



## Union Budget 2024 Fuelling India's transformation

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# Corporate Tax



# Corporate Tax

- **Foreign company**
  - Tax rate reduced from 40% to 35%
  - Equalisation Levy on e-commerce operators abolished from 1 August 2024
- **Vivad Se Vishwas Scheme 2024 proposed to be introduced**
- **Rectification and order giving effect to appellate orders shall be digitalized and made paper-less over the next two years**
- **Monetary limits for filing appeals in the Tax Tribunals, High Courts and Supreme Court increased to ₹ 60 lakh, ₹ 2 crore and ₹ 5 crore respectively**
- **TDS rates rationalized**

## Rationalization of TDS rates

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%	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 194-IB – Payment of rent by certain individuals or HUF	5%	2%	01 October 2024
Section 194M – Payment of certain sums by certain individuals or Hindu undivided Family	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 units by Mutual Fund or Unit Trust of India	Proposed to be omitted		01 October 2024

# M&A & PE Tax



# Key measures impacting M&A and investment climate

## *Key Budget themes*

- Recognition of inherent challenges in sustaining overseas investor interest
- Predictable and simple tax regime
- Enunciation of the Economic policy framework
- Rationalize capital gains treatment – the 2 sets of parities!
- Promoting capital flows into business(es) ~ Angel tax abolished

# Key measures impacting M&A and investment climate

## 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 **unit holders of REIT/InvIT** 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 M&A and investment climate

Some of the special tax regimes which have been abolished

- **Buyback equals dividend**

Buyback proceeds to be taxed as “dividends” ~ current Buyback Tax regime abolished

**Impact**

- **Higher tax outgo on ‘buyback’ ~ tax treaty rate on dividends available?**
- **Capital loss available to be carried forward**

- **Angel Tax abolished**

No tax on “premium” received on share issuances

**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**

# Key measures impacting M&A and investment climate

Capital gains regime – revamped and rationalized

- **Unlisted Debentures sale to be taxed as short term capital gains**



- **Investment in compulsory / optionally convertible debentures (CCDs/OCDs) to get impacted**
- **Earn out structures to be revisited where CCDs/OCDs were used**

- **Provision enabling increased cost base benefit (vis Jan 31, 2018) under OFS abolished**



- **FMV as on 31 Jan 2018 available at the time of OFS ~ clarity provided now**

- **Change in STT rates for F&O**

- **Futures** ~ Increased from 0.0125% to 0.02%
- **Options** ~ Increased from 0.625% to 0.1%

# Key measures impacting M&A and investment climate

## Other budget proposals

- **No capital gains exemption for corporate gifts under 47(iii)**
- **Increased efficiency in the IBC process**
- **Proposed introduction of Variable Capital Companies (VCCs)**
- **Reassessment timelines reduced ~ positive impact on tax indemnity period(s)**
- **IFSC changes**
  - Thin cap norms not applicable to Finance Cos located in IFSC
  - Section 68 relaxation extended to VCFs regulated by IFSCA
  - Scope of funds/ income enhanced in specific categories

# Key measures impacting M&A and investment climate

## Hits and Misses



- Long pending ask on capital gains rationalization addressed
- Stamp duty rates rationalization a big welcome move
- Government agenda on track towards simplification of tax laws, certainty for investors and focus on reducing litigation, hugely positive
- Angel tax abolition, a big relief
- Tax code revamp announcement
- No inheritance, wealth or super-rich tax



- Tax clarity on internalization(s)
- 56(2)(x) applicability to Listed Co trades to be rationalized
- SWF/ PF exemption sunset date extension beyond March 31, 2025 deadline
- No extension of tax holiday for new manufacturing
- Group tax consolidation provisions to be introduced
- No roadmap to Pillar 2 commitments

# Indirect tax - GST



# GST

## Other budget proposals

- **Amnesty scheme** - S128A inserted to provide conditional waiver of interest and penalty in respect of demands pertaining for financial years 2017-18, 2018-19 and 2019-20
- **74A inserted to unify the timelines / limitation period** (42 months from due date for furnishing of annual return for the financial year)
- Reduction of pre-deposit provisions in alignment with 53<sup>rd</sup> Council meeting
- Introduction of 11A to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade
- Retrospective applicability relating to ITC limitation period for FYs 17-18 to 20-21

# Indirect tax – Customs



# Key proposals under Customs

## Legislative amendments

- **Customs duty structure to be revamped in the next 6 months**



• Objective is to ease trade, remove inverted duty structure and reduce disputes

- **Acceptance of self-declaration based proof of origin for certain FTAs**



• To enable importers claim FTA benefit based on self declaration given by the supplier instead of a third party certificate

- **MOOWR scheme will not be available for notified sectors**



• To enable Government, notify the real beneficiaries of the MOOWR scheme and those who are not eligible

- **Retrospective exemption from GST compensation cess to SEZs**



• To provide relief to SEZ units and developers from GST compensation cess w.e.f. July 01, 2017



# Tariff proposals

## Customs duty related changes

- Review of 192 exemptions/concessions has been undertaken wherein
  - the due date for 38 exemptions/concessions has been extended till 31.03.2029,
  - 126 exemptions/concessions has been continued till 31.03.2026 &
  - remaining 28 exemptions/concessions will lapse on 30.09.2024
- Basic Customs duty reduced to 15% on mobile phones, PCBA for mobiles and mobile chargers
- To support energy transition, list of exempt capital goods to be used in manufacture of solar panel and cells has been expanded



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