Evolve.
Emerge.
Establish.

Union Budget 2024-25

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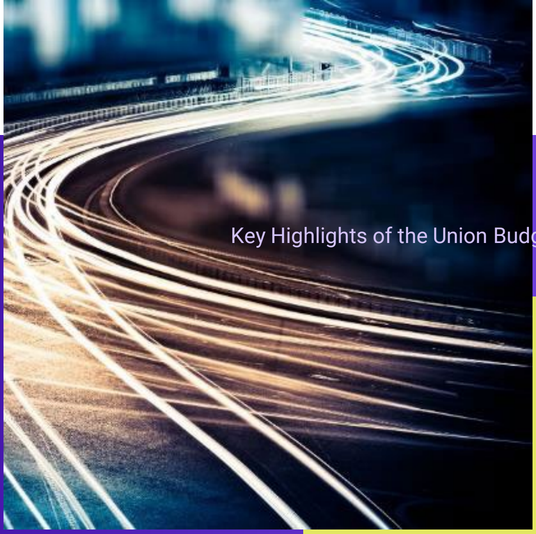


Foreword

The Union Budget 2024 represents a pivotal moment in India's economic journey. The new government has presented a detailed roadmap for India's burgeoning future that would further solidify India's position on the global stage. This Union Budget uses the Interim Budget as a springboard and intends to stay on a growing economic trajectory, realizing its potential to be the 'shining exception.' Echoing a theme of an empowered and inclusive economy, the Union Budget steers an ambitious, people-centric agenda to address challenges and facilitate sustainable economic development towards the goal of Viksit Bharat by 2047.

The four castes 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmer), which were emphasized in the Interim Budget, will continue to be a focus under the Union Budget. With the agenda to generate ample opportunities, the Union Budget has outlined nine priorities that include productivity and resilience in agriculture, employment and skilling, inclusive human resource development and social justice, manufacturing and services, urban development, energy security, infrastructure, innovation, research and development and next generation reforms.

While the fiscal deficit is estimated at 4.9% of GDP, the government plans to reach a deficit below 4.5% next year with an endeavor to be on a declining path as a percentage of GDP. India's inflation continues to be low and stable, moving towards the 4% target. The capex outlay is 3.4% of India's GDP, the same as it was earmarked for in the Interim Budget 2024.

There is a special focus on MSMEs and manufacturing, particularly labor-intensive manufacturing. The government intends to cover financing, regulatory changes and technology support for MSMEs to help them grow and compete globally, including the Credit Guarantee Scheme for MSMEs in the manufacturing sector, new assessment models, voluntary closure of LLPs, etc.

Central to the Union Budget's vision is promoting trade and creating an enabling environment for business, emphasizing ease of doing business in India. The rules and regulations for foreign direct investment and overseas investments will be simplified to facilitate foreign investments, nudge prioritization, and promote opportunities for using Indian Rupee as a currency for overseas investments. This strategic focus not only aims to attract global investments but also nurtures indigenous entrepreneurship, fostering a vibrant ecosystem of innovation and job creation.

The direct tax proposals focus on reducing the compliance burden, promoting entrepreneurial spirit and providing tax relief to citizens. These include rationalization of capital gains with short-term gains to attract a 20% tax rate, long-term gains to attract 12.5% and an increase in the limit of exemption of capital gains. Angel tax is abolished for all investors and the corporate tax rate on foreign companies is slashed from 40% to 35%. The new tax regime is further simplified and the standard deduction for salaried employees increased from INR 50,000 to INR 75,000.

On the indirect tax front, specific customs duty proposals are recommended, including a comprehensive review of the rate structure for ease of trade, removal of duty inversion and reduction of disputes. The proposal for exemption in customs duty would affect cancer medicines, mobile industry, enhance competitiveness in marine exports, support energy transition and boost strategic sectors.

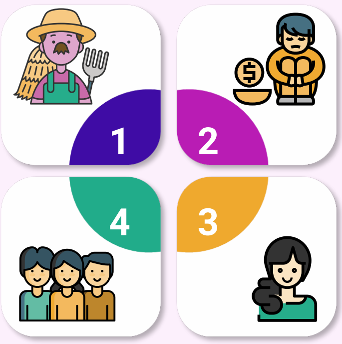
This Union Budget intends to strengthen the capabilities of the economy by facilitating ample opportunities for citizens, providing a strong impetus to growth, strengthening macroeconomic stability, and promoting the entrepreneurial spirit. There is a sense of introspection, and the approach is to strengthen, augment, and build a strategic shift to Atmanirbhar Bharat (self-reliant India). This Union Budget represents the new government's blueprint for India's bright future, leveraging its capabilities to propel economic advancement while ensuring sustainable development and inclusive progress. While all expectations may not be met, this is the first Union Budget from the new government and has clearly defined milestones on the roadmap for the pursuit of Viksit Bharat. India is at the precipice of policy evolution to emerge as a success and establish itself firmly on the global stage.

Evolve. Emerge. Establish.

Budget Theme and Economic Overview

Four Major Castes

‘Annadata’ (Farmer)



‘Garib’ (Poor)

‘Yuva’ (Youth)

‘Mahilayen’ (Women)

Budget Theme

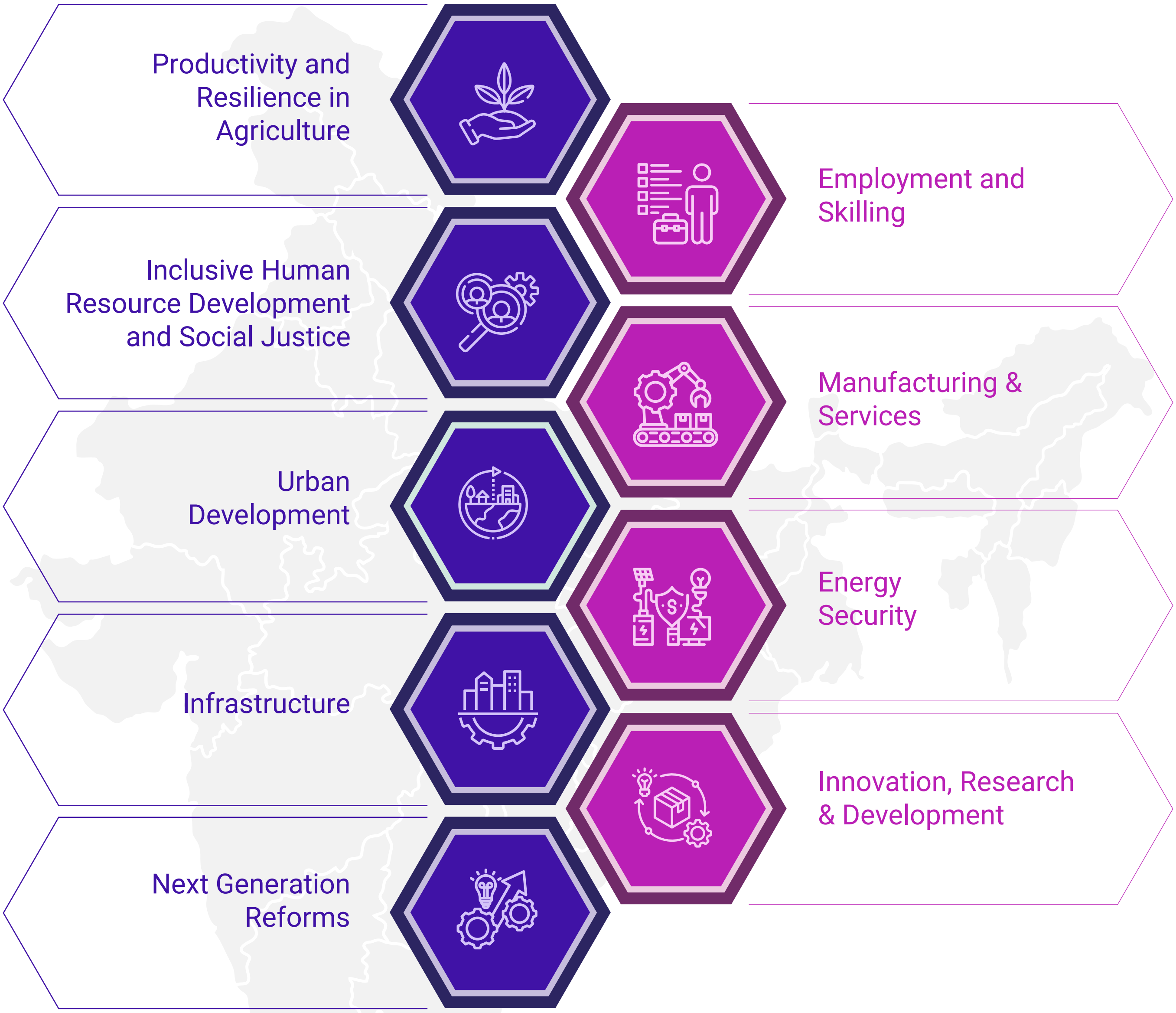
1 Employment

2 Skilling

3 MSMEs

4 Middle Class

Priorities for Viksit Bharat



In the face of palpable climate change and geopolitical challenges, India's economy continues to rise and shine. To foster sustainable growth with a focus on strong, inclusive development and all-round prosperity, the latest budget highlights nine key priorities. These priorities aim to propel India towards its goal of becoming a developed nation, a "Viksit Bharat," by 2047.

