim to streamline the process and improve compliance.

➤ **Section 55A of the Prohibition of Benami Property Transactions Act, 1988**

Under section 53(2) of the PBPT Act, 1988, individuals involved in benami transactions face rigorous imprisonment (1 to 7 years) and a fine up to 25% of the property's fair market value. This penalty applies equally to the benamidar, beneficial owner and anyone abetting such transactions. Due to the identical penalties, benamidars (often poor and illiterate) are reluctant to testify against beneficial owners, which hinders gathering crucial evidence.

Now, this finance bill introduced section 55A in the PBPT Act, 1988 to allow the Initiating Officer to offer immunity from penalties under section 53 to benamidars or others (except beneficial owners) who provide full and true disclosures about benami transactions, with prior sanction from the competent authority.

This amendment is set to take effect from 1 October 2024.

8.5.20 Widening of scope of TCS under section 206C(1F)

Section 206C(1F) of the IT Act is proposed to be amended to include levy of TCS @ 1% on luxury goods, as may be notified, if sale consideration is more than Rs. 10,00,000.

This amendment shall take effect from 1 January 2025.

8.5.21 Aggregate of payments to be considered while comparing threshold under section 194-IA

It is proposed to amend section 194-IA of the IT Act to clarify that aggregate of amount payable by all transferee(s) to all transferor(s) (instead of one to one) in respect of an immovable property (other than agricultural land) is to be compared with threshold limit of Rs. 50,00,000 to determine TDS liability on purchase of immovable property under section 194-IA of the IT Act.

This amendment shall take effect from 1 October 2024.

8.5.22 Foreign tax credit considered as deemed income

It is proposed to amend section 198 of the IT Act by considering sum deducted as income–tax paid outside India for which foreign tax credit is allowed under the IT Act, as deemed income under section 198 along with tax deducted under the IT Act.

8.5.23 Clarificatory amendment in definition of work under section 194C

The definition of “work” under section 194C is proposed to be amended to explicitly exclude payments referred under section 194J(1) of the IT Act.

This amendment shall take effect from 1 October 2024.

8.5.24 Cost of acquisition in case of equity shares transferred under offer for sale as part of an IPO

Sub-clause (iii) of clause (a) of the explanation to section 55(2)(ac) of the IT Act is proposed to be amended to specifically provide for cost of acquisition of unlisted equity shares transferred under offer for sale as part of an initial public offering. Fair market value under such scenario shall be the indexed cost of acquisition in same proportion as cost inflation index for FY 2017-18 bears to the cost inflation index for the first year when such unlisted equity shares were held or for FY 2001-02, whichever is later.

This amendment will retrospectively take effect from 1 April 2018.

8.5.25 Increase in monetary limits for filing appeals

In the Budget Speech, it has been announced that the monetary limits for filing appeals (by the tax department) related to direct taxes, excise and service tax in the Tax Tribunals, High Courts and Supreme Court have been increased to Rs. 60,00,000, Rs. 2,00,00,000 and Rs. 5,00,00,000 respectively.

8.6 Transfer Pricing

8.6.1 Amendment to section 94B of the IT Act relating to limitation on interest deduction in certain cases

Section 94B of the IT Act provides restriction on deduction of interest expense in respect of any debt issued by a non-resident, being an AE of the borrower. It applies to an Indian company, or a permanent establishment of a foreign company in India, who is a borrower. If such person incurs any expenditure by way of interest or of similar nature exceeding Rs. 1,00,00,000, 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 30% of its earnings before interest, taxes, depreciation and amortisation ('EBITDA').

At present, the provisions of this section do not apply to Indian companies or permanent establishments of foreign companies which are engaged in the business of banking or insurance or such class of non-banking financial companies as may be notified by the Central Government.

It is proposed to amend section 94B to exclude a Finance Company located in any International Financial Services Centre from this provision.

8.6.2 Safe Harbour Rules

With a view to reduce litigation and provide certainty in international taxation, it is proposed to expand the scope of safe harbour rules and make them more attractive. It is further proposed to provide for safe harbour rates for foreign mining companies selling raw diamonds in the country.

8.6.3 Amendment to Section 92CA of the IT Act relating to reference to Transfer Pricing Officer

It is proposed to amend section 92CA of the IT Act to include reference of SDT alongwith the international transactions to TPO.

8.6.4 Power to enable determination of Arm's Length Price for unreported Specified Domestic Transactions

The existing provisions of sub-section (2A) and (2B) of section 92CA of the IT Act enables TPO to compute the ALP if assessment is referred to him by the AO or an international transaction comes to his notice during assessment even if not referred by the AO or not reported by the assessee.

An amendment is proposed in the aforesaid sub-sections to enable TPO to also deal with any Specified Domestic Transactions not referred by the AO and/or not reported in the audit report under section 92CE of the IT Act by the assessee.

9.1 Goods and Services Tax

In the Budget Speech, the Hon'ble Finance Minister stated that the Indirect Tax proposals seek to reduce compliance burden, simplify and rationalise tax structure, support domestic manufacturing, deepen local value addition, promote export competitiveness, and simplify taxation, while keeping the interest of the general public and consumers surmount. Several regulatory changes and enabling provisions under GST have also been proposed, which are in alignment with the recommendations made by the GST Council in its 53rd Council Meeting.



The below mentioned amendments shall be effective from a date to be notified by the Central Government in the Official Gazette:

➤ **Exclusion of un-denatured extra neutral alcohol or rectified spirit used in the manufacture of alcoholic liquor for human consumption from levy of GST**

Section 9(1) of the CGST Act, 2017 is being amended to take un-denatured Extra Neutral Alcohol (ENA) or rectified spirit, used in the production/manufacture of alcoholic liquor for human consumption out of purview of levy of GST.

Prior to the said amendment, only alcoholic liquor for human consumption was kept outside the purview of GST.

➤ **Empowerment to the Government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.**

The proposed section 11A of the CGST Act, 2017, empowers the government to waive the recovery of GST that was not levied or was short levied due to established general practices. This means that if certain goods or services were not taxed or were taxed at a lower rate based on common trade practices, the government can regularize such non-levy or short levy.

Upon recommendation from the GST Council, the government can issue a notification in the Official Gazette, directing that the GST payable on such supplies, or the excess GST that would have been due, will not be required to be paid. This provision allows the government to align GST rates with trade and industry practices, potentially resolving disputes regarding the classification of goods and services and the applicable GST rates.

➤ **Amendment of section 13(3) of the CGST Act, 2017 to incorporate specific**

provisions for time of supply of services liable to tax under reverse charge mechanism where invoice is to be issued by the recipient of such services

The Finance Bill has proposed amendments in section 13(3) of the CGST Act, 2017 wherein the following changes have been recommended:

- **Amendment to clause (b):** The existing phrase “by the supplier” to be replaced with “by the supplier, in cases where invoice is required to be issued by the supplier; or”. This clarifies that the said clause shall only apply for determination of time of supply where the supplier is responsible for issuing the invoice.
- **Insertion of new clause (c):** A new clause (c) is proposed to be inserted stating, “the date of issue of invoice by the recipient, in cases where invoice is to be issued by the recipient.” This aligns with the provision to section 31(3)(f) of the CGST Act, 2017 which states that a registered person liable to pay tax under section 9(3) or 9(4) of the CGST Act, 2017 must issue an invoice for goods or services or both received by him from an unregistered supplier. Thus, this clause shall aid in determining the time of supply in cases of import of services and self-invoicing.
- **Amendment to the First Proviso:** The first proviso to section 13(3) of the CGST Act, 2017 is being suitably amended to incorporate reference to clause (c) and would accordingly be applicable in cases where it is not possible to determine the time of supply by application of the clauses (a) to (c). The time of supply in such cases shall be the date of entry in the books of account of the recipient of supply.

➤ **Retrospective insertion of section 16(5) of the CGST Act, 2017 to permit availment of input tax credit in respect of invoices/debit notes pertaining to the period from FY 2017–18 to FY 2020–21, which were availed vide filing of GSTR 3B return up to 30 November 2021**

A retrospective insertion of section 16(5) in the CGST Act, 2017, is proposed, effective from 1st July 2017. This amendment relaxes the time limit for availing input tax credit (ITC) on invoices or debit notes related to the supply of goods or services for the FYs 2017–18 to 2020–21. Taxpayers can now claim input tax credit for these periods in any Form GSTR–3B filed for the period up to 30th November 2021.

➤ **Retrospective insertion of section 16(6) of the CGST Act, 2017 to provide conditional relaxations for availing the input tax credit for registered persons whose registration has been cancelled and the cancellation has been revoked subsequently**

The newly inserted sub-section shall permit persons whose GST registration has been cancelled however subsequently reinstated to claim input tax credit on invoices or debit notes, provided that the availment of input tax credit was not time-barred as on the date of order of cancellation, as per the later of the below mentioned timelines:

- 30 November following the financial year to which the invoice or debit note pertains or furnishing of annual return whichever is earlier; or
- 30 days from the date of revocation of cancellation of registration

➤ **Amendment to section 17(5)(i) pertaining to blocking of input tax credits on tax paid under section 74**

Section 17(5)(i) is being amended to explicitly block the availment of input tax credit in respect of tax paid in accordance with provisions of Section 74 for any period up to and including FY 2023–24. The references to Section 129 and 130 have been eliminated, thus, permitting input tax credit where tax demand is paid in cases of detention, seizure and release of goods and conveyances in transit or for the confiscation of goods or conveyances.

➤ **Amendment in section 31(3)(f) of the CGST Act, 2017 to provide for prescribing the timeframe for issuance of self-invoice in case of reverse charge transactions**

Section 31(3)(f) of the CGST Act, 2017 so as to incorporate an enabling provision for prescribing the time period for issuance of invoice by the recipient in case of reverse charge mechanism supplies where the recipient is required to issue such invoice.

➤ **Substitution of section 39(3) of the CGST Act, 2017 to mandate filing of returns by persons liable to deduct TDS under Section 51 of the CGST Act, 2017 even in NIL cases**

The Finance Bill proposes to amend section 39(3) of the CGST Act, 2017, mandating that every registered person required to deduct tax at source under Section 51 must electronically file a return in Form GSTR-7 for each month. This requirement applies even if there are no transactions during the month.

➤ **Insertion of section 74A in the CGST Act, 2017 to deal with determination of unpaid tax or excess or undue availment of input tax credit or recovery of erroneously sanctioned refund entailing charges of fraud as well as cases not involving fraud from the FY 2024–25 onwards.**

Section 74A is being inserted in the CGST Act, so as to provide for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly

availed or utilised for any reason pertaining to the FY 2024–25 onwards. It also provides for the same limitation period for issuing demand notices and orders in respect of demands from the FY 2024–25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not, while keeping a higher penalty, for cases involving fraud, wilful misstatement, or suppression of facts.

As per the proposed section, in cases where any tax is unpaid, underpaid, erroneously refunded, or if input tax credit is wrongly availed or utilized or refund erroneously granted, the proper officer will issue a notice to the liable person, demanding the unpaid amount with interest and penalties. No notice will be issued for discrepancies under Rs. 1,000. Further, the proposed section imposes, for any FY beginning FY 2024 – 25, a time limit of 42 months from the due date of the relevant annual return. In case of erroneous refund, the time limit is 42 months from the date of the refund order which has erroneously sanctioned the said refund.

Penalties for cases where allegations of fraud, wilful misstatement or suppression of facts are not invoked by the tax authorities are assessed at 10% of the tax due, subject to a minimum of Rs. 10,000. In cases where fraud, wilful misstatement or suppression of facts are invoked, the penalty assessed shall be equivalent to the tax due. Voluntary payment of tax with interest before the notice can avoid further proceedings, with higher penalties for such cases.

Further, the proper officer must issue an order within 12 months of the date of issuance of notice, which may be extendable by 6 months if the proper officer deems fit.

Further, the applicability of section 73 of the CGST Act, 2017 and section 74 of the CGST Act, 2017 are limited to cases till FY 2023–24 by way of insertion of sub-section (11) and sub-section (12) in the said sections respectively.

➤ **Amendments to certain provisions of exports with payment of IGST contained under section 16 of the IGST Act, 2017**

The proposed amendment to section 16(4) of the IGST Act specifies that the government will notify classes of persons that can make zero rated supply of goods or services with payment of IGST and be entitled to claim of refund of IGST so discharged, in accordance with the provisions of section 54 of the CGST Act, 2017 and the rules framed thereunder.

Additionally, sub-section (5) shall be inserted with an overriding effect to sub-sections (3) and (4) seeking to disallow refunds on unutilised input tax credit or IGST paid on transactions of goods exported out of the country, which attract

export duty under the provisions of Indian Customs.

➤ **Amendments in certain GST refund provisions under section 54 of the CGST Act, 2017**

The Finance Bill has proposed to omit the second proviso to section 54(3) of the CGST Act, 2017 thereby doing away with the restriction on GST refund claims of unutilised input tax credit if the supplier is availing benefit of drawback of CGST or claiming refund of IGST paid on such supplies.

Section 54(15) of the CGST Act, 2017 is inserted to disallow refund of unutilised input tax credit (in case of exports without payment of tax) as well as IGST paid (in case of exports with payment of tax) where the exported goods are subject to export duty as per the Customs provisions.

