BUDGET 2024 : HIGHLIGHTS [DIRECT TAX]

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TABLE OF CONTENTS

I. RATIONALIZATION OF CAPITAL GAINS....3
II. RATES OF TAX....5
III. INCREASE IN STANDARD DEDUCTION IN NEW TAX REGIME....7
IV. INCREASE IN AMOUNT ALLOWED AS DEDUCTION UNDER SECTION 80CCD....8
V. INCREASE IN LIMIT - DEDUCTION OF REMUNERATION TO WORKING PARTNERS....9
VI. EXEMPTION ON CAPITAL GAINS ARISING FROM GIFT APPLICABLE ONLY TO INDIVIDUALS/HUFS....10
VII. INCOME FROM LETTING OUT OF HOUSE PROPERTY....11
VIII. BUY-BACK OF SHARES....12
IX. REMOVAL OF 'ANGEL' TAX....13
X. AMENDMENT TO DEFINITION OF "SPECIFIED MUTUAL FUND"....14
XI. SEARCH PROCEEDINGS....15
XII. TAXES DEDUCTED ABROAD DEEMED TO BE INCOME IN INDIA....16
XIII. EXPANDING THE SCOPE OF DISALLOWANCE TO INCLUDE SETTLEMENT AMOUNT....17
XIV. DETERMINING "FAIR MARKET VALUE"....18
XV. ASSESSMENTS....19
XVI. PENALTIES....22
XVII. TIME-LIMITS FOR FILING APPEAL TO INCOME TAX APPELLATE TRIBUNAL....24
XVIII. PROMOTION OF DOMESTIC CRUISE SHIP OPERATIONS BY NON-RESIDENTS....25
XIX. IFSC....26
XX. VIVAD SE VISHWAS SCHEME....28
XXI. CHARITABLE TRUSTS....30
XXII. DECLARATION OF FOREIGN ASSETS - BLACK MONEY ACT....33
XXIII. CHANGES IN TAX DEDUCTED AT SOURCE (TDS).....35
XXIV. CHANGES IN TAX COLLECTED AT SOURCE (TCS)....41
XXV. SECURITIES TRANSACTION TAX (STT)....43
XXVI. ADVANCE RULINGS:....44
XXVII. EQUALISATION LEVY....45
XXVIII. DEDUCTION OF EXPENSES CLAIMED BY LIFE INSURANCE BUSINESSES....46
XXIX. POWERS OF COMMISSIONER (APPEALS)....47
XXX. DETERMINATION OF ARM'S LENGTH PRICE....48
XXXI. REMOVING REFERENCE TO NATIONAL HOUSING BOARD....49
XXXII. DISCONTINUATION OF THE PROVISIONS ALLOWING QUOTING OF AADHAAR ENROLMENT ID....50

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UNION BUDGET 2024

SOME IMPORTANT AMENDMENTS

I. RATIONALIZATION OF CAPITAL GAINS

Budget Speech: *"The taxation of capital gains is proposed to be rationalised and simplified. Short term gains on specified financial assets shall henceforth attract a tax rate of 20 per cent instead of 15 per cent, while that on all other financial assets 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 per cent. For the benefit of the lower and middle-income classes, it is proposed to increase the limit of exemption of capital gains on certain listed financial assets from ₹ 1 lakh to ₹ 1.25 lakh per year.

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 two years to be classified as long-term.

These proposals are proposed to be given effect with immediate force."

Under the existing provisions, the period of holding, rates of taxation and benefit of indexation for different capital assets was as follows:

Nature of Capital Asset	**Period of Holding**	**Nature of Capital Gains**	**Rate of Tax**	**Indexation Benefit**
Listed equity shares, units of equity-oriented MF, unit of Business Trust	>12 months	Long Term Capital Gains	10% (Sec. 112A) – In excess of Rs. 1,00,000	Not Available
	≤12 months	Short Term Capital Gains	15% (Sec. 111A)	
Unlisted Shares, Immovable Property	>24 months	Long Term Capital Gains	20% (Sec. 112)	Available
	≤24 months	Short Term Capital Gains	Normal Rates (Slab/Flat Rate)	Not Available

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Any Other Capital Asset	>36 months	Long Term Capital Gains	20% (Sec. 112)	Available
	≤36 months	Short Term Capital Gains	Normal Rates (Slab/Flat Rate)	Not Available

Proposed Amendment:

Nature of Capital Asset	**Period of Holding**	**Nature of Capital Gains**	**Rate of Tax**	**Indexation Benefit**
Listed equity shares, units of equity-oriented MF	>12 months	Long Term Capital Gains	12.50% (Sec. 112A) - In excess of Rs. 1,25,000	Not Available
	≤12 months	Short Term Capital Gains	20% (Sec. 111A)	
Any Other Capital Asset (other than those covered u/s. 50AA)	>24 months	Long Term Capital Gains	12.50% (Sec. 112)	
	≤24 months	Short Term Capital Gains	Normal Rates (Slab/Flat Rate)	

Note: (i) In addition to the tax as above surcharge and cess shall be payable.

(ii) The benefit of Stamp Duty Value of immovable property as on 01.04.2001 (being the cost of acquisition for immovable property purchased prior to 01.04.2001) shall continue to be available under the amended provisions.

w.e.f. 23rd July, 2024

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II. RATES OF TAX

<table>
<tr><th colspan="2">INDIVIDUAL/ HUF/AOP/BOI</th></tr>
<tr><td><u>OLD TAX SLAB RATES</u></td><td><u>NEW TAX REGIME RATES (115BAC)</u>
"Default" provision
No deductions available except
(i) Standard deduction against salary of Rs.75,000/-
(ii) Section 80CCD(2) – Employers' contribution to Pension Scheme A/c.
(iii) Section 80JJJA – Deduction for additional Employee costs</td></tr>
<tr><td>Up to 2,50,000 Nil
2,50,001 to 5,00,000 5%
5,00,001 to 10,00,000 20%
Above 10,00,001 30%

<u>Senior Citizen (above 60)</u>
Up to 3,00,000 Nil
3,00,001 to 5,00,000 5%
5,00,001 to 10,00,000 20%
Above 10,00,001 30%

<u>Super Senior Citizen (above 80 years)</u>
Up to 5,00,000 Nil
5,00,001 to 10,00,000 20%
Above 10,00,001 30%</td><td>Up to 3,00,000 Nil
3,00,001 to 7,00,000 5%
7,00,001 to 10,00,000 10%
10,00,001 to 12,00,000 15%
12,00,001 to 15,00,000 20%
Above 15,00,000 30%</td></tr>
<tr><td>Surcharge Rates
50L to 1 cr 10%
1cr. to 2 cr 15%
2 cr to 5 cr 25%
5 cr and above 37%

(Note: If Total Income includes Dividend or Capital Gains under Section 111A, Section 112 and Section 112A), then Surcharge is restricted to 15% on such income</td><td>Surcharge Rates
50L to 1 cr 10%
1cr. to 2 cr 15%
2 cr and above 25%

(Note: If Total Income includes Dividend or Capital Gains under Section 111A, Section 112 and Section 112A), then Surcharge is restricted to 15% on such income
In case of AOP (where only companies are members of the AOP), Surcharge cannot exceed 15%</td></tr>
<tr><td>Higher and Secondary Education Cess
4%</td><td>Higher and Secondary Education Cess
4%</td></tr>
<tr><td>Rebate
Resident Individual is entitled to deduction 12,500 or 100% of the Total income</td><td>Rebate
Resident Individual is entitled to deduction of Rs. 25,000/- or 100% of the Total income whichever</td></tr>
</table>

whichever is lesser, if the Total income is less than 5,00,000/-	is lesser, if the Total income is less than 7,00,000/-

