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India Union Budget

2024-25

Key Highlights

Direct Tax Proposals: Finance Bill 2024

- The Finance Bill 2024 introduces several key amendments to the Indian tax system. These proposed changes aim to modernize the tax regime, simplify compliance for businesses, and streamline digital taxation. This presentation highlights significant changes affecting corporate taxes, e-commerce taxation, and the introduction of penalty provisions for liaison offices.

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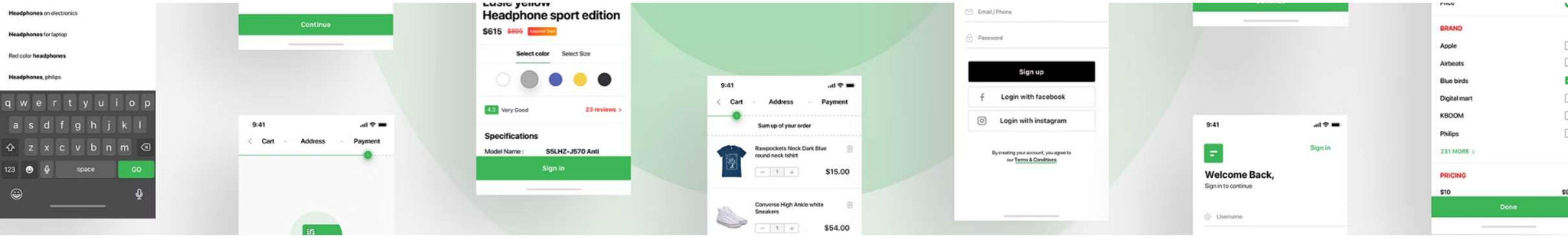
Corporate Tax Rate Reduction for Foreign Companies

Current Rate

The current corporate tax rate for foreign companies operating in India stands at 40%, including applicable surcharge and cess.

Proposed Reduction

The Finance Bill 2024 proposes to lower this rate to 35% for foreign companies, effective from April 1, 2024. This reduction aims to attract foreign investment and enhance India's competitiveness as a business destination.



E-commerce Equalization Levy (E-com EL) Changes

- The Finance Act, 2020 introduced a 2% equalization levy on non-resident e-commerce operators, effective from April 1, 2020. However, starting August 1, 2024, this levy will no longer apply. Income from e-commerce activities between April 1, 2020, and July 31, 2024, remains under section 10(50).

Impact of E-com EL Withdrawal

Non-Resident E-commerce Operators

The withdrawal of the E-com EL will provide significant relief to non-resident e-commerce operators, reducing their tax burden and potentially increasing their profitability.

Indian Businesses

Indian businesses that engage with non-resident e-commerce operators may experience a slight reduction in their costs, as the levy is no longer applicable.

Digital Economy

The removal of the E-com EL could potentially encourage greater participation in the digital economy by non-resident players, fostering competition and innovation.

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Penalty for Non-Compliance with Liaison Office Reporting

1

Current Requirement

Non-residents with liaison offices in India are currently required to file Form No. 49C, an annual statement detailing their activities in India, within 60 days from the end of the financial year.

2

Proposed Penalty

The Finance (No. 2) Bill 2024 introduces a penalty provision for non-compliance with this reporting requirement. A daily fine of INR 1,000 (Euros 11) will be levied for up to three months of continued failure, followed by a fixed penalty of INR 1,00,000 (Euros 1111).

3

Rationale

This penalty provision aims to ensure greater compliance with the reporting requirement, promoting transparency and accurate information about the activities of non-resident liaison offices.

Impact on Liaison Offices and Non-Residents

Impact	Description
Liaison Offices	Increased compliance burden due to the penalty provision. Need to ensure timely and accurate filing of Form No. 49C to avoid penalties.
Non-Residents	Potential financial implications if their liaison offices fail to comply with reporting requirements. Need to establish robust internal processes to ensure timely and accurate reporting.

New Tax Regime in India: A Comprehensive Guide

The Indian government has introduced a new tax regime, simplifying simplifying the tax structure and introducing changes to capital gains capital gains taxation.

