



BUDGET - 2024

An Analysis by SBS



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The Union Budget – 2024 (II)

An analysis by SBS

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Foreword

“**Budget**” is a word which is close to the hearts of Indians, particularly taxpayers. When it comes to the Union Budget, it is a mix and match of common man’s expectations and the policies of the Government for the development of the country as a whole. Not everyone can be satisfied as a whole, thereby the intention of the Government would be targeting a wholistic development of the country, in an inclusive manner.

It gives me immense pleasure to note that M/s. SBS and Company LLP, Chartered Accountants, under the able leadership of Mr. Suresh Babu is coming-up with its 10th publication on the Union Budget. This analysis systematically deals with all key aspects of the Union Budget, 2024. The analysis is thoroughly supplemented by sub-ordinate legislations like circulars from 01.04.2023 up till 30.06.2024.

After going through the manner of analysis of the provisions of the Union Budget, I am not only certain but rather confident that the analysis of Union Budget, 2024 will prove

useful for professionals, consultants, taxpayers and corporates in equal measure, and is a must to have on one's table, for ready reference. I congratulate the young, energetic and dynamic editorial board team at SBS, for putting in place this analysis.

It gives me immense happiness to see that youngsters are taking keen interest in this sort of analysis and making all out efforts to contribute to the profession.

I Wish all luck to the team SBS.

J. VENKATESWARLU

Chartered Accountant

(Former Central Council Member, ICAI – 2007-16)

Preface

Dear Readers,

With utmost pleasure, I present the detailed analysis of the Union Budget, 2024 and its proposals. This edition is the 10th year of our Budget Analysis. Looking back, I am delighted for the achievement of the team, and the value addition which we were able to extend to our clients and the fraternity at large.

I would like to touch upon certain proposals which attracted my interest. As anticipated by me last year, that over a period of time, the old regime would be discontinued, further it, no additional benefits are extended under the old regime. Rationalization and streamlining of capital gains taxation was a long pending request from various classes of persons, and this seems to have been addressed in this Budget.

Rationalization of reassessment proceedings, insertion of new provisions for search assessments and announcing the comprehensive review of Income Tax Act for reduction of litigations is definitely a welcome move. Removal of angel tax on issue of shares at premium, is one another welcome amendment, which will assist start-ups.

I shall take a halt here and let yourself in the detailed analysis of the proposal. The young and knowledgeable team of Chartered Accountants, viz., Mr. Narendra R, Mr. Vishnu Vardhan K, Mr. Lokesh P and Mr. Anand Raj A, have put their best efforts, to bring out this detailed analysis.

I would like to take this opportunity to thank CA J. Venkateswarlu, former Central Council Member, ICAI for his kind words appreciating our efforts in bringing this analysis of the budget.

With this brief, I present you our detailed analysis on significant clauses of the Finance Bill, 2024. We wish this effort of ours is fruitful and we would appreciate your valuable feedback.

Thanking You,

Suresh Babu S
Founder and Chairman

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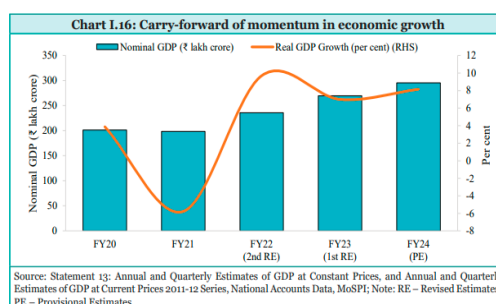
Section I – Budget Proposals 2024

1.1 Economic Overview

Hon’ble Finance Minister Smt. Nirmala Sitharaman has tabled the economic survey for the year 2024-25 before the parliament on 22.07.2023. The Key Indicators of the economic survey have been provided below:

GDP Growth:

As per the economic survey 2023-24, the growth rate in GDP for the current financial year is 8.2 percent. Whereas the industrial sector has achieved a growth rate of 9.5 percent, the service sector has achieved a growth of 7.6 percent, agriculture and allied activities achieved a growth rate of 1.4 percent.

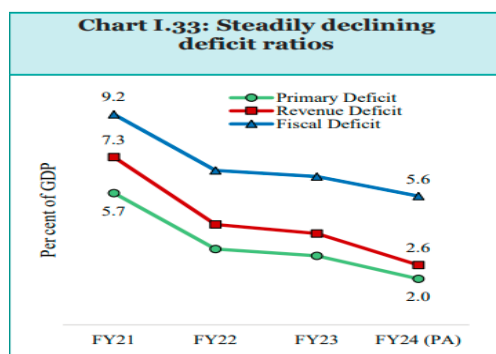


Source: Economic Survey 2023-24

For the FY 2024-25, the real GDP is projected to grow at the rate of 6.5 – 7 percent.

Fiscal Deficit:

The fiscal deficit of the Union Government has been brought down from 6.4 percent of GDP in FY 2022-23 to 5.6 percent of GDP in FY 2023-24. A decomposition of the fiscal deficit over the past few years reveals that with a narrowing revenue deficit, a larger share of the fiscal deficit is being accounted for by capital outlay.