COOPERATIVE SOCIETIES			
	Regular Co-op. Soc.	Up to 10,000 10% 10,001 to 20,000 20% Above 20,000 30%	Surcharge 1cr to 10 cr 7% Above 10cr. 12%
Section 115BAD	Resident Co-op. Soc.	22%	Surcharge 10%
Section 115BAE	Resident Manufacturing Co-op. Soc.	15%	Surcharge 10%

FIRMS and LLPS			
Section 167A	Partnership Firm & LLP	30%	Surcharge Above 1cr. 12%

LOCAL AUTHORITIES			
	Local Authorities	30%	Surcharge Above 1cr. 12%

DOMESTIC COMPANIES			
Section 115BA	Manufacturing Domestic Companies: Total turnover/gross receipts does not exceed 400 cr.	25%	Surcharge Above 1cr. 12%
	Total turnover/gross receipts exceeds 400 cr.	30%	Surcharge 1cr to 10 cr 7% Above 10cr. 12%
Section 115BAA	Domestic Companies	22%	Surcharge 10%
Section 115BAB	New Manufacturing Domestic companies after 01-4-2020 (other than 115BA and 115BAA)	15%	Surcharge 10%

FOREIGN COMPANIES			
		35%	Surcharge 1cr to 10 cr 2% Above 10cr. 5%

III. INCREASE IN STANDARD DEDUCTION IN NEW TAX REGIME

Budget Speech: *"Coming to Personal Income Tax Rates, I have two announcements to make for those opting for the new tax regime. First, the standard deduction for salaried employees is proposed to be increased from ₹50,000/- to ₹75,000/-. Similarly, deduction on family pension for pensioners is proposed to be enhanced from ₹ 15,000/- to ₹ 25,000/-. This will provide relief to about four crore salaried individuals and pensioners."*

Section 16 clause (ia) provides that a deduction of Rs.50,000/- or the amount of the salary, whichever is less, shall be made, before computing the income under the head "Salaries".

Section 57 clause (iiia) provides that in the case of income in the nature of family pension, a deduction of a sum equal to $33^1/_3$% or Rs.15,000/-, whichever is less, shall be made before computing the income chargeable under the head "Income from other sources".

Proposed amendment:

In Section 16 clause (ia), Rs.50,000/- shall be substituted with Rs.75,000/-

In Section 57 clause (iiia), $33^1/_3$% or Rs.15,000/- shall be substituted with Rs.25,000/-

w.e.f. 1st day of April, 2025 (Asst. Year 2025-2026 onwards)

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IV. INCREASE IN AMOUNT ALLOWED AS DEDUCTION UNDER SECTION 80CCD

Budget Speech: *"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%."*

Section 36 pertains to other deductions allowed while computing the income under the head 'Profits and gains of business or profession'. Clause (iva) of sub-section (1) states that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, (as per Sec. 80CCD), on account of an employee, to the extent it does not exceed ten per cent of the salary of the employee in the previous year, shall be allowed as a deduction to the employer. It is proposed to increase the contribution allowed as deduction from 10% to 14%

Proposed amendment:

In Section 36 (i)(via) the reference to 10% shall be read as 14%

w.e.f. 1st April, 2025

Section 80CCD (2) states that any contribution to pension scheme of Central Government by the Central Government or State Government or any other employer to the account of an employee referred to in sub-section (1), shall be allowed as a deduction as does not exceed —

(a) 14% (where such contribution is made by the Central or State Government); and

(b) 10% (where such contribution is made by any other employer)

of the employees' salary in previous year.

Proposed amendment:

Where such contribution has been made by any other employer (not being Central or State Government), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary in the case where the employee's salary is chargeable to tax under sub-section (1A) of section 115BAC of the Act.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

V. INCREASE IN LIMIT - DEDUCTION OF REMUNERATION TO WORKING PARTNERS

Section 40 of the Act provides for amounts that shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession".

Proposed amendment:

To amend the limit of remuneration to working partners in a partnership firm, which is allowed as deduction.

NEW LIMITS AND DEDUCTION FOR REMUNERATION OF WORKING PARTNER		
(a)	on the first Rs. 6,00,000 of the bookprofit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the bookprofit, whichever is more
(b)	on the balance of the book-profit	at the rate of 60 per cent
OLD LIMITS AND DEDUCTION FOR REMUNERATION OF WORKING PARTNER		
(a)	on the first Rs. 3,00,000 of the bookprofit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the bookprofit, whichever is more
(b)	on the balance of the book-profit	at the rate of 60 per cent

w.e.f. 1st April, 2025.

VI. EXEMPTION ON CAPITAL GAINS ARISING FROM GIFT APPLICABLE ONLY TO INDIVIDUALS/HUFS

Budget Speech: *"It is proposed to provide that the transfer of a capital asset, under a gift or will or an irrevocable trust, by an entity other than an individual or a hindu undivided family (huf) only, shall be regarded as transfer for the purpose of calculation of capital gain."*

Under the provisions of the Act, any person, (including an artificial person such as a "company") was eligible to transfer a capital asset by way gift and such a transfer was exempt in the hands of the transferor under section 47 of the act.

Proposed amendment:

To amend Section 47 of the Act to restrict the exemption from capital gains arising on transfer of capital asset by way of gift only to an individual/HUFs and not extend this benefit to artificial persons such as a "company".

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

VII. INCOME FROM LETTING OUT OF HOUSE PROPERTY

Budget Speech: *"It is proposed that income from letting out of a house or part of the house by the owner, shall not be charged under the head 'profits and gains of business or profession' and will be chargeable to tax under the head 'income from house property' only."*

The assessee had an option to offer rental income earned from letting out of a residential house under the head "Profits and gains of business or profession" under Section 28 of the Act (instead of "Income from House property"), if such person was in the business of letting out and accordingly was eligible to claim all expenses incurred (such as depreciation, maintenance charges, etc.) against such rental income as an eligible deduction.

Proposed amendment:

To amend Section 28 of the 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" and thereby restricting the maximum deduction to property taxes and 30% of the rental income earned as per Section 24(a) of the Act.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

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VIII. BUY-BACK OF SHARES

Budget Speech: *"..for reasons of equity, I propose to tax income received on buy back of shares in the hands of the recipient…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."*

Section 115QA of the Act provides that where a company (public/private) buys back its own shares then the difference between the buy-back price and issue price would be taxable in the hands of the company @20% (plus surcharge and cess) and such income would be exempt in the hands of the shareholders u/s 10(34A).

Proposed amendment:

The entire amount received on buy-back of shares will now be taxable in the hands of the shareholders and not in the hands of the company. Further, the entire buy back price would be treated as "deemed dividend" u/s 2(22)(f) of the Act and would accordingly be taxable @ normal tax rates (i.e., slab rate/flat rate) in the hands of the shareholders.

However, in order to make sure that the shareholder is not at a disadvantage with respect to the cost of acquisition of the shares bought back, the same would be available as a capital loss for setting off in the future years.

Example:

Particulars	**Amount**
100 shares bought in 2020	@Rs. 40/- per share
Total cost of acquisition	Rs. 4000/-
20 shares bought back in 2024	@Rs. 60/- per share
Income taxable as deemed dividend	Rs. 1200/-
Long Term Capital Loss on such buyback	(Rs. 40*20) = Rs. 800/-
50 Shares sold in 2025	@Rs. 70 per share
Long Term Capital Gain (LTCG)	(Rs. 3500 – Rs. 2000) = Rs. 1500/-
Chargeable LTCG after setting off	(Rs. 1500 – Rs. 800) = Rs. 700/-

w.e.f. 1st October, 2024, and will accordingly apply to any buy-back of shares that takes place on or after this date.