Productivity and Resilience in Agriculture

Transforming Agriculture Research

Comprehensive review of the agriculture research setup to bring focus on raising productivity and developing climate resilient varieties.

National Cooperation Policy

For systematic, orderly, and all-round development of the cooperative sector.

Vegetable Production & Supply Chain

Promotion of FPOs, cooperatives and start-ups for vegetable supply chains for collection, storage, and marketing.

Atmanirbharta

For oil seeds such as mustard, groundnut, sesame, soyabean and sunflower.

Release of New Varieties

109 new high-yielding and climate-resilient varieties of 32 field and horticulture crops will be released for cultivation by farmers.

Natural Farming

- 10 million farmers across the country will be initiated into natural farming, supported by certification and branding, in the next two years.
- 10,000 need-based bio-input resource centres to be established.

Shrimp Production and Export

Financing for Shrimp farming, processing, and export will be facilitated through NABARD.

Digital Public Infrastructure (DPI)

- DPI for coverage of farmers and their lands in three years.
- Digital crop survey in 400 districts.
- Issuance of Jan Samarth-based Kisan Credit Cards.

Employment and Skilling

Scheme A: First Timers

- One-month wage to new entrants in all formal sectors in three installments up to INR 15,000.
- Expected to benefit 21 million youth.

Scheme B: Job Creation in Manufacturing

- Linked to first-time employees.
- Incentive to both employee and employer for EPFO contributions in the specified scales for the first four years.
- Expected to benefit 3 million youth.

Scheme C: Support to Employers

- Government will reimburse EPFO contributions of employers up to INR 3000 per month for two years for all new hires.
- Expected to generate 5 million jobs.

PM's Package (4th Scheme)

Skilling Programme

- 2 million youth will be skilled over five years.
- 1,000 Industrial Training Institutes will be upgraded in hub and spoke arrangements with outcome orientation.
- Course content and design are aligned with the skill needs of the industry.

Inclusive Human Resource Development and Social Justice

Purvodaya: Vikas bhi Virasat bhi

- Plan for endowment-rich states in the eastern parts covering Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh for generation of economic opportunities to attain Viksit Bharat.
- Amritsar Kolkata Industrial Corridor with the development of an industrial node at Gaya.

Allocation of more than USD 35 billion for schemes benefitting women and girls

Pradhan Mantri Janjatiya Unnat Gram Abhiyan

Improving the socio-economic condition of tribal communities covering 63,000 villages, benefitting 50 million tribal people.

More than 100 branches of India Post Payment Bank will be set up in the North East region Not sure to include this – As it includes Andhra Pradesh

Andhra Pradesh Reorganization Act

- Financial support of USD 1.8 billion will be arranged in FY 24- 25.
- Completion of the Polavaram Irrigation Project, ensuring the food security of the nation.
- Essential infrastructure such as water, power, railways, and roads in the Kopparthy node on the Vishakhapatnam-Chennai Industrial Corridor and Orvakal node on Hyderabad-Bengaluru Industrial Corridor.

Manufacturing & Services

Mudra Loans

- The limit enhanced to 2 million from the current 1 million under the 'Tarun' category.

PM's Package (5th Scheme)

- Scheme for providing internship opportunities in 500 top companies to 10 million youth in five years.
- Allowance of INR 5000 per month along with one-time assistance of INR 6,000 through the CSR funds.

Urban Development

Stamp Duty

Encouraging states to lower stamp duties for properties purchased by women opportunities to attain Viksit Bharat.

Street Markets

Envisioning a scheme to develop 100 weekly 'haats' or street food hubs in select cities.

Transit Oriented Development

Transit Oriented Development plans for 14 large cities with a population above 3 million.

Water Management

Promote water supply, sewage treatment, and solid waste management projects and services for 100 large cities through bankable projects.

Housing Needs

- PM Awas Yojana Urban 2.0 - Needs of 10 million urban poor and middle-class families will be addressed with an investment of USD 121.95 billion.
- Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability will also be put in place.

Energy Security

PM Surya Ghar Muft Bijli Yojna

- 10 million Households obtain free electricity.
- Up to 300 Units every month.
- 12.8 million Registrations and 1.4 million applications so far.

Initiatives with private sector in Nuclear Energy

- Setting up Bharat Small Reactors.
- R&D of Bharat Small Modular Reactor and newer technologies for nuclear energy.

Energy Audit

- Financial support for shifting of micro and small industries to cleaner forms of energy.
- Facilitate investment-grade energy audit in 60 clusters; next phase expands to 100 clusters.

Pumped Storage Policy

For electricity storage and facilitation of smooth integration of the growing share of renewable energy.

AUSC Thermal Power Plants

- A joint venture between NTPC and BHEL will set up a full-scale 800 MW commercial plant.

Infrastructure

- Provision of USD 1.35 trillion for infrastructure (3.4% of GDP).
- USD 18.29 billion to states as long-term interest-free loans to support resource allocation.
- Phase IV of PMGSY will be launched to provide all-weather connectivity to 25,000 rural habitations.

Irrigation and Flood Mitigation

- Financial support for projects with an estimated cost of USD 14.02 billion, such as the Kosi-Mechi intra-state link and 20 other ongoing and new schemes.
- Assistance for flood management and related projects in Assam, Sikkim and Uttarakhand.
- Assistance for reconstruction and rehabilitation in Himachal Pradesh.

Tourism

- Development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor modeled on Kashi Vishwanath Temple Corridor.
- Comprehensive development initiative for Rajgir will be undertaken, which holds religious significance for Hindus, Buddhists, and Jains.
- The development of Nalanda as a tourist center, besides reviving Nalanda University to its glorious stature.
- Assistance to the development of Odisha's scenic beauty, temples, monuments, craftsmanship, wildlife sanctuaries, natural landscapes, and pristine beaches, making it an ultimate tourism destination.

Innovation, Research & Development

- Operationalization of the Anusandhan National Research Fund for basic research and prototype development. Priorities for Viksit Bharat Innovation, Research & Development.
- Private sector-driven research and innovation at commercial scale with a financing pool of USD 12.2 billion.
- Space Economy: A venture capital fund of USD 1.22 billion is to be set up.

Next Generation Reforms

Rural and Urban land-related actions

- Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands.
- Survey of map sub-divisions as per current ownership.
- Linkages to the farmers' registries.
- Digitization of cadastral maps.
- Establishment of land registry.
- Land records in urban areas will be digitized with GIS mapping.

Taxonomy for climate finance

Enhancing the availability of capital for climate adaptation and mitigation-related investments.

FDI and Overseas Investments

Simplified to facilitate FDIs and promote opportunities for using Indian Rupee as a currency for overseas investments.

NPS Vatsalya

- A plan for contribution by parents and guardians for minors.
- Improvement of data governance, collection, processing, and management of data and statistics.

New Pension Scheme (NPS)

- A solution that addresses the relevant issues, protects the common citizen and maintains fiscal prudence will be formed.

GDP Growth

According to the World Economic Outlook (WEO), April 2024, of the International Monetary Fund (IMF), the global economy registered a growth of 3.2% in 2023, marginally lower than in 2022 and the average for 2011-19 but higher than the projection of 2.8% as per the April 2023 WEO.

India's real GDP grew by 8.2% in FY24, continuing a trend of over 7% growth for the third consecutive year. This growth was driven by stable consumption demand and steadily improving investment demand.

On the supply side, gross value added (GVA) at 2011-12 prices grew by 7.2% in FY24, with growth remaining broad-based. Net taxes at constant (2011-12) prices grew by 19.1% in FY24, aided by reasonably strong tax growth, both at the center and state levels, and rationalization of subsidy expenditure.

Inflation

With the commitment of the Reserve Bank of India (RBI) to the goal of price stability and policy actions by the Central Government, India successfully managed to keep retail inflation at 5.4% in FY24, the lowest level since the COVID 19 pandemic period.