Revised Income Tax Slabs

Income Slab (₹)	Income Slab (Euros)	Tax Rate
0-3,00,000	0-3.333	Nil
3,00,000-7,00,000	3.333-7.778	5%
7,00,000-10,00,000	7.778-11.111	10%
10,00,000-12,00,000	11.111-13.333	15%
12,00,000-15,00,000	13.333-16.667	20%
Above 15,00,000	Above 16.667	30%

Capital Gains Taxation: Simplified Holding Periods

1 **Short-Term Capital Gains (STCG)**

Assets held for less than 12 months for listed securities and 24 months for other assets.

2 **Long-Term Capital Gains (LTCG)**

Assets held for 12 months or more for listed securities and 24 months or more for other assets.

3 **Tax Rates for STCG**

20% for listed equity shares, equity-oriented funds, and and business trusts. Slab rates for other assets.

4 **Tax Rates for LTCG**

12.5% for all financial and non-financial assets. Indexation Indexation benefit removed.

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Changes to Long-Term Capital Gains Exemption

1

Previous Regime

Exemption limit of ₹1,00,000 (Euros 1.111) per year. Tax rate of 10%.

2

New Regime

Exemption limit increased to ₹1,25,000 (Euros 1.389) per year. Tax rate increased to 12.5%.

3

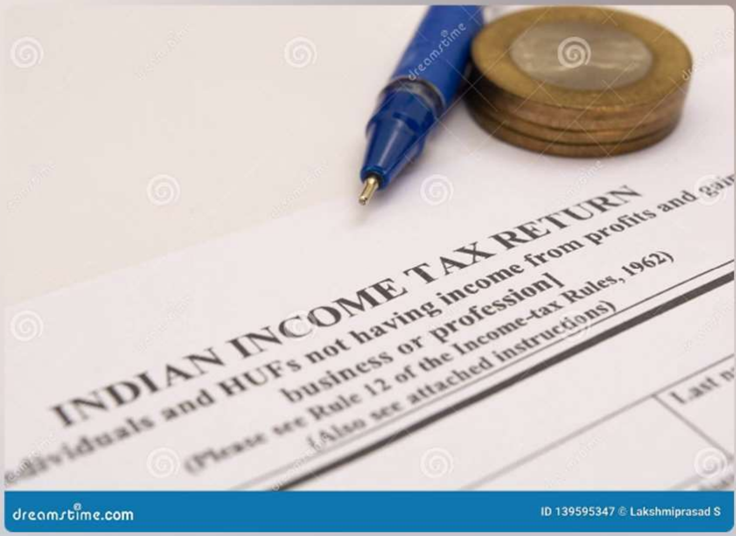
Impact

Higher exemption limit benefits lower and middle-income taxpayers, while the while the increased tax rate impacts higher earners.

Changes in TDS Rates

The Budget 2024 reduced the TDS rates on specified payments to facilitate business and improve taxpayer improve taxpayer compliance.

TDS Sections	Current TDS Rate	Proposed TDS Rate Rate	Effective from
Section 194D	5%	2%	1st April 2025
Section 194DA	5%	2%	1st Oct 2024
Section 194G	5%	2%	1st Oct 2024
Section 194H	5%	2%	1st Oct 2024
Section 194-IB	5%	2%	1st Oct 2024
Section 194M	5%	2%	1st Oct 2024
Section 194-O	1%	0.1%	1st Oct 2024
Section 194F	Proposed to be Omitted	N/A	1st Oct 2024



Introduction of TDS on Payments Made to Partners by Firms

The Budget 2024 introduced a new TDS provision for payments made by firms to partners by way of salary, remuneration, interest, bonus, or commission.