Source: Economic Survey 2023-24

Inflation:

The RBI and the IMF have projected that India's consumer price inflation will progressively align towards the inflation target in FY 2025-26. Assuming a normal monsoon and no further external or policy shocks, the RBI expects headline inflation to be 4.5 percent in FY 2024-25 and 4.1 percent in FY 2025-26. IMF has projected an inflation rate of 4.6 percent in 2024 and 4.2 percent in 2025 for India.

Sector wise Highlights:**Agriculture:**

The Indian agriculture sector has been growing at an average annual growth rate of 4.18 percent during the last five years. The growth rate of the agriculture sector stood at 1.4 percent for FY 2023-24, which is below 4.7 percent in 2022-23, mainly because of a drop in the foodgrain production due to delayed and poor monsoons caused by El Nino. Several interventions are being undertaken to improve productivity in agriculture in line with the recommendations of the Doubling Farmers Income Report (DFI) 2016, which identified strategies to increase crop and livestock productivity etc.

Manufacturing:

Over the last decade, it has been constant growth in the share of the manufacturing industry in the Gross Value Added with an average share of 14.3 percent. The manufacturing sector achieved an average annual growth rate of 5.2 percent in the last decade. For the year 2023-24, the manufacturing sector has achieved a growth of 9.5 percent.

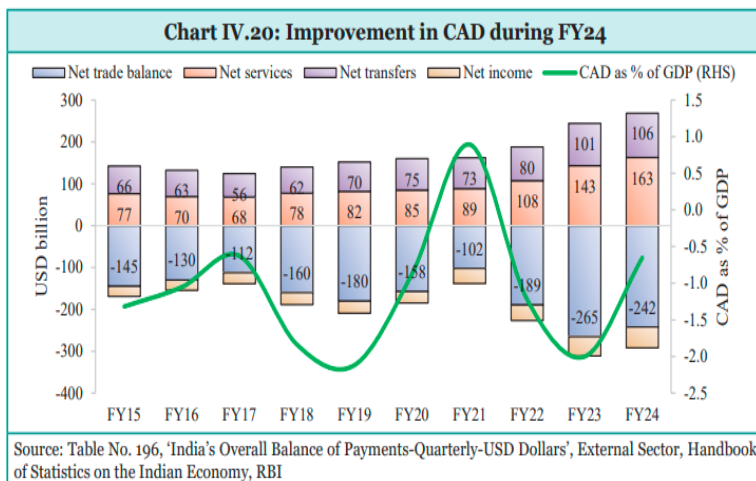
Service Sector:

The service sector has grown at 7.6 percent in FY 2023-24. Post-pandemic, services exports have maintained a steady momentum and accounted for 44 percent of India's total exports in FY 2023-24 and India ranked fifth in services exports. During FY 2023-24, services imports stood at USD 178.3 billion, a 2.1 percent decrease on a YoY basis, dragged down by a reduction of global freight rates. The rise in services exports, coupled

with a fall in imports, led to an increase in net services receipts on a YoY basis during FY 2023-24, which helped cushion India’s current account deficit.

Current Account and Capital Account Balance:

India’s Current Account Deficit (CAD) narrowed to USD 23.2 billion (0.7 percent of GDP) in FY 2023-24 from USD 67 billion (2 percent of GDP) during the previous year. The improvement in CAD in FY 2023-24 is supported by the surplus



Source: Economic Survey 2023-24

in CAD recorded in Q4 of FY 2023-24 on the grounds of a decline in merchandise trade deficit, rising net services exports and increasing remittances.

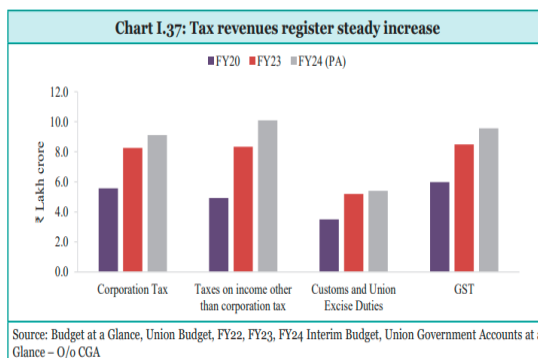
Stable capital inflows continue to finance the CAD. During FY 2023-24, net capital flows stood at USD 86.3 billion against USD 58.9 billion during the previous year, primarily driven by FPI flows and net inflows of banking capital (including NRI deposits). Net FPI inflows stood at USD 44.1 billion during FY 2023-24 against net outflows in the preceding two years.

Micro, Small and Medium Enterprises (MSMEs):

The share of export of MSME-specified products in all-India exports in 2023-24 was 45.7 percent. As of 05 July 2024, 4.69 crore MSMEs are registered on the Udyam Registration portal and significant growth was witnessed from FY 2019-20 to FY 2023-24 in the amount and number of guarantees for micro and small enterprises.

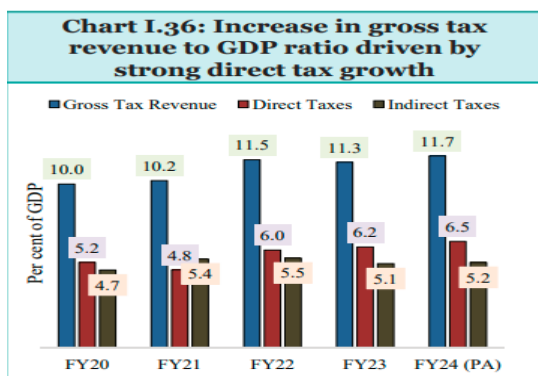
Tax Revenue:

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 increased YoY by 14.5 percent in FY 2023-24 (PA), with robust growth in both tax and non-tax revenues.



