Union Budget 2024
Financial services industry (FSI) tax

July 2024

Individual Tax

Individual taxation

- Changes proposed under New Tax Regime
  - No change in basic exemption limit, tax rates and surcharge rates
  - Standard deduction and deduction from family pension is enhanced to INR 75,000 and INR 25,000 respectively.
  - Income slabs have been widened from INR 600,000 to INR 700,000 (taxable at 5%) and from INR 900,000 to INR 1,000,000 (taxable at 10%).
  - The changes in slab rates and increase in standard deduction would reduce the total tax outflow by INR 17,500.
  - Employer's contribution to NPS is eligible for tax deduction up to 14 percent of Salary as against 10 percent for taxpayers opting for old tax regime. This brings the deduction for individuals opting for new tax regime in line with the NPS deduction enjoyed by the government employees.
  - Deduction on employers' National Pension System (NPS) contribution to employees' basic salary from 10 percent to 14 percent.

Proposed income slabs and tax rates vs. the existing ones under the simplified tax regime

Income slabs (in INR)	Tax rates under the simplified tax regime	
	FY23-24	FY24-25 (proposed)
Up to 3,00,000	NIL	NIL
3,00,001–6,00,000	5%	5%
6,00,000 – 7,00,000	**10%**	**5%**
7,00,001–9,00,000	10%	10%
9,00,001–10,00,000	**15%**	**10%**
10,00,001–12,00,000	15%	15%
12,00,001–15,00,000	20%	20%
Above 15,00,000	30%	30%

Income Tax Scenarios - Various Income Levels

Gross Income in INR	700,000	2,000,000	3,500,000
Individual (upto 60 years)			
Income	700,000	2,000,000	3,500,000
Taxable income as per current concessional tax regime (after standard deduction of INR50,000)	650,000	1,950,000	3,450,000
Eligible exemptions / deductions under old regime	20,000	1,50,000	3,00,000
Taxable income as per concessional tax regime (after standard deduction of INR75000) [Budget July 2024]	625,000	1,925,000	3,425,000
Taxable income as per old tax regime (after considering various deductions)	630,000	1,800,000	3,150,000
Income tax payable			
As per current concessional tax regime	-	296,400	764,400
As per proposed concessional tax regime	-	278,200	746,200
As per old tax regime	40,040	366,600	787,800

* Rebate u/s 87A under the old tax regime ss available for resident individual having a total income not exceeding INR 500,000 per annum
* Rebate u/s 87A under the concessional tax regime is available for resident individual having a total income not exceeding INR 700,000 per annum
*Incase of senior citizen, basic exemption limit is INR 300,000 per annum under old tax regime
*Tax figures include health & education cess at 4%
*Eligible deductions and exemptions such as standard deduction, professional tax, section 80C, section 80CCD(1b) and section 80D have been used for the purpose of old tax regime

Individual taxation

- Non-reporting foreign assets (other than immovable property) such as employee stock options, balances in social security schemes (aggregate value of assets upto INR 2 million) by individuals has now been de-penalised under the Black Money Act, 2015.

- Proposals relating to TDS and TCS
  — Tax collected at source (TCS) from an employee can be taken into account by his/her employer while computing the tax to be deducted at source (TDS) from his/her salary income from 1 October 2024.
  — TDS rate on rent (exceeding INR 50,000 per month) paid by individuals reduced to 2% from 5% from 1 October 2024.
  — The applicability of TDS on purchase of immovable property by the buyers to be determined from 1 October 2024 based on the total amount payable by all the buyers to all the sellers.
  — Purchase of goods for an amount exceeding INR 1 million to attract TCS from 1 January 2025.
  — Taxes withheld outside India to be considered while computing income subject to tax.

