

**UNION
BUDGET
2024-25**

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Union Budget 2024

Introduction

The Union Government presented **the Finance (No. 2) Bill, 2024** (herein after referred to as “Finance Bill”) before the Lok Sabha for assent and introduction of various policy, proposal, changes in Direct and Indirect Taxation and other related initiative for FY 2025-2025 on 23rd July 2024.

The Government post the general elections has passed the **full budget** with various new proposals and changes. The budget announced by the Finance Minister on the roadmap of **Viksit Bharat** set 9 priorities, as follows –

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

We at AVA, have analysed the Direct and Indirect Tax proposals and have covered the same in this newsletter..

1. Personal taxation – proposed changes in new tax regime

- Updated tax slabs for an individual/HUF/ AOP and BOI u/s 115BAC:

Tax Slab	Tax Rate
Upto ₹ 3 Lakh	Nil
₹ 3 Lakh to ₹ 7 Lakh	5%
₹ 7 Lakh to ₹ 10 Lakh	10%
₹ 10 Lakh to ₹ 12 Lakh	15%
₹ 12 Lakh to ₹ 15 Lakh	20%
More than ₹ 15 Lakh	30%

- The standard deduction for salaried individuals has been increased to Rs. 75,000 from Rs. 50,000 for new tax regime.
- Similarly, deduction on family pension for persons having pension income has been increased to Rs. 25,000 from Rs. 15,000 for new tax regime.
- Section 80CCD provides a deduction for the employer's contribution to the Pension scheme up to 10%. Budget 2024 has now increased the deduction limit to 14% of the salary of the employee during the year for new tax regime.

2. Other amendments affecting personal taxation

A. Return of income filed under condonation (w.e.f. October 1, 2024)

A new sub-section (9A) is proposed to be inserted in Section 139 to state that returns of income furnished pursuant to an order of condonation u/s Section 119 will be subject to the provisions of Section 139.

B. Rental income from residential house property (w.e.f. April 1, 2025)

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”.

B. Remuneration to working partners (w.e.f. April 1, 2025)

The remuneration limit for working partner in a firm/LLP is increased to the higher of INR 300,000 or 90% of book profits for firms with book profits up to INR 600,000. Remuneration on book profits over INR 600,000 will continue to remain at 60% of such book profit.

3. Rationalization of Capital Gains taxation (w.e.f. 23rd July, 2024)

Nature of asset	Short term		Holding period	Long term	
	Prior to budget 2024	Revised as per budget 2024		Prior to budget 2024	Revised as per budget 2024
Listed stocks and equity MFs/ETFs	15%	20%	12 months	10%	12.50%
Unlisted shares	Slab rate	Slab rate	24 months	20% with indexation	12.50%
Foreign shares	Slab rate	Slab rate	24 months	20% with indexation	12.50%
Debt MFs and ETFs	Slab rate	Slab rate	NA	Slab rate	Slab rate
Listed bonds	Slab rate	20%	12 months	10%	12.50%
REITs and InVITs	15%	20%	12 months	10%	12.50%
Physical real estate	Slab rate	Slab rate	24 months	20% with indexation	12.50%
Gold/silver ETFs	Slab rate	20%	12 months	Slab rate	12.50%
Physical gold	Slab rate	Slab rate	24 months	20% with indexation	12.50%

- The government has retained the indexation benefit for taxpayers on properties bought or inherited before 2001.
- Asset class having XIRR of > 8%-9%, the new rate of 12.5% without indexation may prove to be beneficial.