1

New TDS Provision

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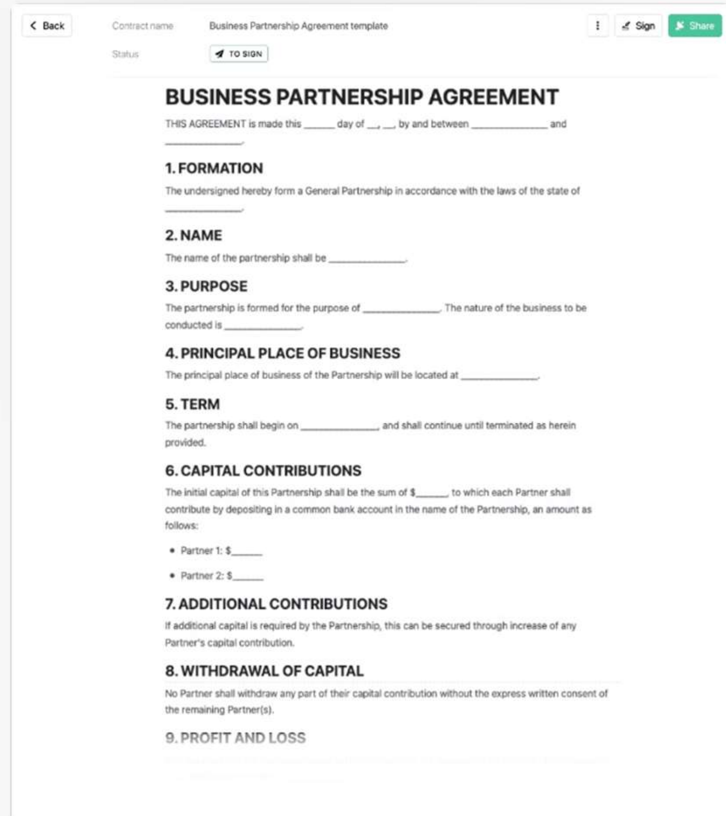
2

Payment Threshold

Any payment exceeding Rs. 20,000 (Euro 220) shall be subjected to the TDS at the rate of 10% u/s 194T.



Abolishment of Angel Tax

The Angel tax provisions of Section 56(2)(viib) have been proposed to be removed. Angel tax is a tax levied on companies that issue fresh shares to investors at a price above the company's Fair Market Value.

Angel Tax Removal

The Angel tax provisions of Section 56(2)(viib) have been proposed to be removed.

Startup Ecosystem Benefit

The startup ecosystem will benefit considering the frequent fund raise that can happen in startups and the compliance cost and the time that is consumed by the said provision while conducting a fund raise in start up.

Major GST Reforms and Amendments

The Indian government has announced several major reforms and amendments to the Goods and Services Tax (GST) regime. These changes aim to simplify the tax system, improve compliance, and promote economic growth. The reforms cover various aspects of the GST, including the time limit for issuing demand notices, the due date for claiming input tax credit, and the filing of appeals.

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Adding New GST Section 74A

Common Time Limit

The new Section 74A introduces a common time limit for limit for issuing demand notices and orders, regardless of regardless of whether the matter involves fraud, suppression, willful misstatement, etc. This time limit will limit will apply from the financial year 2024-25 onwards. onwards.

Clarity and Consistency

This amendment aims to provide clarity and consistency in consistency in the issuance of demand notices and orders, orders, ensuring a fair and transparent process for taxpayers.

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Modification in GST Sections 73 and 74

Distinct Time Limit

The modifications in Sections 73 and 74 introduce a distinct distinct time limit for issuing demand notices and orders for orders for the period up to FY 2023-24. This distinction aims to aims to streamline the process and ensure timely action. action.

Clarity and Consistency

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New Sub-section (5) in GST GST Section 16

1 Extension of Due Date

The new sub-section (5) in Section 16 extends the due date for for claiming input tax credit (ITC) for invoices or debit notes under under Section 16(4) of the CGST Act to 30th November 2021 for FY 2021 for FY 2017-18, 2018-19, 2019-20, and 2020-21.

2 Relief for Taxpayers

This extension provides relief to taxpayers who may have missed the original deadline due to various reasons. It allows them to claim ITC and reduce their tax liability.

Adding New GST Section 128A

Exemption of Interest and Penalty

The new Section 128A provides exemption from interest and penalty for demand for demand notices issued under Section 73, for taxpayers who pay the full tax full tax amount by 31.03.2025.

Financial Relief

This amendment aims to provide financial relief to taxpayers who may have faced difficulties in meeting their tax obligations.

Modification in GST Section 140

1

Transitional Credit

The modification in Section 140 permits transitional credit for service invoices obtained via the IGST before the appointed date. This amendment has a retrospective effect from 01.07.2017.

2

Fairness and Equity

This amendment aims to ensure fairness and equity for equity for taxpayers who may have faced difficulties in difficulties in claiming transitional credit.

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Highlights of Various Sectors

The Indian government has outlined its priorities for the upcoming fiscal year, focusing on key areas like agriculture, employment, education, and infrastructure.

Employment and Education

1 Scheme A: First Timers

This scheme will provide a direct benefit transfer of one month's salary in 3 instalments of up to Rs.15,000 (Euros 167) to first-time employees in the formal sector registered in the EPFO.