- Introduction of Direct Tax Vivaad Se Vishwas Scheme 2024 proposed

Polling question 1

With further proposals announced by the finance minister in favour of the new regime, do you expect more employees in your organization to switch over to the new regime

- Yes
- No
- Maybe
- Can’t say

Corporate Tax

Corporate Tax

- **Tax Resident Companies – No change in tax rate**

- **Foreign company**
  - Business income - Tax rate reduced from 40% to 35% (plus applicable surcharge and cess).
  - Short-term Capital Gains (non STT/ non FPI) – Tax rate reduced from 40% to 35% (plus applicable surcharge and cess).
  - Pre-webinar polling Question – Should there be parity in taxation – Yes – 73%; No – 19%; May be – 8% - 2649 votes.

- **Equalisation Levy**
- Equalisation Levy on e-commerce operators (digital sale of goods or services) abolished from 1 August 2024 consequential amendment to income exemption under section 10(50). 6% EL on online advertisement, any provision for digital advertising space or any other facility or service for the purpose of online advertisement.

Corporate Tax – Life Insurance

Life Insurance Business – Section 44 read with the First Schedule

Amendment of First Schedule.

In the First Schedule to the Income-tax Act, in rule 2, the following proviso shall be inserted with effect from the 1st day of April, 2025, namely:–– "Provided that any expenditure which is not admissible under section 37 in computing the profits and gains of a business, shall be included to the profits and gains of life insurance business."

Notes

Clause 87 of the Bill seeks to amend the First Schedule to the Income-tax Act relating to insurance business.

Rule 2 of the said 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.

It is proposed to insert a proviso to the said rule, so as 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 back to the profits and gains of the life insurance business.

This amendment will take effect from 1st April, 2025 and will, accordingly, apply in relation to the assessment year 2025-2026 and subsequent years.

Corporate Tax – Penalty for SFT/ FATCA / CRS

In section 271FAA of the Income-tax Act, for subsection (1), the following sub-section shall be substituted with effect from the 1st day of October, 2024, namely:––

“(1) If a person referred to in sub-section (1) of section 285BA, who is required to furnish a statement under that section,–– (a) provides inaccurate information in the statement or **fails to furnish correct information within the period specified under sub-section (6) of the said section;** or **(b) fails to comply with the due diligence requirement prescribed under sub-section (7) of the said section,** then, the prescribed income-tax authority referred to in subsection (1) thereof may direct that such person shall pay, by way of penalty, a sum of fifty thousand rupees

New section inserted with effect from 1 April 2025

“271GC. If any person who is required to furnish statement under section 285, fails to do so within the period prescribed under that section, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum of–– (a) one thousand rupees for every day for which the failure continues, if the period of failure does not exceed three months; or (b) one lakh rupees in any other case.”

Rationalization of TDS rates on payments to residents

Section	Present TDS rate	Proposed TDS Rate	With effect from
194C – If falling under 194J, then 194C not applicable			
Section 194D – Payment of insurance commission (in case of person other than company)	5%	2%	01 April 2025
Section 194DA – Payment in respect of life insurance policy	5%	2%	01 October 2024
Section 194G – Commission etc. on sale of lottery tickets	5%	2%	01 October 2024
Section 194H – Payment of commission or brokerage	5%	2%	01 October 2024
Section 194M – Payment of certain sums by certain individuals or Hindu undivided Family for carrying out any other work (other than section 194C, 194H, 194J)	5%	2%	01 October 2024
Section 194-O – Payment of certain sums by e-commerce operator to e-commerce Participant	1%	0.1%	01 October 2024
Section 194F – relating to payments on account of repurchase of ELSS units by Mutual Fund or Unit Trust of India. Other units there was no TDS	Proposed to be omitted		01 October 2024

- **Timeline for assessment for withholding tax streamlined to 6 years from the end of the financial year**

Key measures impacting investment

Capital gains regime – revamped and rationalized

- **Holding period thresholds rationalized for long term vs short term classification**

  12 months for listed securities

  24 months for other assets

Impact

- Relief for listed **unit holders** where holding period for long term gains will now be at par with listed shares
- **Bonds/debentures/gold** ~ holding period reduced to 24 months from 36 months