Source: Economic Survey 2023-24

The growth in gross tax revenue was estimated to be 13.4 percent in FY 2023-24, translating into tax revenue buoyancy of 1.4. The growth was led by a 15.8 percent growth in direct taxes and a 10.6 percent increase in indirect taxes over FY 2022-23. Broadly, 55 percent of GTR accrued from direct taxes and the remaining 45 percent from indirect taxes.



Source: Economic Survey 2023-24

The increase in indirect taxes in FY 2023-24 was mainly driven by a 12.7 percent growth in GST collection. GST E-way bill generated has also registered an uptick post-pandemic. The increase has been equally pronounced for both intra-state trade and inter-state trade. The increase in GST collection and E-way bill generation reflects increased compliance over time.

1.2 Highlights of Union Budget

Employment Opportunities:

Implementation of schemes for employment linked Incentives based on the enrolment in the EPFO, for recognition of first-time employees, and support to employees and employers, which will aid in creation of more jobs.

MSMEs:

Attention to MSMEs and manufacturing particularly, labour intensive manufacturing. credit guarantee schemes for MSME in the manufacturing Sector. Introduction of many support facilities to MSME. Development of in-house capability in PSU Banks to assess MSMEs for credit, in place of external assessment.

MSME-Finance:

A new mechanism to facilitate continuation of Bank credit to MSME, during stress period, and categorising as 'Special Mention Account' stage, to avoid conversion to an NPA. Enhancement of mudra loans from Rs. 10 Lakhs to Rs.20 Lakhs.

Skill Development:

Launch of a comprehensive Scheme aiming to provide internship opportunities in 500 top companies to 1 crore youth in 5 years, with 12 months exposure to real-life business environment. Internship allowance of Rs.5,000/- per month along with one-time assistance of Rs.6,000/-.

Skill Development/CSR:

The companies bear the training cost, and 10 % of the internship cost can be met from their CSR funds.

Insolvency and Bankruptcy Code:

Amendments to IBC provisions, reforms and strengthening of the NCLTs and NCLATs, to enable speed resolution process. Introduction of an integrated technology platform for improving the outcomes under and for achieving consistency and transparency in the IBC cases.

NCLT/NCLAT:

New benches to be established, of which some benches shall exclusively handle cases only pertaining to the Companies Act.

LLP Closure:

Proposal to use the services of Centre for Processing Accelerated Corporate Exit (C-PACE), which was established hither-to for hassle-free filing, timely and processing of the closure application filed by Companies, also now for LLPs, instead of the jurisdictional ROC, to reduce the time taken for processing of the closure applications.

The slab rates under the new tax regime have been modified. Standard deduction is enhanced from Rs. 50,000/- to Rs. 75,000/-. The maximum amount eligible for family pension exemption is enhanced to Rs. 25,000/-.



For assets sold on or after 23.07.2024:

Indexation benefit shall not be available on transfer of any type of long-term asset and such LTCG is chargeable to tax at 12.50 percent

For assets sold on or after 23.07.2024:
Tax on STCG on listed shares/funds/units which are chargeable under section 111A shall be charged at the rate of 20 percent.



For assets sold on or after 23.07.2024:

Period of holding for LTCG has been reduced to 24 months to all assets.

The exemption mechanisms for the institutions covered under section 10(23C) and section 12A have been merged.



While making any payment to a partner (except share of profits), the firm is required to deduct tax at source at the rate of 10 percent. Limit under section 40(b) has been enhanced to Rs.3,00,000.

Buyback of shares is considered as deemed dividend in the hands of the shareholder and tax is payable on gross amount. TDS is applicable at the rate of 10 percent.



Angel tax on the shares issued by a closely held company at excess premium has been withdrawn with effect from AY 2025-26.

Equalization levy applicable on e-commerce transactions at the rate of 2 percent has been withdrawn with effect from 01.08.2024.





Any payment by a firm to its partner (except share of profits) attracts TDS at the rate of 10 percent if aggregate amount exceeds Rs.20,000.

TDS rate is reduced from 5 percent to 2 percent under sections 194D, 194DA, 194G, 194H, 194IB, 194M, and to 0.1 percent under section 194-O.



Time limit to file TDS/TCS correction statements is provided up to 6 years. Order for holding the assessee in default can be passed within 6 years.

Time limits to re-open the assessment proceedings where the escaped income exceeds Rs. 50 lakhs have been reduced from 10 years to 5 years.



Separate provisions have been introduced for conducting block assessments in case search has initiated on or after 01.09.2024.

The block period includes the 6 years preceding the year of search till date of completion of search, and undisclosed income is taxable at 60 percent.



Vivad Se Vishwas Scheme has been introduced again for reduction of appeals.

CIT(A) has been vested with the power to set aside the orders passed under section 144 and refer to the AO for fresh adjudication.



Tax rate to foreign companies has been reduced from 40 percent to 35 percent.

STT on options has been enhanced from 0.0625 to 0.1 percent.
STT on futures has been enhanced from 0.0125 to 0.02 percent.