2 Scheme B: Job Creation in Manufacturing

An incentive will be provided at a specified scale directly to the employee and the employer based on their EPFO contribution in the first 4 years of employment.

3 Scheme C: Support to Employers

The government will reimburse employers up to Rs.3,000 (Euros 33) per month for 2 years based on their EPFO contribution for each additional employee.

Inclusive Human Resource Development and Social Justice

The government has provided Rs.2,660 billion (Euros 29.55 billion) for rural development and rural infrastructure.

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Manufacturing and Services

Promotion of MSMEs

The government will introduce a credit guarantee scheme to facilitate term loans to MSMEs to purchase machinery and equipment without collateral or third-party guarantee.

Public sector banks will build an in-house capability to assess MSMEs for credit instead of relying on external assessment.

The government announced a new mechanism to facilitate the continuation of bank credit to MSMEs during their stress period.

Promotion of Manufacturing and Services

The government will launch a comprehensive scheme to provide internship opportunities to 1 crore youth in 5 years in the top 500 companies.

The government will facilitate the development of investment-ready “plug and play” industrial parks with the states and private sector.

Additional National Company Law Tribunals to speed up insolvency resolution.

Additional Measures

E-Commerce Export Hubs will be set up in public-private-partnership (PPP) mode to enable MSMEs and traditional artisans to sell their products in international markets.

Additional Debt Recovery Tribunals will be established to speed up the recovery process.

Innovation, Research and Development

The government will set up a mechanism for boosting private sector-driven research and innovation at commercial scale with a finance pool of Rs.1000 billion (Euros 11 billion).

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Next Generation Reforms

India’s Priority 9 focuses on Next Generation Reforms to enhance the ease enhance the ease of doing business and promote investment in India. India. These reforms aim to simplify regulations, streamline processes, and processes, and facilitate a more conducive business environment. The The government’s focus on these reforms is key to attracting foreign foreign investment and driving economic growth.

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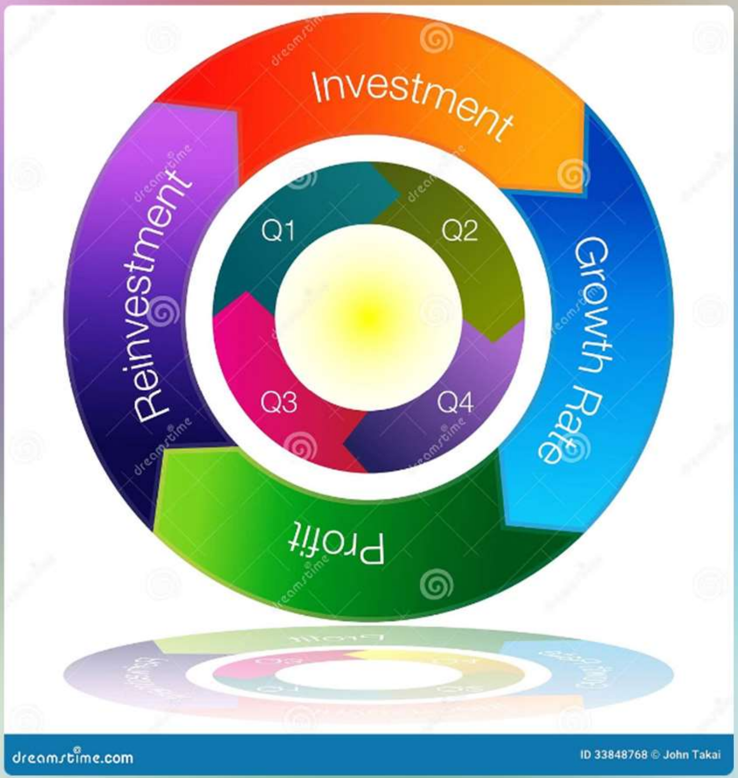

Promoting Foreign Direct Investment

1 **Simplified Regulations**

The rules and regulations governing foreign direct investment will be streamlined and simplified, making simplified, making it easier for businesses to invest in India.

2 **Prioritization**

The government is prioritizing sectors that attract foreign direct investment and are crucial for economic growth, such as infrastructure and technology.

3 **Promoting Opportunities**

The government is creating incentives and opportunities to encourage foreign investment in key sectors.

4 **Overseas Investments**

The government will simplify regulations for overseas investments, promoting the use of the Indian Rupee as a currency for international transactions.

