



Union Budget 2024 Fuelling India's transformation

Industry impact

Financial Services



Financial Services

Key Policy Announcements

1. **Financial Services Sector Reform proposed:**

- The Government will bring out a financial sector vision and strategy document to prepare the sector in terms of size, capacity and skills to set the agenda for the next 5 years and guide the work of the Government, Regulators, Financial Institutions and Market Participants.

2. **Variable Capital Company Structure to be introduced:**

- For pooling of Private Equity Funds, and providing flexible and efficient mode for financing aircraft and ship leasing
- VCCs are a well recognized fund structure by international investors
- Need for VCC regime to be also permitted for Public Market Funds

3. **FDI and Overseas Investments:**

- FDI regulations to be simplified to facilitate more foreign investment
- Overseas Investment regulations to be simplified to promote opportunities for using INR as a currency for foreign investment

4. **Real Estate reform:**

- States shall be encouraged to moderate or lower the stamp duty on properties purchased by women
- Land records in urban areas will be digitalized with Geographic Information System mapping

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Key Tax Announcements

1. Mutual Funds:

– 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
- LTCGs (12 months – listed; and 24 months – unlisted) (12.5%) and STCG (20%) tax treatment depending on Period of Holding
- No indexation benefit in case of LTCGs
- Tax treatment on par with underlying assets

– Investments in EOFs:

- Starting Jul 23, 2024, LTCGs Tax Rate increased from 10% to 12.5% for existing investments and new investments
- Starting Jul 23, 2024, STCGs Tax Rate increased from 15% to 20% for existing investments and new investments
- Head room for exemption increased from INR 100,000 to INR 125,000

– ELSS Schemes: Starting Oct 1, 2024 TDS of 20% on repurchase of units of ELSS schemes removed

– GIFT City:

- Retail Schemes and ETFs launched in IFSC to enjoy tax exemptions u/s 10(4D)
- Will encourage more FPIs to be launched from IFSC-GIFT City (India in-bound and India outbound)

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Key Tax Announcements

1. **Foreign Banks and Foreign Re-Insurance Companies:** Corporate Tax rate reduced from 40% to 35%
2. **FPIs:** Investing in Debt Securities to continue enjoying LTCG Tax - 10% u/s 115AD(1)(iii) – Could be drafting oversight
3. **GIFT City:**
 - **Finance Companies:**
 - Starting April 1, 2024, IFSC-Finance Companies to be exempted from applicability of Thin Capitalisation Rules, and thereby brought on par with Banks, RBI-NBFCs, and Insurance Companies
 - This should encourage Finance Companies and Group Treasury Companies to be set-up in GIFT City
 - **VCFs:**
 - IFSC-VCFs brought on par with SEBI registered VCFs and Cat-1 AIFs, so as to enjoy pass through status without getting into Trust Taxation issues
 - Exempted from the purview of section 68 (unexplained cash credits)
4. **STT:** Effective Oct 1, 2024, STT rates increased:
 - Sale of Options from 0.0625% to 0.1% of option premium
 - Sale of Futures from 0.0125% to 0.02% of traded price
 - Will discourage speculative activities in F&O Market

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Key Tax Announcements

1. Real Estate:

- Proposal of reducing tax rate on long term capital gains from 20% to 12.5% for immovable properties needs to be weighed against the loss of indexation benefit under the current tax regime. This provision is effective immediately and hence tax payer will not have any benefit to actually examine the impact (if any) of this proposed tax rate
- Any income from leasing of a residential house will be chargeable to tax under the head “house property” and not under “profits and gains of business or profession” irrespective of kind of lease and facilities which is provided by the tax payer – this will have an adverse impact to those tax payers who actually provide additional services along with such lease
- Withholding tax obligation on consideration in excess of Rs 50 lakh for immovable properties has been clarified that its an aggregate amount of consideration and not qua every each individual buyer



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