4. Rationalisation In TDS rates

Section	TDS rates prior to Budget 2024	Revised TDS rates as per Budget 2024	Effective date
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	01.04.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	01.10.2024
Section 194G - Commission etc on sale of lottery tickets	5%	2%	01.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	01.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	01.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided Family	5%	2%	01.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce Participant	1%	0.1%	01.10.2024
Section 115E - long-term capital gains in case of Non-resident	10%	12.5%	23.07.2024

5. Other TDS Related propositions/clarifications

Section	Remarks
Section 192 – Salary	It is proposed to expand the scope to include any tax deducted or collected to be taken into account for the purposes of making the deduction under section 192 (w.e.f. 1st day of October, 2024). This will help in avoiding cash flow issues for employees (w.e.f. 1st day of October, 2024)
Section 193 –Interest on Securities	It is proposed to allow for deduction of tax at source at the time of payment of interest exceeding ten thousand rupees on – 1. the Floating Rate Savings Bonds (FRSB) 2020 (Taxable) 2. any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, (w.e.f. 1st day of October, 2024) specify in this behalf.
Section 194C – Payments to contractors	It is proposed to explicitly provide that any sum referred to section 194J does not constitute “work” for the purposes of TDS under section 194C(w.e.f. 1st day of October, 2024)
Section 194IA – Payment on transfer of certain immovable property other than agricultural land	Clarification – it is proposed to amend section 194-IA to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property (w.e.f. 1st day of October, 2024)
Section 194T- TDS on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership Firm	It is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year at 10% (w.e.f. 1st day of April, 2025)
Section 194Q and Section 206C – payment of certain sum for purchase of goods	To facilitate ease of doing business, blockage of funds and assisting the taxpayers incurring losses, it is proposed to bring section 194Q and 206C(1H) in the ambit of lower deduction certificate. (w.e.f. 1st day of October, 2024)
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	It is proposed to omit section 194F relating to TDS on payments on repurchase of units by Mutual Fund or UTI which attracts a TDS rate of 20%. (w.e.f. 1st day of October, 2024)

6. Amendments related to trust

A. Merger of trusts under first regime with second regime (w.e.f October 1, 2024)

The Act establishes two main regimes for trusts, funds, or institutions to claim exemptions: one under sub-clauses (iv), (v), (vi), or (via) of clause (23C) of section 10, and the other under sections 11 to 13. Over the years, procedures and conditions for both regimes have been aligned. To simplify procedures and reduce administrative burden, it is proposed to sunset the first regime and transition entities to the second regime gradually.

B. Condonation of delay in filing application for registration by trusts or institutions (w.e.f October 1, 2024)

A trust or institution seeking registration under section 12AB must apply within the timelines specified in section 12A(1)(ac) else it may face tax on accreted income and potentially lose its exemption status permanently. It is now proposed that the Principal Commissioner or Commissioner can condone delays in filing if there is a reasonable cause.

C. Rationalization of timelines for funds or institutions to file applications seeking approval under section 80G (w.e.f October 1, 2024)

Section 80G of the Act provides for the approval within the timelines specified of certain funds or institutions to receive donations, with deductions available to donors. Sometimes, funds or institutions miss these deadlines, risking permanent loss of approval. The proposed amendment aims to rationalize these timelines.

D. Rationalisation of timelines for disposing applications made under section 12AB or 80G

The timeline for processing these applications is proposed to be rationalized to 6 months from the end of the quarter in which the application was received instead of the previous timeline of 6 months from the end of the month of receipt. This applies to provisionally registered or approved trusts or funds seeking further registration or approval.

E. Merger of trusts under the exemption regime with other trusts (w.e.f April 1, 2025)

When an approved or registered trust or institution under the first or second regime merges with another approved or registered entity under either regime, it may be subject to the provisions concerning tax on accreted income under certain conditions. It is proposed that conditions may be prescribed, under which the said merger shall not attract tax on accreted income by inserting a new section 12AC.

7. Changes in time limits in certain cases

A. Time Limit for Correcting TDS/TCS Tax Statements

Up to six years from the end of that financial year in which such statements were required to be submitted to make any corrections. (w.e.f April 1, 2025)

B. Passing Orders on Unpaid direct Taxes

The time limit for passing an order under section 201 deeming an assessee to be an assessee in default. Has been reduced from seven years to six years from the end of the financial year in which the payment is made or credit is given. (w.e.f April 1, 2025)

C. Refund Withholding Period (w.e.f October 1, 2024)

The period for withholding a tax refund has been extended to sixty days from the date the assessment or reassessment is made.