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IX. REMOVAL OF 'ANGEL' TAX

Budget Speech: "*First of all, to bolster the Indian start-up eco-system, boost the entrepreneurial spirit and support innovation, I propose to abolish the so-called angel tax for all classes of investors.*"

Vide Finance Act, 2012, Section 56(2) (viib) had been inserted to provide that where a company, receives, in any previous year, any consideration for issue of shares and such consideration exceeded the face value of such shares, the aggregate consideration received for such shares exceeding such fair market value shall be chargeable to income tax under the head "Income from other sources".

Proposed amendment:

It has been decided by the Government to sun-set the provisions of Section 56 (2) (viib) *w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)*

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X. AMENDMENT TO DEFINITION OF "SPECIFIED MUTUAL FUND"

Budget Speech: *"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."*

The Finance Act, 2023 had introduced special taxation regime of deemed short term capital gains taxation for Market Linked Debentures and Specified Mutual Funds by way of introduction of section 50AA of the Act. The gains in such cases were deemed to be taxed as Short-term Capital Gain irrespective of the period of holding.

Proposed amendment:

To clarify and expand the definition of "Specified Mutual Fund" in order to include within its scope:

(i) unlisted bonds

(ii) unlisted debentures,

(iii) Exchange Traded Funds (ETFs), Fund of Funds (FoFs), any other Fund that invests more than 65% of its total proceeds in debt and money market instruments.

w.e.f. 1st April, 2026 (Asst. Year 2026-2027 onwards)

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XI. SEARCH PROCEEDINGS

Budget Speech: "*Even in search cases, a time limit of six years before the year of search, as against the existing time limit of ten years, is proposed. This will reduce tax-uncertainty and disputes… Total income of the block period is proposed to be taxed at the rate of 60 per cent*"

There was formerly a block assessment scheme in respect of searches or requisitions initiated on or before 31st March, 2021. This was then removed and reassessments were taking place. This has been found to be cumbersome and leads to protracted proceedings.

Proposed amendment:

Reintroduction of the scheme of block assessment in respect of searches under Section 132 or requisition under Section 132A. The main objectives are early finalisation of search assessment co-ordinated investigation and reduction in multiplicity of proceedings.

Chapter XIV-B is to be amended to provide the following for assessment of search cases.

(i) This will apply for searches initiated or information requisitioned on or after 1st September 2024.

(ii) The block period shall consist of the previous years relevant to six assessment years preceding the year in which the search was initiated and ending on the date of execution of the last of the authorisations.

If for example a search is initiated on 1st September 2024 and the last authorisation is executed, for example lockers opened etc. on 10th December 2024, then the block period will cover the period relevant to six assessment years ending on 31st March 2024, i.e., Financial Year 2017-18 upto Financial Year 2023-24 and then the period upto 10th December 2024.

(iii) Assessment proceedings for the block period shall abate. There will be one consolidated assessment for the block period till the block assessment is complete. No further assessment shall take place in respect of the period covered in the block.

(iv) The Assessing Officer shall assess the total income of the assessee including the undisclosed income and expenses, deductions or allowances found to be incorrect.

(v) The undisclosed income shall be computed in accordance with the Act.

(vi) Where the Assessing Officer finds that any undisclosed income belongs to any other person, then it shall be governed by Section 158BD and the information shall be given to the Assessing Officers having jurisdiction over such assessments.

w.e.f. 1st October, 2024.

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XII. TAXES DEDUCTED ABROAD DEEMED TO BE INCOME IN INDIA

Budget Speech: *"It is proposed to provide that income tax paid outside India by way of deduction is deemed to be income received for the purpose of computing the income of the assessee."*

Section 198 states that for the purpose of Computation of Income it is deemed that any form/kind of withholding/collection of tax (i.e., TDS/TCS) would be deemed to be income received.

Proposed amendment:

To clarify that Section 198 would also apply to taxes withheld/collected on income earned outside India. As a result, Indian residents (and ordinarily resident) earning foreign income would be required to offer their foreign income (gross of taxes deducted/withheld by foreign tax authorities).

w.e.f. 1st April, 2025

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XIII. EXPANDING THE SCOPE OF DISALLOWANCE TO INCLUDE SETTLEMENT AMOUNT

Budget speech: *"It is proposed to disallow expenses incurred as settlement fees for any contravention of law, as may be notified by the Central Government."*

Section 37 allows businesses to claim expenditure which are incurred and spent for the purposes of business as a deduction against business income. It also makes a mention of specific nature of expenses that may be disallowed.

Proposed amendment:

To expand the scope of expenses that will be **disallowed** in order to include, settlement amounts that are incurred by businesses on account of infraction of law and relate to any form of contravention under that law.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

XIV. DETERMINING "FAIR MARKET VALUE"

Budget Speech: *"It is proposed to provide for a method of calculation of fair market value on 31.01.18 under section 55(2) (ac) in the case of sale of unlisted equity shares in an offer for sale in an initial public offer."*

Section 55(2)(ac) of the Act was inserted vide Finance Act, 2018 in order to provide a special mechanism for computing the "fair market value" (in order to ultimately determine the cost of acquisition) in respect of listed equity shares, equity oriented MF, units of Business Trust that are covered u/s 112A of the Act and that were acquired prior to 1st February 2018. However, it did not cover a special situation where the shares were unlisted as on 31st January, 2018 but are listed on the Stock Exchange as on the date of transfer.

Proposed amendment:

It is proposed that in a situation where the shares were unlisted as on 31st January, 2018 (and were subsequently sold through an OFS before the IPO) but are listed on a Recognised Stock Exchange as on the date of the transfer, the "fair market value" would mean an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or as on 1st April, 2001, whichever is later.

With retrospective effect from 1st April, 2018

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XV. ASSESSMENTS

Budget Speech: "*I propose to thoroughly simplify the provisions for reopening and reassessment. An assessment hereinafter can be reopened beyond three years from the end of the assessment year only if the escaped income is ₹ 50 lakh or more, up to a maximum period of five years from the end of the assessment year.*"

Assessment and reassessment proceedings (reopening under Sections 148 and 148A)

Amendments made in 2021 resulted in a great deal of litigation.

It is now proposed to rationalise the provisions, and the new system should provide ease of doing business as there will be a reduction in the time limit. Some salient features are:

- New Section 148 by substitution - The AO shall issue notice to the Assessee along with a copy of the order passed under Section 148A(3) determining it to be a fit case to furnish a return of his income, or the income of any other person in respect of whom he is assessable. The maximum period which may be given by the AO is 3 months from the end of the month. No notice shall be issued unless there is information with the AO, which suggests that the income chargeable has escaped assessment.
- Any information emanating from survey under Section 133A [other than subsection (2A)] on or after 1st September 2024 is proposed to be added to the definition of information with the assessing officer which suggests that the income chargeable to tax has escaped assessment.
- Where the AO has received information under the scheme notified under Section 135A, no notice under Section 148 shall be issued without prior approval of the specified authority.
- The substituted Section 148 will provide that where the AO has information which suggests that income has escaped assessment, he shall, before issuing any notice under Section 148, give an opportunity of hearing to the Assessee by serving a show cause notice as to why a notice under Section 148 should not be issued. Such notice shall be accompanied by the information.
- The AO shall take into account the reply of the Assessee and pass an order with prior approval, determining whether or not, this is a fit case to issue a notice under section 148.