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Enhancing Ease of Doing Business

1

Jan Vishwas Bill 2.0

The Jan Vishwas Bill 2.0 aims to simplify compliance and reduce the burden of regulations on businesses.

2

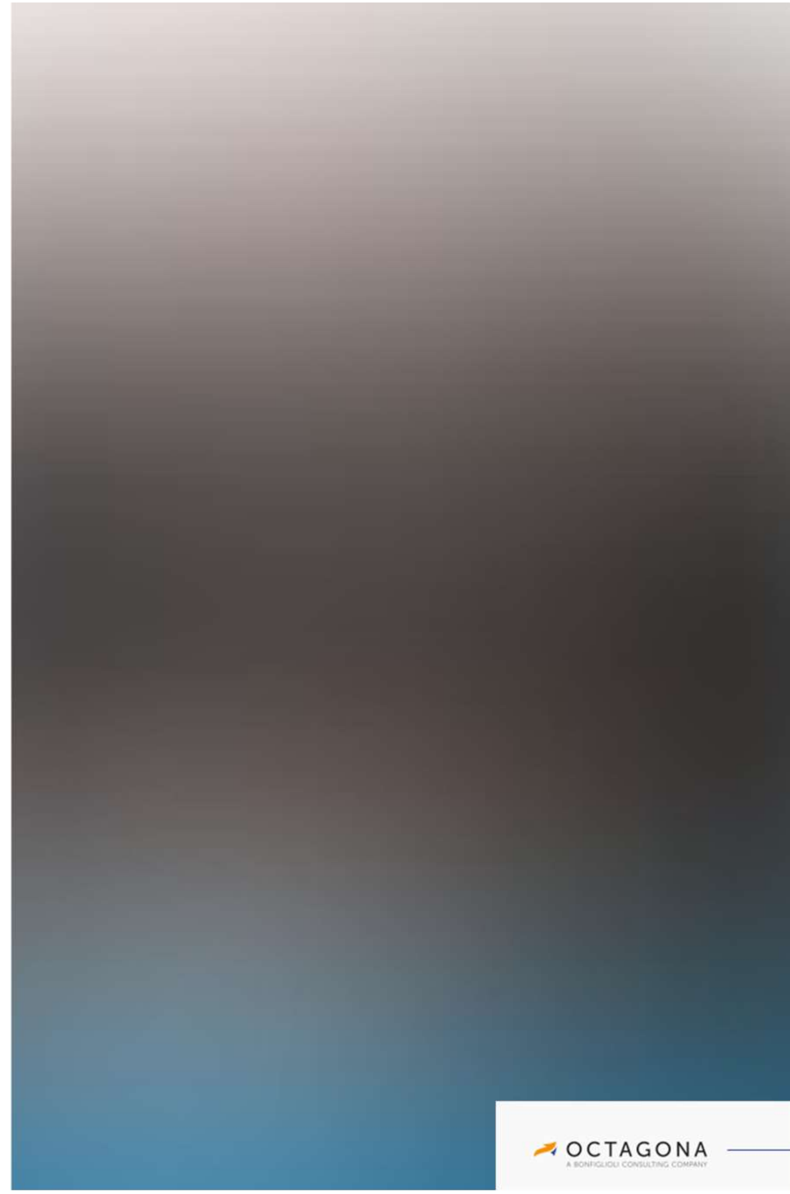
Streamlining Processes

The government will continue to streamline bureaucratic processes and eliminate unnecessary hurdles for businesses, making it easier to start and operate a business in India.

3

Digital Transformation

The government is promoting the use of technology to streamline processes and make services accessible online, further enhancing the ease of doing business.



Promoting Digital Infrastructure

1

Digital Connectivity

The government is investing heavily in digital infrastructure to provide high-speed internet connectivity across the country, empowering businesses and fostering innovation.

2

Digital Payments

The government is promoting the use of digital payment methods, reducing reliance on cash and increasing financial inclusion.

3

Digital Services

The government is making a wide range of public services available online, improving efficiency and transparency.

Encouraging Innovation

Research and Development

The government is investing in research and development to foster innovation and create new technologies.

Startup Ecosystem

The government is creating a supportive ecosystem for startups, providing funding, mentorship, and infrastructure.

Global Partnerships

The government is fostering partnerships with international organizations and businesses to promote collaboration and innovation.

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