➤ **Amendment to section 107 of the CGST Act to reduce maximum pre-deposit required to be paid by an appellant for filing appeals before the Appellate Authority**

Sub-section (6) of section 107 of the CGST Act is being amended, so as to reduce the maximum amount of pre-deposit for filing appeal before the Appellate Authority from Rs. 25 crores to Rs. 20 crores each under central tax and state tax respectively. The limit under integrated tax is reckoned at Rs. 40 crores.

➤ **Amendments to section 112 of the CGST Act, 2017 with effect from 1 August 2024**

As the GST Appellate Tribunal is not yet operational, aggrieved taxpayers are unable to appeal against orders passed by the Appellate Authority within the existing timelines prescribed under section 112(1) of the CGST Act, 2017, which requires filing an appeal before the Tribunal within 3 months from the date of communication of the disputed order.

To address this situation, it has been proposed to suitably amend the provisions of sections 112(1) and (3) of the CGST Act, 2017 to provide for an enhanced timeline as per the dates to be notified by the government within which the appeal or application may be filed before the GST Appellate Tribunal.

Further, the maximum amount of pre-deposit that is required to enable an aggrieved assessee to file an appeal before the GST Appellate Tribunal is being reduced to 10% of the disputed tax (as against 20% earlier) and the prescribed upper threshold in the value of pre-deposit is lowered to Rs. 20 crores from Rs. 50 crores by way of an amendment to section 112(8) of the CGST Act, 2017. The limit under integrated tax is reckoned at Rs. 40 crores.

➤ **Insertion of section 128A in the CGST Act, 2017 to provide for waiver of interest and penalty for initial years of implementation**

Section 128A is being inserted to provide a conditional waiver of interest and penalty for demand notices issued under section 73 for the FYs 2017–18, 2018–19 and 2019–20. This waiver applies to situations where the full tax amount, as specified in the notice, statement, or order, is paid by a date to be notified by the Government.

The waiver shall not apply to demand notices issued for recovery of erroneously sanctioned refunds. Additionally, if interest and penalty have already been paid for any demand for these financial years, refund applications in said regard shall not be sustainable. The amendment aims to offer significant relief for past tax liabilities and genuine difficulties faced by taxpayers while simultaneously ensuring compliance with specified conditions and preventing further appeals once the tax payment is made.

Further, all proceedings related to the notice, order, or statement will be deemed concluded upon payment as per the said section, and no further appeals shall lie before the Appellate Authority or the Appellate Tribunal.

➤ **Other Significant propositions:**

- Retrospective amendment to section 140(7) of the CGST Act, 2017 allowing entitlement to transition CENVAT credit available to the taxpayer on account of being an Input Services Distributor under the erstwhile Service Tax regime.
- Insertion of sub-section 1A in section 70 of the CGST Act, 2017 necessitating personal appearance by the person so summoned or through their authorized representative and further necessitating the need for such person to comply with the requirements of the summon issued under the said section.
- Insertion of second proviso to section 30(2) of the CGST Act, 2017 to provide for revocation of cancellation of GST registration by the proper officer on fulfilment of prescribed conditions and restrictions.
- Amendment of section 122(1B) of the CGST Act, 2017 to restrict the applicability of penal provisions under this section to only those Electronic Commerce Operators who are required to collect tax at source under section 52 of the CGST Act, 2017.
- Insertion of paragraphs 9 and 10 in Schedule III of the CGST Act, 2017 to provide that the activity of apportionment of co-insurance premiums by the lead insurer to the co-insurers in the co-insurance agreement and the services by insurers to reinsurers in respect of ceding/re-insurance

commission will, subject to certain conditions, be treated neither as a supply of goods nor as a supply of services.

9.2 Custom Duty

Certain significant changes have been made in the Customs Act, 1962 and the Customs Tariff Act, 1975. The changes in the rate of duty and exemptions are provided as below:

9.2.1 Changes in Customs Duty Rates

AMENDMENTS				
A.	Increase in Tariff rate (to be effective from 24 July 2024) Unless specifically mentioned otherwise		Rate of Duty	
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
1	1207 99 90	Shea Nuts	30%	15%
2	1504 20	Fish lipid oil for use in manufacture of aquatic feed	15%	NIL
3	1504 20	Crude fish oil for use in manufacture of aquatic feed	30%	NIL
4	2309 90 31	Prawns and shrimps feed	30%	5%
5	2309 90 39	Fish feed	30%	5%
6	2309 90 90	Mineral and vitamin premixes for use in manufacture of aquatic feed	5%	0%
7	7402 00 10	Blister Copper	5%	NIL
8	7110	Platinum or Palladium for use in the manufacture of: – (i) all goods, including Noble Metal Compounds and Noble Metal Solutions, falling under heading 2843; (ii) all goods falling under sub-heading 3815 12.	7.5%	5%

AMENDMENTS				
A.	Increase in Tariff rate (to be effective from 24 July 2024) Unless specifically mentioned otherwise		Rate of Duty	
S. No.	Heading, sub-heading, tariff item	Commodity	From	To
9	84, 85 or any Chapter	The goods specified in List 19, for the manufacture of goods falling under heading/ subheading/ tariff item 8523 52 00, 8541, 8542, 8543 90 00 or 8548 00 00 (ii) Parts, for manufacture of goods at item (i) above	NIL	NIL
10	84	Bushings made of Platinum and Rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	7.5%	5%

9.2.2 Other amendments in BCD rate and Continuation of Exemptions

- While maintaining the existing incidence of custom duties on Dore and Bar of Gold and Platinum, the BCD rate and Agriculture Infrastructure Development Cess (AIDC) rates are being recalibrated. The import duty on Silver Bar and Silver Dore is however being reduced. The changes are as follows:

Commodity	BCD (effective from 24 July 2024)		AIDC (effective from 24 July 2024)		SWS (effective from 24 July 2024)		Total Duty
	From	To	From	To	From	To	
Gold Bars	10%	5%	5%	1%	Nil	Nil	6%
Gold Dore	10%	5%	4.35%	0.35%	Nil	Nil	5.35%
Platinum	10%	5%	5.40%	1.40%	Nil	Nil	6.40%
Silver Bar	10%	5%	5%	1%	Nil	Nil	6%
Silver Dore	10%	5%	4.35%	0.35%	Nil	Nil	5.35%

- Retrospective amendment in notifications issued under section 25(1) read with section 3(12) of Customs Tariff Act: Exemption limit increased to Rs. 3,00,000 from Rs. 1,00,000 for samples related to gems and jewellery industry imported by exporters of gem and jewellery, other conditions remain unchanged.
- Retrospective amendment in notifications issued under section 25(1) read

with section 124 of Finance Act: Certain additional entries have been added in principal notification No 50/17–Customs for granting customs duty exemption in excess of the amount calculated at the standard rate specified in the notification.

- Reduction in BCD from 7.5% to 5% on Platinum and Palladium and used in the manufacture of noble metal solutions and bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India
- BCD exempted for Ferro–Nickel, Blister Copper
- Gold, silver and platinum can be imported with concessional rate of 4.35% (earlier 9.35%) if imported under specified schemes
- Time limit prescribed under Notification No. 25/99–Customs, has been extended till 31 March 2029 (earlier 30 September 2024)
- Certain specified capital goods have been added to the list of exempted goods for use in manufacture of solar cells and modules
- Reduction in Customs duty for precious metals. Revised customs duty on Gold and Silver Bars is 6%, Gold and Silver Dore 5.35% and Platinum 6.4%
- BCD has been reduced on many items such as Shea nuts (30% to 15%), critical minerals viz, Antimony, Beryllium, Bismuth, Cobalt, Copper (0%) etc. Graphite , Silicon Quartz & Silicon Dioxide (2.5%)
- BCD on Ammonium Nitrate has been increased from 7.5% to 10%.
- BCD has been fully exempted on the Cancer Drugs (Trastuzumab Deruxtecan, Osimertinib, Durlumab)
- BCD has been reduced from 7.5% to 5% on Methylene Diphenyl Diisocyanate (MDI) for manufacture of spandex yarn to rectify duty inversion (subject IGCR condition)
- BCD has been reduced from 30% to 10% on Real Down Filling material from duck or goose.
- Exemption has been extended to wet white leather, crust and finished leather for manufacture of textile or leather garments etc

9.2.3 Certain amendments in the Customs Act, 1962 and Customs Tariff Act, 1975

The changes in the Customs Act and Customs Tariff Act shall be effective from

enactment of the Finance Bill, unless otherwise specified.

- Section 28DA is being amended to enable the acceptance of different types of proof of origin provided in trade agreements in order to align the said section with new trade agreements which provide for self-certification.
- A proviso to sub-section (1) of section 65 is being inserted to empower the Central Government to restrict certain manufacturing and other operations not permitted in warehouse.
- To facilitate the trade, section 143AA has been amended to substitute the expression "a class of importers or exporters" with "a class of importers or exporters or any other persons"
- Clause(m) of section 157(2) of the Customs Act is being amended by substituting the expression "a class of importers or exporters" with "a class of importers or exporters or any other persons"
- Section 6 is being omitted on account of winding up of Tariff Commission
- The First Schedule to the Customs Tariff Act, 1975 is being amended to:
 - increase the rates on certain tariff items (effective from 24 July 2024)
 - create new tariff lines in respect of defense products, technical textiles, sustainable blended aviation fuel, etc.

Chapter 10 Other Significant Proposals

10.1 Employment Linked Incentive Schemes

The Government has proposed to implement the following 3 schemes for 'Employment Linked Incentive' which would be based on enrolment in the EPFO, focus on recognition of first-time employees and provide support to employees and employers.



Scheme A: First Timers

- This scheme will provide 1 month's wage to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of 1 month's salary in 3 instalments to first-time employees, as registered in the EPFO, will be up to Rs. 15,000. The eligibility limit will be a wage/salary of less than Rs. 100,000 per month. Key highlights of the scheme are as under:
- One month's wage as subsidy (maximum Rs. 15,000)
 - Applicable to all sectors
 - Applicable to all persons newly entering the workforce (EPFO) with wage / salary less than Rs. 100,000 per month.
 - Subsidy will be paid to the employee in 3 instalments
 - Employee must undergo compulsory online Financial Literacy course before claiming the second instalment.
 - Subsidy to be refunded by employer if the employment to the first timer ends within 12 months of recruitment.
 - Expected to cover approximately 1 crore persons annually.
 - Scheme will be for 2 years.

Scheme B: Job Creation in manufacturing

- This scheme will incentivize additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at specified scale directly to the employee and the employer, with respect to their EPFO contribution in the first 4 years of employment. Key highlights of the scheme are as under:
- Applicable for substantial hiring of first-time employees in the

manufacturing sector

- All employers which are corporate entities and those non-corporate entities with a 3-year track record of EPFO contribution, will be eligible.
- Employer must hire at least the following number of previously non-EPFO enrolled workers:
 - 50% or
 - 25% of the baseline (previous year's number of EPFO employees) *[whichever is lower]*
- Incentive will be paid for 4 years partly to the employee and partly to the employer as follows:

Year	Incentive (as % of wage / salary, shared equally between employer & employee)
1	24
2	24
3	16
4	8

- Employer must maintain threshold level of enhanced employment throughout, failing which subsidy benefit will stop.
- Employee must be directly working in the entity paying salary/wage (i.e. in-sourced employee).
- Employees with a wage / salary of up to Rs. 1lakh per month will be eligible, subject to contribution to EPFO.
- For those with wages / salary greater than RS. 25,000 p. m., incentive will be calculated at Rs. 25,000 per month.
- Subsidy to be refunded by employer if the employment to first timer ends within 12 months of recruitment.
- This subsidy will be in addition to benefit under Part-A
- Scheme will be applicable for 2 years

Scheme C: Support to employers

- This employer-focused scheme will cover additional employment in all sectors. All additional employment within a salary of Rs. 1 lakh per month will be counted. The government will reimburse employers up to Rs. 3,000 p.m. for 2 years, towards their EPFO contribution for each additional employee. Key highlights of the scheme are as under:
 - Applicable to an employer who:
 - increases employment above the baseline (previous year's number of EPFO employees) by at least 2 employees (for those with less than 50 employees) or 5 employees (for those with 50 or more employees) and sustains the higher level, and
 - For employees whose salary does not exceed Rs. 1,00,000 p. m.
 - New employees under this Part need not be new entrants to EPFO
 - For 2 years, Government will reimburse EPFO employer contribution [up to] Rs. 3,000 per month to the employer for the additional employees hired in the previous year.
 - If the employer creates more than 1,000 jobs:
 - Reimbursement will be done quarterly for the previous quarter
 - Subsidy will continue for the 3rd and 4th year on the same scale as Employer benefit in Part-B
 - Not applicable for those employees covered under Part-B.
 - This subsidy will be in addition to benefit under Part-A.
 - The said scheme will be applicable for 2 years

For business establishments required to have a PAN, the PAN will be used as the common identifier for all digital systems of specified government agencies. This will bring ease of doing business and it will be facilitated through a legal mandate.

The above schemes would boost employment opportunities and develop India as a manufacturing industry in India.