D. New Time Limits for Issuing Notices Under Section 148 (w.e.f. September 1, 2024)

The time limits for issuing notices under section 148 have been updated based on the amount of income escaping assessment, as below:

1. For Income Escaping Assessment Less Than ₹50 Lakhs:

- Notice under section 148A: Within 3 years
- Notice under section 148: Within 3 years and 3 months

2. For Income Escaping Assessment ₹50 Lakhs or More:

- Notice under section 148A: Within 5 years
- Notice under section 148: Within 5 years and 3 months, provided that:

- The Assessing Officer (AO) possesses books of accounts, documents, or evidence
- These materials relate to any asset, expenditure, transaction, or entry
- Indicating that income chargeable to tax has escaped assessment

E. Time Limit for Filing Appeals with ITAT

Changed from 60 days from the date the order was communicated to the assessee to two months from the end of the month. (w.e.f. October 1, 2024)

F. New Rules for Block Assessments in Search Cases (w.e.f September 1, 2024)

The Indian Union Budget 2024-25 introduces a new block assessment scheme for searches initiated on or after September 1, 2024. Key features include:

- **Block Period Definition:** Includes six assessment years before the search year and part of the current year up to the search's conclusion.
- **Abatement of Regular Assessments:** Ongoing assessments for the block period will stop.
- **Inclusion of Other Persons:** Similar proceedings will apply to others with undisclosed income found during the search.
- **Tax Rate:** Undisclosed income during the block period will be taxed at 60%.
- **Assessment Time Frame:** AO must complete assessments within 12 months from the last search authorization, extended by 12 months if referred to TPO.
- **Interest for Delays:** Interest of 1.5% per month for late or non-filing of returns on undisclosed income.
- **Penalties:** No interest under sections 234A, 234B, 234C; a 50% penalty on the undisclosed income tax.
- **No Objections to DRP:** No objections can be filed before the DRP from September 1, 2024, for search-related assessments.

8. Tax Collection at Source (TCS)

A. Tax Collection at Source (TCS) Rules Expanded (w.e.f January 1, 2025)

Previously, TCS at the rate of 1% was applicable only on the sale of motor vehicles valued above ten lakhs. Now, the Central Government can notify other goods valued above ten lakhs that will also be subject to TCS at the rate of 1% through an official gazette.

B. Time Limit for Correcting TCS Statements (w.e.f April 1, 2025)

The time limit for filing corrections to TCS statements under section 206C will be restricted to six years from the end of the financial year in which the statements were required to be delivered.

C. Interest Rate on Non-Deduction and Non-Payment of TCS (w.e.f April 1, 2025)

The interest rate on non-deduction and non-payment of TCS will be aligned with TDS provisions. The rates will be:

- 1% per month or part of a month on the amount of tax from the date it was collectible to the date it is collected.
- 1.5% per month or part of a month from the date the tax is collected to the date it is actually paid.

Previously, the interest rate was only 1% per month or part of a month on the amount of tax from the date it was collectible to the date it was actually paid.

9. Direct Tax Vivad se Vishwas Scheme, 2024

- To reduce tax litigation, voluntary dispute resolution scheme, 'Vivad se Vishwas Scheme, 2024' is introduced, similar to the 'Direct Tax Vivad Se Vishwas Act, 2020'.
- The procedure for filing declaration under the Scheme and the last date for filing such declaration to be notified.
- The Scheme provides option to the assessee to discharge disputed tax/ interest / penalty at different rates in two cases:: Amount payable on or before December 31, 2024 and Amount payable on or after January 1, 2025, but before last date (to be notified)

10. Rationalisation of Buyback taxation (w.e.f October 1, 2024)

- Buy back of shares by a domestic company shall be taxed as dividend in the hands of shareholders at applicable slab rate.
- No deduction for expenses shall be available against such dividend.
- The cost of acquisition of the shares which have been bought back would generate a capital loss (short term or long term, basis holding period) in the hands of the shareholder, considering sales consideration as "Nil" amount. Such capital loss can subsequently be set-off against capital gains, long term or short term, as the case may be.

