Key Highlights of Interim Budget 2024

#ReformAndRise

ITR WORLD TAX RECOMMENDED FIRM 2024

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Foreword

The Interim Budget 2024 was a reflection of past achievements and attempted to provide an impetus to India's current optimistic trajectory. The Hon'ble Finance Minister (FM) drew attention to India's enormous retrospective journey and projected confidence in the nation's bright economic future. The FM presented the Interim Budget 2024-25, envisioning a digital and technology-driven nation fueled by knowledge and self-sufficiency.

Leading the nation towards a self-sufficient and inclusive economy, the Interim Budget 2024-25 intends to further advance and facilitate economic development. Banking on the solid capex outlay in the previous year's Union Budget, the nominal GDP growth is projected at 10.5% for FY 2025. Moreover, the outlay for the next year is expected to increase by 11.1% and will account for 3.4% of the GDP. The government has showcased its commitment to fiscal prudence, with the revised fiscal deficit pegged at 5.1% for FY 2025. Moreover, it aligns with the government's effort to reduce the fiscal deficit to 4.5% by FY 2026.

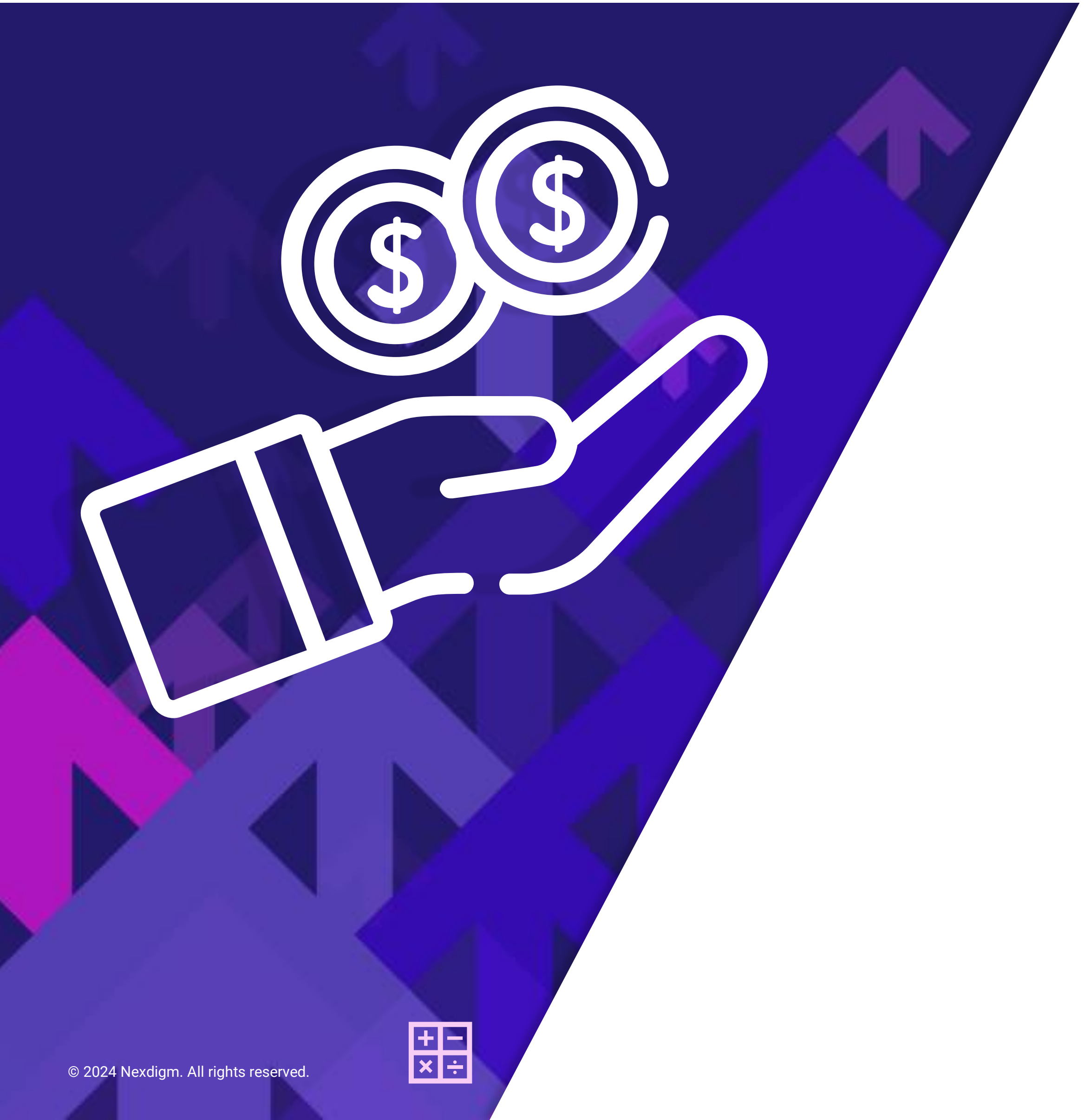
FDI inflow continues to witness robust momentum between 2014 and 2024, a golden era with FDI touching the USD 596 billion mark. The amount of FDI inflow during this period is twice the inflow compared to the period between 2005-2014. This comes in line with the recently announced India-Middle East-Europe Economic Corridor that could be a strategic and economic game changer for India.