10.2 Internship in Top Companies

A comprehensive scheme for providing internship opportunities in 500 top

companies to 1,00,00,000 youth in 5 years will be launched. They will gain exposure for 12 months to real-life business environment, varied professions and employment opportunities. An internship allowance of Rs. 5,000 per month along with a one-time assistance of Rs. 6,000 will be provided. Companies will be expected to bear the training cost and 10% of the internship cost can be counted as CSR expenditure.

10.3 Support for promotion of MSMEs

This budget provides special attention to MSMEs and manufacturing, particularly labour-intensive manufacturing. A package covering financing, regulatory changes and technology support for MSMEs was being formulated to help them grow and also compete globally, as mentioned in the interim budget. Following specific measures are announced in this regard:

10.3.1 Credit Guarantee Scheme for MSMEs in the Manufacturing Sector

For facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee, a credit guarantee scheme will be introduced. The scheme will operate on pooling of credit risks of such MSMEs. A separately constituted self-financing guarantee fund will provide, to each applicant, guarantee cover up to Rs. 100 crores, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan balance.

10.3.2 Credit Support to MSMEs during Stress Period

A new mechanism for facilitating continuation of bank credit to MSMEs during their stress period is proposed. While being in the Special Mention Account ('SMA') stage for reasons beyond their control, MSMEs need credit to continue their business and to avoid getting into the NPA stage. Credit availability will be supported through a guarantee from a government promoted fund.

10.3.3 Enhanced scope for mandatory onboarding in TReDS

For facilitating MSMEs to unlock their working capital by converting their trade receivables into cash, it is proposed to reduce the turnover threshold of buyers for mandatory onboarding on the TReDS platform from Rs. 500 crores to Rs. 250 crores. This measure will bring 22 more CPSEs and 7,000 more companies onto the platform. Medium enterprises will also be included in the scope of the suppliers.

10.3.4 E-Commerce Export Hubs

To enable MSMEs and traditional artisans to sell their products in international

markets, E-Commerce Export Hubs will be set up in Public-Private-Partnership ('PPP') mode. These hubs, under a seamless regulatory and logistic framework, will facilitate trade and export related services under one roof.

10.4 Industrial Parks

Our Government will facilitate development of investment-ready "plug and play" industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by better using town planning schemes.

12 industrial parks under the National Industrial Corridor Development Programme also will be sanctioned.

10.5 Rental Housing

Rental housing with dormitory type accommodation for industrial workers will be facilitated in PPP mode with VGF support and commitment from anchor industries.

10.6 Digital Public Infrastructure Applications

Development of DPI applications at population scale for productivity gains, business opportunities, and innovation by the private sector is proposed. These are planned in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance.

10.7 Integrated Technology Platform for IBC eco-system

An Integrated Technology Platform will be set up for improving the outcomes under the Insolvency and Bankruptcy Code ('IBC') for achieving consistency, transparency, timely processing and better oversight for all stakeholders.

10.8 Voluntary closure of LLPs

The services of the Centre for Processing Accelerated Corporate Exit ('C-PACE') will be extended for voluntary closure of LLPs, to reduce the closure time.

10.9 National Company Law Tribunals

The IBC has resolved more than 1,000 companies, resulting in direct recovery of over Rs. 3.3 lakh crore to creditors. In addition, 28,000 cases involving over Rs. 10 lakh crores have been disposed of, even prior to admission.

Appropriate changes to the IBC, reforms and strengthening of the tribunal and appellate tribunals will be initiated to speed up insolvency resolution. Additional tribunals will be established. Out of those, some will be notified to decide cases

exclusively under the Companies Act, 2013.

10.10 Stamp Duty

It is proposed to encourage states which continue to charge high stamp duty to moderate the rates for all, and also consider further lowering duties for properties purchased by women. This reform will be made an essential component of urban development schemes.

10.11 Foreign Direct Investment and Overseas Investment

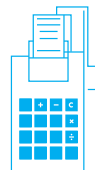
The rules and regulations for Foreign Direct Investment and Overseas Investments will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization and (3) promote opportunities for using Indian Rupee as a currency for overseas investments.

Chapter 11

TDS and TCS Rates

[As updated up to the Finance (No. 2) Bill, 2024]

In this chapter, we have compiled the relevant provisions of TDS and TCS relating to residents and non-residents, incorporating herein the nature of payments, threshold limits for tax deduction and the applicable rates of TDS for different classes of recipients.



Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
1	Salary	192	As per the prescribed slab rates			
2	Accumulated balance due to an employee participating in RPF [Note 2 and 6]	192A	Less than Rs.50,000 in aggregate	10%	Less than Rs.50,000 in aggregate	10%
3	Interest on securities including listed debentures [Note 3 and 6]	193	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF	10%	Rs. 5,000 p.a. for interest on debentures by public company to resident individuals and HUF / Rs. 10,000 for interest on Floating Rate Savings (Taxable) Bonds, 2020	10%
4	Dividend by the Company, including dividends on preference shares and amount payable on buyback of shares [Note 24]	194	Rs. 5,000 p.a.	10%	Rs. 5,000 p.a.	10%
5	Interest other than interest on securities [Note 4, 6, 7 and 8]	194A	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%	Rs. 5,000 / Rs. 40,000 / Rs. 50,000 p.a.	10%
6a	Winning from lottery or crossword puzzle, etc.	194B	Rs. 10,000 p.a.	30%	Rs. 10,000 p.a.	30%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
6b	Winnings from online games [Note 28]	194BA	No threshold	30%	No threshold	30%
7	Winnings from horse race	194BB	Rs. 10,000 per transaction	30%	Rs. 10,000 p.a.	30%
8	Payments to contractors [Note 7 and 9]	194C	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)	Rs. 30,000 for single transaction or Rs. 1,00,000 p.a.	2% (1% for individual and HUF)
9	Insurance commission [Note 6]	194D	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	2%
10	Payment in respect of life insurance policy [Note 5, 6 and 20]	194DA	Less than Rs. 1,00,000 p.a.	5%	Less than Rs. 1,00,000 p.a.	2%
11	Payment to non-resident sportsmen (including an athlete) / entertainer / sports association	194E	No threshold	20%	No threshold	20%
12	Payment in respect of deposits under National Savings Scheme, 1987 [Note 6]	194EE	Less than Rs. 2,500 p.a.	10%	Less than Rs. 2,500 p.a.	10%
13	Commission, etc. on sale of lottery tickets	194G	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	2%
14	Commission or brokerage [Note 7]	194H	Rs. 15,000 p.a.	5%	Rs. 15,000 p.a.	2%
15a	Rent of Land / Building (including factory building) / Furniture or fitting [Note 6 and 7]	194-I(a)	Rs. 2,40,000 p.a.	10%	Rs. 2,40,000 p.a.	10%
15b	Rent of Plant, Machinery or Equipment [Note 6 and 7]	194-I(b)		2%		2%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
16	Payment / credit of consideration to a resident transferor of any immovable property (other than agricultural land) [Note 21]	194-IA	Less than Rs. 50,00,000	1%	Less than Rs. 50,00,000 in aggregate with respect to an immovable property	1%
17	Rent [Note 10]	194-IB	Rs. 50,000 p.m. or part of the month	5%	Rs. 50,000 p.m. or part of the month	2%
18	Monetary Consideration payable under joint development agreement	194-IC	No threshold	10%	No threshold	10%
19	Fees for professional and technical services / royalty / remuneration to Director other than salary [Note 7]	194J	Rs. 30,000 p.a. [Note 11]	10% / 2% [Note 12]	Rs. 30,000 p.a. [Note 11]	10% / 2% [Note 12]
20	Payment in respect of mutual fund specified under section 10(23D) or units from the administrator of the specified undertaking or units from the specified company	194K	Rs.5,000 p.a.	10%	Rs.5,000 p.a.	10%
21	Payment of compensation on acquisition of certain immovable property (other than agricultural land) [Note 13]	194LA	Rs. 2,50,000 p.a.	10%	Rs. 2,50,000 p.a.	10%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
22	Income by way of Interest from Infrastructure Debt Fund to non-resident	194LB	No threshold	5%	No threshold	5%
23a	Income from units of a business trust by way of interest from a special purpose vehicle	194LBA	No threshold	10% and 5% [in case of non-resident on interest income] [Note 16 and 17]	No threshold	10% and 5% [in case of non-resident on interest income] [Note 16 and 17]
23b	Income from units of real estate investment trust by way of leasing or leasing out any real estate asset	194LBA	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note 16 and 17]	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note 16 and 17]
24	Income in respect of units of investment fund	194LBB	No threshold	10% and for non-residents as per rate in force or rate specified in the relevant DTAA's, whichever is beneficial [Note 16]	No threshold	10% and for non-residents as per rate in force or rate relevant DTAA's, whichever is beneficial [Note 16]
25	Income in respect of investment in securitization trust	194LBC	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's,	No threshold	30% (25% for individual and HUF) and for non-residents as per rate in force or rate specified in the relevant DTAA's,

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
				whichever is beneficial [Note 16]		whichever is beneficial [Note 16]
26	Income by way of interest payable to non-residents from Indian company or a business trust [Note 14]	194LC	No threshold	5% / 4% / 9% [Note 14]	No threshold	5% / 4% / 9% [Note 14]
27	Income by way of Interest on certain Bonds and Government Securities held by FII and QFI [Note 15]	194LD	No threshold	5%	No threshold	5%
28	Payment of certain sums by certain individuals or HUF [Note 22]	194M	Rs. 50,00,000 p.a.	5%	Rs. 50,00,000 p.a.	2%
29	Payment of certain amounts in cash [Note 23]	194N	Rs. 1,00,00,000 p.a. / Rs. 3,00,00,000 p.a. (for co-operative society)	2%	Rs. 1,00,00,000 p.a. / Rs. 3,00,00,000 p.a. (for co-operative society)	2%
30	Payment facilitated by e-commerce operator	194-O	Rs. 5,00,000 p.a. [for Individuals/ HUF]	1%	Rs. 5,00,000 p.a. [for Individuals/ HUF]	0.1%
31	Income by way of pension and bank interest by senior citizen resident in India of 75 year or above	194P	As per slab rate		As per slab rate	

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
32	Purchase of goods [Note 25]	194Q	Above Rs. 50,00,000	0.1%	Above Rs. 50,00,000	0.1%
33	Benefit or perquisite to any person arising from business or profession [Note 14]	194R	Rs. 20,000	10%	Rs. 20,000	10%
34	Transfer of Virtual Digital Assets [Note 26]	194S	Rs.10,000/ Rs.50,000 (in case of specified person)	1%	Rs.10,000/ Rs.50,000 (in case of specified person)	1%
35	Payment of salary, remuneration, interest, bonus or commission by firm to partners	194T	-	-	Rs. 20,000 [w.e.f. 1 April 2025]	10% [w.e.f. 1 April 2025]
36	Payment to non-resident of sum chargeable to tax in India	195	As per the rate in force or rate specified in the relevant DTAA, whichever is beneficial [Note 16 and 19]			
37	Income from units in case of non-residents	196A	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]
38a	Income from units referred to in section 115AB(1)(i) to Offshore funds	196B	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]
38b	Long Term Capital Gains from units referred to in section 115AB(1)(i) to Offshore funds	196B	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16]

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 1 and 18]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 1 and 18]
						[w.e.f. 23 July 2024]
39a	Income from units referred to in section 115AC to non-resident	196C	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]
39b	Long Term Capital Gains from units referred to in section 115AC to non-resident	196C	No threshold	10% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	12.50% or rate specified in DTAA, whichever is lower [Note 16] [w.e.f. 23 July 2024]
39	Income of FII from securities under section 115AD(1)(a) except section 194LD	196D	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]	No threshold	20% or rate specified in DTAA, whichever is lower [Note 16]

*Please note TDS rate shall be increased with applicable surcharge and cess in case of payments made to non-residents and TDS is deducted as per the IT Act.

We have incorporated herein the nature of receipts, threshold limits for tax collection and the applicable rates of TCS for different classes of persons.