In 2023, India's inflation rate was within its target range of 2 to 6%. Compared to advanced economies like the USA, Germany, and France, India had one of the lowest deviations from its inflation target in the triennial average inflation from 2021-2023. Despite the challenges posed by global demand-supply imbalances due to ongoing geopolitical tensions, India's inflation rate was 1.4% points below the global average in 2023.

The RBI and the IMF have projected that India's consumer price inflation will progressively align towards the inflation target in FY26. Assuming a normal monsoon and no further external or policy shocks, the RBI expects headline inflation to be 4.5% in FY25 and 4.1% in FY26. IMF10 has projected an inflation rate of 4.6 percent in 2024 and 4.2% in 2025 for India.

Trade

India's share in global goods exports was 1.8% in FY24, against an average of 1.7% during FY16-FY20. Similarly, India's share in global services exports rose to 4.3% in FY23 from an average of 3.3% during FY16-FY20.

India's overall exports (merchandise and services) have been growing on a secular basis since FY17 for almost three years. The positive momentum extended into FY23, with India's overall exports crossing USD 776 billion. Overall imports also increased to USD 898 billion in FY23 compared to USD 760.1 billion in FY22.

Despite persistent global challenges, overall exports in FY24 surpassed the FY23 record, growing by 0.23%, and overall imports in FY24 declined by 4.9% despite robust domestic demand.

Fiscal Deficit

The fiscal deficit of the Union Government has been brought down from 6.4 % of GDP in FY23 to 5.6% of GDP in FY24, according to provisional actuals (PA) data released by the Office of Controller General of Accounts (CGA).

Significant fiscal consolidation post-pandemic could be achieved largely due to buoyant revenues. Revenue receipts of the union government consisting of tax revenue (net to centre) and non-tax revenue (NTR) increased YoY by 14.5% in FY24 (PA), with robust growth in both tax and non-tax revenues.

Preliminary unaudited estimates of finances for a set of 23[1]states, published by the Comptroller and Auditor General of India, suggest that the gross fiscal deficit of these 23 states was 8.6% lower than the budgeted figure of USD 110 billion. This implies that fiscal deficit as a percent of GDP for these states came in at 2.8 % as against a budgeted 3.1%.

Increase in Taxpayers and Collections

The efficiency of tax collection has increased over time, reflected in the cost of collection of direct taxes declining from 0.66% of gross collections in FY20 to 0.51% in FY23.

Gross Tax Revenue (GTR) growth was estimated to be 13.4% in FY24, with a significant contribution from direct taxes.

Indirect tax growth, particularly GST, was driven by a 12.7% increase in collections.

1. *The 23 major states are: Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Tripura, Uttar Pradesh, Uttarakhand, and West Bengal.*

Foreign Investment

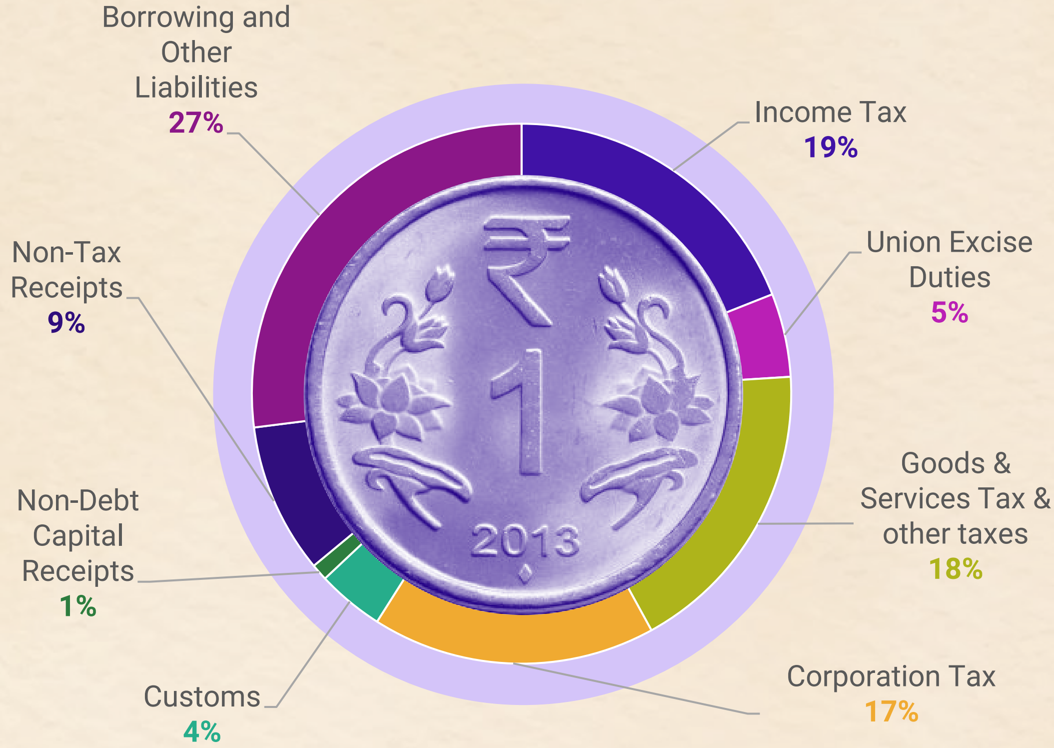
Net FDI inflows to India declined from USD 42.0 billion during FY23 to USD 26.5 billion in FY24. However, gross FDI inflows moderated by only 0.6% in FY24.

Foreign Exchange Reserves

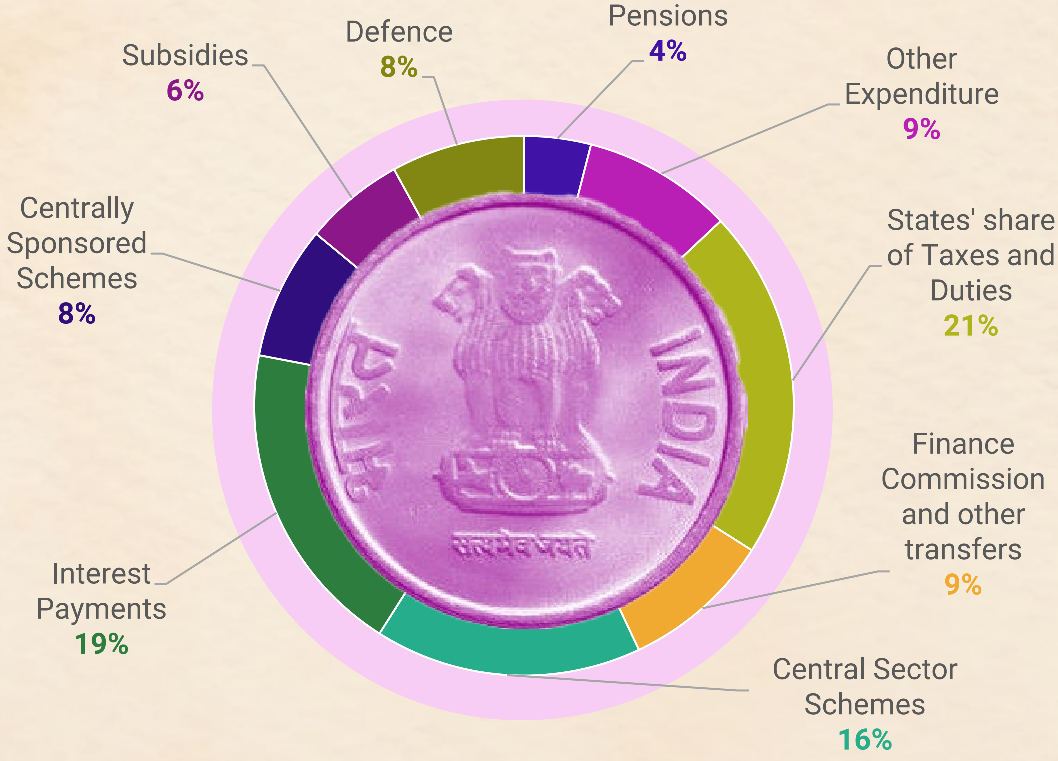
India's foreign exchange reserves increased by USD 68 billion in FY24, reaching USD 653.7 billion. This level of reserves is sufficient to cover more than ten months of projected imports for FY25 and more than 98% of total external debt.

