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# The Union Budget 2024-25

July 2024





## Editorial

The FM presented the first Union Budget under the Modi 3.0 Government. It was a testament to the government's commitment to driving India towards a resilient and inclusive economic future.

This year's budget is an eloquent blend of ambition and pragmatism, designed to foster growth, nurture innovation, and streamline the tax landscape, thereby paving the way for India to achieve its aspiration of a \$5 trillion economy by 2027-28.

We could see the palpable confidence of this government to introduce sweeping changes in income tax laws.

In line with the growth impetus of the last few Budgets, the focus continues to be productivity enhancement, infrastructure development, creating large opportunities for new employment, carbon neutral economy and R&D.

It is a progressive Budget with focus on nine key priorities namely Productivity in agriculture, employment and skilling, Inclusive Human Resources, Manufacturing, Urban Development, Energy Security, Infrastructure, Innovation Research and Next Generation reforms.

A clear theme in this Budget is youth and employment with opportunities to be provided to 10 Mn youth to pursue internship in top 500 companies, 2 Million Youth to be skilled over 5 years, 1000 industrial training centers to be set up and 3% interest subvention to be given for student loans.

The Fiscal deficit is expected to decline to 4.9% of GDP in FY25, down from the previous estimate of 5.1%. The aim is to reach a fiscal deficit of below 4.5% by FY26.

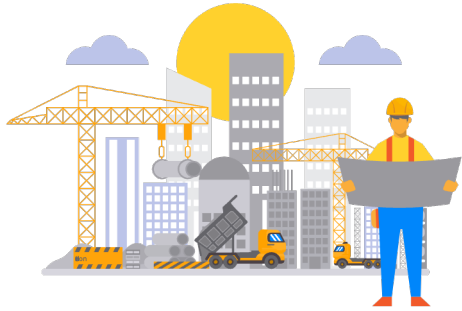
The vast swathe of tax proposals were with a singular drive to simplify the tax code. From simplifying the capital gains framework, removal of angel tax and equalisation levy to a host of litigation management measures such as Vivad se Vishwas scheme, increasing limits for filing appeals, restricting scope of reassessments, etc.

Overall, the budget emphasizes inclusive growth, sustainable development, and fostering innovation, aiming to create a balanced and resilient economy.

**BSC Editorial Team**

## Focus Sectors (1/5)

### Sector



### Infrastructure

#### Budgetary Measures

- INR 11.11 crore allocated by Central Government towards capital expenditure for infrastructure development over next 5 years.
- INR 1.5 lakh crore provision for long term interest free loans has been made to support states government
- Private sector infrastructure investment will be promoted through viability gap funding and enabling policies and regulations.
- All weather connectivity to 25,000 rural habitations under PM Gram Sadak Yojana.
- Financial support of INR 11,500 crore for ongoing irrigation and flood mitigation projects and new schemes including barrages, river pollution, abatement and irrigation projects.
- Transit Oriented Development plans for 14 large cities with a population of more than 30 lakh
- Support for water supply, sewage treatment, and solid waste management projects and services for 100 large cities.
- Development of investment-ready plug and play industrial parks with complete infrastructure in 100+ cities.
- Overall infrastructure development across several regions and support through grants for backward regions. All round development of eastern region infrastructure of the country covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh.
- INR 26,000 crore allocated towards 4 major Road Connectivity projects.

#### Impact

Budget 2024's urban development initiatives will transform India's cities, enhancing quality of life and sustainability.

Transit-Oriented Development, PM Aawas Yojana Urban 2.0 and investments in water and sanitation will address housing, transportation, and health needs.

The Central Government's allocation and interest-free loans to states will boost infrastructure development, while private investment promotion will stimulate economic growth.

Positive for steel, cement as spending would boost demand.

Positive for Capital Goods and EPC companies, especially focusing on the Roads, Railways and Water management sectors.