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 29]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 29]
1	Sale of Tendu Leaves	206C(1)	No threshold	5%	No threshold	5%
2	Sale of Timber obtained under forest lease / by any other modes	206C(1)	No threshold	2.5%	No threshold	2.5%
3	Sale of any other forest produce not being timber/ Tendu leaves	206C(1)	No threshold	2.5%	No threshold	2.5%
4	Sale of scrap/ Mineral being coal or lignite or iron ore	206C(1)	No threshold	1%	No threshold	1%
5	Grant of license, lease etc. of parking lot, toll plaza, or mining or quarrying	206C (1C)	No threshold	2%	No threshold	2%
6	Sale of motor vehicle or any other luxury goods as may be notified [w.e.f. 1 January 2025]	206C (1F)	Above Rs.10,00,000 p.a.	1%	Above Rs.10,00,000 p.a.	1%
7a	Remittance outside India under LRS scheme for education loan mentioned under section 80E	206C (1G)	Above Rs.7,00,000 p.a.	0.5%	Above Rs.7,00,000 p.a.	0.5%
7b	Remittance outside India under LRS scheme for education loan other than mentioned under section 80E and for medical treatment	206C (1G)	Above Rs.7,00,000 p.a.	5%	Above Rs.7,00,000 p.a.	5%
7c	Sale of overseas tour package	206C (1G)	Upto Rs.7,00,000 p.a.	5%	Upto Rs.7,00,000 p.a.	5%

Sr. No.	Nature of Payment	Section	Existing Threshold for Deduction	Rate* at which Tax is to be Deducted [Note 29]	Proposed Threshold for Deduction w.e.f. 1 October 2024	Proposed Rate* at which Tax is to be Deducted w.e.f. 1 October 2024 [Note 29]
			Above Rs.7,00,000 p.a.	20%	Above Rs.7,00,000 p.a.	20%
7d	Amount received for remittance outside India under LRS scheme in any case other than mentioned above	206C (1G)	No threshold	20%	No threshold	20%
8	Sale of goods [Note 30]	206C (1H)	Above Rs.50,00,000 p.a.	0.1%	Above Rs.50,00,000 p.a.	0.1%

Notes:

1. Section 206AA of the IT Act, in a case where payee is not able to furnish PAN to the payer, tax shall be deducted at higher of the following rates:
 - (i) rate specified in the relevant provision of the IT Act, or
 - (ii) at the rates in force, or
 - (iii) at the rate of 20% (5% for tax deduction under section 194-O and 194Q of the IT Act)

Certain payments to non-residents such as interest, royalty, fees for technical services and payment on transfer of capital asset will not require PAN if alternative documents such as tax residency certificate, tax identification number of country of residence, etc. are furnished.

Section 206AB of the IT Act provides for higher rate of TDS for specified persons [who are non-filers of income-tax returns for the previous year immediately preceding the financial year in which tax is to be deducted and the aggregate of TDS/TCS in their case is Rs. 50,000 or more in the said previous year] for the specified sections in which tax is required to be deducted or collected, as the case may be. Tax shall be higher of the followings rates:

- (i) twice the rate specified in the relevant provision of the IT Act; or
- (ii) twice the rate or rates in force, or

- (iii) the rate of 5%, as the case may be

Section 206AB is not applicable to Individual and HUF covered under section 194-IA, 194-IB and 194M of the IT Act and non-residents who do not have permanent establishment in India. Further, a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in the Official Gazette in this behalf is also excluded.

In case provision of both section 206AA and 206AB of the IT Act are applicable to a specified person, tax shall be deducted at higher of the two rates provided in these sections.

2. In case PAN is not furnished by the person entitled to receive the accumulated balance in RPF, the tax shall be deducted as per section 206AA of the IT Act (Refer Note 1) in lieu of the maximum marginal rate.
3. Section 193 of the IT Act provides for certain cases where tax is not to be deducted at source. **It is proposed to include Floating Rate Savings (Taxable) Bonds, 2020 in the proviso to clause (iv) of proviso to section 193 of the IT Act to levy TDS on interest on Floating Rate Savings (Taxable) Bonds, 2020 if it exceeds Rs. 10,000 during a financial year.**
4. Under section 194A, the threshold limit is Rs.40,000 where the payer is a banking company or a co-operative society engaged in banking business, or in case of deposits with post office under a scheme notified by Central Government and Rs.5,000 in any other case. However, if the payee is a senior citizen, then the threshold limit is Rs. 50,000.
5. Tax is to be deducted on sums payable other than the amount not includible in the total income under section 10(10D) of the IT Act. Section 10(10D) is not applicable to any unit linked insurance policy, issued on or after 1 February 2021, if the amount of premium payable for any of the previous year during the term of such policy exceeds Rs. 2,50,000.
6. Tax is not to be deducted, if the payee (not being a company or a firm) furnishes to the payer a declaration in Form No.15G or 15H, as the case may be.
7. An individual or HUF is not liable to deduct tax. However, an individual or HUF, whose total sales, gross receipts or turnover from business exceeds Rs.1,00,00,000 or from profession Rs.50,00,000 during the financial year immediately preceding the financial year in which sum is credited or paid, shall be liable to deduct tax under sections 194A, 194C, 194H, 194I, 194J and 194R of the IT Act as the case may be.

8. Co-operative society shall be liable to deduct tax at source under section 194A of the IT Act, if its total sales, gross receipts or turnover exceeds Rs. 50,00,00,000 during the financial year immediately preceding the financial year in which the interest is credited or paid and the amount of interest during the financial year is more than Rs. 50,000 in case of payee being a senior citizen and Rs. 40,000 in any other case.
9. No tax is required to be deducted at source on credit or payment of transport charges, if the transporter owns 10 or less than 10 goods carriages at any time during the previous year and furnishes a declaration to that effect along with his valid PAN. **Further, it is proposed to amend definition of “work” under section 194C of the IT Act to explicitly exclude payments referred under section 194J(1) of the IT Act.**
10. An individual or HUF (other than those covered under tax audit) is liable to deduct tax on payment of rent in the last month of the previous year or last month of tenancy arrangement, whichever is earlier, under section 194-IB and he is not required to obtain TAN. In case where the tax is required to be deducted as per provisions of section 206AA of the IT Act, such deduction shall not exceed the amount of rent payable for the last month of the previous year or the last month of tenancy, as the case may be.
11. Tax is required to be deducted on remuneration paid to a director which is not in the nature of salary. No threshold limit of Rs 30,000 p.a. is applicable for the same.
12. Tax is to be deducted @ 2% in case of payment made to a person engaged only in the business of operation of call center. Further, tax is to be deducted @ 2% in case of technical services (not being a professional service), royalty in the nature of consideration for sale, distribution or exhibition of cinematographic films.
13. If payment is made in respect of any award or agreement which is exempted from levy of income-tax under section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (30 of 2013), no tax will be deducted at source under section 194LA of the IT Act.
14. In respect of amount borrowed in foreign currency from a source outside India:
 - under a loan agreement executed after 1 July 2012 but before 1 July 2023; or
 - by way of issue of any long term bond (including long term infrastructure bond) issued on or after 1 October 2014 but before 1 July 2023; or
 - by way of issue of long term infrastructure bond after 1 July 2012 but before 1 October 2014; or

- by way of RDB issued outside India before 1 July 2023.

TDS @ 5% is applicable except as mentioned below –

TDS shall be @ 4% on the interest payable to a non-resident, in respect of monies borrowed in foreign currency from a source outside India, by way of issue of any long term bond or RDB on or after 1 April 2020 but before 1 July 2023 and which is listed only on a recognized stock exchange located in any IFSC. The said rate shall be 9% where issue of long term bond or RDB is on or after 1 July 2023.

15. Interest payable on or after 1 June 2013 but before 1 July 2023 in respect of investment made by FII or QFI in RDB of an Indian Company or Government Security. The aforesaid investment also includes interest payable on municipal debt security on or after 1 April 2020 but before 1 July 2023.
16. For the purpose of claiming DTAA benefit, the non-resident payee should furnish a valid TRC from foreign tax authority and electronically filed declaration in Form 10F. Form 10F is not required to be furnished if all the particulars stated therein are provided in the TRC itself. Further, if the payee obtains a lower /nil deduction certificate from the income tax authority, tax shall be required to be deducted based on such certificate. Application for lower /nil deduction certificate shall have to be made in electronic form on TRACES website. The relief under the DTAA is subject to MLI provisions as applicable.
17. In case of Non-residents referred in section 194LBA of the IT Act, tax shall be deducted @ 5% on interest income and @ 10% on dividend income whereas on other income, TDS shall be as per rates in force or rate specified in the relevant DTAAs, whichever is beneficial. If the special purpose vehicle i.e. business trust has not exercised option under section 115BAA (new taxation regime), TDS is not applicable on dividend income.
18. A payer shall not be required to deduct TDS on 'GST' component wherever, in terms of the agreement between the payer and payee, the GST component comprised in the amount payable to a resident payee is indicated separately.
19. Income arising to non-resident or a foreign company, by way of royalty from, or fees for technical services rendered in or outside India to, NTRD will be exempt from income tax. Accordingly, NTRD will not be required to deduct tax at source on such payments.
20. The levy of TDS on the income comprised in the sum payable by way of redemption of a life insurance policy including the sum allocated by way of bonus on such life insurance policy, excluding the amount exempted under section 10(10D) of the IT Act.

21. Under the explanation to section 194-IA of the IT Act the term 'consideration for immovable property' shall include all charges of the nature of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property. **Further, it is proposed that aggregate of amount payable by all transferee(s) to all transferor(s) in respect of an immovable property to be considered as consideration while comparing with threshold limit of Rs. 50,00,000 to determine TDS liability under section 194-IA of the IT Act.**
22. Payment made by an individual and HUF to a resident on account of contractual work or professional fees, who are not required to deduct tax at source under section 194C, 194H and 194J of the IT Act shall be required to deduct tax at source on the aggregate sum exceeding the threshold limit. Such individual and HUF shall be able to deposit the TDS using PAN and shall not be required to obtain TAN.
23. A banking company, a co-operative society engaged in carrying on the business of banking or a post office is responsible for deducting tax at source @ 2% at the time of making payment of such sum in cash to any person from an account maintained by the recipient with it. With effect from 1 July 2020, in case of a recipient who has not filed return of income for all of the 3 assessment years relevant to the 3 previous years, for which the time limit of file return of income under section 139(1) has expired, immediately preceding the previous year in which the payment of the sum is made to him, tax is to be deducted @ 2% for payment exceeding Rs. 20,00,000 but not exceeding Rs. 1,00,00,000 and @ 5% for payment exceeding Rs. 1,00,00,000 / 23. Rs. 3,00,00,000 (for co-operative society). Further, no tax shall be deducted on cash payments made to the Government, banking company, cooperative society engaged in carrying on the business of banking, post office, banking correspondents and white label ATM operators.
24. Section 194 shall not be applicable on dividend credited or paid to business trust by a special purpose vehicle. **However, it is proposed to levy TDS @ 10% under section 194 of the IT Act on any payment by company on buyback of shares in accordance with the provisions of section 68 of the Companies Act, 2013.**
25. The buyer of goods would be liable to deduct TDS @ 0.1% at the time of credit or payment, whichever is earlier, from the resident seller, where the value or aggregate of such value in a previous year in excess of Rs. 50,00,000. Only those buyers whose total sales, gross receipts or turnover from its business exceeds Rs. 10,00,00,000 during the FY immediately preceding the FY, shall be liable to deduct tax at source. The section shall not apply, if tax is deducted or collected under other section of the IT Act except for transaction of section 206(1H) of the IT Act. **Further, it is proposed to include section 194Q of the IT Act under the ambit of**

lower deduction certificate under section 197 of the IT Act.

26. Tax is required to be deducted @ 1% on transfer of virtual digital asset to a resident for amount exceeding Rs.10,000. In case payer is a specified person, the threshold limit is Rs.50,000 and is not required to obtain TAN. In case provision of both sections 194S and 194-O of the IT Act are applicable then the tax shall be deductible under section 194S.
- 'Specified Person' means a person being an individual or HUF whose total sales, gross receipts or turnover does not exceed Rs.1,00,00,000 in case of business and Rs.50,00,000 in case of profession during the financial year immediately preceding the financial year or a person being an individual or HUF not having any income under the head 'Profits and gains of business and profession'.
27. Section 194R, wherein the person responsible for providing to a resident, any benefit or perquisite, whether convertible into money or not, whether in cash or in kind or partly in cash and partly in kind, arising from carrying out of a business or profession by such resident, shall before providing such benefit or perquisite, as the case may be, to such resident, ensure that tax has been deducted in respect of such benefit or perquisite @ 10% of the value or aggregate of value of such benefit or perquisite. For the purpose of this section, the expression 'person responsible for providing' means a person providing such benefit or perquisite or in case of a company, the company itself including the principal officer thereof.
28. The definition of 'Online game' as per section 115BBJ of the IT Act means a game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device. TDS shall be deducted on the net winnings earned from online games during the financial year in the user account, computed in the manner as may be prescribed, at the end of the financial year. In case of withdrawal during the financial year, TDS shall be deducted at the time of such withdrawal on the net winnings comprised in such withdrawal.
29. Section 206CC of the IT Act, in a case where payer is not able to furnish PAN to the payee, tax shall be collected at higher of the following rates:
- (i) twice the rate specified in the relevant provision of the IT Act; or
 - (ii) the rate of 5%, as the case may be.

Section 206CCA of the IT Act provides for higher rate of TCS for specified persons [who are non-filers of income-tax returns for the previous year immediately preceding the financial year in which tax is to be collected and the aggregate of TDS/ TCS in his case is Rs. 50,000 or more in the said previous year] for the

specified sections in which tax is required to be deducted, as the case may be. Tax shall be higher of the followings rates:

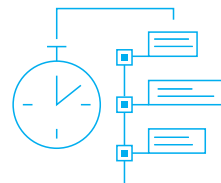
- (i) twice the rate specified in the relevant provision of the IT Act; or
- (ii) the rate of 5%, as the case may be

Section 206CCA is not applicable to non-residents who do not have permanent establishment in India. Further, a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in the Official Gazette in this behalf, is also excluded.