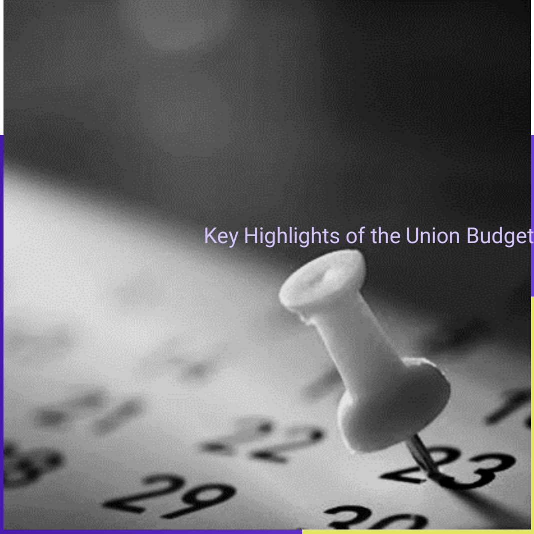
During FY24, India's FER increased by USD 68 billion, the highest increase among major foreign exchange reserves-holding countries. FER stood at USD 653.7 billion on 21 June 2024, enough to cover more than ten months of imports projected for FY25 and more than 98% of total external debt outstanding at the end of March 2024.

RUPEE COMES FROM



RUPEE GOES TO





Key Direct Tax Proposals

Personal Income Tax

- No change under the old regime.
- Changes proposed in the new tax regime for individuals/Hindu Undivided Family (HUFs):
  - The standard deduction limit proposed to be increased from INR 50,000 to INR 75,000.
  - The family pension deduction limit proposed to be increased from INR 15,000 to INR 25,000.
  - NPS deduction proposed to be included. Furthermore, the limit of deduction proposed to be increased from the existing 10% to 14%.
  - Credit of TCS proposed to be granted while calculating TDS on Salaries.
  - Credit of TCS in the hands of minor proposed to be available for the parent, provided the income is clubbed.

Proposed slab rates under the new regime

Total Income	Revised slab rates
Up to INR 0.3 million	NIL
From INR 0.3 million to INR 0.7 million	5%
From INR 0.7 million to INR 1 million	10%
From INR 1 million to INR 1.2 million	15%
From INR 1.2 million to INR 1.5 million	20%
Above INR 1.5 million	30%

Corporate Income Tax

- No change in corporate income tax rate for domestic companies.
- The above amendments are proposed to be effective from 1 April 2024.

Non-residents

- With effect from 1 April 2024, it is proposed to reduce the corporate income tax rate of Foreign Companies from 40% to 35%.
- With effect from 1 April 2024, a specific tax regime is proposed to be introduced for non-residents engaged in domestic cruise ships wherein 20% of the total receipts is proposed to be considered as income of the cruise line subject to fulfillment of prescribed conditions. Furthermore, lease rentals received by non-residents are also proposed to be exempted from tax up to 31 March 2030.
- It is proposed to abolish the Equalization Levy on e-commerce transactions. The said amendment is proposed to be effective 1 August 2024.

Penalty for failure to submit a statement by the Liaison Office

- A non-resident with a Liaison Office in India is required to furnish a statement with respect to its annual activities within 60 days from the end of the financial year. Till date, there are no penal consequences for non/late furnishing of such a statement.
- In order to ensure better compliance, it is proposed to levy a penalty of INR 1000 per day for failure to furnish the statement upto three months and INR 100,000 in case the failure continues beyond three months.

- Immunity from penalty is proposed to be made available where the taxpayer proves reasonable cause for failure.
- The above amendments are proposed to be effective from 1 April 2024.

Our Comments

It is clearly evident that the government is promoting the new regime and is looking to phase out most of the deductions and exemptions.

While there is no change in the tax rates of domestic companies, a reduction in the Foreign corporate tax rate is a welcome move. Furthermore, in order to promote tourism, the government has proposed a presumptive tax regime for Foreign Companies operating domestic cruise ships.

Also, the proposition to abolish the Equalization Levy on e-commerce transactions is a welcome move and would reduce the compliance burden on non-resident taxpayers.

Simplification, Widening and Deepening of Tax Base and Anti-Avoidance

Income from letting out of residential house

- Many taxpayers have been reporting rental income from letting out residential houses as Business Income and claiming higher deductions.
- In order to curb such malpractice, it is proposed that rental income from residential property be specifically excluded from the computation of business profits and considered as house property income.
- The above amendments are proposed to be effective from 1 April 2024.

Claim of settlement amounts as business expenditure

- In the course of carrying out business, taxpayers may incur expenses in the nature of settlement claims, which could be on account of contravention of law.
- The tax laws specifically disallow the deduction of expenses in violation of law. It is proposed to specifically include such settlement expenses a being in the nature of expenditure in respect of an offense which is prohibited by law.
- The above amendments are proposed to be effective from 1 April 2024.

Increase in limit of remuneration to working partners of a firm

- The limits for deduction of remuneration to working partners have remained unchanged for more than a decade. In order to rationalize the same, the limits for deduction are proposed to be amended:

Existing Limits	Proposed Limits
On the first INR 300,000 of the book profit or in case of a loss - INR 150,000 or 90 percent of book profit, whichever is higher	On the first INR 600,000 of the book profit or in case of a loss - INR 300,000 or 90 percent of book profit, whichever is higher
On the balance of the book profit - 60 percent of book profit	On the balance of the book profit - 60 percent of book profit

- The above amendments are proposed to be effective from 1 April 2024.

Our Comments

The government is very clear on expenses that it does not wish to allow as deductions. It had recently included payments by Pharma companies to medical professionals as being in contravention of law and has now proposed to include settlement claims on similar lines.

Buy-back of shares

- Since 2013, shareholders have been treating the proceeds received on the buy-back of shares as exempt as the company has been bearing the tax on such transactions at the rate of 20%++. This was akin to Dividend Distribution Tax (DDT).
- However, in 2020, the government abolished the DDT and made dividends taxable in the hands of the shareholders. On similar lines, it is now proposed to treat the buy-back of shares as dividend income in the hands of recipient without allowing any deduction for expenses.
- The cost of acquisition of such shares is proposed to be allowed as a capital loss to be set off against capital gains in that year/subsequent years.
- The above amendments are proposed to be effective from 1 October 2024.

Corporate Gifting

- Taxpayers have been considering that the gift of shares by corporates is not liable to capital gains tax. In order to plug the loophole, it is proposed to restrict the exemption of capital gains to Individuals and HUFs only.
- The above amendments are proposed to be effective from 1 April 2024.

Sunset of Angel Tax

- Angel tax basically treats investments received by unlisted companies or start ups, in excess of the FMV, as income from other sources. The rationale behind introduction of angel tax was to curb parking of black money and prevent inflow of huge unaccounted funds by way of investments in companies by paying a high purchase price.
- Introduction of angel tax had brought about a lot of unhappiness in the investor community, and it was felt that this was creating issues in raising funds by start ups.
- It is now proposed to abolish angel tax to boost the start up eco system and encourage the upcoming entrepreneurs.
- The above amendment is proposed to be effective from 1 April 2024.

Capital Gains - Period of Holding and Rate of Tax

In order to rationalize the taxability of capital gains, the government has proposed to bring down the period of holding and amend the tax rates as under:

Nature of asset/Class of asset	Long-term Captial Gains (LTCG)		Short-term Capital Gains (STCG)	
	Rate of tax	Period of holding	Rate of tax	Period of holding
Listed Securities – equities shares, units of equity-oriented MFs and units of business trust)	12.5%*	> 12 months	20%	< = 12 months
Listed bonds and debentures	12.5%*	> 12 months	Slab rates	< = 24 months
Unlisted shares (including foreign shares), Immovable property (land, building, house) and Gold/Bullion and any other non-financial assets	12.5% (without indexation)	> 24 months	Slab rates	< = 24 months
Unlisted debentures/bonds/MLDs and specified MFs**	Slab rates (irrespective of holding period)			

**Exempt up to INR 125,000*

***Includes funds which invest 65% or more of total proceeds in Debt Oriented MFs.*

With respect to equity shares transferred under Offer for Sale (OFS) where Securities Transaction Tax (STT) is paid only at the time of transfer, the cost of acquisition is proposed to be considered as FMV as of 31 January 2018.

Cost inflation index benefit is to be made available from the date of acquisition or 1 April 2001, whichever is later upto FY 2017-18.

The above amendments are proposed to be retrospectively applied from FY 2017-18 onwards.

Our Comments

While the government has proposed to grant relief to angel investors on one side, it proposes to abolish indexation benefits on long-term capital gains.

Further, it is proposed to widen the tax base by bringing corporate gifting and buy-back within its ambit. It will be interesting to see if taxpayers are able to claim a deduction of dividends paid against the buy-back proceeds treated as dividends. Also, one will need to see if a beneficial rate under the tax treaty shall be available on such dividend income in the case of non-resident taxpayers.

Also, the rationalization of a period of holding of capital assets may be a welcome move. However, an increase in tax rates on both short-term as well as long-term capital gains could hit hard to taxpayers. While the period of holding for all capital assets is reduced to 12/24 months, no clarity with regard to the period of holding in case of a slump sale is provided.