11. Key proposals regarding start-ups & other industries in general

- **Angel Tax Abolished** - The requirement for companies issuing shares at a premium to pay tax on the excess consideration received above the fair value of the shares, known as 'Angel Tax', has been abolished. The abolishment of the Angel Tax is expected to boost foreign direct investment (FDI) and startup investments. This change will also bring greater certainty and clarity in tax assessments
- **FDI and ODI Rules to be simplified** - Simplifying both FDI and ODI rules can create a more dynamic and interconnected global economy, foster innovation, improve competitiveness, and lead to sustained economic development both domestically and internationally.
- **Venture capital fund for Space sector to be setup** - A venture capital fund dedicated to the space sector can spur innovation, drive economic growth, and position the country as a leader in space technology. It's an exciting opportunity with far-reaching implications for science, technology, and the economy.
- **Big Changes soon to IBC framework** - NCLT to be reformed where new tribunals shall be set up to speed up IBC process. The setting up of new tribunal will also help in efficient merger process

- **Three Major schemes for Employment linked incentive has been announced**

Scheme A First timers – One month wage to new entrants in all formal sectors in 3 instalments up to ₹15,000

Scheme B Job Creation in Manufacturing- Incentive to both employee & employer for EPFO contributions in the specified scales for the first 4 Years

Scheme C Support to Employers - Government will reimburse EPFO contributions of employers up to ₹3000 per month for 2 years for all new hires.

These changes collectively create an environment that not only supports the current business landscape but also encourages future growth and innovation. They contribute to a more dynamic, competitive, and efficient economy, positioning it well for sustained progress.

12. Miscellaneous provisions

A. Equalization levy of 2% on e-commerce supply

It is proposed that the provisions of the said section shall not apply to any consideration received or receivable by an ecommerce operator from e-commerce supply or services made or provided or facilitated by it on or after the 1st day of August, 2024. While equalization levy at 6% on online advertisement services to continue.

B. Undisclosed Foreign Income and Assets

Section 42 and/or 43 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 imposes a penalty of up to ten lakh rupees for failing to report foreign income and assets. The current proviso exempts penalties for bank accounts with a balance up to five hundred thousand rupees. The proposed amendment will increase this exemption to assets (excluding immovable property) with a total value up to twenty lakh rupees.

C. Expenditure to settle proceedings to be disallowed (w.e.f. April 1, 2025)

The Section 37 of the Income-tax Act allows deductions for business expenditures not covered by sections 30 to 36, nor of a capital or personal nature. It disallows deductions for expenditures incurred for purposes that are offenses or prohibited by law. The said section has been amended to include expenditures incurred to settle proceedings related to legal contraventions specified by the Central Government.

D. Amendment of Section 55 of the Act- Calculation of FMV on certain shares

The proposed amendment to Section 55 clarifies how the "fair market value" of equity shares should be determined for capital gains tax purposes. For equity shares in a company that were not listed on a recognized stock exchange as of January 31, 2018, or were acquired in exchange for shares not listed on such exchange as on January 31, 2018 by way of transaction not regarded as transfer under section 47, but later become listed after the transfer (such as through an IPO), then the fair market value will be calculated by allowing the indexation benefit.

E. Tax incentives to International Financial Services Centre (IFSC) (w.e.f. April 1, 2025)

- Retail funds and Exchange Traded Funds (ETFs) in IFSC can now claim exemption under section 10(4D) on gains derived from transfer of certain capital assets.
- The source of cash credits received under section 68 from Venture Capital Funds in IFSC are not required to be explained. Although the identity and genuineness of transaction still needs to be established.
- Provisions of Section 94B of the Act which restricts the deduction of interest expenses on any debt issued by a non-resident who is an associated enterprise of the borrower to the extent of 30% of EBITDA will not apply to finance companies located in IFSC that meet certain conditions and carry out specific activities as defined in the IFSCA (Finance Company) Regulations, 2021.