## Focus Sectors (2/5)

### Sector



### BFSI

- Increased limits of Mudra loans from INR 10 lakh to INR 20 lakh.
- Credit Guarantee Scheme providing cover up to INR 100 crore for facilitating term loans to MSMEs without collateral or third-party guarantee.
- Public sector banks will assess MSMEs through new credit assessment model based not only on asset or turnover criteria but also digital footprints of MSMEs. New mechanism for facilitating continuation of bank credit to MSMEs during their stress period.
- Integrated technology platform for IBC Ecosystem to be set up for improving outcomes under Insolvency and Bankruptcy Code (IBC).

Private Banks and PSU Banks are well-positioned to benefit from increased lending opportunities, driving growth and expansion through a focus on new lending initiatives.

MSME-focused initiatives will revolutionize the sector, boosting entrepreneurship and job creation.



### Pharmaceutical

- Fully exempt three medicines of cancer treatment from custom duty.
- Increasing the PLI scheme for the pharma industry from INR 1,200 crore to INR 2,143 crore.
- Expenditure incurred to settle legal proceedings related to contraventions will be disallowed as business expenses u/s 37 of the act.

Removal of custom duties on cancer drugs is a game-changer, making top-tier treatments more affordable and accessible.

These measures will enhance patient access, bolster the medical devices sector, and drive industry growth.

## Focus Sectors (3/5)

### Sector



### Agriculture



### Tourism and Hospitality

#### Budgetary Measures

#### Impact

- INR 1.52 lakh crore allocated for agriculture and allied sector.
- 10,000 bio-input resource centers to be established for farmers across the country.
- New 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops to be released for cultivation by farmers. Strengthening production, storage, and marketing of oil seeds such as mustard, groundnut, sesame, soybean and sunflower seeds.
- Implementation of Digital Public Infrastructure over next 3 years for coverage of farmers and their lands.
- Jan Samarth Kisan Credit Cards to be enabled in 5 states.

Promoting natural farming, introducing high-yield, climate-resilient crops, and strengthening oil seed production will improve food security and reduce import dependency.

The implementation of Digital Public Infrastructure and Kisan Credit Cards will modernize farming practices and improve financial access, driving economic growth and rural prosperity.

- Developing Vishnupad and Mahabodhi Temple Corridors, modeled after Kashi Vishwanath.
- Comprehensive development of Rajgir for Hindus, Buddhists, and Jains.
- Reviving Nalanda University and enhancing Nalanda as a tourist hub.
- Boosting tourism in Odisha through development of its natural and cultural attractions.

This will significantly boost tourism by creating new attractions and improving infrastructure.

This will attract more visitors, generate employment opportunities, and stimulate local economies, positioning India as a premier global destination.

## Focus Sectors (4/5)

### Sector

### Budgetary Measures

### Impact



### Jewellery

- Reduction in custom duties on gold and silver to 6% & on platinum to 6.4%.
- As a result, gold is cheaper by INR 2,800 at INR 72,700 per 10 grams (24 carats), while silver is cheaper by INR 1,650 at INR 87,350 per kg.

Huge filip to the jewellery sector with gold, silver and platinum prices reducing on account of import duties.

Implementing the Safe Harbour Rule for sales in 'special notified zones' is poised to be a game-changer, placing India on equal footing with global centres like Belgium and Dubai.



### Real Estate

- Eliminated the indexation benefit for real estate assets. Reduced the long-term capital gains tax rate from 20% (with indexation) to 12.5% (without indexation).
- INR 10 lakh crore under PM Aawas Yojana Urban 2.0 to fulfil housing needs of 1 crore urban poor and middle-class families over next 5 years

LTCG tax reforms bring parity of real estate assets and listed equities. It will enhance investment appeal.

Investment in PM Aawas Yojana Urban 2.0 and industrial housing will boost urban housing and economic growth.



### Technology

- TDS on e-commerce transactions drops from 1% to 0.1%.
- Withdrawal of Equalisation Levy on e-commerce supply of goods or services.
- Ongoing emphasis on long-term digital adoption and infrastructure, including land record digitization.

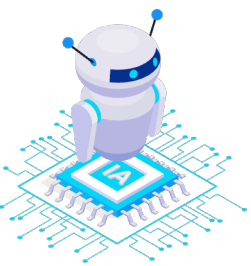
Lower TDS and the removal of the Equalisation Levy will reduce costs for e-commerce, while continued investment in digital infrastructure will drive tech growth and innovation.