1.3 Individual Taxation

Amendments to new regime of taxation under section 115BAC:

Vide Finance Act, 2023, a new subsection (1A) has been inserted to section 115BAC to make new regime of taxation as a default regime for individual, HUF, AOP, BOI or AJP. In order to further encourage the new regime of taxation, proposals to amend the provisions of section 115BAC are given as follows:

Existing rates under section 115BAC		Proposed rates for section 115BAC	
Total income (In Rs.)	Rate of tax (In percentage)	Total income (In Rs.)	Rate of tax (In percentage)
Up to 3,00,000	NIL	Up to 3,00,000	NIL
3,00,001 - 6,00,000	5	3,00,001 - 7,00,000	5
6,00,001 - 9,00,000	10	7,00,001 - 10,00,000	10
9,00,001 - 12,00,000	15	10,00,001 - 12,00,000	15
12,00,001 - 15,00,000	20	12,00,001 - 15,00,000	20
Above 15,00,000	30	Above 15,00,000	30

However, certain deductions are not available to taxpayers who have opted for concessional rate under section 115BAC. Please refer to [Appendix A](#).

Amendment to section 16 – Enhancing the amount of standard deduction:

After the insertion of section 115BAC(1A) vide Finance Act, 2023, under the new regime of taxation, a taxpayer is eligible to claim the standard deduction under section 16 of Rs.50,000/-.

Now, it is proposed to enhance the standard deduction to Rs.75,000/- under the new regime of taxation. However, there is no change in standard deduction under the old regime of taxation.

Amendments to section 28 in respect of income from residential house property:

Section 28 of the deals with the income from business or profession. Similarly, section 22 deals with the income from house property. Though the matter seems to be simple, there are plethora of judgements based on facts each at various judicial fora in respect of chargeability of income from letting out of a property. For detailed analysis, please read our article¹.

Now, it is proposed to insert 'Explanation 3' to section 28 to clarify that any income from letting out of a residential house or part of the house is not chargeable to tax under the head business but taxable under the had 'income from house property'. In respect of other than residential house property, the litigation saga may continue. The above amendment is applicable from AY 2025-26.

Amendments to section 80CCD and section 36 in respect of contribution to NPS:

As per provisions of section 80 CCD (2), an employee can claim deduction to the extent of 10 percent of salary (14 percent in the case of Central / State Government employees). In order to provide similar benefit that of government employees, it is proposed to amend section 80CCD (2) to provide that an employee can claim deduction to the extent of 14 percent of salary while computing the income under the new regime (which means that under the old regime, the maximum deduction is 10 percent).

Further, it is proposed to amend section 36(1) (iva), which deals with deduction in the hands of the employer, to provide that employer contribution to NPS account of the employee to the extent of 14 percent of salary is deductible while computing the income from business or profession. The above amendments are applicable from AY 2025-26.

Amendment to Section 57 – Enhancing the deduction from family pension:

Section 57 provided deduction from family pension received person belonging family of an employee to the extent of 1/3rd of pension or Rs.15,000/- whichever is less.

¹ [Lease Income - IFHP vs PGBP vs IFOS - Direct Tax.pdf \(sbsandco.com\)](#)

Now, it is proposed to enhance the limit of Rs.15,000/- to Rs.25,000/- in the case of person opting for new regime of taxation under section 115BAC(1A). Which means that under the old regime, deduction limit is Rs.15,000/-. The above amendment is applicable from AY 2025-26.

Amendment to section 139AA – removal of quoting the Aadhaar enrolment ID:

Section 139AA states that every person who is eligible to obtain Aadhaar number is required to quote his Aadhaar number in application for PAN and in the return of income. Section 139AA further states that if Aadhaar number is not yet allotted, assessee is allowed to quote Aadhaar enrolment ID in application for PAN and in the return of income.

Now, it is proposed to amend section 139AA to provide that quoting Aadhaar enrolment ID is not allowed in application for PAN and in the return of income from 01.10.2024. Further, assessees who have quoted Aadhaar enrolment ID earlier (i.e., before 01.10.2024) is required to submit Aadhaar number. The above amendment is applicable from 01.10.2024.

1.4 Capital Gains

Rationalization of capital gain taxation:

Taxation of capital gains is always a crucial aspect under the provisions of the IT Act. This is because, the criteria for determination of nature of capital gains differs from class of assets and tax rate may differ based on the nature of capital gains. Further, assessee can obtain various deductions under section 54, 54F, 54EC etc. in respect of certain types of capital gains. Rationalization and streamlining of capital gains taxation is a long pending request from various classes of persons. Now, it is proposed to make various changes to the capital gains regime as follows:

Amendment to section 2(42A) – Determination of nature of capital gain: Section 2(42A) deals with the period of holding for determination of nature of capital gain. The following changes are made effective from 23.07.2024 in respect of period of holding:

Nature of capital asset	Existing Provisions	Proposed Provisions
Any security (other than a unit ²) listed on a recognised stock exchange in India	12 months	12 months
Unit of units trust of India	12 months	12 months
Equity oriented mutual funds	12 months	12 months
Zero coupon bond	12 months	12 months
Shares of a company (not being a listed shares)	24 months	24 months
Immovable property being a land or building	24 months	24 months
Any other capital asset	36 months	24 months

Amendment to section 48 – Removal of benefit of indexation: As rate of tax on long term capital gains has been reduced to 12.50 percent as against the existing 20 percent, it is proposed to amend section 48 in order to remove the benefit of indexation from any transfer on or after 23.07.2024.