In case provision of both section 206CC and 206CCA of the IT Act are applicable, then tax shall be collected at higher of the two rates provided above in these sections.

30. The Seller of goods would be liable to collect TCS @ 0.1% at the time of receipt from the buyer, the value or aggregate of such value in a previous year in excess of Rs.50,00,000. Only those sellers whose total sales, gross receipts or turnover from its business exceeds Rs.10,00,00,000 during the FY immediately preceding the FY, shall be liable to collect tax at source. If the buyer is liable to deduct tax at source under any other provision on the goods purchased by him from the seller and has deducted such amount, Section 206(1H) is not applicable. **Further, it is proposed to include section 206C(1H) of the IT Act under the ambit of lower collection certificate under section 206C(9) of the IT Act.**

We have provided an overview of the various direct tax, GST and FEMA compliances from the perspective of a Company, Partnership Firm (including LLP), Individual and HUF.



12.1 Direct Tax Compliance Calendar

Nature of Compliances		Person		
		Company	Partnership Firm / LLP	Individual and HUF
I.	Due date for filing of ROI			
	Person covered under tax audit (other than whom transfer pricing is applicable) (Note 1)	31 October		
	Person covered to whom transfer pricing is applicable (Note 2)	30 November		
	Other persons (Note 3)	31 October	31 July	31 July
	Updated Return (Note 4)	Within 24 months from the end of relevant AY		
II	Due date for Tax Audit Report and Transfer Pricing Report (Form 3CEB)			
	Person covered under tax audit (other than whom transfer pricing is applicable)	30 September		
	Person covered under tax audit (whom transfer pricing is applicable)	31 October		
	Person covered under transfer pricing (Form 3CEB)	31 October		
III	Advance Tax Payments for Income Tax (Note 5 & 6)			
	1st Installment - on or before 15 June	15%		
	2nd Installment - on or before 15 September	45%		
	3rd Installment - on or before 15 December	75%		
	4th Installment - on or before 15 March	100%		
IV	Tax Deducted at Source (Note 7)			
	Tax must be deducted at the time of payment, in case of salary	Applicable		Applicable, only if person is covered under tax audit in the previous year
	In case of payments other than salary, at the time of making payment or credit, whichever is earlier			
	Tax deducted must be deposited in the bank by 7th day of following month except tax deducted for payment or credit made in March must be deposited by 30 April			

Nature of Compliances		Person		
		Company	Partnership Firm / LLP	Individual and HUF
	Tax deducted under section 194(IA) on purchase of immoveable property (other than agricultural land) must be deposited in bank within period of 30 days from the end of month of deduction	Applicable		
	Tax deducted on personal services under section 194M must be deposited in bank within period of 30 days from the end of month of deduction	Not Applicable		Applicable, only if person is not covered under tax audit in the previous year
	Tax shall be deducted on rent under section 194(IB) at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, or at the time of payment, whichever is earlier. Tax deducted must be deposited in bank within period of 30 days from the end of month of deduction.	Not Applicable		Applicable, only if person is not covered under tax audit in the previous year
V.	Tax Collected at Source			
	Tax must be collected at the time of debiting the amount to the account of the buyer or at the time of receipt whichever, is earlier	Applicable		Applicable, only if person is covered under tax audit in the previous year
	Tax collected must be deposited within 7 days from the last day of the month in which the collection is made			
VI.	Due dates for filing of TDS Returns / TCS Returns			
	For the Quarter ended June	31 July / 15 July		
	For the Quarter ended September	31 October / 15 October		
	For the Quarter ended December	31 January / 15 January		
	For the Quarter ended March	31 May / 15 May		
VII.	Due dates for issue of Form 16 and Form 12BA (for Salaries) / Form 16A (for other than Salaries)/Form 16B(for Sale of Property)/Form 16C(for Section 194-IB)/Form 16D (for Section 194M) and Form 27D (for TCS)			
	Issue of Form 16 and Form 12BA annually	15 June		
	Issue of Form 16A / 27D for quarter ended June	15 August / 30 July		

Nature of Compliances		Person		
		Company	Partnership Firm / LLP	Individual and HUF
	Issue of Form 16A / 27D for quarter ended September	15 November / 30 October		
	Issue of Form 16A / 27D for quarter ended December	15 February / 30 January		
	Issue of Form 16A / 27D for quarter ended March	15 June / 30 May		
	Issue of Form 16B/Form16C/Form 16D	15 days from the date of furnishing Form 26QB, 26QC and 26QD respectively		
VIII.	Due Date of submission in Form 61 by Persons Specified in Rule 114D (Details of Transactions in which PAN to be quoted.)			
	For declarations received in Form 60 for first half year ended 30 September	31 October		
	For declarations received in Form 60 for second half year ended 31 March	30 April		
IX.	Due dates for submission of payment under section 285 (Note 8)			
	Non-resident having liaison office in India to file statement in Form 49C	Within 60 days after the end of the financial year		
X.	Due dates for submission of payment under section 285B (Note 9)			
	Producers of cinematograph films or persons engaged in specified activities to file Form 52A for all payments over Rs. 50,000 to each persons engaged by him	Within 60 days after the end of the FY		
XI.	Due date for filing Annual Information Return under section 285BA			
	Specified persons to furnish Annual Information Return in Form 61A in respect of specified financial transactions (SFT)	31 May immediately following the financial year in which transaction is recorded.		
XII.	Due dates for filing Appeals before the Income-Tax authorities			
	Objections before the Dispute Resolution Panel	Within 30 days from the receipt of the draft assessment order		
	Appeal to the Commissioner of Income-tax (Appeals) (Note 10)	Within 30 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
	Appeal to the Income-tax Appellate Tribunal (Note 11)	Within 60 days from the date of service of notice of demand/ date of upload of order on the income tax portal sought to be appealed against.		
XIII	Due date for filing online response to CPC communication			
	Communication of proposed adjustment under section 143(1)(a) of the IT Act	Within a period of 30 days from the date of issue of the communication In case, no response is received by CPC within 30		

Nature of Compliances		Person		
		Company	Partnership Firm / LLP	Individual and HUF
		days of issue of the intimation, the ROI will be processed after making necessary adjustment(s) under section 143(1)(a) of IT Act.		
	Notice under section 139(9) of the IT Act	Within 15 days of receipt of the notice In case no response is made, the ROI filed shall be liable to be treated as an invalid return		
XIV.	Due dates for deduction and deposit of Equalization Levy			
A.	Applicable for Amount paid or payable towards certain specified services to a non-resident subject to Equalization Levy (Note 12)			
	Time of deduction	When amount is paid or payable		
	Rate of Tax	6% on Gross amount paid		
	Date of Deposit	7th of next month		
	Date of Annual Statement of Specified Services in Form no.1	30 June of next year		
XIV.	Digital Payment Facility			
Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds Rs. 50,00,00,000 during the immediately preceding previous year shall provide facility for accepting payment through (i) Debit Card powered by RuPay, (ii) Unified Payments Interface (UPI) (BHIM-UPI) and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) electronic modes, in addition to the facility for other electronic modes. These are not applicable to a specified person having only B2B (Business to Business) businesses <i>if at least 95% of aggregate of all amounts received during the previous year, including amount received for sales, turnover or gross receipts, are by any mode other than cash.</i>				

Notes:

- The due date for filing the ROI of spouse of a partner of a firm whose accounts are required to be audited and if the provisions of section 5A of the IT Act applies to them shall be 31 October.
- The due date of filing the ROI of the partners of the firm, who is required to report transfer pricing report shall be 30 November.
- A senior citizen resident in India having age 75 years or more during the previous year has pension income and no other income except interest income from the scheduled bank in which the pension income is received shall be exempt from filing ROI. A declaration shall have to be furnished to the scheduled bank by such senior citizen.
- Any person whether or not he has filed a return under section 139(1), 139(4) or 139(5) of the IT Act, to furnish an updated return of income for the previous year relevant to the AY within 24 months of the end of the relevant AY except in case of return of income with loss, effect of decreasing the tax liability, or results in refund or increases the refund.

5. Advance tax payment for income-tax is applicable to every person (except a senior citizen resident in India not having income from business or profession) where the amount of income-tax payable is Rs.10,000 or more. Advance tax on dividend income (other than deemed dividend) is to be paid on declaration /receipt of dividend and interest on shortfall in the advance tax instalment shall not be applicable on it
6. An eligible assessee in respect of eligible business referred to in section 44AD of the IT Act or eligible profession referred to in section 44ADA of the IT Act opting for computation of profits or gains of business or profession on presumptive basis, shall be required to pay advance tax of the whole amount in one installment on or before the 15 March of the financial year.
7. A NIL Declaration is basically a declaration for non-filing of TDS Statements for those deductors who are not liable to deduct any tax during the relevant quarter or have not deducted tax during any quarter and subsequently did not file a TDS Statement under section 200(3) of the IT Act for any quarter.
8. Every person, being a non-resident having liaison office in India shall, in respect of its activities in a financial year, file a statement in Form No. 49C within 60 days from the end of the financial year, i.e. 30 May to the AO.
9. 'Specified Activities' means any event management, documentary production, production of programs for telecasting on television or over the top platforms or any other similar platform, sports event management, other performing arts or any other activity as may be notified by the CG.
10. Electronic filing of appeal is mandatory before the Commissioner of Income Tax (Appeals).
11. The appeal/ Memorandum of cross objection before ITAT is required to be electronically filed on the new ITAT e-filing portal itat.gov.in/efiling/register. The appeal/Memorandum of cross objection is to be e-filed within 30 days from the receipt of notice intimating that the appeal has been preferred before the Tribunal, against any part of the order under appeal, if required. The e-filing portal can be used with a valid PAN or TAN, valid mobile number and e-mail address. After e-filing the documents have to be submitted physically following the filing requirements
12. Other than e-commerce services, equalization Levy is to be levied on payment made for certain specified services and facilities provided by non-resident not having a PE in India. Specified services in this behalf means:
 - Online* advertisement,
 - Provision for digital advertising space , or
 - Any other facility or service for the purpose of online advertisement, or
 - Any other service notified by the Central Government in this behalf.

*The word 'online' has been defined to mean a facility for service or right or benefit or access that is obtained through the internet or any other form of digital or telecommunication network.

12.2 Goods and Services Tax (GST) Compliance Calendar

Nature of Compliances		Due dates	Periodicity of filing
Forms	Description		
GSTR-1	Details of outward supplies	Monthly-11th day of the succeeding month Quarterly- 13th day of the month succeeding the quarter	
	Taxpayers whose aggregate turnover does not exceed Rs 5,00,00,000 in preceding financial year or current financial year (and opted for the QRMP scheme)	13th day of the month succeeding the quarter	Quarterly
	Taxpayers whose aggregate turnover exceeds Rs. 5,00,00,000 in preceding financial year or current financial year (Regular filers – Non QRMP)	11th day of the succeeding month	Monthly
GSTR-1A – (Optional) Yet to be implemented	Amendment of outward supplies for current tax period	Post due-date or filing date (whichever is later) of GSTR 1 for a tax period and prior to filing of GSTR 3B for that same tax period	Monthly/ Quarterly for regular/ QRMP filers respectively
GSTR-3B	Monthly Return	(Refer Note 1)	Monthly/ Quarterly
GSTR-4	Annual Return by Composition scheme taxpayers (Refer Note 2)	30th April of succeeding financial Year	Annually
GSTR-5	Return by Non-Resident taxable person	13th day of the succeeding month	Monthly
GSTR-5A	OIDAR service provider	20th day of the succeeding month	Monthly
GSTR-6	Input Service Distributor	13th day of the succeeding month	Monthly
GSTR-7	Person deducting Tax at Source (TDS)	10th day of the succeeding month	Monthly
GSTR-8	Return by E-commerce Operator liable for collecting Tax at source under section 52	10th day of the succeeding month	Monthly

Nature of Compliances		Due dates	Periodicity of filing
Forms	Description		
GST ITC 04	Details of Inputs/Capital Goods sent and received back from Job Worker	25th day of the succeeding Quarter/ Half Year/ Year	Quarterly / Half Yearly/ Yearly (Refer Note 3)
Due date for filing Annual Return (Refer Note 4)			
GSTR-9	Annual Return	31st December of succeeding financial year	Annually
GSTR-9A	Annual Return for Composition scheme taxpayers	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4	Suspended from FY 2019-20 onwards and replaced with annual filing in GSTR-4
GSTR-9B	Annual Return by E-commerce operator collecting Tax at source under section 52	31st December of succeeding financial year	Annually (It may be noted that Form GSTR-9B is not notified till date)
GSTR-9C	Self-Certified Annual Reconciliation statement	31st December of succeeding financial year	Annually
Quarterly Return and Monthly Payment Scheme (QRMP)			
Invoice Furnishing Facility (IFF) – Optional	Turnover up to Rs. 5,00,00,000	13th day of succeeding month for first 2 months of a Quarter	
GSTR 1	Turnover up to Rs. 5,00,00,000	13th day of the month succeeding the quarter	Quarterly

Nature of Compliances		Due dates	Periodicity of filing
Forms	Description		
GSTR 3B	Turnover up to Rs. 5,00,00,000	(Refer Note 1)	Quarterly
Due date of payment of GST			
For regular taxpayers: GST amount due as per return shall be paid on or before last date of filing such return			20th of the succeeding month
For QRMP taxpayers: GST amount shall be paid as per below mechanism: For first 2 months of a quarter – As per Fixed Sum Method OR Self-Assessment Method by making challan payment in Form GST PMT 06. For the quarter ending – Quarterly GSTR 3B return would be filed and cash liability net of amount already deposited in first 2 months shall be additionally paid and offset while filing the return.			25th of the succeeding month 22nd or 24th day of the month succeeding the quarter (Please refer Note 1 for state-wise due-dates)
Interest on delayed payment of GST			
Failure to pay GST Please note: In case of delayed filing of GSTR 3B return, interest shall be payable on net cash liability. Further, as per CGST Amendment Rules 2024, any amount lying in Electronic Cash Ledger as on the due-date of filing of GSTR 3B return but debited after the due-date for discharge of liability, such amount available in the Electronic Cash Ledger shall not be considered for computing the interest on delayed payment of GST liabilities.		18% p.a.	
Undue / excess claim of input tax credit or undue / excess reduction in output tax liability Please note: In case of undue/excess claim of input tax credit, interest shall be applicable if such excess availment is also utilised by way of debit to Electronic Credit Ledger		18% p.a.	