## Focus Sectors (5/5)

### Sector



### Education and Work Force Productivity



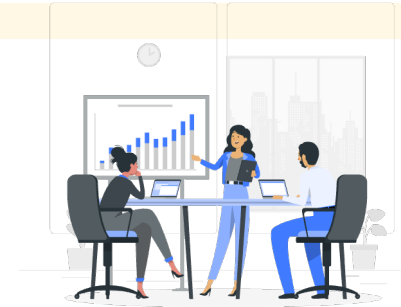
### Technology

Budgetary Measures	Impact
<ul style="list-style-type: none"> <li>• 20 Lakh youth will be skilled over a 5-year period under Skilling Programme. Industrial Training institutes will be upgraded in hub and spoke arrangements.</li> <li>• Financial support to be provided through Education loans up to INR 10 Lakhs for higher education in domestic institutions with annual interest subvention of 3%.</li> <li>• Direct e-vouchers to be provided to 1 Lakhs students every year.</li> <li>• Internship opportunity in 500 top companies to 1 crore youth over next 5 years</li> <li>• INR 15,000 as 1-month wage to first-time employees with salary up-to INR 1 lakh per month. This scheme is expected to benefit 2.1 crore youth. All additional employment within salary upto INR 1 lakh per month, shall be reimbursed up to INR 3000 per month 2 years, towards their EPFO contribution</li> </ul>	<p>Upskilling a large youth workforce, boosting employability and productivity</p> <p>Increasing access to higher education, fostering a more skilled and competitive workforce.</p> <p>The youth-centric reforms are poised to revolutionize India's economy by unleashing a demographic dividend</p>
<ul style="list-style-type: none"> <li>• Launching the Anusandhan National Research Fund for basic research and prototype development.</li> <li>• Supporting private sector research and innovation with an INR 1 lakh crore financing pool.</li> <li>• Establishing an INR 1,000 crore venture capital fund for the space economy.</li> </ul>	<p>The budget's focus on funding research, supporting private innovation, and investing in space technology will accelerate technological advancement and strengthen India's position as a global tech leader.</p>

# Direct Tax Rates

## Corporate Tax

- While maintaining status quo in tax rates of Domestic Companies, corporate tax rate on foreign companies has been reduced to 35% from 40%



## Personal Tax

- With the focus to encourage transition to the simplified New Tax Regime, Income Tax Rates have been rationalised as under :

Existing Income tax slabs	Existing Rates of Income tax	Proposed Income tax slabs	Proposed Rates of Income tax
Up to INR 3,00,000	Nil	Up to INR 3,00,000	Nil
INR 3,00,001 – INR 600,000	5%	INR 3,00,001 – INR 7,00,000	5%
INR 6,00,001 – INR 900,000	10%	INR 7,00,001 – INR 10,00,000	10%
INR 9,00,001 – INR 1200,000	15%	INR 10,00,001 – INR 12,00,000	15%
INR 12,00,001 – INR 15,00,000	20%	INR 12,00,001 – INR 15,00,000	20%
Above INR 15,00,000	30%	Above INR 15,00,000	30%

- Standard Deduction for salaried employees under new tax regime has been increased from INR 50,000 to INR 75,000.
- Maximum Deduction for contribution to the National Pension Scheme (NPS) increased from 10% to 14% of salary. This benefit is available only for employees opting for deduction of tax under the new regime.

# Taxation on Financial & Non-Financial Assets (1/2)



## Tax rates on Capital Gains

- Long Term Capital Gain on listed equity securities - Increased from 10% to 12.5%. The said gains shall be exempt upto INR 1.25 lakh as compared to INR 1 lakh, earlier.
- Long Term Capital Gain on unlisted securities & other assets (Immovable assets, gold, etc.) - Decreased from 20% to 12.5%. However, Indexation benefit wherever applicable has now been abolished, w.e.f from 23rd July 2024.
- Short Term Capital Gain u/s 111A on listed equity - Increased from 15% to 20%. All other short-term capital gains shall continue to be taxed at applicable rates.