12. Miscellaneous provisions

F. Transaction not regarded as transfer

The Section 47 of the Income-tax Act deals with transactions not regarded as transfers. Currently, clause (iii) exempts transfers of capital assets by any person under a gift, will, or irrevocable trust from being considered transfers, with an exception for specified Employees' Stock Option Plans.

The said section has been amended to replace this clause to state that Section 45 will not apply to transfers of capital assets only by an individual or a Hindu Undivided Family under a gift, will, or irrevocable trust. This change will take effect from April 1, 2025, and will apply to the assessment year 2025-2026 and subsequent years.

G. Presumptive taxation for non-residents engaged in the business of operation of cruise ships

It is proposed to insert a new section 44BBC, which deems 20% of the aggregate amount received or paid to a non-resident cruise-ship operator as profits and gains of such cruise-ship operator from this business. Applicability of this section, will be subject to prescribed conditions.

Lease rentals paid by the aforesaid company opting for presumptive taxation to a fellow subsidiary company, being a foreign company shall be exempt in the hands of such fellow subsidiary foreign company. This exemption is available up-to AY 2030-31

H. A new section 271GC is proposed to be inserted for imposing penalty of Rs 1,000 for each day for failure by a non-resident having a liaison office in India to furnish statement in respect of its activities in a financial year

I. Tax rates for foreign companies are proposed to be reduced from 40% to 35%, on income other than income chargeable at special rates.

J. Calculation of FMV on certain shares under Section 55 of the Act

The proposed amendment to Section 55 clarifies how the "fair market value" of equity shares should be determined for capital gains tax purposes. For equity shares in a company that were not listed on a recognized stock exchange as of January 31, 2018, or were acquired in exchange for shares not listed on such exchange as on January 31, 2018 by way of transaction not regarded as transfer under section 47, but later become listed after the transfer (such as through an IPO), then the fair market value will be calculated by allowing the indexation benefit on the original cost of acquisition.

K. Reference of Public companies has been omitted from special provisions for income of public financial institutions, etc. of interest in relation to bad and doubtful debts (w.e.f. April 1, 2025)

L. Major Tax Reforms and Digitalization Initiatives Announced

In the budget speech, the Finance Minister announced significant reforms to modernize tax administration.

A comprehensive review of the Income-tax Act, 1961, will be undertaken to make it concise and easy to understand. This is expected to reduce disputes and litigation, providing greater tax certainty, with completion aimed in six months.

Additionally, the Finance Minister outlined plans for extensive digitalization of GST, Customs, and Income Tax services. While major GST services and most Customs and Income Tax services are already digital, the remaining services, including rectifications and order giving effect to appellate orders, will be digitalized within the next two years, moving towards a paperless administration.

General comments:

Taxpayer expected major amendments in transfer pricing regulations with respect to provision of adequate guidance on contentious transfer pricing issues and for streamlining certain Indian transfer pricing practices with global best practices. However, Union Budget 2024 have not met any of these key expectations.

Nonetheless, the announcement on expansion of existing Safe Harbour Rules and making these Rules more attractive has send positive signals.

Further, the announcement made in the Union Budget on streamlining the transfer pricing assessment procedure is a welcoming statement.

Relevant Amendments:

- **Specified domestic transactions ('SDTs')** not referred to the Transfer Pricing officer ('TPO') have now come within the purview of TPO i.e., the TPO can proceed to determine the arm's length price of SDTs even when not referred to him.

- **Thin capitalization provisions** (under section 94B) governs the limitation of interest deduction. Such provisions excluded from its ambit Indian companies, permanent establishments of foreign companies engaged in banking or insurance business. Now, **Finance companies (including NBFCs) registered in International Financial Service Center ('IFSC')** are also excluded from thin capitalization provisions.