Green energy and technology will continue to be a focus area for the government. With the intention to strengthen India's technology prowess, the government has introduced a corpus of INR 1000 billion to provide long-term financing or refinancing with long tenors and low or nil interest rates. Apart from encouraging the private sector to scale up research and innovation in sunrise domains, this move also ensures the integration of youth and technology while preparing to add another long-term win under the 'Make In India' initiative.

While there were no significant changes under direct taxes, it is an optimistic overview that in the recent past, the direct tax collections have more than tripled, and the return filers increased to 2.4 times. The government will continue to optimize taxpayer services further, harnessing technology and adding provisions such as Form 26AS.

The FM re-iterated GST as 'One Nation One Tax' and highlighted that GST has boosted tax collection, cross-country trade, improved compliance of the taxpayer base and facilitated ease of doing business after absorbing multiple pre-GST indirect taxes. However, the government is keen to widen the tax net strategically and plans to introduce a new metric 'Governance, Development, & Performance,' to calibrate progress.

The Interim Budget did not brim with significant updates or provisions but echoed the previous achievements, thereby drawing attention to the nation's journey and navigating through global and national issues. It lays an aspirational vision for the future that includes strengthening sectors and sustainable growth. The Interim Budget remains crucial as it provides a runway for India to accelerate its journey of sustainable growth, reforming its course to rise on the global stage towards an Atmanirbhar Bharat (Self-reliant India) and a Viksit Bharat (Developed India).



02

Key Direct Tax Proposals

Key Direct Tax Proposals

Tax Rates

Corporate and Personal Income Tax Rates

- No change in income tax rates
- Individuals/HUFs/AOPs/BOIs/AJPs*

Total Income	Slab Rates under Default Regime
Up to INR 0.3 million	NIL
From INR 0.3 million to INR 0.6 million	5%
From INR 0.6 million to INR 0.9 million	10%
From INR 0.9 million to INR 1.2 million	15%
From INR 1.2 million to INR 1.5 million	20%
Above INR 1.5 million	30%

*HUFs - Hindu Undivided Families; AOPs - Association of Persons; BOIs - Body of Individuals; AJPs - Artificial Juridical Persons

– New regime shall be considered by default unless opted otherwise
– Standard deduction of INR 52,500
– Rebate limit INR 0.7 million
– Surcharge as applicable (capped at 25% under the new regime)

- **Partnerships**
  At the rate of 30% plus surcharge and cess as applicable on the total income (excluding items taxable at special rate)
- **Domestic Companies**

Particulars	Tax Rate
Companies opting for new regime (without deductions)	22%
New manufacturing companies set up before 1 October 2019 and commence manufacturing before 31 March 2024	15%
Companies not opting for the new regime and total turnover/gross receipts in FY 2021-22 is lower than INR 4000 million	25%
Others	30%

Surcharge and cess as applicable.