- This Section shall not apply where with the AO has received information under the scheme specified in Section 135A.
- The time limit under Section 148A and 148 is to be provided under Section 149 as follows
  - In normal cases, no notices under Section 148 shall be issued beyond 3 years from the end of the assessment year.
  - Notices may be issued in a few specific cases.
  - In normal cases, no notice under Section 148 shall be issued more than 3 years and 3 months from the end of the assessment year. It is only in certain specific cases that this may be done.
  - If the income in specific cases amounts to, or is likely to amount to Rs.50 lakhs or more, notice under Section 148A can be issued beyond 3 years, but not beyond 5 years from the end of the relevant assessment year
  - In specific cases where the AO has in his possession books of accounts etc., which reveal that the income chargeable tax which has escaped assessment is likely to be Rs.50 lakhs or more, notice under section 148 can be issued more than 3 years and 3 months, but not more than 5 years and 3 months from the end of the relevant assessment year.
  - Substituted Section 151 will provide that the specified authority shall be the ACIT or ADIT or JCIT or JDIT or the additional director
  - In respect of searches initiated, on or after 1st April 2021, but before 1st September 2024, Section 147 to 151 shall apply as they stood before these 2024 amendments.

w.e.f. 1st September, 2024.

<u>Time limit for completion of assessment, reassessment, and recomputation</u>

Section 153 provided that an assessment under Section 143 or Section 144 is to be completed within 12 months from the end of the assessment year. Further, CIT(A) did not have the power to set aside an assessment.

Proposed amendment:

New Section 153(1B) whereby even a return furnished in consequence of an order under Section 119(2)(b) has to be completed within 12 months from the end of the financial year. The power of CIT(A) to set aside an assessment is being reintroduced (in the case of an ex

parte assessment). Section 153(3) is being amended to provide for a time limit for disposal of cases which are proposed to be set aside by the CIT(A).

Section 153(8) is to be amended to provide the timeline for passing of an order in the case of a revived assessment or reassessment proceedings as a consequence of an annulment of a block assessment under Chapter XIVB of the Act.

Explanation 1(xii) is to be amended by inserting a sixth proviso to provide that the date of limitation in such cases falls at the end of the month, after taking into account the exclusion provided in the Explanation.

Where any return of income is furnished by a company or a firm pursuant to an order under Section 119(2)(b), the provision in Section 139 shall apply.

w.e.f. 1st October, 2024.

Set off and withholding of refunds.

Section 241A was integrated into Section 245. Presently Section 245 empowers the AO to adjust the refund or part thereof against any tax demand that is outstanding from the taxpayer. Further, where the refund becomes due to a person, but the assessment or reassessment proceedings are pending, then the AO may, with the approval of the PCCIT or CCIT withhold the refund till the assessment is completed. Further, no additional interest under section 244A is payable to the assessee for the period beginning from the date on which refund is withheld until the assessment is completed.

Proposed amendment:

Section 245 to be amended to provide that the AO has to record reasons in writing. Further, the period of withholding of refund will now be upto 60 days, rather than 30 days from the date of assessment.

There would be a consequential amendment in Section 244A to say that there will be no interest payable by the department for the entire period of 60 days.

w.e.f. 1st October, 2024.

XVI. PENALTIES

Section 276B

Section 276B provides for prosecution (for failure to pay TDS to the Central Government within prescribed time), which shall be punishable with rigorous imprisonment for a term which shall not be less than 3 months, but which may extend to 7 years and with fine.

Proposed amendment:

To provide exemption to a person from prosecution, if the TDS for a quarter is paid to the Central Government at any time before the deadline for filing the statement for that quarter under Section 200(3).

w.e.f. 1st October, 2024

Section 271H

Budget Speech: "*It is proposed to provide for penalty on late furnishing of TDS or TCS statement beyond one month instead of the existing period of 12 months*."

Section 271H currently imposes penalties from Rs. 10,000 upto Rs. 1,00,000 for late filing of TDS/TCS returns unless they are filed (along with applicable fees and interest) within one year from the due date on which such TDS/TCS return was supposed to be submitted.

Proposed amendment:

The amendment proposes to reduce this period from 1 year to 1 month.

w.e.f. 1st April, 2025

Section 271GC (Newly introduced)

Budget Speech: "*It is proposed to prescribe the period within which annual statement of activities of a liaison office is required to be furnished. It is further proposed to provide for penalty on failure of submission of annual statement within the due period*."

A non-resident with a liaison office in India is required to submit a statement of activities for the financial year to the Assessing Officer within 60 days of the year-end, as per section 285 of the Act.

To enhance compliance, a new section 271GC is proposed, introducing a penalty for failure to submit the statement that would extend from Rs. 1,000 per day for delays up to 3 months and Rs. 1,00,000 for longer delays.

However, no penalty will be imposed if the assessee can demonstrate a reasonable cause for the failure, as provided in the proposed amendment to section 273B.

w.e.f. 1st April, 2025

Section 275

Section 275 provides for the period of limitation for imposing penalties. It is proposed to amend section 275 to amend the reference to receipt of Order by the Principal Chief Commissioner of Income-tax or Chief Commissioner of Income-tax.

w.e.f. 1st October, 2024

Section 271FAA

Budget speech: "*It is proposed to amend section 271FAA to provide for a penalty on failure to comply with due diligence requirement relating to compliance with Automatic Exchange of Information (AEOI).*"

Section 271FAA imposes a penalty for inaccuracies in statements required under Section 285BA, particularly if due diligence was not followed or if inaccuracies were not corrected in a timely manner.

Proposed amendment:

To clarify that penalties under Section 271FAA will apply to any inaccuracies in statements and failures to comply with due diligence requirements. Section 273B will be amended to provide that no penalty shall be imposed if the assessee proves reasonable cause for the failure.

w.e.f. 1st October, 2024

XVII. TIME-LIMITS FOR FILING APPEAL TO INCOME TAX APPELLATE TRIBUNAL

Section 253 lays down the provisions for filing an appeal with the ITAT against an order passed by the Joint Commissioner of Income-tax (Appeals), Commissioner of Income-tax (Appeals) [CIT(Appeals)], the Principal Chief Commissioner of Income-tax, the Chief Commissioner of Income-tax, the Principal Commissioner of Income-tax, or the Commissioner of Income-tax. As per Section 253(3), appeals to the ITAT are to be filed 'within 60 days of the date on which the order sought to be appealed against is communicated to the assessee or to the PCIT/CIT, as the case may be'.

Section 158BFA is an interest and penalty provision for imposition of penalty on undisclosed income for the block period in a case where search has been initiated under Section 132. However, as the reference to the same has not been inserted in Section 253 (1), an aggrieved assessee cannot appeal against such penalty orders passed by Commissioner (Appeals).

Proposed amendment:

(a) To add reference to Section 158BFA in Section 253(1)(a)

(b) To substitute 'sixty days of the date on' to 'two months from the end of the month in' such that Section 253(3) 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 Principal Commissioner or Commissioner, as the case may be.

w.e.f. 1st October, 2024

XVIII. PROMOTION OF DOMESTIC CRUISE SHIP OPERATIONS BY NON-RESIDENTS

Budget Speech: "*Scheme of presumptive taxation for cruise ship operations by non-residents: It is proposed to put in place a presumptive taxation regime for cruise ship operations of non-residents. Further, it is proposed to provide exemption for any income of a foreign company from lease rentals of cruise ships, received from a related company which operates such ship or ships in India.*"

Proposed amendment:

New insertion - Section 44BBC – presumptive tax regime by which 20% of the aggregate amount received by, or paid to, the non-resident cruise-ship operator shall be treated as profit. Provisions of Section 44B relating to presumptive taxation for shipping business of non-residents, shall therefore, no longer apply to cruise-ship business.