1. GST on Liquor

Section 9 of the CGST Act, 2017 has been amended to exclude “un-denatured extra neutral alcohol (‘ENA’) or rectified spirit used for manufacture of alcoholic liquor for human consumption” from the purview of GST. The proposed change is in line with the recommendation provided by the 53rd GST Council Meeting.

2. Reduction in Pre-deposit for Appeal

The Government followed the 53rd GST Council Meeting recommendation to reduce pre-deposit in case for appeals to be filed before the first Appellate Authority and before GST Tribunal under Section 107 and 112 of CGST Act, 2017.

Following changes have been made –

Levels	% of Tax Demand		Maximum Limit	
	Earlier	Current	Earlier	Current
1 st Appellate Authority	10%	10%	25 crores	20 crores
GST Appellate Tribunal	20%	10%	25 crores	20 crores

3. Waiver of Interest and Penalty

The Finance Bill reflected the 53rd GST Council Meeting recommendation for waiver of interest and penalty by insertion of new Section 128A.

Section 128A proposed under the Finance Bill which will cover the waiver of interest and penalty or both against demand notices for the period of July 2017 to March 2020 or in parts under Section 73 of the CGST Act, 2017.

Taxpayers can avail the waiver under section 128A in case the tax demanded under Section 73 paid in full within on or before the time limit prescribed therein.

The benefit of Section 128A will be available in the following cases –

- SCN under Section 73 of the CGST Act,
- Order-in-Original under Section 73(9) of the CGST Act,
- Order-in-Appeal under Section 107(11) of the CGST Act,
- Revision Order under Section 108(1) of CGST Act and
- Appellate Authority/ Appellate Tribunal/ Court determined that fraud, suppression and misstatement are not applicable.

Further the benefit of Section 128A will not be available in below cases –

- Cases of erroneous refunds
- Appeals/ Writs are pending before the Appellate Authorities/ High Courts and not withdrawn within notified timelines

In cases where the appeal filed by the Department and the demand increased thereafter, the taxpayer can avail the waiver in case the tax amount demanded and increased is paid within 3 months.

In case the demand of interest and Penalty is already paid, no refund shall be granted.

Our Comments: *Beneficial amnesty scheme introduced to help all taxpayers to clear their dues and take waiver for long pending litigation cases where interest and penalty is significant.*

4. GST Appellate Tribunal

Section 109 has been amended to enable the Government to distribute the cases exclusively to Principal bench of GSTAT and make changes to the method of distribution of cases by the Principal Bench to Regional Benches.

Further, the timeline for filing appeal before the GSTAT will be of three months from a date to be notified by the Government.

5. Extended Timeframe for Availing ITC in Specific Cases

The Finance Bill proposed for insertion of sub section 5 under section 16 for providing relaxation on claiming the ITC under section 16(4) for the period 2017-18 to 2020-2021 until November 30, 2021.

In case the taxpayers had claimed the ITC for FY 2017-18 to FY 2020-21 in return filed until November 30, 2021, the same shall be valid.

Further, sub section 6 under section 16 introduced, which allows claiming of ITC for the interim period between cancellation of the registration and revocation of such registration.

However, the ITC must be claimed, within the following timeline:

1. Return filed upto 30th November of the following FY to which such invoices or notes pertain.
2. A return filed within 30 days of such revocation, whichever is later of the above.

The amendments do not apply where tax is already paid or ITC is reversed; no refunds will be provided.

Comment: The amendment resolved two major litigation points under the GST laws for ITC availment. The Taxpayer can resolve the notices on the above issues based on the proposed amendments.

6. Limitations on ITC Availability

The proposed amendment to Section 17(5)(i) restricts the eligibility for Input Tax Credit (ITC) on tax paid under Section 74 only till the Financial Year 2023-24.

Previously, Sections 74, 129, and 130 impacted ITC eligibility. ITC related to periods up to the 2023-24 financial year, only the restrictions under Section 74 will apply.