Amendment to section 111A, section 112 and section 112A – Reduction of rate of tax: It is proposed to amend various section of the IT Act in order to reduce the rate of tax on capital gains from existing 20 percent to 12.5 percent (without indexation) in the case of long-term capital gains. Further, the rate of tax on short-term capital gain has been increased from the existing 15 percent to 20 percent. The details of the rate of tax has been provided in the table below for each class of asset.

Particulars	Existing Provisions	Proposed Provisions
Section	Section 112A ↓	
Nature of person	Any person.	Any person.

² The exception to units have been removed. Thereby period of holding for listed units is 12 months.

Nature of capital asset	Equity shares/equity oriented mutual fund in India/ Unit of business trust ³ .	Equity shares/equity oriented mutual fund in India/ Unit of business trust ³ .
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	10 percent (without indexation).	12.50 percent (without indexation).
Exemption	Upto Rs. 1,00,000/-	Upto Rs. 1,25,000/-
Conditions	The provisions of this section have been made effective from 23.07.2024.	
Section	Section 112 (1) (a) ↓	
Nature of person	Individual/HUF being a resident.	Individual/HUF being a resident.
Nature of capital asset	Any capital asset.	Any capital asset.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	20 percent (with indexation).	12.50 percent (without indexation).
Section	Section 112 (1) (b) ↓	
Nature of person	Domestic company.	Domestic company.

³ Provided STT has been paid at the time of both acquisition and transfer in the case of equity shares and STT has been paid at the time of transfer in the case of MF and units of business trust.

Nature of capital asset	Any capital asset.	Any capital asset.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	20 percent (with indexation).	12.50 percent (without indexation).
Section	Section 112 (1) (c) ↓	
Nature of person	Non-resident or a foreign company.	Non-resident or a foreign company.
Nature of capital asset	Any capital asset.	Any capital asset.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	i. 20 percent (with indexation) – For any other capital asset. ii. 10 percent (without indexation) – in the case of unlisted securities or shares of a closely held company.	12.50 percent (without indexation) – For any capital asset.
Section	Section 112 (1) (d) ↓	
Nature of person	Any other person being a resident.	Any other person being a resident.

Nature of capital asset	Any capital asset.	Any capital asset.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	20 percent (with indexation).	12.50 percent (without indexation).
Other amendment		
Proviso to section 112 (applicable to every person)	In respect of listed securities (other than a unit) or zero-coupon bond – 10 percent (without indexation).	The proviso made applicable only in respect of any transfers before 23.07.2024. Hence, such gain is taxable at 12.5 percent (without indexation).
Section	Section 111A ↓	
Nature of person	Any person	Any person
Nature of capital asset	Equity share in a company or unit of equity oriented mutual fund or unit of a business trust ⁴ .	Equity share in a company or unit of equity oriented mutual fund or unit of a business trust ⁴ .
Nature of capital gain	Short term.	Short term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	15 percent (with indexation).	20 percent (without indexation).

⁴ STT is paid on transfer of such asset.

Amendment to section 115AB, section 115AC, section 115ACA, section 115AD, section 115E – Reduction of rate of capital gains in line with section 112/112A:

As the rate of tax on capital gain is reduced from 20 percent to 12.50 percent, same treatment has been provided to capital gain earned by non-resident. The details of the rate of tax has been provided below:

Particulars	Existing Provisions	Proposed Provisions
Section	Section 115AB ↓	
Nature of person	Offshore fund.	Offshore fund.
Nature of capital asset	Units (of MF and UTI) purchased in foreign currency.	Units (of MF and UTI) purchased in foreign currency.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	10 percent (without indexation).	12.50 percent (without indexation).
Rate of TDS – for LTCG (Section 196B)	10 percent.	12.50 percent.
Section	Section 115AC ↓	
Nature of person	Non-resident.	Non-resident.
Nature of capital asset	Specified bonds or GDR purchased in foreign currency.	Specified bonds or GDR purchased in foreign currency.
Nature of capital gain	Long term.	Long term.

Applicability	For transfer before 23.07.2024.	For transfer on or after 23.07.2024.
Rate of tax	10 percent (without indexation).	12.50 percent (without indexation).
Rate of TDS – for LTCG (Section 196C)	10 percent.	12.50 percent.
Section	Section 115ACA ↓	
Nature of person	Resident individual being an employee of Indian company (or its subsidiary) engaged in specified knowledge-based industry or service.	Resident individual being an employee of Indian company (or its subsidiary) engaged in specified knowledge-based industry or service.
Nature of capital asset	GDR purchased in foreign currency.	GDR purchased in foreign currency.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	10 percent (without indexation).	12.50 percent (without indexation).
Section	Section 115AD ↓	
Nature of person	FII and specified fund.	FII and specified fund.
Nature of capital asset	Any security.	Any security.
Nature of capital gain	Short term and long term.	Short term and long term.