This amendment can be examined with the help of the following illustration:

Mr. A purchased a residential house property in 1992 for INR 20 Lakhs. The fair market value of such house property as on 01-04-2001 [u/s 55(2)(b)(i) of the Act] was INR 50 Lakhs. He wishes to transfer the said house property now for a consideration of INR 3 Crores. If we consider the hypothetical dates of sale as 18-07-2024 and 23-07-2024, the tax implications in respect of sale transaction of house property can be elucidated as under:

Particulars	Sale Date: 18-07-2024	Sale Date: 23-07-2024
Sale Consideration	3,00,00,000	3,00,00,000
Cost - 18-07-2024		
Indexed Cost: (50,00,000 x 363/100)	1,81,50,000	
Cost - 23-07-2024		50,00,000
Long Term Capital Gain	1,18,50,000	2,50,00,000
Capital Gains Tax before surcharge & cess	23,70,000 (@20%)	31,25,000 (@12.50%)
Additional Tax outflow on withdrawal of indexation benefit		7,55,000

# Taxation on Financial & Non-Financial Assets (2/2)

## Parity on tax rates between residents & non-residents:

- Currently, there were different tax rates on certain capital assets for non-residents. Now, there will be only two tax rates for capital gains tax i.e. either 12.5% for long term asset or 20% for short term asset, irrespective of residential status.

## Standardization of Holding period:

- To standardize holding period, amendments have been made to the definition of Long-term capital asset for other assets i.e. bonds, debentures, gold etc. for which holding period has been reduced from 36 months to 24 months.

## Accordingly, there will only be 2 holding periods:

- Listed Securities : 12 months
- Unlisted Securities & Other Assets : 24 Months

## Removal of Indexation benefit on Long Term Capital Assets:

- Currently, benefit of Indexation was available for long term capital assets to allow taxpayers to account for the decreased value of the asset over time due to inflation. The said indexation benefit is now removed for all long-term capital assets, considering reduction in tax rates. This amendment will be effective from 23rd July 2024

## Changes in Securities Transactions Tax (STT) rates:

- **Securities Transactions Tax on sale of options** - Increased to 0.1% from 0.0625%
- **Securities Transactions Tax on sale of futures** - Increased to 0.02% from 0.0125% w.e.f 1st October 2024

## Rationalization of TDS rates

- Credit of TCS while deducting TDS on Salaries
- Currently, Credit of TCS paid by employees is not offset against the tax payable by the employee and thereby resulting in deduction of excess deduction of TDS by the employer.
- Now, credit of TCS shall be provided while computing tax liability by the employer to deduct TDS on salary
- This provision shall be applicable from October 1, 2024.

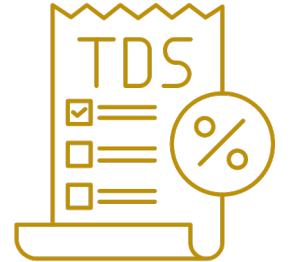




# Rationalization of TDS Rates

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- This provision shall be applicable from October 1, 2024.



## Levy of TCS on purchase of notified luxury goods:

- It is proposed to levy TCS at 1% of the sale consideration exceeding INR 10 Lakhs, of luxury goods, which shall be notified.

Section	Nature of Payment	Effective date	Existing rate	Proposed rate
194T	Payment of salary, remuneration, interest, bonus or commission by partnership firm to partners	1.04.2025	Nil	10%
194D	Payment of insurance commission to a person other than company	1.04.2025	5%	2%
194DA	Payment in respect of life insurance policy	1.10.2024	5%	2%
194G	Payment of commission, remuneration or prize on sale of lottery tickets	1.10.2024	5%	2%
194H	Payment of commission or brokerage	1.10.2024	5%	2%
194-IB	Payment of rent by certain individuals or HUF	1.10.2024	5%	2%
194M	Payment of contractual fee, commission, brokerage or professional fee by individual/ HUF	1.10.2024	5%	2%
194-O	Payment by e-commerce operator to e-commerce participant	1.10.2024	1%	0.1%
194F	Payments for re-purchase of units of mutual fund or Unit Trust of India	1.10.2024	20%	Omitted