Comment: *The amendment will provide relaxation to the taxpayer that ITC restriction would not apply for recovery proceedings going forward.*

7. Amendment To Schedule III

Schedule III is proposed to be amended and new paragraph 9 and 10 to be inserted which involves certain activities not to be treated as supply of good or services:

Co-insurance Premium: Apportionment by the lead insurer to co-insurers is not considered a supply, provided tax on the full premium is paid by the lead insurer.

Reinsurance Commission Services: Services by the insurer to the reinsurer are not considered a supply if the reinsurer pays tax on the full premium, including commissions.

8. Mandatory Monthly TDS Return Requirement

An amendment is proposed in section 39(3) where registered persons required to deduct tax at source must file a monthly return in the prescribed format and timeframe, regardless of whether any deductions were made during the month.

9. Introduction of Section 74A

To ensure uniformity, a new Section 74A has been introduced. The proposed section allows common time frame for recovery notices and orders in cases of fraud/misstatement/suppressions or other normal cases as well.

A common time limit of 42 months is provided for issuance of notices from the due date of filing the annual return or date of erroneous refund. The section would be valid from 2024-25.

Penalty:

- In case of other than fraud, suppression or willful misstatement, the penalty is proposed to be INR 10,000 or 10% of tax dues whichever is higher.
- In case of fraud, suppression or willful misstatement, the penalty is proposed to be equivalent to the tax dues.

10. Proposed Amendments to Section 16 of the IGST Act

The Finance Bill introduces following changes related to refund under Sub-section (4) of Section 16:

- **Refund Procedures:** Refunds for zero-rated supplies paid with integrated tax must follow Section 54 of the CGST Act and its rules.
- Class of goods or services eligible for refunds on integrated tax payments will be notified and must comply with Section 54 of the CGST Act and its rules.
- Section 16(5) is proposed to be inserted which clarifies no refund for unutilized input tax credit or integrated tax on zero-rated goods if such goods are subject to export duty.

11. Self Invoicing under RCM

The Finance Bill amended Section 13 to provide the time of supply in cases where the invoices is to be issued by the suppliers, as –

- the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
- the date immediately following sixty days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier, where invoice is required to be issued by the supplier; or
- the date of issue of invoice by the recipient, where invoice is to be issued by the recipient.

12. Miscellaneous Amendments

The Finance Bill provides following changes:

ITC related to ISD

- Transitional credit shall be allowed in cases where the invoices received on or before the appointed date.

Refunds

- Section 54 amended to incorporate restriction on refunds under zero rated supply where goods bears export duty.

GST On Account of Trade Practices

- Section 11A proposed by Finance Bill will provide the Government to rationalise short levy of GST due to trade practices in India.

E-Commerce TCS

- Section 122 amended to include those e-commerce operator who are require to deduct tax under Section 52 with effect from 01st October 2023.

Sunset for Anti-Profitteering Provisions

- Finance Bill proposed the sunset clauses for Anti-profitteering provisions under CGST Act.

Amendment for Section 74A

- Various Section amended to incorporate the reference of Section 74A as – Section 10, 21, 35, 49, 50, 51, 61,62, 63, 64, 65, 66, 75, 104, 107, 127

Authorised Representative

- Section 70 amended to provide that the person summoned can appoint authorized representative to represent himself.

1. Proof of Origin

Section 28DA of the Customs Act, 1961 has been amended by the Finance Bill, enabling the acceptance of different types of **'Proof of Origin'** as provided under the various Trade Agreement existed and under new trade agreements entered by the Government which have clauses for Self Certification for Certificate of Origin.

Our Comment: *The amendment will resolve the criteria for Certificate of Origin issued under the new trade agreements with acceptance under Customs Act, 1961.*

2. Warehousing

The Finance Act amended Section 65 of the Customs Act, 1961 empowering the Government to provide **restrictions** on certain manufacturing and other operations in relation to a class of goods not permitted under warehouse.