Further, the lease rentals paid by a company which opts for regime under section 44BBC, shall be exempt in the hands of the recipient company, if such company is a foreign company and such recipient company and the first company are subsidiaries of the same holding company. This is proposed to be done by a New insertion - Section 10 (15B) and a new explanation for defining 'subsidiary company' and 'holding company'.

This exemption shall be available upto assessment year 2030-31.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

XIX. IFSC

Budget Speech: *"Incentives to IFSC*

- *It is proposed that retail schemes and Exchange Traded Funds in IFSC, shall enjoy tax exemptions along similar lines as available to specified funds.*
- *It is further proposed to exempt certain income of Core Settlement Guarantee Fund set up in IFSC.*
- *It is proposed to exclude the applicability of section 94B to certain finance companies located in IFSC.*
- *It is proposed that where a venture capital fund (VCF) located in IFSC extends a loan / other amount to an assessee, it shall no longer be called upon to explain the source of funds.*
- *Further, it is proposed that surcharge shall not apply on income-tax payable on income from securities by specified funds."*

The IFSC is a jurisdiction that provides financial services to non-residents and residents in currencies other than the Indian rupee.

Proposed amendment:

Section 10, Explanation to clause (4D) clause (c)(i) to be amended to expand the ambit of 'specified funds' which can claim exemption to include Retail Funds and Exchange Traded Funds in IFSC.

Specified funds shall now include funds established or incorporated in India in the form of a trust or a company or a limited liability partnership 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, made under the International Financial Services Centres Authority (IFSCA) Act, 2019 and satisfy such conditions as may be prescribed.

Specified income of Core Settlement Guarantee Funds is proposed to be exempted by amending the definition of "recognised clearing corporation" and "regulations" in the Explanation to the clause of section 10 (23EE). The definition of "recognised clearing corporation" shall now include recognised clearing corporation. The definition of

"regulations" shall now include the IFSCA (Market Infrastructure Institutions) Regulations, 2021.

Section 68 of the Act provides that where any sum is found to be credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year. Finance Act, 2023 additional onus of proof was not required if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI. Explanation to clause (23FB) of section 10, to include VCFs in IFSC.

Section 94B does 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 that the provisions of this section shall not apply to finance companies, located in IFSC.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

XX. VIVAD SE VISHWAS SCHEME

Budget Speech: "*For resolution of certain income tax disputes pending in appeal, I am also proposing Vivad Se Vishwas Scheme, 2024… It is proposed to be made operational from a specified date. Last date for the scheme is also proposed to be notified.*"

The Income-tax Act, 1961 provides for a mechanism of filing of appeals against orders passed under the proceedings of the Act, both by the taxpayer and the Department before respective appellate fora. Keeping in view the success of the previous Vivaad Se Vishwas Act, 2020 and the mounting pendency of appeals at CIT(A) level, introduction of a Direct Tax Vivad se Vishwas Scheme, 2024.

Proposed amendment:

New Chapter - Direct Tax Vivad se Vishwas Scheme, 2024

Sr. No.	Nature of tax arrear	Amount payable on or before 31st December, 2024	Amount payable on or after the 1st January, 2025 but on or before the last date
(a)	where the tax arrear is the aggregate amount of disputed tax, interest chargeable/ charged thereon and penalty leviable/ levied thereon in a case where the declarant is an appellant after 31st January, 2020 but on or before 22nd July, 2024	amount of the disputed tax	aggregate of the amount of disputed tax and 10% of the disputed tax.
(b)	where the tax arrear is the aggregate amount of disputed tax, interest chargeable/ charged thereon and penalty leviable/ levied thereon in a case where the declarant is an appellant on or before 31st January, 2020 at the same appellate forum in respect of the such tax arrear.	aggregate of the amount of disputed tax and 10% of disputed tax	aggregate of the amount of disputed tax and 20% of the disputed tax.
(c)	where the tax arrear relates to disputed interest or disputed penalty or disputed fee where the declarant is an appellant after 31st	25% of disputed interest or disputed	30% of disputed interest or disputed penalty or disputed fee.

	January, 2020 but on or before 22nd July, 2024	penalty or disputed fee.	
(d)	where the tax arrear relates to disputed interest or disputed penalty or disputed fee where the declarant is an appellant on or before the 31st January, 2020 at the same appellate forum in respect of such tax arrear.	30% of disputed interest or disputed penalty or disputed fee.	35% of disputed interest or disputed penalty or disputed fee.

Where an appeal or writ petition or special leave petition is filed by the income-tax authority on any disputed issue before the appellate forum, the amount payable shall be 1/2 of the amount in the Table above.
Where an appeal is filed before the CIT (Appeals) or JCIT (Appeals) or objection is filed before the Dispute Resolution Panel by the appellant on any issue on which he has already got a decision in his favour from the ITAT (where the decision on such issue is not reversed by the High Court or the Supreme Court) or the High Court (where the decision on such issue is not reversed by the Supreme Court), the amount payable shall be 1/2 of the amount in the Table above.
Where an appeal is filed by the appellant on any issue before the ITAT on which he has already got a decision in his favour from the High Court (where the decision on such issue is not reversed by the Supreme Court), the amount payable shall be 1/2 of the amount in the Table above.

The designated authority shall, within 15 days from the date of receipt of the declaration, by order, determine the amount payable by the declarant and grant a certificate to the declarant. Every such order shall be conclusive as to the matters stated therein and no matter covered by such order shall be reopened in any other proceeding under the Income-tax Act or under any other law for the time being in force.

The declarant shall pay the amount determined within 15 days of the date of receipt of the certificate and intimate the details of such payment to the designated authority and thereupon the designated authority shall pass an order stating that the declarant has paid.

Making a declaration under this Scheme shall not amount to conceding the tax position and it shall not be lawful for the income-tax authority or the declarant (being a party in appeal or writ petition or special leave petition) to contend that the declarant or the income-tax authority, as the case may be, has acquiesced in the decision on the disputed issue by settling the dispute.

w.e.f. to be notified

XXI. CHARITABLE TRUSTS

Budget Speech: "*A beginning is being made in the Finance Bill by simplifying the tax regime for charities... The two tax exemption regimes for charities are proposed to be merged into one....and also provide for rationalisation of filing of applications and the timelines for registration and approval of certain benefits to charitable trusts and institutions*."

Merging of regimes:

The Income-tax Act, 1961 has two regimes for Trusts, laying down the procedures for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc.:

(a) Section 10(23C) (iv), (v), (vi) or (via)

(b) Sections 11 to 13

Both the regimes intend to grant similar benefit, and the procedure and conditions have been aligned, over the last few years, vide successive Finance Acts.

Proposed amendment:

(i) Applications seeking approval or provisional approval under Section 10 (23C) (iv), (v), (vi) or (via), and filed on or after 1st October, 2024, shall not be considered. Applications filed before 1st October, 2024, and which are pending, would be processed and considered under the extant provisions of the first regime itself. Applications already approved would continue to get the benefit of exemption, till the validity of the said approval.

(ii) They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been proposed in Section 12A.

(iii) Certain eligible modes of investment, under the first regime [viz. those specified in Section 10(23C)(b)] shall be protected in the second regime, by way of amendment in Section 13.

w.e.f. 1st October, 2024.

Condonation of delay in filing application for registration:

A trust desirous of seeking registration under Section 12AB is *inter alia* required to apply within timelines specified in Section 12A(1)(ac)

Proposed amendment:

The Principal Commissioner/ Commissioner shall be permitted to condone the delay in filing application and treat such application as filed within time, if he considers that there is a reasonable cause for the same.

w.e.f. 1st October, 2024.