Tax Deduction and Collection at Source

Section	Current	Proposed	Applicability
Section 194D - Insurance commission	5%	2%	1 April 2025
Section 194DA - Life insurance policy	5%	2%	1 October 2024
Section 194G - Commission, etc., on sale of lottery tickets	5%	2%	1 October 2024
Section 194H - Payment of commission or brokerage	5%	2%	1 October 2024
Section 194M - Payment of certain sums by certain individuals or HUF	5%	2%	1 October 2024
Section 194-O - E-commerce payment	1%	0.1%	1 October 2024
Section 194F Repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1 October 2024
Section 194-IB - Rent by certain individuals or HUF	5%	2%	1 October 2024
Section 194T – Remuneration, Salary, interest, bonus to Partner by partnership firm	NIL	10%	1 April 2025
Section 193 – Any income to a resident by way of interest on Securities {Extended to Floating Rate Savings (Taxable) Bonds (FRSB) 2020}	NIL	10%	1 October 2024

- In order to remove the ambiguity on the TDS rate for certain payments that could be considered contracts for work or professional fees, it is proposed that the definition of work be amended to specifically exclude professional fees.
- In order to ease the cash flow of taxpayers, it is proposed to expand the scope of obtaining lower tax deduction/collection certificates for the purchase and sale of goods.
- At present, there is a requirement to deduct tax on consideration towards the acquisition of immovable property in excess of INR 5 million. Taxpayers have been interpreting the limit of INR 5 million per buyer. It is proposed that the said provision be amended to explicitly cover a total consideration of INR 5 million, irrespective of the number of buyers.
- The above amendments are proposed to be effective from 1 October 2024.
- It is proposed that the time limit be reduced from seven years to six years to pass the assessment order for non-deduction of taxes. Furthermore, it is also proposed to align time limits in case of non-residents on the same lines as applicable for residents. Similar provisions have been proposed even for TCS. The above amendments are proposed to be effective from 1 April 2024.
- It has been proposed that a time limit for filing correction statements with respect to TDS and TCS returns be introduced to six years from the end of the financial year in which the return is filed.
- Currently, TCS is applicable on the sale of motors in excess of INR 1 million. It is now proposed that TCS provisions be extended on the purchase of luxury goods (to be notified) above INR 1 million at the rate of 1%. The above amendments are proposed to be effective from 1 January 2025.

Our Comments

As stated by the Finance Minister during the Interim Budget, the provisions of TDS/TCS are scattered and need a revamp. In order to rationalize the provisions, a number of changes have been proposed.

Furthermore, in keeping up with its goal of widening the tax base and casting the onus on the taxpayers, the government has now proposed to include the partner's remuneration for purposes of TDS.

Penalties and Prosecution

Penalty for furnishing inaccurate statement of financial transaction

Under the existing provisions, a penalty of INR 50,000 is prescribed for furnishing inaccurate statements of Specified Financial Transactions.

It is proposed to rationalize the conditions for the levy of penalty and the same shall apply only in cases where

a) inaccurate information is furnished in the statement;

b) there is a failure to comply with due diligence requirements.

Immunity from penalty is proposed to be made available where the taxpayer proves reasonable cause for failure.

This amendment is proposed to be effective from 1 October 2024.

Penalty for failure to furnish TDS/TCS Statements

- Under the existing provisions, no penalty is levied for failure to file a TDS/TCS return if the taxpayer proves that the statements are filed before the expiry of one year from the time prescribed for furnishing such statements and the due taxes and interest/fees are paid.
- In order to rationalize, it is proposed that the period of one year be reduced to one month.
- This amendment is proposed to be effective from 1 April 2024.

Period of limitation for imposing penalties

- Under the existing provisions, no order imposing penalty can be passed after the expiry of the financial year in which the proceedings are completed or six months from the end of the month in which the appellate order is received by the prescribed authority, whichever is later.
- In view of the e-proceedings and to bring in rationalization, it is proposed to omit the reference of the date of receipt of the order. Thus, the period of limitation in respect of penalty orders would be from the date of the order itself.
- This amendment is proposed to be effective from 1 October 2024.

Prosecution in case of failure to pay TDS

- Under the existing provisions, where a taxpayer fails to deposit the TDS, the same is considered as a punishable offense with rigorous imprisonment for a term that shall not be less than three months but which may extend to seven years with a fine.
- It is proposed that an exemption from prosecution be provided if the payment of TDS is made before the due date of furnishing the TDS statements with respect to the specified quarter.
- This amendment is proposed to be effective from 1 October 2024.

Our Comments

The proposition of removal of prosecution proceedings on delayed payment of TDS is a welcome move and would give some relief to the taxpayers.

Improving the Effectiveness of Tax Administration

Rationalization of Re-assessment Proceedings

- Re-assessment provisions were amended recently with effect from 1 April 2021. However, in order to further reduce the time limit for issuance of notices and completion of re-assessment proceedings and to provide ease of doing business to the taxpayers, it is proposed that these provisions be amended further.
- The time limit for re-assessment proceedings is proposed to be revised and reduced from the existing ten years to five years three months where income escaping assessment exceeds INR 5 million and in other cases, the time limit is extended from existing three years to three years three months.
- This amendment is proposed to be effective from 1 September 2024.

Introduction of Block Assessments

- Block assessment and requisition provisions were amended in 2021 to be restricted to search and requisition initiated on or before 31 March 2021.
- It is now proposed that a new scheme for block assessments be re-introduced in search and seizure cases, effective from 1 September 2024.

Rationalization of filing of Direct Tax Appeals

- It is proposed to amend the monetary limits for filing Direct Tax appeals against various forums as under:

Appellate Forum	Existing Limit (in INR)	Revised Limit (in INR)
Income Tax Appellate Tribunal (ITAT)	5 million	6 million
High Court	10 million	20 million
Supreme Court	20 million	50 million

- It is proposed to extend the time limit for filing an appeal before the ITAT from the existing 60 days from receipt of communication to two months from the end of the month in which the order is received.

Powers of Appellate Commissioner expanded

- Currently, there is no provision for the Appellate Commissioner to directly set aside the order passed by the Assessing Officer.
- In order to reduce the pendency of cases, it is proposed that the Appellate Commissioner can direct the Assessing Officer for fresh assessment.
- It is further proposed to have a fixed timeline for completion within 12 months from the end of FY in which the order of the Appellate Commissioner is received.

Inclusion of Black Money Act for obtaining tax clearances

- Presently, to provide a tax clearance certificate, tax authorities consider liabilities under various provisions of law. However, Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act) are not considered.
- It is now proposed to include liability under the Black Money Act for the purposes of approving the tax clearance certificate required for leaving India.

No Dispute but Trust Scheme - 'Vivad Se Vishwas' Scheme

- Under the proposed scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get a complete waiver of interest and penalty provided he pays by 31 December 2024. Those who avail of this scheme after 31 December 2024 will have to pay an additional tax over and above the disputed tax, subject to conditions.
- Taxpayers in whose cases litigation at various forums is pending can benefit from this scheme.

Our Comments

The government is putting in its best efforts to rationalize various provisions and bring down litigation. The Vivad se Vishwas Scheme would further reduce litigation and unlock sizable revenue for the government.

Transfer Pricing

Providing Certainty to MNCs and Reducing Transfer Pricing Litigation

- The government aims to make safe harbor provisions more attractive to MNCs. Detailed rules are expected to be announced, focusing on expanding transaction coverage, reducing mark-ups, and simplifying administration.
- Scope of Transfer Pricing Officers expanded to cover Specified Domestic Transactions not reported in Form No. 3CEB
- Thin Capital provisions under Section 94B to now exclude Finance Company located in IFSC. Earlier, the exclusion was for an Indian Company or a PE engaged in banking or insurance business; or notified Non-Banking Financial Corporations (NBFCs).
- Under secondary adjustment provisions, if the amount of the primary adjustment is not repatriated within the prescribed time, the taxpayer has the option to pay an additional tax of 18% on the primary adjustment. A surcharge of 12% will now be levied on this additional tax, resulting in an effective tax rate of 20.16%.

Key Indirect Tax Proposals

Goods and Services Tax (to be made effective from a date to be notified)

Amnesty for the period 1 July 2017 to 31 March 2020 or part thereof

Amnesty has been made applicable to the following scenarios in matters other than wilful misstatement or suppression of facts:

- SCNs without demand orders.
- Unappealed demand orders or pending appeals at the Commissioner level.
- Commissioner (Appeal) orders are not appealed to Goods and Services Tax Appellate Tribunal (GSTAT) or pending at GSTAT.

Amnesty would also extend to cases initially deemed willful but later reclassified as non-willful by the Appellate Authority or the Court.