Key Direct Tax Proposals

- **Foreign Companies**
  At the rate of 40% plus surcharge and cess as applicable on the total income (excluding items taxable at special rate).

Extensions for Exemption

- In order to boost investments in start-ups and Sovereign Wealth Funds/Pension Funds, it is proposed to extend the time limits for investments from 31 March 2024 to 31 March 2025.

- Tax exemptions provided to IFSC units expiring on 31 March 2024 are proposed to be extended to 31 March 2025.

- The Central Board of Direct Taxes (CBDT) had, in line with their digital transformation objective, implemented the faceless assessment scheme in August 2020. However, this was postponed for Transfer Pricing and Dispute Resolution Panel matters until 31 March 2024. It is now proposed to further postpone it to 31 March 2025.

Our Comments

While individual taxpayers were hopeful to get additional relief, the government has not made any changes in the tax rates. Furthermore, although the Indian government is focused on fostering “Make in India” and start-ups, no extension has been provided in the time limit for the commencement of manufacturing for new companies as done for start-ups. This could have an impact on the companies which have not been able to commence manufacturing activities for genuine reasons.

Key Direct Tax Proposals

Improving the Effectiveness of Tax Administration

Withdrawal of Outstanding Demands

There are a large number of disputed, unreconciled and non-verified small tax demands that have been outstanding for various years and are hindering the refunds of taxpayers. In order to streamline and improve taxpayer services, the government has proposed to withdraw earlier year's outstanding tax demands as under:

- Outstanding demands up to FY 2009-10 – Up to INR 25,000
- Outstanding demands between FY 2010-11 and FY 2014-15 – Up to INR 10,000

Our Comments

While this is a welcome move from the government and would ease the difficulties of small taxpayers, it will be important to see how the limits are considered and how the withdrawal happens. In all probability, it appears that no amounts will be payable by them and the demands will be removed/deleted from the system.

Furthermore, it is to be noted that the said amendment has merely been a part of the Budget Speech but is not considered in the Finance Bill, 2024. Accordingly, the government may issue a corrigendum/notification to this effect.

Key Direct Tax Proposals

Tax Deduction and Collection

Alignment of TCS Provisions

The government has proposed to streamline the rates of TCS on certain overseas payments. The applicable rates are as under:

Type of Remittance	TCS Rate
LRS for education financed by loan	NIL up to INR 0.7 million 0.5% in excess of INR 0.7 million
LRS for medical treatment/education (other than financed by loan)	NIL up to INR 0.7 million 5% in excess of INR 0.7 million
LRS for other purposes	NIL up to INR 0.7 million 20% in excess of INR 0.7 million
Purchase of overseas tour program package	5% up to INR 0.7 million 20% in excess of INR 0.7 million

Our Comments

Similar to income tax rates, no change has been proposed in withholding tax rates (TDS as well as TCS). However, based on suggestions received from taxpayers, the government has proposed to align the limits on the applicability of TCS in certain cases.

03

Key Indirect Tax Proposals

Key Indirect Tax Proposals

Goods and Services Tax

The Hon'ble Finance Minister kept the Interim Budget 2024 short, owing to the imminent Lok Sabha Elections, the full picture will drop in July 2024, when a fresh Budget will be tabled. Only a few changes have been proposed for now, which will be made effective from the date to be notified by Central Government.

1. Provisions related to Input Service Distributor (ISD) are proposed to be made mandatory by amending the definition of ISD and the manner of distribution. Furthermore, the scope of distribution has been increased by allowing the distribution of Input Tax Credit (ITC) on input services taxable under the Reverse Charge Mechanism (RCM).

Our Comments

The shift to making ISD mandatory was on the cards as it was recommended at the GST Council meeting. Now, the same has been proposed by way of amending the definition of ISD, which earlier created misperception when read with the provisions of the manner of distribution of ITC. Consequently, industries that have currently opted for cross-charge over ISD will have to gear up for the said change.

Furthermore, the move to include RCM services under the ambit of distribution is a welcome move, in light of the ongoing disputes surrounding the eligibility of the entire ITC in the hands of recipient of service, where the actual benefit of the said service is accrued to its distinct persons also.