Rationalisation of timelines for approval under Section 80G

Section 80G provides for the grant of approval to trusts, and deduction is available to the assessee for making donations to such approved trusts.

The first proviso to Section 80G(5) provides for timelines for filing of applications for approval by trusts. The second proviso lays down the procedure for processing the same.

Proposed amendment:

The first and second provisos are to be amended to rationalise the timelines for filing applications for approval.

w.e.f. 1st October, 2024.

Rationalisation of timelines for disposing of applications (Section 12AB, Section 80G)

Applications seeking registration under Section 12AB, are to be processed by the Principal Commissioner/Commissioner within 6 months from the end of the month in which the application was received.

Applications of institutions referred to in sub-clause 80G(2)(a)(iv), seeking approval are to be processed by the Principal Commissioner/Commissioner within 6 months from the end of the month in which the application was received.

Proposed amendment:

'6 months from the end of the month in which the application was received to now be amended to '6 months from the end of the quarter in which the application was received'.

w.e.f. 1st October, 2024.

Merger of trusts under the exemption regime with other trusts

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

Proposed amendment:

New Section 12AC to be inserted, to provide conditions under which such merger shall not attract provisions of Chapter XII-EB. These conditions are:

(a) the other trust or institution has same or similar objects;

(b) the other trust or institution is registered under Section 12AA, Section 12AB or approved under Section 10 (23C)(iv)(v)(vi);

(c) the said merger fulfils such conditions as may be prescribed.

w.e.f. 1st April, 2025.

Section 11(7) to include reference to Section 10 (23EA), (23ED) and (46B)

Section 11(7) provides that registration under Section 12AB shall become inoperative, if the trust is approved/notified under Section 10 (23C), (23EC), (46) or (46A). Such trust or institution has a one-time option to apply to make its registration under section 12AB operative.

Proposed amendment:

Section 11(7) to now include reference also to Section 10 (23EA), (23ED) and (46B), to enable trusts under the second regime to claim exemption under the above-noted specific clauses of Section 10.

w.e.f. 1st April, 2025.

Amendment of Section 80G

Section 80G(1) provides that in computing the total income of an assessee, the sums specified in Section 80(G)(2) shall be deducted. Section 80G(2)(a)(iiihg) wil provide that any sums paid by the assessee in the previous year as donations to the 'National Sports Fund to be set up by the Central Government' shall be deductible. The Government had set up 'National Sports Development Fund' w.e.f. 12th November,1998.

Proposed amendment:

Section 80G(2)(a)(iiihg) to provide that donations to the 'National Sports Development Fund' set up by the Central Government shall be deductible.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards).

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XXII. DECLARATION OF FOREIGN ASSETS - BLACK MONEY ACT

Budget Speech: "*Indian professionals working in multinationals get ESOPs and invest in social security schemes and other movable assets abroad. Non-reporting of such small foreign assets has penal consequences under the Black Money Act. Such non-reporting of movable assets up to ₹20 lakh is proposed to be de-penalised… It is proposed to include reference of Black Money Act, 2015 for the purposes of obtaining a tax clearance certificate… It is proposed to insert reference of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the section 132B of the Income-tax Act, 1961 so as to enable recovery of liabilities under the Act out of seized assets*"

Amendments in Sections 42 and 43 of the Black Money Act, 2015

Section 42 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act) provides for penalty for failure to furnish return in relation to foreign income and assets. Similarly, Section 43 of the Black Money Act provides for penalty for failure to furnish in return of income, information or furnish inaccurate particulars about an asset (including financial interest in any entity) located outside India. The penalty under Sections 42 and 43 of the Black Money Act, is an amount of Rs.10,00,000/- if the aggregate value of asset (being one or more bank accounts) located outside India, exceed Rs.500,000/- .

Proposed amendment:

Threshold to be increased from Rs.5,00,000/- to Rs.20,00,000/-

w.e.f. 1st October, 2024.

Tax Clearance Certificate

The existing provisions of Section 230(1A) specify that no person who is domiciled in India, shall leave India, unless he obtains a certificate from the income-tax authorities stating that he has no liabilities under Income-tax Act, 1961, or the Wealth-tax Act, 1957 (27 of 1957), or the Gift-tax Act, 1958 (18 of 1958), or the Expenditure-tax Act, 1987 (35 of 1987), or he makes satisfactory arrangements for the payment of all or any of such taxes which are or may become payable.

Proposed amendment:

Reference of liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 to be introduced in Section 230(1A), for the purposes of obtaining a tax clearance certificate.

w.e.f. 1st October, 2024.

Adjusting of liability against seized assets

Section 132B provides that any existing liability under the Income-tax Act, 1961, the Wealth-tax Act, 1957(27 of 1957), the Expenditure-tax Act, 1987 (35 of 1987), the Gift-tax Act, 1958 (18 of 1958) and the Interest-tax Act, 1974 (45 of 1974), and the amount of liability determined on completion of the assessment or reassessment in consequence of search or requisition, may be recovered from the taxpayer out of the assets seized/requisitioned under Sections 132 and 132A.

Proposed amendment:

Reference of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 to be introduced in the Section 132B so as to recover the existing liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, out of seized/requisitioned assets.

w.e.f. 1st October, 2024.

XXIII. CHANGES IN TAX DEDUCTED AT SOURCE (TDS).

Budget Speech: "*The 5 per cent TDS rate on many payments is being merged into the 2 per cent TDS rate and the 20 per cent TDS rate on repurchase of units by mutual funds or UTI is being withdrawn. TDS rate on e-commerce operators is proposed to be reduced from one to 0.1 per cent. Moreover, credit of TCS is proposed to be given in the TDS to be deducted on salary. Further, I propose to decriminalize delay for payment of TDS up to the due date of filing statement for the same. I also plan to provide a standard operating procedure for TDS defaults and simplify and rationalise the compounding guidelines for such defaults*".

(a) Change in TDS rates

There are various provisions of Tax Deduction at Source (TDS) with different thresholds and multiple rates between 0.1%, 1%, 2%, 5%, 10%, 20%, 30% and above. Some TDS rates have been proposed to be reduced.

Proposed amendment:

Section	**Present TDS rate**	**Proposed TDS rate**	**with effect from**
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	*1st April, 2025*
Section 194DA - Payment in respect of life insurance policy	5%	2%	*1st October, 2024*
Section 194G - Commission etc on sale of lottery tickets	5%	2%	*1st October, 2024*
Section 194H - Payment of commission or brokerage	5%	2%	*1st October, 2024*
Section 194IB - Payment of rent by certain individuals or HUF	5%	2%	*1st October, 2024*
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	*1st October, 2024*
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	*1st October, 2024*
Section 194F- Payment on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		*1st October, 2024*

(b) Claim of TDS deducted/TCS collected by salaried employees:

Section 192 provides for deduction of tax at source on salary income, and sub-section (2) provides for consideration of income under any other head and tax deducted thereon to be taken into account for the purposes of making the deduction.

Proposed amendment:

To expand the scope of Section 192(2B) to include any tax deducted or collected under the provisions of Chapter XVII-B (deduction at source) or Chapter XVII-BB (collection at source), as the case may be, to be taken into account for the purposes of making the deduction under Section 192(1).

The Assessee who receives any income under the head 'Salaries' and has income chargeable under any other head (not being loss other than the loss under the head 'Income from House Property) or has any tax deducted or collected, for the same financial year, the Assessee shall furnish particulars of such other income, tax deducted or collected and loss under the head 'Income from House Property, if applicable, to the person making such deduction.

w.e.f. 1st October, 2024.