Conditions prescribed to avail of this amnesty are as follows:

- Pay full taxes demanded in the notice or appeal, as the case may be, before such notified date (GST Council had prescribed 31 March 2025 as the notified date).
- Any appeal or writ filed by the taxpayer against the demand order needs to be withdrawn before the notified date.
- If any GST officer has filed an appeal either with any appellate authority or the Court, an additional amount of tax payable arising out of the final order therein needs to be paid within three months from the date of the said order.

Salient features:

- Full waiver from payment of interest and penalty applicable otherwise.
- However, if the interest and/or penalty are already discharged prior to this amnesty being introduced, no refunds shall be granted.
- The Scheme shall not be applicable in cases related to erroneous refunds.
- Once the benefit under this Scheme is taken, later, no appeals can be filed against the demand order.

Our Comments

While the said amendment may be considered as a taxpayer-friendly measure, few may consider this to be a little too late. A number of taxpayers would have already paid interest and penalties on past demands pertaining to the amnesty period. The absence of opportunity to contest partial demand and while paying off the rest of the amount slightly steals the show, making this welcoming provision short of being called a 'magnus opus'.

Litigation related

Demand notices are to be issued for the period up to FY 2023-24 in cases involving fraud and other than fraud, may be issued under the provisions of Section 74 and Section 73 of the CGST Act.

A new section has been inserted in the CGST Act, which provides for the issuance of demand notices for the period starting from FY 2024-25, irrespective of whether the charges of fraud, wilful misstatement or suppression are invoked or not.

Furthermore, the limitation period of 42 months (from the due date of filing of annual return or from the date of receipt of erroneous refund) has been provided for issuing demand notices in cases involving fraud and other than fraud.

However, penalties in fraud cases have been kept higher than in cases not involving fraud.

The existing time limit of 30 days has been extended to 60 days to avail the benefit of reduced penalty in cases involving fraud and those not involving fraud in the newly inserted section.

Demand order to be issued within 12 months from the date of issuance of notice (as against currently applicable timelines of three months and six months in case of non-fraud and fraud cases, respectively).

The penalty is to be re-determined in cases where it is established by the higher level of adjudicating authorities that there was no fraud or wilful misstatement or suppression of facts for cases where demand notices are issued as per the newly inserted Section 74A.

Our Comments

The amendment proposes to simplify the initiation of scrutiny as well as recovery proceedings by consolidating the existing provisions under Sections 73 (other than fraud) and 74 (involving fraud).

The taxpayers have also been extended the benefit of reduced penalties, even after the conclusion of adjudication proceedings (in cases involving fraud), which would certainly mitigate the impact on working capital.

However, the amendment extends the investigation period for honest taxpayers by nine months while shortening it for fraudulent ones by 12 months. This change may be frustrating for law-abiding taxpayers.

Furthermore, the effect of insertion of Section 74A has been duly provided in other provisions of the GST law such as composition levy, input service distribution (ISD), ineligible credit, i.e., blocked ITC, maintenance of accounts and records, payment of tax/interest/penalty, TDS, TCS, assessment of non-filers of returns and unregistered person, summary assessment, audit by tax authorities, special audit, void of advance ruling, power to impose a penalty.

Appeals related

- Maximum pre-deposit to be paid while filing an appeal before the First Appellate Authority has been reduced from existing INR 250 million to INR 200 million under the CGST Act.
- Pre-deposit to be paid while filing an appeal before the Appellate Tribunal has been reduced from existing 20% to 10%. The maximum pre-deposit amount has been further reduced from existing INR 500 million to INR 200 million.
- Similar provisions have been inserted in the IGST Act.
- The time limit for filing appeals before the Appellate Tribunal has been amended to avoid the appeals from getting time barred owing to the non-operation of Appellate Tribunals.

Our Comments

These revisions will encourage taxpayers to pursue appeals before the appellate forums. However, this can also lead to piling up of cases, which in turn could lead to delayed justice.

ITC relaxation for the period July 2017 to March 2021

Relaxation is provided by allowing ITC of FY 2017-18, 2018-19, 2019-20 and 2020-21 to be availed in any return filed up to 30 November 2021.

Our Comments

This amendment seems to follow the decision of the High Courts, which have held that the amendment to Section 16(4) w.e.f. October 2022, extending the time limit to avail ITC is procedural in nature and, hence, should apply retrospectively.

While the said amendment should aid the taxpayers who had claimed the ITC belatedly, the same may prove to be futile for those who have already reversed the ITC along with interest and penalty (wherever applicable).

Further relaxation is provided where GST registration is canceled and subsequently revoked. The person will be eligible to claim ITC for the period between the date of cancellation and the date of revocation, provided the ITC is claimed by reporting in GSTR-3B within 30 days from the revocation of the cancellation of registration.

Regularisation of trade practices

The government has been empowered to regularize duties that were not levied or short-levied as a result of general practice under the GST Acts.

Our Comments

This amendment should validate the decisions taken by the GST Council to regularise vexatious issues on 'as is where is' basis, where disputes had arisen on account of general trade practices such as in the case of taxability of supplies by ice cream parlors, supply of raw cotton by agriculturists to cooperatives, GST rates on desiccated coconut, fish soluble paste, etc.

Self-invoicing

The provision relating to self -invoicing for RCM inward supplies is amended to incorporate a time limit within which such self-invoices can be raised. However, the time limit is yet to be prescribed.

The time of supply for supplies on which tax is to be paid on a reverse charge basis is amended and will be the earliest of the following:

a. the date of payment;

b. the date immediately following 60 days from the date of issue of the invoice by the supplier, where the invoice is required to be issued by the supplier; or

c. the date of issue of the invoice by the recipient in cases where the invoice is to be issued by the recipient.

Restriction on refunds for goods subject to export duty

The provision that disallowed the refund of unutilized input tax credit in instances where goods exported from India were subject to export duty has been omitted. However, the section has been amended to prevent the refund of unutilized input tax credit or integrated tax on the zero-rated supply of goods that are subject to export duty.

TDS returns

The provision, which previously required every registered person who deducts tax at source (TDS) to furnish a return for the month in which the deduction was made, has been amended. Now, it mandates such deductors to file returns every month, regardless of whether any deductions were made during that month.

Our Comments

This amendment aligns with other GST returns, which are filed 'nil' in cases where there are no transactions in a month.

Streamlining of penalty provisions

The penal provision is proposed to be amended to restrict its applicability to 'any electronic commerce operator who is liable to collect tax at source,' as opposed to its previous applicability to 'any electronic commerce operator'.

Other noteworthy amendments

Transitional credit: ISD can now distribute pre-GST ITC under GST, regardless of invoice date. Previously, only ITC from post-GST invoices (for services received in pre-GST era) was distributable.

With regard to anti-profiteering cases:

- GSTAT (Principal Bench) will be considered as the authority to take up requests to determine profitability or otherwise.
- A sunset clause will be introduced post which no new requests will be taken up (The GST Council had in the 53rd meeting specified the sunset clause to be 1 April 2025).

The following activities regarding co-insurance and reinsurance shall not be treated as supplies under GST:

- The lead insurer distribution of co-insurance premiums to co-insurers provided the lead insurer pays all applicable taxes on the full premium received.
- Services provided to a re-insurer on which the insurer deducts a ceding/re-insurance commission from the re-insurance premium provided re-insurer pays all applicable taxes on the full re-insurance premium, including the said commission.

If tax payments were made or ITC was reversed because the provision about Presidential powers over the Appellate Tribunal did not exist at the time, no refunds will be given to taxpayers for those payments or reversals.

Authorized representatives can now appear before the proper officer on behalf of the person summoned in compliance with summons issued under the provisions of the CGST Act.

Our Comments

This amendment would allow better representation of the summoned persons (generally the Tax Heads and Finance Controllers) before the GST authorities, thereby mitigating the scope for any twisting or misunderstanding of the statements made.

Extra Neutral Alcohol or rectified spirit has been explicitly excluded from the scope of GST when supplied for manufacturing alcoholic liquors for human consumption.

Customs

Alignment of 'country of origin' documentary requirements with new Trade Agreements

The procedure for claiming a preferential rate of duty has been tweaked to enable the acceptance of different types of proof of origin provided in the Trade Agreements. This amendment aligns with the new Trade Agreements, which provide for self-certification / self-declaration in lieu of a certificate of origin issued by authorized agencies.

"Proof of origin" shall mean a certificate or declaration issued in accordance with a trade agreement certifying or declaring, as the case may be, that the goods fulfill the country-of-origin criterion and other requirements specified in the agreement.

"Issuing Authority" would include persons designated for the purpose of issuing the proof of origin under a trade agreement.