Nonetheless, goods are still not covered under the distribution mechanism, implying that ISD and cross-charge may still continue to co-exist.

Key Indirect Tax Proposals

2. The inclusion of a new Section 122A has been proposed, suggesting a levy of an additional penalty of INR 0.1 million for every machine not registered, in case of contravention of the special procedure prescribed for such registration of machines. The penalty has also been coupled with the severity of the seizure and confiscation of said machinery.

Our Comments

The said Section is specifically for persons engaged in manufacturing pan-masala and other notified tobacco goods, who are required to register their packing machines in Form GST SRM-I. Proposing a specific penalty in case of contravention of notified procedure signifies the government's efforts to regularize the said sector.

Key Indirect Tax Proposals

Customs

Though no changes were proposed in Customs rate under the Interim Budget, few key rate changes which are made effective from 30 January 2024 are captured below:

Sr No.	Chapter	Industry	Description	Basic Customs Duty	
				Previous Rate	Revised Rate
1	4016, 39, 73, 8538 9000	Telecommunication	The following goods for use in manufacture of cellular mobile phones: 1. Microphone Rubber Case, Sensor Rubber Case/Sealing Gasket including sealing gaskets/cases from Rubbers like SBR, EPDM, CR, CS, Silicone and all other individual rubbers or combination/combination of rubbers 2. Battery cover, Front cover, Middle cover, Back cover 3. Main lens, Protective film for main lens 4. GSM Antenna/Antenna of any technology 5. PU case/Sealing Gasket – Other articles of Polyurethane foam like sealing gaskets/case 6. Sealing Gaskets/Cases from PE, PP, EPS, PC and all other individual polymers or combination/combinations of polymers 7. SIM socket 8. Screw 9. Other mechanical items of plastic, metal 10. Conductive cloth 11. LCD foam, LCD conductive foam, BT foam 12. Heat dissipation sticker battery cover 13. Sticker-Battery slot 14. Mylar for LCD FPC 15. Film-front flash 16. Side Key	15%	10%
2	Any Chapter	Telecommunication	Inputs or parts for use in the manufacture of goods mentioned above.	Multiple Rates	Nil

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About Nexdigm

About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

Tax Offerings

Tax & Regulatory

Advisory

- Inbound & Outbound Structuring
- Permanent Establishment & BEPS Advisory
- FEMA Diagnostics & Advisory
- Opinion and Structuring

Compliances and Litigation

- Return of Income
- Certifications through automated tool
- Business Set-up & Compliances
- Litigation Support

Transfer Pricing

Advisory

- Global Transfer Pricing Policies
- Tax Efficient Supply Chain Management
- BEPS Advisory

Compliances and Litigation

- Issuance of Accountant's Report
- Country specific documentation report
- Master File and CbCR Compliance
- Global Benchmarking Search
- Litigation Support

M&A Tax & Regulatory

Advisory

- Corporate Restructuring
- M&A/Transaction Structuring
- Company Law Advisory including SEBI

End to End Solutions

- Voluntary Liquidation
- Compounding under FEMA
- Project management for Merger/ Amalgamation/Demerger/Slump Sale transactions

Indirect Tax Offerings

Advisory & Compliances

- On-call Advisory
- Transaction and Tax Structuring
- Tax Due Diligence
- GST Compliances – Return Filing
- E-invoicing Support
- GCC VAT Advisory
- GST/UAE VAT Health Check

Customs & FTP

- Customs Valuation – Proceedings before SVB
- Customs Refund
- Customs OSPCA
- Export Benefit Schemes including MEIS, SEIS, Advance & EPCG Authorisations
- AEO Certification Support
- EXIM Health Check

Litigation & Representation

- Litigation Support up to Tribunal level
- Technical Assistance in Preparation of Writ Petition, Appeal Memos
- Representing before Authority for Advance Ruling (AAR)
- Representations before MoF, CBIC & GST Council

Audits & Others

- GST Audit Support
- Dept. Audit Support
- Legacy Law Assessments
- SEZ & EOU/STPI Set-up and Compliances