(c) TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners

At present, there is no provision for deduction of TDS on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm.

Proposed amendment:

Insertion of new TDS Section 194T to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm at the rate of 10% for aggregate amounts more than Rs. 20,000 in the financial year.

w.e.f. 1st April, 2025.

(d) TDS on sale of immovable property

Section 194-IA provides for deduction of tax on payment of consideration for transfer of certain immovable property other than agricultural land. Section 194IA (1) provides that any person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property shall, at the time of payment of such sum to the resident, deduct

an amount equal to 1% of such sum or the stamp duty value of such property, whichever is higher, as income-tax thereon. Section 194IA(2) provides that no deduction of tax shall be made where the consideration for the transfer of an immovable property and the stamp duty value of such property, are both less than Rs. 50,00,000/-.

Proposed amendment:

To amend Section 194IA(2) 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 October, 2024.

(e) TDS on Floating Rate Savings (Taxable) Bonds (FRSB), 2020

Section 193 provides for deduction of tax at source on payment of any income to a resident by way of interest on securities. The Government has introduced Floating Rate Savings (Taxable) Bonds (FRSB) 2020.

Proposed amendment:

To amend Section 193 to allow for deduction of tax at source at the time of payment of interest exceeding Rs. 10,000/- on:

- the Floating Rate Savings Bonds (FRSB) 2020 (Taxable), and
- any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, specify in this behalf

w.e.f. 1st October, 2024.

(f) Payments to contactors under Section 194J excluded from Section 194C

Section 194C provides for TDS on payments to contractors at the rate of 1% when the payment is being made or credit is being given to an individual or HUF and 2% in other cases. Section 194J relates to TDS on fees for professional or technical services wherein the applicable TDS rates are 2% or 10% depending on the nature of payment being made.

Clause (iv) of the Explanation to Section 194C defines "*work*" to specify which activities would attract TDS under section 194C.

Proposed amendment:

To state that any sum referred to in Section 194J(1) does not constitute "work" for the purposes of TDS under section 194C.

w.e.f. 1st October, 2024.

(g) Time limit for deeming any person to be assessee in default for not deducting/collecting/paying TDS or TCS

Section 201 and Section 206C provide for the consequences when a person does not deduct/ collect, or does not pay, or after so deducting/ collecting fails to pay, the whole or any part of the tax, as required by or under the Act.

As per Section 201(3) of the Act, there is a time limit of 7 years for making an order under sub- Section 201(1) deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax where the payee is a person resident in India. There is no time limit when there has been a failure to deduct the whole or any part of the tax from a non-resident.

Similarly for TCS, Section 206C(6A) provides the consequences when a person does not collect the whole or part of the tax or after collecting fails to pay the tax as required by or under this Act, i.e., that he shall be deemed to be an assessee in default.

Proposed amendment:

To amend section 201(3) and insert new Section 206C(7A) to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of 6 years from the end of the financial year in which payment is made or credit is given or tax was collectible or 2 years from the end of the financial year in which the correction statement is delivered, whichever is later.

w.e.f. 1st April, 2025.

(h) Ambit for Section 200A for processing statements other than those filed by deductor

Section 200A provides for the manner in which statement of tax deduction at source or a correction statement made by a person deducting any sum under Section 200 shall be processed. There are statements, such as Form No. 26QF which is to be filed by an Exchange, wherein the deductee is to file details of the tax.

Proposed amendment:

To widen the ambit of Section 200A to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements.

w.e.f. 1st April, 2025.

(i) Extending the scope for lower deduction/collection certificate of tax at source

Section 197 provides that payments on which tax is required to be deducted under certain sections of Chapter XVII-B, are eligible for certificate for deduction at lower rate. Further, Section 206C(9) provides that sums on which tax is required to be collected under sub-section (1) or subsection (1C), are eligible for collection of tax at lower rate. Section 194Q requires every person being a buyer, who pays to a resident, being the seller, for the purchase of any goods of the value or aggregate of value exceeding Rs. 50,00,000/- in any previous year, to deduct tax at the rate of 0.1% of such sum exceeding Rs. 50,00,000/-.

Section 206C(1H) requires every person being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding Rs. 50,00,000/- in any previous year, other than exceptions given therein, to collect tax at the rate of 0.1% of such consideration exceeding Rs. 50,00,000/-.

Proposed amendment:

To amend:

- Section 197 (1) to bring section 194Q in its ambit
- Section 206C(9) to bring sub-section (1H) of section 206C in its ambit

w.e.f. 1st October, 2024.

(j) Time limit for filing correction statement in respect of TDS/TCS statements

Section 200 lists the duty of the person deducting tax under the provisions of Chapter XVII-B. Section 200(3) requires that a deductor after paying the tax deducted to the credit of the Central Government, shall prepare statements detailing the TDS deducted and furnish it within the prescribed time to the prescribed authority. The proviso to Section 200 states that a person may also deliver to the prescribed authority a correction statement for rectification of any mistake or to add, delete or update the information furnished in the

statement delivered under this sub-section in such form and verified in such manner as may be specified by the authority.

Section 206C provides for TCS on business of trading in alcoholic liquor, forest produce, scrap etc. Proviso to Section 206C(3) requires that a person collecting tax after paying the tax collected to the credit of the Central Government, furnish statements detailing the TCS collected within the prescribed time. Section 206C(3B) requires that the person collecting tax may also deliver to the prescribed authority, a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under the proviso to subsection (3) in such form and verified in such manner, as may be specified by the authority.

Proposed amendment:

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 financial year in which the statement referred to in Section 200(3) and statement referred to in the proviso to Section 206C(3) are respectively delivered.

w.e.f. 1st April, 2025.

XXIV. CHANGES IN TAX COLLECTED AT SOURCE (TCS)

(a) TCS on notified goods under Section 206C(1F)

Section 206C provides for the collection of TCS on business of trading in alcoholic liquor, forest produce, scrap etc. Section 206C (1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding Rs. 10,00,000/- shall, at the time of receipt of such amount, collect from the buyer a sum equal to 1% of the sale consideration as tax.

Proposed amendment:

To amend Section 206C (1F) to also levy TCS on any other goods of value exceeding Rs. 10,00,000/-, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods.

w.e.f. 1st January, 2025.

(b) Interest Rates For TCS Under Section 206C.

Section 206C (7) provides that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of 1% for every month or part thereof on such amount from the date on which such tax was collectible to the date on which the tax was paid.

Proposed amendment:

To align the rate of simple interest with provisions of Section 201(1A), the simple interest at the rate of 1% is to be increased to 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.

w.e.f. 1st April, 2025.

(c) Credit for TCS for minor in the hands of the parent

Section 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. There is no provision in the Act for allowing credit of TCS to any other person (e.g., parent) other than the collectee. For example, funds remitted under the Liberalized Remittance Scheme (LRS) of the Reserve Bank of India (RBI)

may have been remitted in the name of minor and accordingly tax would have been collected under Section 206C (1G). However, there is no provision for the parent to claim the same in their tax return.

Proposed amendment:

Provision in Section 206C to be introduced to allow the Board to 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) which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child

w.e.f. 1st January, 2025.

(d) Notification of certain persons or class of persons as exempt from TCS

Section 206C provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. There may be entities whose income is exempt from taxation and are not required to furnish returns of income.

Proposed amendment:

No collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

w.e.f. 1st October, 2024.

XXV. SECURITIES TRANSACTION TAX (STT)

Budget Speech: *"Security Transactions Tax on futures and options of securities is proposed to be increased to 0.02 per cent and 0.1 per cent respectively… and on sale of a futures in securities from 0.0125 per cent to 0.02 per cent of the price at which such futures are traded"*

Presently, the rate of levy of STT on sale of an option in securities is 0.0625 per cent of the option premium, while the rate of levy of STT on sale of a future in securities is 0.0125 per cent of the price at which such "futures" are traded.