Applicability	For transfer before 23.07.2024.	For transfer on or after 23.07.2024.
Rate of tax	Short term: i. 15 percent in the case of security referred to in section 111A. ii. 30 percent on other short term capital gain. Long term: i. 10 percent in the case of security covered under section 112A. (with benefit of Rs.1,00,000/- deduction). ii. 10 percent on others. (without indexation)	Short term: i. 20 percent in the case of security referred to in section 111A. ii. 30 percent on other short term capital gain. Long term: i. 12.50 percent in the case of security covered under section 112A. (with benefit of Rs.1,25,000/- deduction). ii. 10 percent on others. (without indexation)
Section	Section 115E ↓	
Nature of person	Non-resident Indian.	Non-resident Indian.
Nature of capital asset	Specified asset.	Specified asset.
Nature of capital gain	Long term.	Long term.
Applicability	Transfer before 23.07.2024.	Transfer on or after 23.07.2024.
Rate of tax	10 percent (without indexation)	12.50 percent (without indexation)

Amendment to section 50AA – Enhancing the scope of deemed short term capital gain:

Vide Finance Act, 2023, a new section 50AA has been inserted in order to provide that gain arising from transfer of specified mutual fund or market linked debentures is considered as short-term capital gain notwithstanding anything contained in section 2(42A).

Now, it is proposed to enhance the scope of section 50AA to unlisted bonds and unlisted debentures. The scope of existing and proposed provisions has been provided below:

Particulars	Existing provisions	Proposed provisions
Nature of capital asset	<ul style="list-style-type: none"> i. Unit of specified mutual fund acquired on or after 01.04.2023. ii. Market linked debentures. 	<ul style="list-style-type: none"> i. Unit of specified mutual fund acquired on or after 01.04.2023. ii. Market linked debentures. iii. Unlisted bond or unlisted debentures transferred/redeemed/matures on or after 23.07.2024.
Specified mutual fund	Mutual fund by whatever name called, where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies.	<ul style="list-style-type: none"> i. Mutual fund by whatever name called, which invests more than sixty-five percent of its total proceeds in debt and money market instruments. ii. Any fund which invests sixty-five percent or more of its total proceeds in units of a fund referred above.

Amendment to section to section 47 – Limiting the scope of exemption in the case of a gift:

Section 47 provides relaxation from capital gains by exempting certain transactions from the purview of transfer for the purpose of computation of capital gains. Section 47 provides that any transfer by way of gift, will or irrevocable trust is not considered as transfer and no capital gain tax arises on such transfers.

Now, it is proposed to amend section 47 so as to provide that the exemption is available only when such transfer by way of gift, will or irrevocable trust is made by an individual or HUF. Thereby, gifting of a capital asset by other persons (other than individual or HUF) is considered as transfer and capital gain tax is charged on such transfer. The above amendment is applicable from AY 2025-26.

1.5 Charitable Trusts**Amendment to section 10(23C) – Merger of institutions covered under section 10(23C) with trust or institutions covered under section 12A:**

Under the existing provisions, two separate sections namely section 10(23C) and section 11 deal with providing exemption to various trusts or institutions. Despite making various amendments in the recent past to align two sections, one feels that understanding and decoding these provisions is a little difficult task.

Now it is proposed to amend section 10(23C) so as to provide that no application can be made on or after 01.10.2024 and such an institution has to make an application under section 12A. Further, the existing institutions in respect of which the provisional/final approval is granted under section 10(23C), such institutions have to continue their approval under section 10(23C) till the expiry of such approval and make application under section 12A at the time of renewal. The above amendment is applicable from 01.10.2024.

Amendment to section 12A – Condonation of delay in filing the application for registration:

Section 12A provides the procedure to register a trust or institution subject to time limits specified thereunder. Though specific time limits have been provided under section 12A, there are instances where many trusts have failed to comply with renewal or registration of trust. Accordingly, CBDT many times has extended the time limits under section 12A for making the application for registration of a trust or institution.

Now, it is proposed to amend section 12A so as to provide that where the application is filed beyond the time allowed under section 12A, the PCIT or CIT may condone such delay if he considers that there is a reasonable cause for delay. The above amendment is applicable from 01.10.2024.

Amendment to section 13 – Extending the certain modes of investment of section 10(23C) to section 13 for claiming exemption under section 11:

Under section clause (b) of third proviso to section 10(23C), certain modes of investment have been carved out from attracting non-compliance of investment modes. Similarly, under section 13(1)(d), certain investment modes are carved out from such non-compliance. As the institutions registered under section 10(23C) further claim exemption under section 11, such investment modes have been added in section 13 to give the consequential effect. The above amendment is applicable from 01.10.2024.

Amendment to section 12AB/80G – Time limit for passing the order of registration:

As per the existing provisions, an order of registration under section 12AB is required to be passed within the specified time. Now, it is proposed to make an amendment to section 12AB to extend the time limit as follows: The above amendment is applicable from 01.10.2024. Further, similar amendments have been made for section 80G as well.

Particulars	Existing time limits	Proposed time limits
Existing trusts/institution.	Within a period of 3 months from the end of the month in which is application is made.	Within a period of 3 months from the end of the month in which is application is made.
Trust/institution whose registration is due to expire.	Within a period of 6 months from the end of the month in which is application is made.	Within a period of 6 months from the end of the quarter in which is application is made.
Trust/institution which is provisionally approved.		
Trust/institution whose registration in operative due to section (7).		
Trust/institution whose objects have been modified.		
New trust or institution (commenced the activities).		
New trust or institution (has not commenced the activities).	Within a period of 1 months from the end of the month in which is application is made.	Within a period of 1 months from the end of the month in which is application is made.