- **Capital Gains Tax Rate: The 2 parities**

  Long term capital gains tax rate reset at 12.5% for all asset classes [from earlier 10/20% rates]

  Short term capital gains tax rate reset at 20% for listed securities [from earlier 15%]

Impact

- **Increase in tax rates for listed securities** ~ 10% to 12.5%; 15% to 20%
- **Non-resident investors in unlisted securities to pay higher capital gains**; however, possible to claim forex fluctuation benefit
- **Reduction in long term capital gain rates for residents from 20% to 12.5%;** however, indexation benefit taken away

Key measures impacting investment

Some of the special tax regimes which have been abolished

- **Buyback equals dividend**

  Buyback proceeds to be taxed as deemed "dividends" ~ current Buyback Tax regime abolished

Impact

- **Higher tax outgo on 'buyback'** ~ tax treaty rate on dividends available?
- **Cost will be Capital loss available for set off**

- **Angel Tax abolished**

  No tax on "premium" received on share issuances [section 56(2)(viib)]

Impact

- **Valuation decisions to be driven by commercial imperatives**
- **Boost for start up industry**
- **Increased scrutiny under section 68?**

- **Stamp duty rationalization measures**

Impact

- **Moderation of "high duty" rates by states for all, and also consider further lowering duties for properties purchased by women. This reform will be made an essential component of urban development schemes.**

Key measures impacting investment climate

Capital gains regime – revamped and rationalized

- **Unlisted Debentures sale to be taxed as short - term** capital gains (section 50AA)

  Investments in FOFs / ETFs / Gold MFs / Gold ETFs / International Funds:

  - Starting April 1, 2025, these funds will not be deemed to trigger STCGs per Section 50AA

Impact

- **Investment in compulsory / optionally convertible debentures (CCDs/OCDs) to get impacted**

- **Provision enabling increased cost base benefit (vis Jan 31, 2018) under OFS specifically provided now retrospectively**

Impact

- **FMV as on 31 Jan 2018 determined basis cost inflation index available at the time of OFS (offer for sale)**

- **Change in STT rates for F&O**
  - **Futures** ~ Increased from 0.0125% to 0.02%
  - **Options** ~ Increased from 0.625% to 0.1%

- **No capital gains exemption for corporate gifts under 47(iii)**

Key measures impacting investment

Other budget proposals

- **IFSC changes**
  - Thin cap norms not applicable to Finance Cos located in IFSC (section 94B)
  - Section 68 relaxation extended to VCFs regulated by IFSCA
  - Retail Schemes and ETFs launched in IFSC to enjoy tax exemptions u/s 10(4D)
  - Section 10(23EE) income exemption extended to core settlement guaranteed fund set up by recognised clearing corporations under regulations (IFSCA regulations now specified)
  - 10(23FB) proposed to expand the scope of venture capital fund to include the venture capital fund referred to in sub-regulation (2) of regulation 18 of the International Financial Services Centres Authority (Fund Management) Regulations, 2022 made under the International Financial Services Centres Authority Act, 2019.
  - No minimum Tax under OECD Pillar 2 of 15%.
    - Pre-webinar Polling Question – should IFSC tax holiday continue – Yes – 69%; No -18%, not sure – 13% total votes 1854

Key measures impacting investment

Other budget proposals

Proposed introduction of Variable Capital Companies (VCCs)

IFSCA expert Committee report on VCC

VCC v. multi share class companies – ring fencing of liabilities

Tax Status of the sub-funds of VCC

Treaty benefits to the sub-funds of VCC

Polling question 2

Should the capital gains tax be increased

- Yes
- No
- Not sure

Indirect taxes

The Finance (No 2) Bill, 2024

A Snapshot of proposals for Indirect Tax

Banking & Financial Services

Trade facilitation through clarificatory amendments

- Expansion of Schedule III of the CGST Act, 2017 (transactions which are neither supply of goods nor services) to include follower premium share and re-insurance commission
- Time of supply in case of procurements from unregistered persons liable to GST under reverse charge mechanism - earliest of the date of payment or date of self invoice
- Transitional credit related to pre-GST ISD Invoices

