



Rationalisation of taxes and rates

1. Foreign e-commerce operators supplying or facilitating the e-commerce supply of goods or services into/relating to India stand to benefit as India's digital service tax, i.e., equalisation levy (levied at 2 percent of the gross consideration), is set to be abolished effective 1 August 2024.
2. Foreign companies will enjoy a lower corporate tax rate of 35 percent (compared with the existing rate of 40 percent) effective FY24–25.

Relief/beneficial provisions

3. Angel tax is a tax payable by a closely held company on the issuance of shares to any person, on the aggregate consideration received in excess of the fair market value of its shares issued. The Finance Bill proposes to abolish angel tax from 1 April 2024. This is a relief for companies receiving investments (including foreign investments).
4. The scope of safe harbour rules to be expanded and the transfer pricing assessment procedure to be streamlined.
5. IFSC-regulated finance companies are proposed to be exempted from the applicability of thin capitalisation rules (subject to satisfaction of such conditions as may be prescribed) and thereby treated on par with banks, certain NBFCs and insurance companies.

6. Capital gains

- Amendment to the capital gains tax rate and the holding period of capital assets

Particulars	Old	Proposed from 23 July 2024	Remarks
Long-term capital gains tax rate			
Listed shares/ units of business trust/units of equity-oriented funds	10%	12.5%	.
Unlisted shares of a closely held company	10%	12.5% (with a forex fluctuation benefit for NR, wherever applicable)	NR investors will need to weigh in the effect of the increased tax rate with the benefits from forex fluctuation benefit to assess the overall effect on IRR.
Listed debentures	10%	12.5%	
Unlisted debentures/ bonds	10%	Normal tax rates are applicable as the asset is deemed to be a short-term capital asset.	Investors will need to reassess their investment structures in debentures.
Slump sale of undertaking	20%	12.5%	
Other capital assets, including immovable property	20% (additionally, indexation benefit would have been available)	12.5%	
Short-term capital gains tax rate			
Listed shares/ units of business trust/units of equity-oriented funds	15%	20%	
Other capital assets, including immovable property	Normal tax rates are applicable		

Note 1: The above rates are exclusive of surcharge and cess.

Note 2: The period of holding for long-term capital gains will be 12 months for listed shares/listed debentures/listed units of business trust/units of equity-oriented funds, 36 months for slump sale of the undertaking and 24 months for all other assets.

Note 3: Indexation benefit has been withdrawn.

Other changes

7. To promote cruise tourism in India, which has tremendous employment generation potential, a new presumptive taxation regime is proposed for cruise ship operations by non-residents. Effective FY24–25, 20 percent of the specified gross receipts will be considered as business income. Consequently, the Cruise Ship Operators (CSO) have been excluded from the present presumptive taxation regime for shipping businesses of non-residents. Specified group companies¹ of such CSOs receiving lease rentals will enjoy tax exemption until FY29–30.
8. Payment of consideration by a domestic company to a shareholder on buyback of shares was taxable in the hands of the company. Now, effective 1 October 2024, the incidence of tax has been moved to the shareholder as follows:
 - Consideration received shall be taxable in the hands of the shareholder as “dividend,” without any deduction for expenses, at the applicable tax rates.
 - For the calculation of capital gains, the consideration shall be considered as “nil” and actual cost of acquisition shall be available, resulting in a capital loss.

Each shareholder may need to assess whether any tax treaty benefits or deduction for dividend distributed to its shareholders can be availed.

9. Transfer of a capital asset under a gift or will or an irrevocable trust by any taxpayer was not regarded as a “transfer” for the purpose of the Income Tax Act. Hence, this is not subject to capital gains tax in the hands of such transferor. From 1 April 2024, this rule is intended to be made applicable to transfer by an individual or Hindu undivided family only. Thus, a gift or transfer to an irrevocable trust of any capital asset by other taxpayers shall come under the purview of capital gains tax.

¹ Subsidiaries of the same holding company

Procedural matters

10. Currently, there is a time limit of seven years (from the end of the FY in which payment is made or credit is given) to pass an order deeming a person to be an assessee in default for failure to deduct or deposit TDS in case of resident payees. However, there is no such time limit to pass an order where the payee is a non-resident. Similarly, no time limit has been prescribed to pass an order in cases of failure to collect or deposit tax at source (TCS).

It is now proposed to provide a common limitation period of six years from the end of the FY for passing such an order in the case of both resident and non-resident payees. A similar timeline has also been prescribed for passing orders in the case of TCS provisions.

11. Compliance by liaison offices of non-residents is proposed to be rationalised effective 1 April 2025, with penal provisions being introduced for belated compliances. Compared with the present timeline of filing the statement of activities within 60 days from the end of the FY, new timelines will be specified through rules.
12. Applications for advance rulings transferred from Authority for Advance Rulings to Board for Advance Rulings will be allowed to be withdrawn up to 31 October 2024, if not already disposed.
13. Non-residents and foreign companies will be able to achieve a quietus on existing litigation from the new dispute resolution scheme titled the Direct Tax Vivad Se Vishwas Scheme 2024.