Proposed amendment:

To increase the said rates of STT on sale of an option in securities from 0.0625 per cent to 0.1 per cent of the option premium, and on sale of a futures in securities from 0.0125 per cent to 0.02 per cent of the price at which such "futures" are traded.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

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XXVI. <u>ADVANCE RULINGS:</u>

The Finance Act, 2021 provided that the Authority for Advance Rulings (AAR) shall cease to operate with effect from such date, as may be notified by the Central Government. Later, the Central Government, vide Notification S.O. 3562(E), dated 01.09.2021, notified 1st September, 2021 as the date from which the AAR shall cease to operate. Sections 245N to 245W set out the constitution of a Board for Advance Rulings (BAR), the procedure to be followed, powers of the BAR etc.

Section 245Q(3) provides that an applicant may withdraw an application within 30 days from the date on which such application is made. After AAR was made ineffective, certain applications which had been filed before the erstwhile AAR, but in which no order under Section 245R(2) had been passed, were transferred to the newly constituted BAR under Section 245Q(4). In case of all those pending applications transferred to the BAR, due to various reasons like change in constitution of BAR forum, non-binding nature of the ruling (as it is made appealable to High Court), substantial passage of time, and other commercial reasons, the period of 30 days elapsed and many applicants who wished to withdraw their applications were unable to do so.

Proposed amendments:

- To amend Section 245Q to allow application for withdrawal by the 31st October, 2024 for the transferred applications before BAR (from AAR) in cases where order Section 245R(2) has not been passed.
- To provide that on receipt of an application under the proviso to Section 245Q(4), the BAR may, by an order, reject the application referred to in 245Q(1) as withdrawn on or before 31st December, 2024.

w.e.f. 1st October, 2024.

XXVII. EQUALISATION LEVY

Chapter VIII of the Finance Act, 2016 relating to equalisation levy was amended by Finance Act, 2020 to provide for imposition of equalisation levy of 2% on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services, on or after 1st April, 2020.

An "e-commerce operator" means a nonresident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both. Any service which was liable to equalisation levy was exempt in Section 10(50) subject to certain conditions.

Proposed amendment:

Equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after 1st August, 2024. Consequently, as the 2% levy is being made inapplicable, income arising from e-commerce supply or services made or provided or facilitated on or after 1st April, 2020 but before the 1st August, 2024 only, shall fall in the ambit of Section 10(50).

w.e.f. 1st August, 2024.

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XXVIII. DEDUCTION OF EXPENSES CLAIMED BY LIFE INSURANCE BUSINESSES

Section 44 provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by a co-operative society, to be in accordance with First Schedule of the Act, notwithstanding other specific provisions of the Act.

Rule 2 of the First Schedule states that the profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938, in respect of the last inter-valuation period ending before the commencement of the assessment year and excluding from it such surplus or deficit included therein which was made in any earlier inter-valuation period.

Proposed amendment:

To amend Rule 2 of the First Schedule to provide that any expenditure which is not admissible under the provisions of Section 37 in computing the profits and gains of a business shall be included (i.e. added back to) to the profits and gains of the life insurance business.

w.e.f. 1st April, 2025

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XXIX. POWERS OF COMMISSIONER (APPEALS)

The existing provisions of Section 251 specify the powers of the Joint Commissioner (Appeals) or the Commissioner (Appeals). Section 251(1) provides that Commissioner (Appeals) shall have, *inter-alia*, the following powers in disposing of an appeal:

- He may confirm, reduce, enhance or annul the assessment, in the case of an appeal against an order of assessment.
- He may confirm, cancel, or vary to enhance or reduce, the penalty order, in the case of an appeal against an order imposing a penalty.

Further, Section 250(4) prescribes that Commissioner (Appeals) may seek the report from the Assessing Officer after making further inquiry, before disposing any appeal.

Proposed amendment:

(a) To insert proviso to Section 251(1)(a) such that the cases where assessment order was passed as best judgement case under Section 144, the Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment.

(b) To amend Section 153(3) to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals), as has been provided for disposal of cases under Section 254 and referred in Section 153(3).

w.e.f. 1st October, 2024

(applicable to all appellate orders passed by Commissioner (Appeals) from 1st October, 2024 onwards)

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XXX. DETERMINATION OF ARM'S LENGTH PRICE

Budget Speech: *"We will also streamline the transfer pricing assessment procedure.... It is proposed to enable the Transfer Pricing Officer to deal with specified domestic transactions which have not been referred to him by the Assessing Officer."*

Section 92CA provides that the Assessing Officer (AO), may refer the matter of determination of Arm's Length Price (ALP) in respect of an international transaction or specified domestic transaction (SDT) to the Transfer Pricing Officer (TPO). Once reference is made to the TPO, TPO is competent to exercise all powers for determination of ALP and consequent adjustment. Further, under section 92E of the Act, the taxpayer is under obligation to file an audit report in the prescribed form before the AO containing details of all international transactions or SDT undertaken by the taxpayer during the year. If, during the course of proceedings, an international transaction comes to the notice of the TPO, which has not been referred to him by the AO, the TPO can proceed to determine the ALP in its respect as well. It also provides for computation of ALP by the TPO, of those international transactions, details of which have not been furnished in the audit report referred to above.

Proposed amendment:

To amend Section 92CA (2A) and (2B) to enable the TPO to deal with SDTs which have not been referred to the TPO by the AO and/or in whose respect audit report under Section 92E has not been filed.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards).

XXXI. REMOVING REFERENCE TO NATIONAL HOUSING BOARD

Budget Speech: *"Removing reference to National Housing Board: As housing finance companies are now under the purview of the Reserve Bank of India as a category of Non-Banking Financial Companies (NBFCs), it is proposed to remove reference to National Housing Board in section 43D of the Act."*

Section 43D of the Act provides for special provision in case of income of public financial institutions, public companies involved in housing finance, scheduled banks, co-operative banks etc.

Section 43D (b) states that in the case of a public company involved in housing finance, the income by way of interest in relation to such prescribed categories of bad or doubtful debts having regard to the guidelines issued by the National Housing Board (NHB) in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or in which it is actually received by that company, whichever is earlier.

The National Housing Bank Act, 1987 was amended conferring powers for regulation of Housing Finance Companies with RBI as a category of NBFCs.

Proposed amendment:

Removal of reference to National Housing Board by omitting clause (b) of Section 43D and clause (a) and (b) of Explanation to section 43D of the Act.

w.e.f. 1st April, 2025 (Asst. Year 2025-2026 onwards)

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XXXII. DISCONTINUATION OF THE PROVISIONS ALLOWING QUOTING OF AADHAAR ENROLMENT ID

Budget Speech: *"It is proposed to discontinue the quoting of Aadhaar Enrolment ID in place of Aadhaar number."*

Section 139AA mandates, inter alia, that every person who is eligible to obtain Aadhaar number shall quote Aadhaar number (i) in the application form for allotment of Permanent Account Number (PAN) and (ii) in the return of income. If the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him shall be quoted.

Proposed amendment:

Proviso to Section 139AA (i) to be inserted shall not apply from the 1st October, 2024. Every person who has been allotted permanent account number on the basis of Enrolment ID shall intimate his Aadhaar number on or before a notified date.

w.e.f. 1st October, 2024

DISCLAIMER

The notes above are brief and not comprehensive and contain certain generalisations and are only illustrative. Legal advice should be taken.

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