Note 1:

- Government has implemented the GSTR 3B filings based on turnover in a phased manner as per the due dates specified below:

Turnover of Taxpayers	States	Due Date
Above Rs. 5,00,00,000 (Including small taxpayers who have not opted for QRMP Scheme)	All States	20th day of succeeding month
Below Rs. 5,00,00,000 (Opted for quarterly filing as per QRMP Scheme)	Chhattisgarh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Goa, Kerala, Tamil Nadu, Telangana, Andhra Pradesh, Daman and Diu, Dadra and Nagar Haveli, Puducherry, Andaman and Nicobar Islands, Lakshadweep	22nd day of the month succeeding the quarter
	Himachal Pradesh, Punjab, Uttarakhand, Haryana, Rajasthan, Uttar Pradesh, Bihar, Sikkim, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya, Assam, West Bengal, Jharkhand, Odisha, Jammu and Kashmir, Ladakh, Chandigarh, Delhi.	24th day of the month succeeding the quarter

Note 2:

- The due date for filing of the Form GSTR-4 which is the annual return for composition taxpayers for FY 2023-24 is 30 April 2024.
- Further, from FY 2024-25 onwards, the due date for filing of Form GSTR 4 shall be 30 June following the end of such financial year i.e. for FY 2024-25, GSTR 4 shall have to be filed on or before 30 June 2025 (recent amendment vide Central Tax

Notification No. 12/2024 dated 10-07-2024).

- The composition taxpayers are required to file a self-assessed tax return in form of a one-pager statement cum challan – **Form GST –CMP 08 (Introduced from April 2019)** of the Central Goods and Service Tax Rules, 2017. This quarterly return must be filed by the 18th day of the month succeeding the quarter.

Note 3:

- With effect from 1 October 2021, any principal with aggregate turnover above Rs. 5,00,00,000 in the preceding financial year, needs to file half yearly Form ITC-04. Any principal with aggregate turnover up to Rs. 5,00,00,000 in preceding FY, needs to undertake filings on annual basis. Prior to 1 October 2021, all applicable taxpayers being principal were required to file Form ITC-04 on a quarterly basis without any turnover based segregation.

Note 4:

- The minimum aggregate turnover for requirement to file the Form GSTR 9 for FY 2023 – 24 is notified to be Rs. 2,00,00,000 (vide Central Tax Notification No. 14/2024 dated 10 July 2024). Further, the minimum aggregate turnover for requirement to file the Form GSTR 9C for FY 2023-24 is Rs. 5,00,00,000 (Rule 80(3) of CGST Rules, 2017).

12.3 FEMA COMPLIANCE CALENDAR

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
COMPLIANCE PERTAINING TO FDI IN INDIA			
Annual Compliances			
1	Annual Return on Foreign Liabilities and Assets (FLA)	Indian Company which has received FDI or an LLP which has received capital contribution in the previous year including the current year to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15 day of July each year
Event based compliances			
The below mentioned forms (except downstream investment intimation to DPIIT) are required to be filed on FIRMS portal after obtaining entity user and business user registration on FIRMS portal			

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
2.	Form Foreign Currency-Gross Provisional Return (FC-GPR)	<ul style="list-style-type: none"> ➤ Indian company issuing equity instruments to a person resident outside India which is considered as FDI ➤ Conversion of ECB into equity 	Within 30 days from the date of issue of equity instruments
3.	Form Foreign Currency-Transfer of Shares (FC-TRS)	Transfer of equity instruments of an Indian company between resident and non-resident. To be filed by resident transferor / transferee or the non-resident holding equity instruments on a non-repatriation basis	Within 60 day of transfer or receipt / remittance of funds
4.	Form ESOP	Indian company issuing employees' stock option to persons resident outside India who are its employees/directors or employees/directors of its holding company/joint venture / wholly owned overseas subsidiary/subsidiaries	Within 30 days from the date of issue of employees' stock option.
5.	Form Depository Receipt Return (DRR)	Domestic Custodian to report issue / transfer of depository receipts	Within 30 days of close of the Issue
6.	Form LLP (I)	LLP receiving amount of consideration for capital contribution and acquisition of profit shares from a person resident outside India	Within 30 days from the date of receipt of consideration
7.	Form LLP (II)	Disinvestment / transfer of capital contribution or profit share between resident and non-resident. To be filed by resident transferor / transferee.	Within 60 days from the date of receipt of funds
8.	Form InVI	Investment vehicle which has issued its units to a person resident outside India	Within 30 days from the date of issue of units
9.	<u>Downstream Investment by an Indian Company in another Indian Company (treated as Indirect foreign investment in later entity)</u>		

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
	➤ Intimation letter	An Indian entity or an investment vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment for the investee Indian entity in terms of the Rules, shall notify the Secretariat for Industrial Assistance, DPIIT	Within 30 days of such investment
	➤ Form DI	Indian entity or an investment Vehicle making downstream investment in another Indian entity which is considered as indirect foreign investment	Within 30 days from the date of allotment of equity instruments.
10.	Form Convertible Notes (CN)	Indian start-up company issuing Convertible Notes to a person resident outside India or transfer of Convertible Notes	Within 30 days of issue/transfer

OVERSEAS DIRECT INVESTMENT BY A PERSON RESIDENT IN INDIA

Annual Compliances			
1.	Form APR	A person resident in India which has made Overseas Direct Investment (ODI) must submit APR annually	Every year on or before December 31
2.	Annual Return on Foreign Liabilities and Assets (FLA)	Person Resident in India (PRII) which has outstanding ODI as on 31 March, in current year is required to file FLA return on FLAIR portal One time registration to be done on FLAIR portal for filing FLA return	On or before the 15th day of July each year
Event based compliances			
3.	Form FC – section A to E	<ul style="list-style-type: none"> ➤ A PRII making ODI in foreign entity / step down subsidiary ➤ PRII providing guarantee on behalf of foreign entity ➤ PRII granting loan to foreign entity ➤ ODI by way of capitalisation of export proceeds or other entitlements 	At the time of undertaking outward remittance / financial commitment whichever is earlier
4.	Form FC – section F	Reconstruction of balance sheet of foreign entity	Within 30 days of reconstruction

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
5.	Form FC – section G	A person resident in India disinvesting its stake in foreign entity	Within 30 days of receipt of disinvestment proceeds
6.	Form OPI	<ul style="list-style-type: none"> ➤ A PRII other than a resident individual, making any Overseas Portfolio Investment (OPI) ➤ Transfer of such investment by way of sale ➤ OPI by way of acquisition of shares or interest under Employee Stock Ownership Plan or Employee Benefits Scheme 	Within 60 days from the end of the half-year in which such investment or transfer is made as of September or March-end
ECB RELATED COMPLIANCES			
1.	Form ECB 2 Return	Borrowers to report actual ECB transactions on monthly basis	Within 7 working days from the close of the month to which it relates
2.	Form ECB	Application for raising ECB under the Automatic / Approval Route and for allotment of Loan Registration Number	Prior to availing ECB
3.		Changes in terms and conditions of ECB, to be reported to DSIM	Within 7 days from the day of changes effected
IMPORT & EXPORT RELATED COMPLIANCES			
1.	Realization of Export proceeds	<p>Export Proceeds must be realized and repatriated to India within stipulated time limit.</p> <ul style="list-style-type: none"> ➤ In case of goods exported to a warehouse established outside India. ➤ In case of other exports AD Bank may grant approval to extend the period of realization of export proceeds beyond stipulated period of realization, up to a period of 6 months, at a time subject to certain conditions. 	<ul style="list-style-type: none"> ➤ Within 15 months from the date of shipment ➤ Within 9 months from the date of export

Sr. No.	Form Name	Description / To be filed by	Due Date(s)
2.	Remittances for Import Payments	Remittances for Import Payments AD Category – I banks can consider granting extension of time for settlement of import dues up to a period of 6 months at a time (maximum up to the period of 3 years) subject to certain conditions	Not later than 6 months from the date of shipment
3.	EDF Form	Exporters shall submit the duplicate copy of the EDF to Customs Duplicate EDF along with relative shipping documents and an extra copy of invoice to be submitted to the AD named in the EDF	At the time of shipment of goods Within 21 days from the date of export
4.	Form SOFTEX	Exporter should submit declaration in Form SOFTEX in quadruplicate in respect of export of computer software and audio / video / television software to the designated official concerned of the Government of India at STPI / EPZ / FTZ / SEZ	Within 30 days from the date of invoice / the date of last invoice raised in a month

COMPLIANCES RELATED TO BO / LO / PO

2.	Form FNC	Application for establishing BO/LO/PO or Requests for establishing additional BOs / LOs may be submitted to the AD Category-I bank	-
2	Annual Activity Certificate (AAC)	BO/LO must file AAC along with the audited financial statements to the designated AD Category – I bank as well as Director General of Income Tax (International Taxation), New Delhi whereas PO needs to submit AAC only to the designated AD Category – I bank	On or before September 30 of every year
		If the annual accounts of the BO/LO are finalized with reference to a date other than March 31	Within 6 months from the due date of the Balance Sheet

Chapter 13 ESG & Sustainability: Green Initiatives

13.1 Background

India is among the countries most affected by the impact of extreme weather events due to climate change and rising temperatures. India's long-term low-carbon development strategy has been submitted to the UNFCCC (United Nations Framework Convention on Climate Change), and it reaffirms the goal of reaching net-zero by 2070 aligned to Paris Agreement. This necessitates 70 fold increase in solar, wind installation and additional infrastructure to produce green hydrogen worth 114 million metric tonnes p.a. Electricity generation accounts for nearly half of India's annual CO2 emissions and Industrial sector consumes more than 40% of it. Hence, significant contribution by the industrial sector in India's energy transition is necessary in achieving it's net-zero target.



SEBI's BRSR Core framework mandates top listed companies to disclose their net-zero paths and supply chain impacts, aiding small and medium enterprises and providing assurance to the investors. This strategy also mobilizes public and private capital through sustainable finance, including sovereign green bonds. Green bonds facilitate the reduction of carbon intensity by financing projects mainly in transport electrification and renewable energy, crucial sectors projected to account for two-thirds of emissions by 2050. Overall ESG & Sustainability will be the driving forces for the global and Indian economy.

India has set ambitious 2030 goals, to reduce carbon intensity by 45% with 500 GW worth non-fossil energy capacity i.e. solar, wind, small hydro, energy efficiency projects. Respective budget provisions are made as shown in the table below.