Measures to reduce or simplify litigation

- Empowers government to waive tax liability which remains unpaid due to general trade practices
- Input Tax Credit entitlement for the period 2017-18 to 2020-21 if reported before 30 November 2021
- Waiver of interest and penalty for matters under dispute, subject to conditions
- Reduction in the amount of pre-deposit for appeals
- Authorized representatives to be permitted for Summons proceedings
- Input Tax Credit entitlement for payments made during assessment proceedings (no refund for past)

Redesign of future assessment and litigation

- Introduction of new scheme of assessment with a single limitation period of 3.5 years (from date of annual return or erroneous refund)
- Existing provisions of assessment ie Section 73 and Section 74 of GST Act will cease to apply for assessments for Financial Year 2024-25 onwards

..Union Budget (No 2) 2024

Introduction of Section 74A for future assessments

Redesign of assessment provisions by consolidation

- Single limitation period prescribed for issuance of notice in all cases
- Single time-limit for issuance of orders by the assessing officer
  - Time limit can be extended by 6 months
- Removal of restriction to avail ITC for reverse charge liabilities deposited in case of assessments pertaining to fraud, suppression etc
- Existing provisions of assessment ie Section 73 and Section 74 of GST Act will cease to apply for assessments for Financial Year 2024-25 onwards
- Staggered relaxation of penalty to continue
  - For routine assessment – No penalty where tax and interest deposited before Notice
  - For assessment in case of fraud, suppression etc and tax, interest, penalty paid:
    - Before issue of Notice - 15 percent penalty
    - Within 60 days of Notice – 25 percent penalty
    - Within 60 days of Order – 50 percent penalty

Comparative provisions for assessment

#	Particulars	Section 73	Section 74	Section 74A*
1	Routine Assessment (excluding fraud, suppression etc)	✓	×	✓
2	Assessment in case of fraud, suppression etc	×	✓	✓
3	Max Time limit to issue Notice (from date of annual return or grant of erroneous refund)	33 months	54 months	42 months
4	Max Time limit to issue Order (from date of annual return or grant of erroneous refund)	3 years	5 years	52 months***
5	Penalty - In absence of fraud, suppression etc**	10 percent of tax		10 percent of tax
	- In case of fraud, suppression etc		100 percent of tax	100 percent of tax

*Proposed by Finance (No 2) Bill, 2024; **in cases where tax demand exceeds INR 1,00,000; *** extendable up to 58 months

Illustrative schedule of assessment

#	Particulars	Section 73	Section 74	Section 74A*
1	Financial Year	2023-24	2023-24	2024-25
2	Max Time limit to issue Notice (from date of annual return)	30 Sep 27	30 Jun 29	30 Jun 29
3	Max Time limit to issue Order (from date of annual return)	31 Dec 27	31 Dec 29	30 Jun 30 to 31 Dec 30

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Introduction of Section 128A for dispute resolution

01 — **Pending matters to be concluded without interest and penalty subject to payment of tax within prescribed time**

02 — **To cover matters related to routine assessments (ie under Section 73 of GST Act) for the period July 2017 to 31 March 2020**

03 — **Waiver available for Notices/ Orders issued under Section 73; Matters pending before Commissioner (Appeals); Matters due before Tribunal**

04 — **Any pending appeal or writ to be withdrawn and applicant to forego right of further appeal**

Polling question 3

How many matters for your organization are likely to benefit on account of proposed waiver from interest and penalty.

- 0-2
- 3-5
- More than 5

Thank you!

Kindly spare a minute to help us with your feedback for today's session…

For any queries, please feel free to write to us at intax@deloitte.com