3. Exemption from Compensation Cess to SEZ

The Finance Act, based on the recommendation of the GST Council under its 53rd Meeting exempted the charge of GST Compensation Cess with effect from 01st July 2017 on imports made by SEZ units or developers for authorized operations.

Comment: The amendment brings the clarity on the cess applicability to SEZ units

4. Exemption from BCD and AIDC

The Finance Act validated the Notification No. 37/2023- Customs dated 10th May 2023

The Finance Act validated the Notification No. 37/2023- Customs dated 10th May 2023 for the period of from 1st April, 2023 up to and inclusive of 10th May, 2023 for granting exemption from the Basic Customs Duty ('BCD') and Agriculture Infrastructure Development Cess ('Cess') for **import of crude soyabean oil and crude sunflower seed oil.**

The above exemption provided based on condition of availability of unutilized quota in TRQ authorization for FY 2022-23 allotted by DGFT and Bill of lading issued on or before 31st March, 2023. The amendment further provides that in case the importer is eligible for consequential refund of BCD and AIDC, the importers can make such refund application on or before 31st March 2025.

Our Comment: *The importer can avail the benefit of exemption for the above mentioned period on fulfillment of the conditions and in case of payment of duty the importers can claim refund in case application made within timelines.*

5. Re-import for Repair

The Finance Bill relaxed time limitation in case of re-import of duty free goods under warranty (other than under those under export promotion schemes) from 3 years to 5 Years and further extendable by 2 years.

Further, in case of articles of foreign origin, it can be now re-exported after repairs (pertaining to aircraft and vessels) within 1 year, further extendable by 1 year which was earlier limited to 6 months.

Comment: The relaxation will provide edge to exporters of India in case the product require regular repair and maintenance. Further the relaxation for the heavy engineering articles for repair and maintenance in India will boost Indian repair and maintenance industry.

6. Miscellaneous Changes

- Section 6 of the Customs Tariff Act, 1975 being omitted after winding up of the Tariff Commission established under it.
- Section 143AA and Section 157(2)(m) has been amended to include Other Persons in addition to the importer and exporter.

7. Changes under the Customs Tariff

The Finance Bill has come up with the reduction and increase of duties on various products which affect industries like Plastic, Consumer Products, Prepared Food stuffs, Marine, Minerals, Jewellery, Steel, Textile and other industries of India.

We have evaluated such changes and provided industry wise changes under the **Annexure** to this article.

CENTRAL EXCISE

1. Time Extension for MPPC

The Notification No 12/2012 of Central Excise dated 17.3.2012 is being amended to extend the time period for submission of the final "Mega Power Project certificate" from 120 months to **156 months**.

8. Extension of Exemption under Notification No. 50/2017-Customs dated 30.6.2017

The Finance Bill has extended the BCD exemptions for various serial number provided under Notification No. 50/2017-Customs dated 30.6.2017 till 31st March 2026 and 31st March 2029 and lapsed various exemption for various products provided under customs notifications.

2. Clean Environment Cess Exemption

Clean Environment Cess levied and collected as the excise duty shall be exempted on excisable goods lying in stock as on 30th June, 2017, subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1st July, 2017.

The changes will come into effect from the date of enactment of the Finance (No. 2) Bill 2024.



About Us



The Story

AVA network, headquartered in Pune, is a prominent network of firms of Chartered Accountants across 9 cities in India. AVA Network is known for providing high quality professional service to diverse set of clientele ranging from MNCs, Public Listed Companies, MSMEs, Start-ups and HNI Individuals.

Our dynamic and insightful professional team with a vast cumulative experience is foundation behind our multitude satisfied clienteles. Our Partners have worked as lead or key members on Assurance, Tax, Due Diligence, and Advisory engagements of companies engaged in diverse industries like Information Technology, Banking, Heavy Engineering, Automotive Ancillaries, Paper Manufacturing, Consumer Durables, and Media & Entertainment. Our Partners have significant experience of working with Big Accounting and Tax consultancy firms in India.

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