13.2 Major Projects Considered for Achieving Net Zero

(Union Budget Provision – Statement 15A)

Investment in Crores Rs.	Rail & Metro Transport	Forest	Solar (KUSUM)	Solar Grid	Green	Wind grid	Total
2022-23	13,441	158	801	1,256	100	1267	17,023
2023-24	16,088	120	1,100	4,000	297	916	22,521
2024-25	18,364	170	1,996	10,000	600	930	32,060

13.3 Union Budget 2024 Proposals:

- Projects involved in decarbonisation of the transport sector viz., Railway

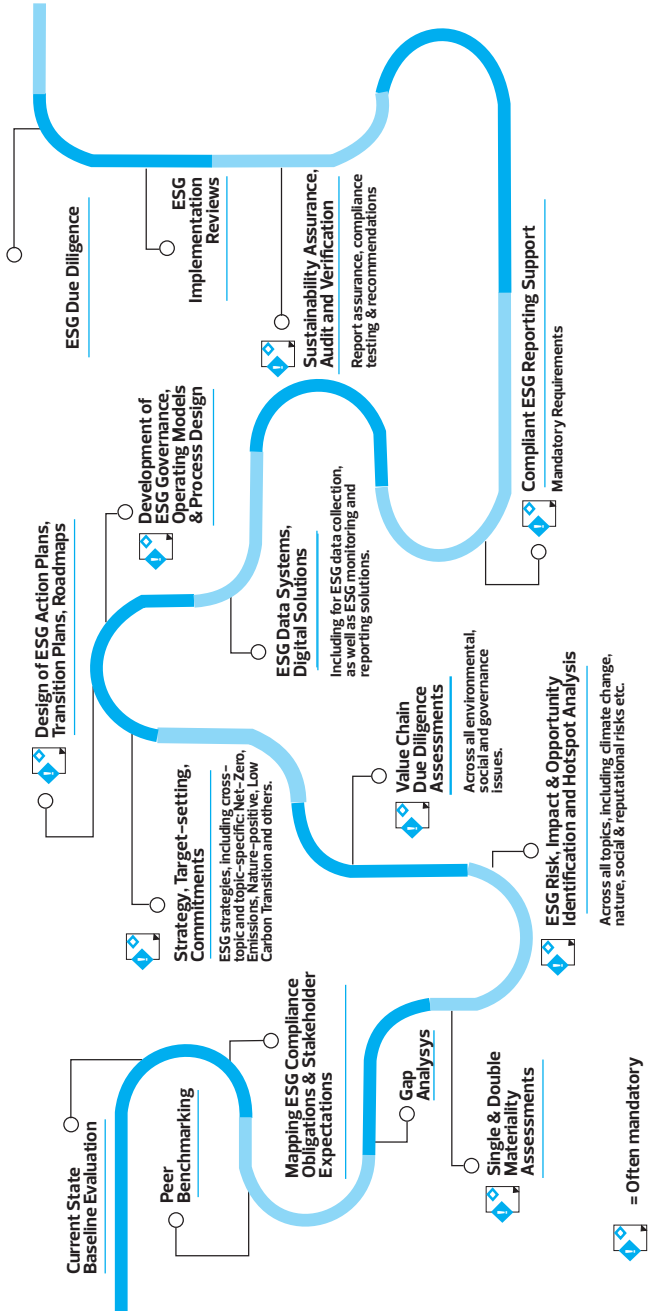
and metro-based transport are receiving largest share with rising trend and Rs.18,364 crores allocated in 2024 budget.

- Grid solar energy projects had been allocated Rs.10,000 crores, focusing on grid-based residential rooftop installations towards achieving installed capacity of 280 GW. KUSUM Projects of decentralized solar power production & supporting farmers through solar pump installations have been allocated Rs.1,996 crores.
- Funds worth Rs. 600 crores, supporting infrastructure development and research aimed at producing 5 million tonnes of green hydrogen annually by 2030.
- Wind grid energy projects are receiving funds worth Rs.930 crores, maintaining the momentum towards achieving 140 GW of wind power capacity by 2030.
- Forestry initiatives, crucial for carbon sequestration and biodiversity conservation, received funding of Rs. 170 crores.
- Micro, Small, and Medium Enterprises (MSMEs) contribute 45% to India's manufacturing output. The regulatory and technological support for innovation and R&D provided in this budget will advance the journey towards achieving net-zero emissions.
- Other green initiatives like electric mobility and charging infrastructure, vehicle scrapping initiative, circular economy, bioenergy and artificial intelligence driven sustainable growth are considered to provide additional benefits.
- This Budget is also advancing sustainable agriculture by releasing 109 high-yielding, climate-resilient crop varieties and initiating 1 crore farmers into natural farming, alongside establishing 10,000 bio-input resource centers to support this eco-friendly approach.

13.4 ESG & Sustainability: Creating Lasting Value & Confidence through Sustainability

13.4.1 It is necessary for businesses to identify their impact points, improve their corporate risk management and drive stakeholder value. By paying attention to the smallest details, RSM bring difference through understanding to co-create lasting value and confidence in the sustainability approach as shown below:

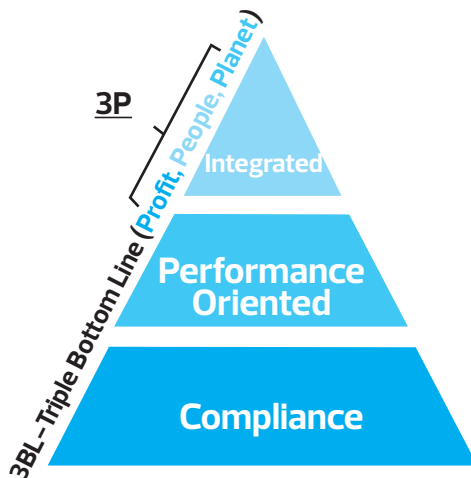
Your Sustainability Journey with RSM



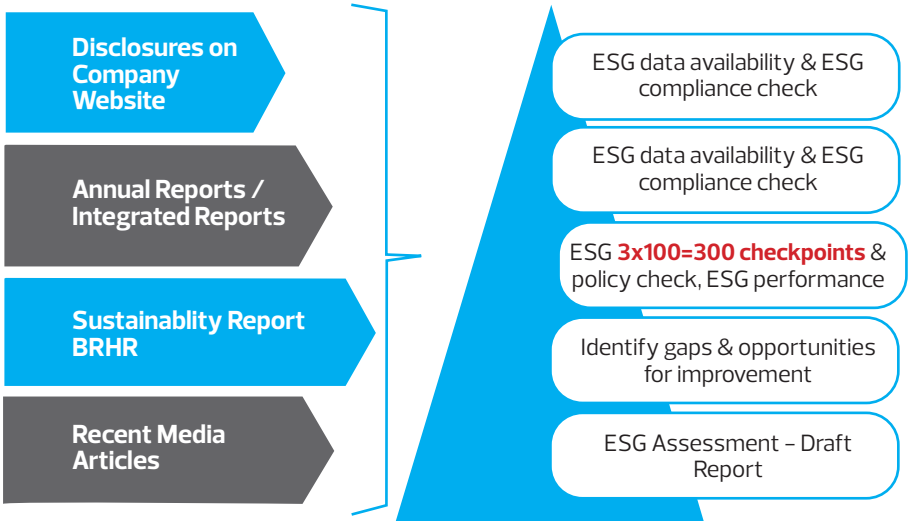
13.4.2 ESG Sustainability Frameworks are Globally Standardized & RSM Approach is Aligned to it

ESG STRATEGY & ROADMAP	ESG POLICY & GOVERNANCE	NET ZERO STRATEGY & DECARBONISATION	SUSTAINABILITY REPORT / ESG DISCLOSURES / ESG ASSURANCE	SUPPLY CHAIN ESG, ESG DUE DILIGENCE & LCA
<ol style="list-style-type: none"> 1. Gap/ maturity Assessment 2. Stakeholder Engagement 3. Materiality Assessment 4. ESG Risk, Opportunity Analysis 5. ESG strategic roadmap 6. Peer comparison & Industry Benchmarks 	<ol style="list-style-type: none"> 1. Policy mapping & development 2. ESG Governance structure, framework 3. Integration of ESG into Operations 4. ESG Key Performance Indicators 5. KPI monitoring framework & its deployment 6. Implementation Support 	<ol style="list-style-type: none"> 1. Measure emissions Scope1, 2 & 3 2. Identify climate risk opportunities 3. Develop overall climate strategy 4. Establish measures with mitigation strategies 5. Decarbonisation roadmap to net zero using SBTI guidelines 6. Verification of GHG emissions (ISO 14064) 	<ol style="list-style-type: none"> 1. Capacity building and trainings to data owners 2. Data templates and guidance 3. Timely Data collection 4. ESG Initiatives writeup & stories 5. Map & align with UNSDGs 6. Prepare draft report (BRSR / GRI / TCFD) <p>*ESG Performance *ESG Assurance</p>	<p>Supply Chain ESG</p> <ul style="list-style-type: none"> • Prioritize Suppliers • Data collection • Establish Measures <p>ESG Due Diligence</p> <ul style="list-style-type: none"> • ESG compliance • Policy development • ESG performance • Due diligence report <p>Life Cycle Assessment</p> <ul style="list-style-type: none"> • Define Boundary, Scope, collect data map GHG, ISO14040 • LCA Report

13.4.3 ESG starts with compliance, followed by performance and then integrated with strategy.



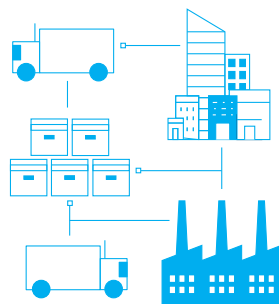
13.4.4 Investors' preference for ESG performance is increasing year on year and ESG Assessment enables to measure and identify improvement areas to improve ESG performance. Our ESG Assessment methodology with a tool developed by experts with $3 \times 100 = 300$ check points works as shown below



Chapter 14 Logistics & Supply Chain Infrastructure Sector Initiatives

14.1 Background

One of the major initiatives of the Government is 'Make in India', to make India a global manufacturing hub. The efficiency of the logistics sector is key to India's emergence as a globally competitive manufacturing hub. However, a recent Economic Survey revealed that India's spend on logistics is significantly high, about 14% of the GDP as compared to the global benchmark of ~ 8%. For several decades, the Indian logistics sector suffered from



lack of modern infrastructure in ports & inland waterways, limited freight corridors, lack of nation-wide multi-modal connectivity, inefficient warehousing and inadequate use of technology.

Major developments, with the objective to bring down the logistics spend from 14% to 10% of the GDP by 2028, can be summarized below:

- **National Logistics Policy**, unveiled in Sept 2022, outlines Government's plan to make structural reforms and change the logistics landscape in India.
- The Logistics sector has been granted **Infra status**, and a separate department under the Department of Commerce has been created.
- Supply chain in India has witnessed one of the biggest transition post **GST**, with large organizations changing their warehousing and distribution footprints, which were designed as per the earlier taxation structure.
- Penetration of **technology tools** of the day-to-day supply chain like GPS, RFID, WMS, e-way Bills, online returns, reverse auctions, e-invoicing, etc. Many more innovative tools are getting added to improve the supply chain efficiency.

National Logistics Policy

ULIP

Unified Logistics Interface Platform

Transportation sector database for easier data communication

IDS

Integration of Digital Systems

Integration of different systems belonging to various ministry

ELOG

Ease of Logistics

Ability to raise industry related concerns directly with the government

SIG

System Improvement group

Committee for advising government with logistics related decisions

14.2 Major Logistics & Supply Chain Infrastructure Reforms up to 2023–24

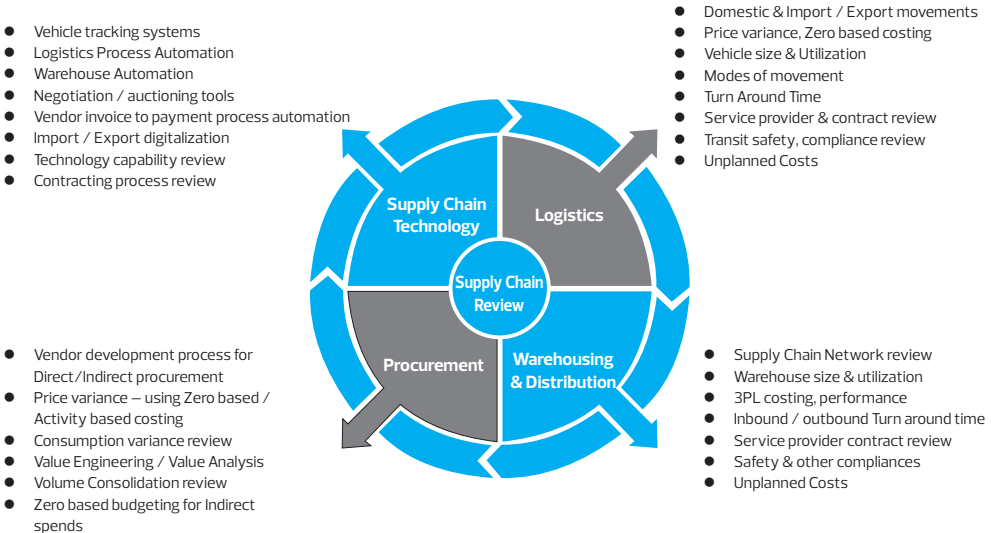
A synopsis of key reforms in the Logistics & Supply Chain infrastructure sectors are summarized below:

- **Highway and Road Transportation** – Significant boost to the National Highway infrastructure underscored by ~10,000 kms of road being constructed since FY 18, increase the highway capacity from ~1.1 lakh kms in FY 17 to ~2 lakh kms by FY 29.
- **Rail Transportation** – The Indian Government has initiated comprehensive boost to the rail infrastructure through accelerated improvement of the rail network, broadening of meter / narrow gauge lines, private investment in rolling stock and enhancements in freight terminals & digital enablement.
- **Inland waterways and Coastal Transportation** – Ministry of Ports, Shipping and Waterways (MoPSW) in collaboration with Cochin Shipyard Limited (CSL) and the Inland Waterways Authority of India (IWAI) is focused on addressing challenges and exploring solutions in the maritime sector. Aim to design policy centred on decarbonizing the industry through initiatives such as deploying Green Hydrogen Fuel Cell Inland Vessels and exploring the use of Methanol as a green fuel. Financing needs, estimated at Rs 70–75 lakh crores as per the Maritime Amrit Kaal Vision 2047, is highlighted with emphasis on the need for a dedicated Maritime Development Fund.
- **Warehousing & Distribution infrastructure** – India's warehousing sector has started witnessing transformational change, with traditional structures giving way to modern warehousing hubs and usage of advanced material handling & storage systems. Private sector investments in the space are boosting the modernization, leading to higher efficiency and lower costs. Moreover, the provision of modern mechanized warehousing spaces tailored for diverse commodity requirements, along with value-added services like customs clearance, enhances operational efficiency and responsiveness within the supply chain ecosystem.
- **Multi-Modal Logistics Parks** – Multi-Modal Logistics Parks (MMLP) are envisioned as part of the Logistics Efficiency Enhancement Plan (LEEP). The MMLP would play a multifaceted role, serving as pivotal hubs for freight aggregation, distribution, and multimodal transportation integration. The plan outlines a strategic initiative to establish multimodal logistics parks in 15 key cities characterized by high freight movement, encompassing more than 40% of India's total road freight activity in Phase I. Subsequent phases will extend this development to an additional 20 nodes across the country.