Our Comments

This proposal is in alignment with the trade facilitation measures of new Trade Agreements being executed by India, which aim to repose faith in the transacting parties, simplify the process and reduce the time in obtaining the Certificate of Origin from the authorized agencies, thereby curtailing the time required for clearance of imported goods under preferential trade agreements.

Restrictions on MOOWR Scheme eligibility

The government has been empowered to restrict the availability of the Manufacturing and Other Operations in Warehouse Regulations (MOOWR) Scheme for certain manufacturing processes and other operations in relation to a class of goods.

Our Comments

With the withdrawal of the IGST deferment benefit and a tepid response from the industry, the government could have proposed measures to revive the Scheme, including the removal of procedural ambiguities. Instead, the Finance Bill proposes to further curtail the Scheme's benefit by empowering the government to specify certain manufacturing processes and other operations in relation to a class of goods that shall not be permitted in the warehouse.

Retrospective exemption to GST Compensation Cess for SEZs

The exemption from the whole of GST Compensation Cess on all goods imported by SEZ unit/developer for authorized operations, vide Notification No. 27/2024-Cus dated 12 July 2024, shall be applicable retrospectively from **1 July 2017, instead of 15 July 2024** as notified earlier.

Our Comments

There was much debate on the applicability of GST Compensation Cess on the import of goods by SEZs. The Andhra Pradesh High Court, in the case of Maithan Alloys vs. Union of India [TS-677-HC(AP)-2023-GST], had ruled that 'duty of customs' exempted under the SEZ Act r/w Customs Act did not cover any Cess, much less the GST Compensation Cess. This ruling was sought to have adverse implications on the SEZs importing goods exigible to Cess and thus, representations were made for retrospective exemption. While the GST Council had accepted the stand of the industry, it had earlier notified such exemption with prospective effect, thereby giving rise to further unrest.

Validation of past exemptions

- The exemption from the whole of Customs duty and Agriculture Infrastructure and Development Cess (AIDC) on import of "crude soya-bean oil" and "crude sunflower seed oil" vide Notification No. 37/2023-Cus dated 10 May 2023 will be now applicable from **1 April 2023 to 30 June 2023** (both days inclusive), which otherwise commenced from 11 May 2023 till 30 June 2023.
- This exemption is subject to the availability of unutilized quota in Tariff Rate Quota (TRQ) authorization for FY 2022-23 allotted by the DGFT and Bill of Lading issued on or before 31 March 2023.
- Furthermore, importers can claim the refund of customs duty and Agriculture Infrastructure and Development Cess (AIDC) paid between 1 April 2023 and 11 May 2023 by filing an application before the jurisdictional Assistance/Deputy Commissioner of Customs on or before 31 March 2025.

Streamlining of law provisions

The section that empowered the Central Government to levy protective duties in certain cases on the recommendations of the Tariff Commission has been omitted, as the Tariff Commission was wound up by a Resolution dated 1 June 2022.

Key Customs Rate Changes

Increase in BCD (w.e.f. 24 July 2024 unless mentioned separately)					
Sr. No.	HSN	Industry	Commodity Description	From	To
1.	3920, 3921	Plastics	PVC flex films/flex banners/flex sheets	10%	25%
2.	6601 10 00	Consumer goods	Garden umbrellas	20%	20% or INR 60 per piece, whichever is higher)
3.	9802 00 00	Chemicals	Laboratory chemicals	10%	150%
4.	2008 19 20 2008 19 30	Food Products	Other roasted nuts and seeds, including such areca nuts Other nuts, otherwise prepared or preserved, including such areca nuts	30%	150% (w.e.f. 1 October 2024)
5.	3102 30 00	Chemicals and Plastics	Ammonium Nitrate, whether or not in aqueous solution	7.5%	10%
6.	7007	Renewable Energy Sector	Solar glass for the manufacture of solar cells or solar modules	Nil	10% (w.e.f. 1 October 2024)
7.	74		Tinned copper interconnect for the manufacture of solar cells or solar modules	Nil	5% (w.e.f. 1 October 2024)
8.	8517 79 10	IT and Electronics Sector	Printed Circuit Board Assembly (PCBA) of specified telecom equipment	10%	15%

Decrease in BCD (w.e.f. 24 July 2024 unless mentioned separately)					
Sr. No.	HSN	Industry	Commodity Description	From	To
1.	Various headings	Critical Minerals	Antimony, Beryllium, Bismuth, Cobalt, Copper, Gallium, Germanium, Hafnium, Indium, Lithium, Molybdenum, Niobium, Nickel, Potash, REE, Rhenium, Strontium, Tantalum, Tellurium, Tin, Tungsten, Vanadium, Zirconium, Selenium, Cadmium, Silicon other than Quartz and Silicon Dioxide.	5%, 2.5%, 7.5%, 10%	Nil
2.	7202 60 00	Steel Sector	Ferro Nickel	2.5%	Nil
3.	7402 00 10	Copper	Blister Copper	5%	Nil
4.	3920 99 99	Chemicals and Plastics	All goods other than PVC flex films/flex banner	25%	15%
5.	30	Cancer Drugs	i. Trastuzumab Deruxtecan ii. Osimertinib, iii. Durvalumab	10%	Nil
6.	7108, 7106, 7118, 7113, 7110	Precious Metals	Gold bar, Silver bar, Coins of precious metals, Gold/Silver findings, Gold dore, Silver dore Platinum, Palladium, Osmium, Ruthenium, Iridium	15%, 14.35%, 15.4% (Inclusive of AIDC)	6%, 5.35%, 6.4% (Inclusive of AIDC)

Key Customs Rate Changes

Decrease in BCD (w.e.f. 24 July 2024 unless mentioned separately)					
Sr. No.	HSN	Industry	Commodity Description	From	To
7.	71	Precious Metals	Platinum and Palladium are used in the manufacture of noble metal solutions/compounds and catalytic converters. Bushings imported in the specified manner.	7.5%	5%
8.	8517 13 00, 8517 14 00 850440 8517 79 10	IT and Electronics Sector/ Mobile Phone	Cellular mobile phone, Charger/Adapter, PCBA of cellular mobile phone	20%	15%
9.	84, 85, or any other chapter	Renewable Energy Sector	Specified capital goods for use in the manufacture of solar cells or, solar modules and parts.	7.5%	Nil
10.	Any Chapter	Shipping	Components and consumables for use in the manufacture of specified vessels, Technical documentation and spare parts for the construction of warships	As applicable	Nil
11.		Health Cess of 5% payable on the goods falling under headings 9018, 9019, 9020, 9021 and 9022 imported by EOU/STP/EHTP units has been exempted w.e.f 24 July 2024 subject to conditions under Notification No. 52/2003-Cus dated 31 March 2003 vide Notification No. 35/2024-Cus dated 23 July 2024.			

The prevailing exemption for various commodities such as lithium-ion cells used in the manufacture of batteries and battery packs for cellular mobiles and EVs under Notification No. 50/2017-Cus now stands extended upto 31 March 2026, with certain commodities like drugs and materials, life-saving medical equipment, capital goods, raw materials and spares for repairs of ocean-going vessels stand extended till 31 March 2029.

Central Excise

Notification No. 12/2012-CE dated 17 March 2012 (although superseded) exempted central excise duty on all items of machinery, including the components and raw materials thereof supplied by specified Mega Power Projects. The said entry has been amended retrospectively to extend the time period for submission of the final Mega Power Project certificate from 120 months to 156 months. Similarly, the security in the form of a fixed deposit receipt or bank guarantee shall be for a term of 162 months.

The Clean Environment Cess, levied and collected as a duty of excise, has been exempted retrospectively on excisable goods lying in stock as of 30 June 2017, subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1 July 2017. Accordingly, Notification No. 12/2017-CE dated 30 June 2017 stands amended.

Sectoral Announcements

Agriculture and Food Processing

Overhaul of Agriculture and Allied Sector

The government has recognized the need to adapt to climate change and ensure food security by introducing 109 high-yielding and climate-resilient varieties of 32 field and horticultural crops that will be shared with the farmers. Furthermore, in the next two years 10 million farmers will be initiated into natural farming supported by certification and branding. Additionally, 10,000 need-based bio-input resource centres will be established.

Shrimp Production and Export

Financial support for setting up a network of Nucleus Breeding Centres for Shrimp Broodstocks has been declared. NABARD will be the agency that will facilitate the funding for this scheme. This will complement the government's focus on aquaculture and create a new export avenue for the fisheries industry.

Reduction in Basic Custom Duty (BCD)

India's Marine and seafood exports have been witnessing significant growth in the last few years. To continue this momentum, it has decided to reduce the input cost by reducing the BCDs on products like Shea Nuts, Prawn, Shrimp, and fish feed and their input products like Krill Meal, Fish lipid oil, and Artemia, etc.