# Litigation Management Measures (1/2)

## Vivad Se Vishwas Scheme, 2024

Nature of tax arrear	Amount payable before 31-12-2024	Amount payable on or after 01-01-2025 but on or before the last date*
Quantum Proceedings – Disputed Tax Appeal proceedings post 31-01-2020	Disputed tax	Disputed tax + 10%
Quantum Proceedings – Disputed Tax Appeal proceedings upto 31-01-2020	Disputed tax + 10%	Disputed tax + 20%
Disputed Interest & Penalty Proceedings Appeal proceedings post 31-01-2020	25% of disputed interest/penalty	30% of disputed interest/penalty
Disputed Interest & Penalty Proceedings Appeal proceedings upto 31-01-2020	30% of disputed interest/penalty	35% of disputed interest/penalty



## Litigation Management Measures (2/2)

### Increase in monetary limits for filing of appeals:

- Monetary limits for filing appeals related to direct taxes, excise and service tax in the Tax Tribunals, High Courts and Supreme Court has been increased as hereunder:

Appellate Authorities	Monetary Limits (INR Crores)
Appellate Tribunals	0.6
High Court	2
Supreme Court	5



### Reduction of time limit for reassessments

Particulars	Notice u/s 148 – Initiating Assessment	Notice u/s 148A – Show cause notice
Normal Cases	Within 3 years & 3 months from the end of the AY	Within 3 years from the end of the AY
Specific Cases (income escaping assessment is INR 50 Lakhs or more)	Within 5 years & 3 months from the end of the FY	Within 5 years from the end of the FY



## Other Direct Tax Proposals (1/2)

### Reintroduction of block assessment in search cases:

- In case of search initiated post September 1, 2024, it shall cover 6 preceding assessment years and the part of the year upto conclusion of search under the Block period.
- Income assessed under block assessment shall be taxed at the rate of 60%.
- Penalty of 50% of tax on assessed undisclosed income would apply.
- No additional surcharge or interest u/s 234A / 234B / 234C.

### Abolition of Angel taxation:

- When a private company receives any consideration for issue of shares at a consideration exceeding the fair market value of the shares, the difference is chargeable to tax under the head 'Income from other sources u/s 56(2)(viib), also infamously known as angel tax.
- It is now proposed to abolish this provision for all classes of investors. The above amendment is effective from 01-04-2025.

### Taxation of buy-back proceeds as dividend for shareholders

- Proceeds from buy-back shall now be taxed as deemed dividend in hands of the shareholders, at applicable tax rates and accordingly domestic companies shall no longer be required to pay buy-back tax at the rate of 23.3% on such buy back.
- Cost of acquisition of shares will result in capital loss and allowed to be set-off and carry forward against capital gains.
- No deduction for expenses shall be allowed against such deemed dividend income
- Withholding tax at 10% shall be applicable on such proceeds of buy back by the domestic company

### Transfer Pricing:

- It is proposed to amend section 92CA to extend the authority to transfer pricing officer to SDTs not referred earlier by the Assessing officer or if an audit report u/s 92E has not been filed by the taxpayer. The said provision shall be applicable from Assessment Year 2025-26.
- Safe harbour rules to be amended to expand the scope. TP Assessment procedure to be streamlined.



## Other Direct Tax Proposals (2/2)

### Corporate Gifts to be now excluded from exemption:

- Section 47(iii) providing transfer not regarded as transfer has now been restricted to cover gifts by Individuals or HUFs only and thereby any gift by a corporate shall now be taxable.

### IFSC

- Thin capitalization – restriction on deductibility of interest expense not applicable to finance companies in IFSC.
- Relaxation for providing source of funds for unexplained credit u/s 68 now extended to VCs set up in IFSC.
- Exemption of identified income currently available to Specified Funds in IFSC extended to retail schemes and ETFs set up in IFSC.