Insertion of section 12AC – Merger of trusts or institutions:

It has been proposed when two or more trust or institutions registered under the section 12AB or approved under sub clause (iv), sub clause (v), sub clause (vi) or sub clause (via) of clause 23C of section 10 merges with another trust or institution then provisions of chapter XII EB i.e., special provisions relation to taxing on the accreted income of a trust

or institution shall not be applicable, however, to be eligible to this relaxation certain conditions are to be satisfied:

- » The other trust or institution shall have same or similar nature of objects
- » The other trust or institution shall also be registered either under section 12AA or section 12AB or approval under relevant sub clause of clause 23C of section 10
- » Any other conditions as may be prescribed.

The above amendment is applicable from 01.04.2025.

1.6 Corporate Taxation

Amendment to section 10(4D),10(23EE) and (23FB) – Changes relating to IFSC:

Section 10(4D): Clause (4D) of section 10, provides that any income accrued or arisen to, or received by a specified fund, shall not be included in computing the total income of a previous year subject to the conditions mentioned therein.

It is proposed to insert a new sub-item in item (I) of sub-clause (i) of clause (c) of the Explanation to said clause (4D) to expand the scope of specified fund so as to include a fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which has been granted a certificate as a retail scheme or an exchange traded fund and is regulated under the IFSCA (Fund Management) Regulations, 2022 and satisfies such conditions as may be provided by rules.

Section 10(23EE): Under section 10(23EE) exemption shall be provided to specified income of core settlement guarantee fund set up by clearing corporation and regulated by the regulation as specified in Securities Contracts (Regulation) Act, 1956 (42 of 1956), now it is proposed to extend such exemption to the core settlement fund having such specified income and set up by a clearing corporation and regulated by the regulations as specified in IFSCA (Market Infrastructure Institutions) Regulations, 2021.

Section 10(23FB): Under section 10(23FB) any income of a venture capital company or a venture capital fund having income from venture capital undertaking shall not be

included in computing the total income if certain conditions are fulfilled, It is proposed to broaden definition of venture capital fund by including any venture capital fund having granted certificate of registration as referred in sub-regulation (2) of regulation 18 of the IFSCA (Fund Management) Regulations, 2022 shall also be eligible for this exemption. The above amendments are applicable from AY 2025-26.

Amendments to section 37 in respect of expense to settle any contravention:

Section 37 being a residuary clause deals with any other expense not specifically covered under the other specific section. Explanation 1 to section 37 provides that any expense incurred for any purpose which is an offence, or which is prohibited by law is not allowed an expense. Explanation 3 to section 37 provides list of expenses which are considered expense for any purpose which is an offence, or which is prohibited by law.

Now, it is proposed to insert new clause to Explanation to provide that any expense to settle proceedings initiated in relation to contravention under such law as may be notified by the Government shall also be considered a non-deductible expense for the purpose of Explanation 1. The above amendment is applicable from AY 2025-26.

Amendment to section 40(b) – Enhancing the limit on remuneration paid to the partner of a firm:

Payment of remuneration to any working partner is allowed subject to the limits specified in section 40(b). Now, it is proposed to enhance the limit as follows:

Existing limits under section 40(b)		Proposed limits under section 40(b)	
Particulars	Amount (In Rs.)	Particulars	Amount (In Rs.)
On first Rs.3,00,000 or in case of a loss.	Rs.1,50,000 or 90 percent of book profit, whichever is more.	On first Rs.6,00,000 or in case of a loss.	Rs.3,00,000 or 90 percent of book profit, whichever is more.

On the balance profit.	60 percent of book profit.	On the balance profit.	60 percent of book profit.
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The above amendment is applicable from AY 2025-26.

Insertion of section 194T – TDS on payments made to the partner by a firm:

Under the provisions of section 28(v), any interest, salary, bonus, commission or remuneration due to, or received by a partner of firm is taxable under the head business. However, there is no TDS mechanism for deduction of tax at source on those payments.

Now, it proposed to insert a new section 194T to provide that any firm responsible for payment of salary, remuneration, commission, bonus or interest to partner is required to deduct tax at source at the rate of 10 percent. The tax has to be deducted at the time of crediting the amount to the capital account or at the time of payment thereof whichever is earlier. Further, no tax is required to be deducted if aggregate payments made during the year does not exceed Rs.20,000/-. The above amendment is applicable to any payment from 01.04.2025.

Amendment to section 2(22), section 46A and section 115QA – Excess amount on buyback of shares is considered as deemed dividend:

Vide Finance Act, 2020, the concept of DDT has been abolished and classical system of dividend tax in the hands of shareholder has been restored. However, even after the abolishment of DDT, the concept of taxing buyback of shares is not abolished. As a result, there are instances where the companies are buying their own shares instead of distribution of dividend. In order to align taxation of buyback of shares in line with the dividend distribution, the following amendments have been made:

Section 2(22): A new clause (f) has been inserted to section 2(22) to provide that any payment by a company on purchase of its own shares from a shareholder in accordance with the provisions of section 68 of the Companies Act, 2013 is considered as deemed

dividend in the hands the shareholder. Further, section 2(22) (iv) providing exemption to buyback of shares have been withdrawn.