Tax Technology

Easy Remittances

- Review of tax position by experts
- Issuance of bulk 15CA/CB certificates through Automated tool
- Repository - Access to entire set of documents
- Access to Detailed transaction wise reports Solutions
- Utility to generate Form A2 and TDS return template

Dividend Process

- End to end process management (including drafting of shareholder communication, computation of category wise tax rates, review of exempt category shareholders, etc)
- Bulk processing of 15CA and 15CB Certifications
- Automated tool for collection and review of 15G/15H forms
- Access to 15G/H report, TDS return and SFT Report

Tax Technology

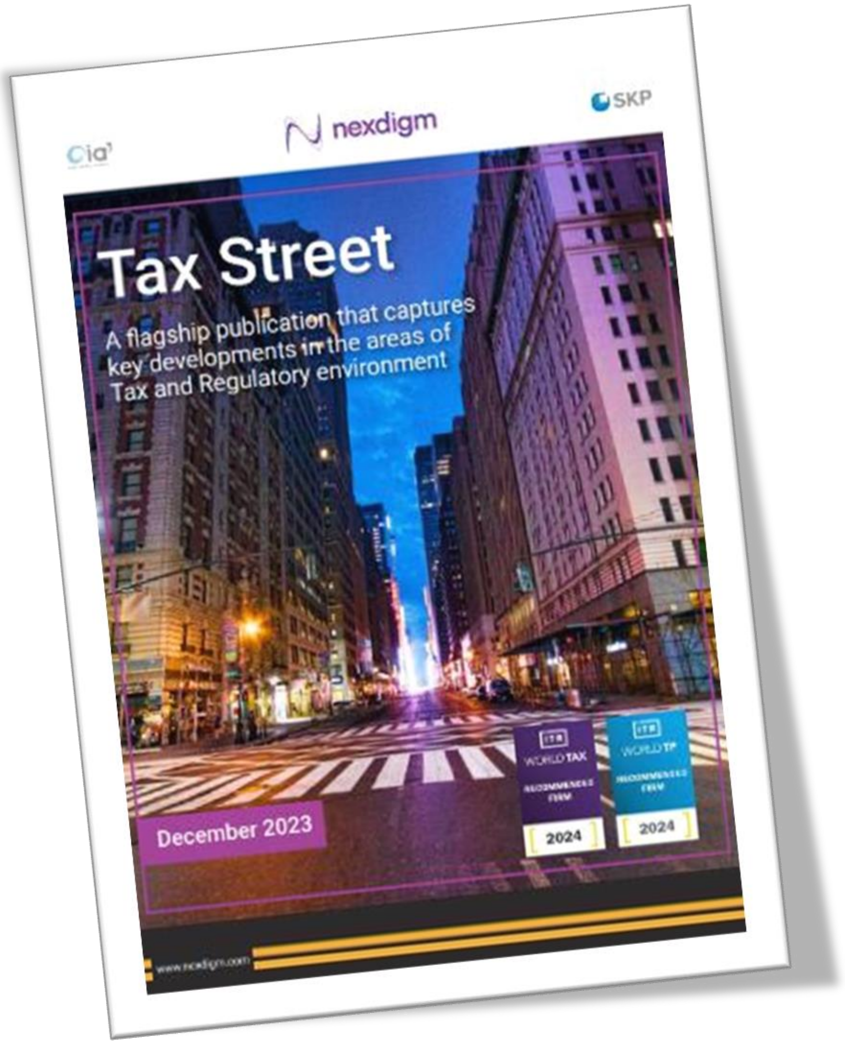
GST Compliance Management

Nexdigm presents **SimplifiedGST** as an automated approach for efficient compliance management. This integrated solution, operated by our in-house experts, delivers results agnostic of industry. Our client-centric team eases the compliance burden with a solution that has been developed after in-depth research.

- GSTR-1
- ITC Reconciliation
- GSTR-3B
- Refunds

26AS Reconciliation Solution

- Reduces manual errors and discrepancies in TDS/TCS credits
- Efficient management of TDS/TCS credits
- Enhanced visibility and control over transactions and exception-handling processes
- Streamlined tax compliance and audit readiness
- Technology-based approach to improve tax reporting and analytics



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