### Charitable Institutions

- One single regime to govern taxation of approved charitable institutions.
- Merger amongst approved charitable institutions not liable to tax subject to fulfillment of conditions prescribed

### Other Key Highlights:

- Comprehensive review of Income Tax Act of 1961 to be completed in six months.
- Equalization levy @2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after 1st August, 2024.
- No penalty for non-disclosure of foreign movable assets worth up to INR 20 lakh under the Black Money Act.
- Benami Law – Immunity from penalty and prosecution to benamidar or abettor (other than beneficial owner), of full and true disclosure of whole circumstances made
- Payments made by a firm to its partner shall be subject to TDS at 10% and increase made in limits of remuneration to working partners allowed as deduction.
- Penalty up to INR 100,000 prescribed for non-filing of annual statement by a liaison office operating in India.
- Presumptive taxation introduced for foreign shipping companies operating domestic cruise ships in India - 20% of gross consideration from passengers deemed to be taxable income; lease rentals paid to sister concerns tax exempt.

## Overview: Indirect Taxation (1/3)

Budget 2024 lays down roadmap for implementation of major recommendations of the 53rd GST council meeting held in June 2024. It also creates a roadmap to boost India capabilities in the manufacturing & healthcare sector with rationalization of Customs Tariff. The key achievements of the budget with respect to indirect taxes are as under:



### Waiver of Interest and Penalty

- Waiver of interest/penalty for demand of tax raised under Section 73 pertaining to the period from 1st July, 2017 to 31st March, 2020
- No refund of interest and penalty is available if it's already paid

### Rationalization of Section 73 and 74 under a new Section 74A with effect from FY 2024-2025

- The amendment is aimed at making the limitation period for issuing Show Cause Notice uniform for both type of cases i.e. cases involving demand of tax on account of fraud, misrepresentation and cases involving demand of tax on account of reasons other than fraud and misrepresentation
- The time limit is also extended to avail benefit of lower penalty from 30 days to 60 days.
- Existing Section 73 and Section 74 to apply only till FY 23-24.

### Right to Representation

- The amendment has been proposed to insert subsection (1A) of section 70 of CGST Act, 2017 to enable an authorized representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer



## Overview: Indirect Taxation (2/3)

### Powers to Government to forego tax

- It is proposed to insert Section 11A in CGST Act and Section 6A in IGST Act to give powers to the Government, on the recommendations of the Council, to issue Notification for regularization of non-levy or short levy of GST, where tax was being short paid or not paid due to common trade practices.
- In our opinion, this would be helpful for online gaming industries and gift voucher issuing entities which are currently embroiled in a series of litigations.

### Relaxation in Time Limit for availing ITC up-to FY 20-21

- To assist taxpayers for genuine hardships faced in the initial years of GST, relaxation is provided in respect of time limits for availing ITC.
- In respect of financial years FY18 to FY21, the time limit to avail Input Tax Credit in respect of any invoice or debit note under section 16(4) of CGST Act, for the aforesaid financial years will be deemed to be November 30, 2021.

### Reduction in Pre-Deposit for filing appeals before Appellate Tribunal

- Amount of pre-deposit for filing appeal to be reduced to 10% from the earlier limit of 20% with a maximum amount of Rs. 20 Crores (CGST) and Rs. 20 Crores (SGST)

## Overview: Indirect Taxation (3/3)

### Services of Ceding / Reinsurance / Co- Insurance Commission not considered Supply under GST

- Following will neither be treated as “Supply of goods” nor “Supply of services” under GST
- Activity of apportionment of co-insurance premiums by the lead insurer to the co-insurers in the co-insurance agreement
- Services by the insurers to reinsurer in respect of ceding/re-insurance commission subject to certain conditions

### Key Amendments under Customs and Central Excise Act

- Relaxation u/s 28DA in procedure to claim preferential rate of duty by allowing different types of proof of origin in trade agreements and thereby aligning the same with the new trade agreements which provide self-certification.
- Rationalization of Customs Tariff Rates with focus on Made in India and Cancer related healthcare medication and equipment.
- Exemption is provided on the Clean Environment Cess on excisable goods lying in stock as of June 30, 2017 provided GST Compensation Cess is paid on supplies made from July 1, 2017, onward



## Co-ordinates

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