With all the above developments, the businesses in India are about to witness the biggest

transformation in Supply Chain in the next few years. RSM Astute Consulting Group has developed a comprehensive model to use a structured approach in this respect, to assist its clients in bringing down logistics costs as well as improve efficiency. RSM Logistics Excellence framework approaches each facet of logistics viz., Different Modes of Transport, Modernising Warehousing, Leveraging Multi-Modal Logistics Parks and Supply Chain Technology Solutions.

RSM's holistic Supply Chain Review Framework allows our clients to choose specific areas of improvement, across all areas of Supply Chain. Our experience, coupled with the customized tools built for specific areas, unearth potential opportunities for efficiency improvement / cost savings.



14.3 Key Budget Announcements in the Logistics & Supply Chain Infrastructure – 2024

The Union Budget 2024 provides significant boost to infrastructure through roads, railways, enhancement of agricultural and food supply chain, with key focus on priorities set by the Government. Key highlights with respect to the Infrastructure, Logistics and Supply Chain sectors are:

- **Capital Expenditure** – Provision of Rs.11.11 lakh crores for infrastructure (~ 3.4% of GDP). The Central Government would encourage states to provide support of similar scale for infrastructure, subject to their development priorities. A provision of Rs.1.5 lakh crores for long-term interest free loans has been made this year to support the states in their resource allocation.
- **Phase IV of Prime Minister Gram Sadak Yojana (PMGSY)** will be launched to

provide all-weather connectivity to ~ 25,000 rural habitations.

- **Andhra Pradesh Reorganization Act** – Key announcements under the Andhra Pradesh Reorganization Act are given below:
 - Financial support of Rs. 15,000 crores will be arranged in FY 2024–25.
 - Completion of Polavaram Irrigation Project ensuring food security of the nation.
 - Essential infrastructure such as water, power, railways and roads in Kopparthi node on the Vishakhapatnam–Chennai Industrial Corridor and Orvakal node on Hyderabad–Bengaluru Industrial Corridor
- **Infrastructure development in Bihar** –
 - Development of road connectivity projects, namely (1) Patna–Purnea Expressway, (2) Buxar–Bhagalpur Expressway, (3) Bodhgaya, Rajgir, Vaishali and Darbhanga spurs, and (4) additional 2-lane bridge over river Ganga at Buxar at a total cost of Rs. 26,000 crore.
 - Power projects, including setting up of a new 2,400 MW power plant at Pirpainti, will be taken up at a cost of Rs. 21,400 crores.
 - New airports, medical colleges and sports infrastructure in Bihar will be constructed.
- **Digital Public Infrastructure (DPI)** – DPI applications at population scale are proposed in the Budget 2024. This would enhance productivity gains, business opportunities, and innovation by the private sector. These are planned in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery and urban governance.
- **Vegetable production & Supply Chains** – Large scale clusters for vegetable production will be developed closer to major consumption centres. Government will promote Farmer–Producer Organizations, cooperatives and start-ups for vegetable supply chains including for collection, storage and marketing.
- **Industrial Parks** – It is proposed to facilitate development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by better using town planning schemes.
- **Shipping Industry** – Ownership, leasing and flagging reforms will be implemented to improve the share of the Indian shipping industry and generate more employment.

ABBREVIATIONS

A		DPE	Designated Payment Entity
AAC	Annual Activity Certificate	DPI	Digital Public Infrastructure
AAR	Advance Authority Rulings	DRC	Dispute Resolution Committee
ADB	Asian Development Bank	DTAA	Double Taxation Avoidance Agreement
ADD	Anti-Dumping Duty		
AE	Associated Enterprise	E	
AIF	Alternative Investment Fund	ECB	External Commercial Borrowings
AJP	Artificial Juridical Person	EDF	Export Declaration Form
ALP	Arm's Length Price	EFR	Effective Tax Rate
AMT	Alternate Minimum Tax	EL	Equalisation Levy
AO	Assessing officer	ELOG	Ease of Logistics
AOP	Association of Persons	EOU	Export Oriented Unit
APA	Advance Pricing Agreement	EPFO	Employees' Provident Fund Organisation
ARC	Asset Reconstruction Company	EPZ	Export Processing Zone
ARO	Advance Release Order	ESG	Environmental, Social and Governance
AY	Assessment Year	EU	European Union
		EVs	Electrically Operated Vehicles
B		F	
BCD	Basic Customs Duty	FDI	Foreign Direct Investment
BEPS	Base Erosion & Profit Shifting	FII	Foreign Institutional Investors
BO	Branch Office	FIPB	Foreign Investment Promotion Board
BOI	Body of Individuals	FIRMS	Foreign Investment Reporting & Management System
BRSR	Business Responsibility and Sustainability Reporting	FLA	Annual Return on Foreign Liabilities & Assets
BSE	Bombay Stock Exchange	FLAIR	Foreign Liabilities & Assets Information Reporting
		FMV	Fair Market Value
C		FPI	Foreign Portfolio Investor
CbCR	Country-by-Country Report	FTA	Free Trade Agreement
CBDT	Central Board of Direct Taxes	FTS	Fees for Technical Services
CBU	Completely Built Unit	FTZ	Foreign Trade Zones
CCIT	Chief Commissioner of Income Tax	FY	Financial Year
CG	Central Government	G	
CGST	Central Goods and Services Tax	GAAR	General Anti Avoidance Rules
CIF	Cost, Insurance & Freight	GDP	Gross Domestic Product
CIT	Commissioner of Income Tax	GHG	Greenhouse gases
CIT(A)	Commissioner of Income Tax (Appeals)	GIFT	Gujarat International Finance Tec-City
CO2	Carbon Dioxide	GILTI	Global Intangible Low-Taxed Income
CPC	Centralized Processing Center	GIR	GloBE Information Return
CPI	Consumer Price Index	GloBE	Global Anti-Base Erosion
CRGO	Cold Rolled Grain Oriented	GMT	Global Minimum Tax
CSL	Cochin Shipyard Limited	GPS	Global Positioning System
CSR	Corporate Social Responsibility	GST	Goods and Services Tax
CT	Corporate Tax	GSTN	Goods and Services Tax Network
CTA	Customs Tariff Act / Covered Tax Agreement		
CUP	Comparable Uncontrolled Price		
CVD	Countervailing Duty		
D			
DDT	Dividend Distribution Tax		
DGFT	Directorate General of Foreign Trade		

ABBREVIATIONS

GW	Gigawatt	LEEP	Logistics Efficiency Enhancement Plan
H		LGD	Lab Grown Diamonds
HEC	Health & Education Cess	LIC	Life Insurance Corporation of India
HNI	High Net-worth Individual	LLP	Limited Liability Partnership
HUF	Hindu Undivided Family	LO	Liaison Office
HFC	Housing Finance Companies	LOB	Limitation of Benefit
I		LRS	Liberalized Remittance Scheme
IBC	Insolvency and Bankruptcy Code, 2016	LTC	Leave Travel Concession
IDS	Income Disclosure Scheme, 2016	LTCA	Long term Capital asset
IIR	Income Inclusion Rule	LTCG	Long Term Capital Gain
IF	Inclusive Framework	M	
IFHP	Income from House Property	MAT	Minimum Alternate Tax
IFSC	International Financial Services Centre	MCA	Ministry of Corporate Affairs
IFSCA	International Financial Services Centre Authority	MDSH	Marketing & Distribution Profits Safe Harbour
IGST	Integrated Goods and Services Tax	MFs	Mutual Funds
Ind-AS	Indian Accounting Standards	MFN	Most Favored Nation
IMF	International Monetary Fund	MLC	Multilateral Convention
InvIT	Infrastructure Investment Trust	MLI	Multilateral Instrument
IPO	Initial Public Offer	MMLP	Multi-Model Logistics Parks
IRDAI	Insurance Regulatory & Development Authority of India	MMR	Maximum Marginal Rate
ISIN	International Securities Identification Number	MNEs	Multinational Enterprises
ISPRL	Indian Strategic Petroleum Reserve Limited	MoPSW	Ministry of Ports, Shipping and Waterways
IT	Information Technology	MSME	Micro, Small and Medium Enterprises
IT Act	Income-tax Act, 1961	N	
ITAT	Income Tax Appellate Tribunal	NABARD	National Bank For Agriculture & Rural Development
ITeS	Information Technology enabled Services	NBFC	Non-Banking Financial Company
IT Rules	Income-tax Rules, 1962	NCLT	National Company Law Tribunal
ITSC	Income-tax Settlement Commission	NHAI	National Highway Authority of India
J		NIIF	National Infrastructure Investment Fund
JCIT(A)	Joint Commissioner of Income Tax (Appeals)	NPAs	Non Performing Assets
JDA	Joint Development Agreement	NPS	National Pension Scheme
JV	Joint Venture	NR	Non-Resident
K		NRI	Non-Resident Indian
KPI	Key Performance Indicators	NSC	National Saving Certificate
KUSUM	Kisan Urja Suraksha evam Utthaan Mahabhyaan	NTRO	National Technical Research Organization
KYC	Know Your Customer	O	
L		ODI	Overseas Direct Investment
LCA	Life cycle Assessment	OECD	Organisation for Economic Co-operation and Development
		OIDAR	Online Information Data Base Access & Retrieval
		OPI	Overseas Portfolio Investment

ABBREVIATIONS

P		SLM	Straight Line Method
PAN	Permanent Account Number	SME	Small and Medium Enterprises
PBPT	Prohibition of Benami Property Transaction Act, 1988	SPV	Special Purpose Vehicle
PCIT	Principal Commissioner of Income Tax	STT	Security Transaction Tax
PCCIT	Principal Chief Commissioner of Income Tax	STTR	Subject To Tax Rates
PE	Permanent Establishment	SUUTI	Special Undertaking of the Unit Trust of India
PF	Provident Fund	SWS	Social Welfare Surcharge
PLI	Production linked Incentive	T	
PMGSY	Phase IV of Prime Minister Gram Sadak Yojana	TAN	Tax Deduction and Collection Account Number
PMLA	Prevention of Money Laundering Act, 2002	TCS	Tax Collected at Source
PO	Project Office	TDS	Tax Deducted at Source
PPP	Public Private Partnership/ Purchasing Power Parity	TLAA	Taxation Law (Amendment) Act, 2019
PPT	Principal Purposes Test	TNMM	Transactional Net Margin Method
PSB	Public Sector Banks	TP	Transfer Pricing
PSU	Public Sector Undertakings	TRC	Tax Residency Certificate
Q		U	
QDMTT	Qualified Domestic Minimum Top-up Tax	UEN	Unique Entity Number
QFI	Qualified Foreign Investors	US\$/USD	United States Dollar
R		ULIP	Unit linked Insurance Policy
R&D	Research & Development	UNFCCC	United Nations Framework Convention on Climate Change
RBI	Reserve Bank of India	UPE	Ultimate Parent Entity
RDB	Rupee Denominated Bond	UPI	Unified Payments Interface
RFID	Radio-Frequency IDentification	UTPR	Undertaxed Payment Rule
ReIT	Real Estate Investment Trust	V	
RI	Resident Individual	VAT	Value Added Tax
RMS	Risk Management System	VsV	Vivad se Vishwas Act, 2020
ROI	Return of Income	W	
RPF	Recognized Provident Fund	WOS	Wholly Owned Subsidiary
S		WPI	Wholesale Price Index
SAED	Special Additional Excise Duty		
SBI	State Bank of India		
SBTI	Science Based Targets initiative		
SDT	Specified Domestic Transaction		
SEBI	Securities Exchange Board of India		
SEP	Significant Economic Presence		
SEZ	Special Economic Zone		
SFT	Specified Financial Transactions		
SHR	Safe Harbour Rules		
SIG	System Improvement group		
SION	Standard Input Output Norms		
SKD	Semi-Knocked Down		

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R.A. Puram, Chennai – 600 028

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45, Museum Road
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Greenlands Road Kundanbagh
Begumpet, Hyderabad – 500 016

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Jawaharlal Nehru Road
Kolkata – 700 071

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Ichhapore-2, Surat – 394 510

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Ahmedabad – 380 015

Pune

603, Pride House
Ganesh Khind Road
Opp. NIC University Chowk
Pune – 411 016

Gandhidham

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