MSME Units for Food Irradiation, Quality and Safety Testing

Financial support for setting up 50 multiproduct food irradiation units in the MSME sector has been announced. The setting up of 100 food quality and safety testing labs with NABL accreditation will also be facilitated.

Vegetable Production and Supply Chain

The government has recognized that the food supply chain is not efficient and leads to significant wastage. Hence, it has decided to establish large-scale clusters near major consumption sectors for vegetable production, collection, storage, and marketing.

Our Comments

Combining the aforementioned initiatives with the ones announced in the Interim Budget 2024 highlights the government's commitment to the holistic development of agricultural and allied sectors. The government has been pushing to increase the agriculture production and processing levels significantly. These initiatives cover the entire value chain right from production, storage, processing, quality, and branding to marketing of the products. It is crucial we utilize the demand generated through the economic boom and generate opportunities for exports as well. The emphasis on high yield and productivity gains will assist in achieving ambitious targets and exemplify the need for self-sufficiency. The FM for this budget has opted for a targeted approach across sectors in terms of providing budgetary support or reducing customs duties, which will help provide ample opportunities for growth.

Healthcare

Medical Colleges

India's doctor-to-patient is very low when compared to its OECD peers, and improving upon that is the first step in increasing access to healthcare services. Creation of new medical colleges using existing facilities trims the gestation period of those seats coming online and also brings more efficiency in the existing infrastructure. The decision to set up a committee to study and report on increasing colleges is a step in the right direction.

Cervical Cancer Vaccination

The GoI is doubling down on its policy initiative of providing the vaccination for Cervical Cancer for girls between 9-14 years by encouraging the vaccination drive by taking various measures.

Maternal and child healthcare

The upgradation of Anganwadi is going to be a significant factor in driving better health outcomes for maternal and child health. The expedited rollout of Poshan 2.0 is also going to bring more nutritional information and food to the rural and tribal areas of the country.

Mission Indradhanush

Mission Indradhanush aims to cover all those children who are either unvaccinated or are partially vaccinated against vaccine-preventable diseases. India's Universal Immunisation Programme (UIP) provides free vaccines against twelve life-threatening diseases to 26 million children annually. This program is implemented in a very traditional way whereby healthcare professionals like ASHA workers and Anganwadi workers, to name a few, from the PHCs/CHCs go to houses or set-up camps to deliver these vaccinations, and sometimes it is difficult to track if all children have received all vaccines. Hence, the introduction of the UWin platform brings the benefits of technology to this huge program and helps achieve the goal of universal immunization.

Ayushman Bharat

Extending the Ayushman Bharat scheme to ASHA and Anganwadi workers is a welcome step. The insurance coverage will provide them with security and allow them to work unhindered in providing basic healthcare in rural and tribal areas. This will also generate awareness of getting insurance in these areas and will drive up enrolment in the Ayushman Bharat program.

Loan for Research & Development(R&D)

A corpus of USD 12 billion has been announced for research and development. These loans will have long tenors, will be interest-free, and will be available for the private sector. The pharmaceutical and medical device industry will be a big beneficiary of this scheme.

Increased Budget Allocation

The budget for FY24-25 increases the allocation for the Ministry of Health and Family Welfare from approximately USD 9.7 billion (FY 23-24 Revised Estimate) to USD 11 billion for FY 24-25, reflecting a nominal increase of 12.5%. This budget increase aligns with the government's expectations for higher total revenue.

Below are the schemes that witnessed an increase in allocation

The Pradhan Mantri Jan Arogya Yojana (PM-JAY) has received an increased allocation from approximately USD 825 million (Revised Estimates FY 2023-24) to approximately $880 million for FY 2024-25, which is a reduction of approximately USD 24 million from the amount announced in the Interim Budget 2024.

Further, the Pradhan Mantri Ayushman Bharat Health Infrastructure Mission (PMABHIM) has seen a 50% increase from USD 252 million to USD 384 million.

Reduction in Custom Duties

Customs duties on three cancer medicines—Trastuzumab Deruxtecan, Osimertinib, and Durvalumab—will be reduced to 0%.

Customs duties on polyethylene for orthopedic implants, special grade stainless steel, titanium alloys, and cobalt-chrome alloys have also been reduced to 0%.

Duties on X-ray tubes and flat panel detectors used in medical, surgical, dental, or veterinary X-ray machines have been reduced from 15% to 5% until 31 March 2025 and will increase to 10% until 31 March 2026.

Our Comments

From the healthcare sector perspective, while the expectations for a big impetus to build healthcare infrastructure and improve the quality of healthcare have not been met, the FM has gone for a more targeted approach. While the committee on increasing medical colleges is a welcome step, we will have to see how GoI follows up on this announcement.

Furthermore, cancer care needs to be scaled in the country in a significant way, and encouraging screening and vaccination for high-incidence cancers is a necessary measure to control mortality rates. Reduction in duties in certain cancer medicines and some medical equipment is a welcome step. India's child and maternal health numbers have been improving steadily, and this consolidation of schemes will further help bring an integrated approach to the issues and result in better health outcomes.

Universal Immunization Programs is one of the success stories of the GoI's efforts in the area of health. Introducing the UWIN platform will not only transform the program technologically but also will further strengthen its implementation. One of the sector's major demands is to bring the missing middle in the Ayushman Bharat scheme. However, GoI is focused on including the healthcare workers first and then expanding it. Post covid, they included the healthcare workers, and now Asha and Anganwadi workers look consistent with that approach. One of the key requests of the industry has been to provide some support for R&D and relief in GST payments made by the hospitals, which they are not able to offset against any input credit.

The FM has taken an approach to building an R&D culture in the country by issuing these tenor interest-free loans. While this is not exactly what the industry wanted, it is a start, and the quantum is large enough to cater to multiple sectors, not just healthcare. There has been an increase in allocation for the healthcare sector; however, it is not significant and will fall short of the 2.5% of the GDP target. Overall, the FM has taken a targeted approach, has not tinkered with existing initiatives, and has gone for more finetuning.

Manufacturing and Services

Credit Guarantee Scheme for MSMEs in the Manufacturing Sector

For facilitating term loans to MSMEs for the purchase of machinery and equipment without collateral or third-party guarantee, a credit guarantee scheme will be introduced. A separately constituted self-financing guarantee fund will provide, to each applicant, guarantee cover up to USD 12 million, while the loan amount may be larger.

Mudra Loans

The limit of Mudra loans will be enhanced to USD 2 million from the current USD 1 million for entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.

Enhanced scope for mandatory onboarding in TReDS

The turnover threshold for mandatory onboarding on the TReDS platform to be reduced from USD 60 million to USD 30 million. This change will bring 22 additional CPSEs and 7,000 more companies onto the platform.

E-Commerce Export Hubs

To enable MSMEs and traditional artisans to sell their products in international markets, E-Commerce Export Hubs will be set up in public-private-partnership (PPP) mode. These hubs, under a seamless regulatory and logistic framework, will facilitate trade and export-related services under one roof.

Infrastructure

Infrastructure investment by Central Government

The capital expenditure provided this year is USD 135.5 billion. This expenditure is 3.4% of the GDP.

Infrastructure investment by state governments

A provision of approximately $18.2 billion in long-term interest-free loans has been made this year to support the states in their resource allocation.

Pradhan Mantri Gram Sadak Yojana (PMGSY)

Phase IV of PMGSY will be launched to provide all-weather connectivity to 25,000 rural habitations.

Industrial Parks

Development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, by better using town planning schemes.

Twelve industrial parks under the National Industrial Corridor Development Programme also will be sanctioned.

Our Comments

The current budget presented by the government significantly strengthens the Make in India initiative through various strategic measures aimed at enhancing manufacturing and infrastructure development.

The government has sanctioned 12 industrial parks under the National Industrial Corridor Development Program, ensuring they are equipped with plug and play features and comprehensive infrastructure across 100 cities. Further, the budget has placed a special focus on the eastern states of India (Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh), with significant investments in the development of industrial node, multiple road connectivity projects, and power generation, aimed at fostering industrial growth in these regions.

Foreign Direct Investment and Overseas Investment

The rules and regulations for Foreign Direct Investment and Overseas Investments will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization, and (3) promote opportunities for using Indian Rupee as a currency for overseas investments.

Solar Energy

Recognizing that energy transition is critical in the fight against climate change, it has been proposed to expand the list of exempted capital goods used in the manufacture of solar cells and panels. Furthermore, due to sufficient domestic manufacturing capacity of solar glass and tinned copper interconnect, it is proposed not to extend the exemption of customs duties provided to them.

Data and Statistics

For improving data governance, collection, processing, and management of data and statistics, different sectoral databases, including those established under the Digital India mission, will be utilized with active use of technology tools.

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***.

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