Section 115QA: Section 115QA (after the amendment by FA, 2019) states that any amount distributed by a company on buyback of shares is chargeable to tax at the rate of 20 percent in the hands of the company and section 10(34) provides exemption in the hands of the shareholder. As such an amount is considered as deemed dividend, provisions of section 115QA and section 10(34A) are withdrawn in respect of buyback of shares from 01.10.2024.

However, it is required to be noted that while under section 115QA, only excess amount (amount paid by the company – cost of shares) is taxable whereas under section 2(22)(f), entire amount is considered as deemed dividend.

Section 57: Section 57 provides deduction of expense against dividend income subject to limit of 20 percent of dividend income. However, in respect of deemed dividend under section 2(22)(f), it is proposed that no deduction is allowed from such deemed dividend.

Section 46A: Extinguishment of rights by the shareholder at the time of buyback of shares is considered as transfer within the meaning of section 2(47). As full amount is considered deemed dividend under section 2(22) (f), it is proposed to amend section 46A to provide that consideration on transfer of shares by a shareholder is considered as NIL and resulting capital loss may be carried forward.

The interplay between section 2(22)(f) and section 46A has been explained by the memorandum explaining the provisions in the Finance Bill, 2024 as follows:

Particulars	Amount (Rs.)
100 shares bought in 2020	@ Rs.40/- per share
Total cost of acquisition	Rs.4,000/-
20 shares bought back in 2024	@Rs.60/- per share
Income taxable as deemed dividend	Rs.1,200/-

Capital loss on such buyback (Rs.40*20)	Rs.800/-
50 shares sold in 2025	@ Rs.70 per share
Capital Gain (Rs.3,500 - Rs.2,000)	Rs.1,500
Chargeable capital gain after set off	Rs.700

Section 194: As such buyback of shares is considered as deemed dividend under section 2(22) (f), it is proposed to amend the provisions of section 194 to include deemed dividend by virtue of buyback of shares within purview of TDS. Hence, the company which is buying its own shares has to deduct tax at the rate of 10 percent on the total amount paid to the shareholder. The above amendments are applicable to any buyback of shares on or after 01.10.2024.

Omission of section 56(2) (viib) – Removal of angel tax on issue of shares at premium:

Vide Finance Act, 2012, a new section 56(2) (viib) has been introduced in order to levy tax on excess of premium received on account issue of shares by a closely held company. However, taxation of this excess premium has become burdensome specifically in the case of startups.

Now, it is proposed to withdraw the angel tax on the issue of shares by a closely held company. The above amendment is applicable from AY 2025-26. Though the amendment is made applicable from AY 2025-26, as this amendment may be considered a curative in nature, such an amendment may be applicable retrospectively.

1.7 International Taxation and Transfer Pricing

Reduction of tax rate for a foreign company:

Under the existing provisions, foreign companies are taxable at the rate of 40 percent with applicable surcharge and cess. Now, it is proposed to reduce the rate of tax for foreign companies from the existing 40 percent to 35 percent. The above amendment is applicable from AY 2025-26.

Amendment to section 163 and section 165A of the Finance Act, 2016 – Removal of equalization levy on e-commerce supply of services:

Section 163 read with section 165A of the Finance Act, 2016 levies equalization levy of 2 percent on consideration received or receivable by an e-commerce operator from e-commerce supply or services. Now, it is proposed to withdraw the above equalization levy on such transaction from 01.08.2024. Further, as equalization levy has been removed, a consequential amendment is proposed under section 10(50) to withdraw exemption provided in respect of income from e-commerce supply services from 01.08.2024. The above amendment is applicable from 01.08.2020.

Insertion of section 44BBC – new presumptive taxation for non-residents engages in cruise shipping business:

A non-resident assessee engaged in the business of operation of cruise ships now shall be allowed to opt a presumptive taxation at the 20 percent of the gross receipts that are received or receivable by or paid or payable to, the assessee or on behalf of the assessee in account of carriage of passengers subject to conditions as may be prescribed.

Further, to promote the domestic cruise ships business, it is proposed that the lease rental received by a foreign company from the cruise ship company opting for section 44BBC is exempt from tax if such foreign company and the non-resident company operating cruise ships has common holding company. This exemption is introduced by insertion of new clause (15B) in section 10. However, this exemption shall be available up to AY 2030-31.

As new section 44BBC has been inserted, it is proposed to amend section 44B, which deals with non-resident engaged in shipping business, to provide that the provisions of section 44B are not applicable to cruise ships covered under section 44BBC. The above amendments are applicable from AY 2025-26.

Amendment to section 92CA – Rationalization of TP proceedings:

Section 92CA(2A) states that if any international transaction, other than international transaction in respect of which is TP reference is issued, comes to the notice of TPO during the TP proceedings, the TPO shall consider such other international transaction as international transaction referred to him.

Similarly, section 92CA(2B) states that if the assessee fails to report international transactions in Form 3CEB and comes to notice of TPO during the proceedings before him, the provisions of TP are applicable as if such transaction referred to him.

However, invariably the above-specified provisions does not contain reference to specified domestic transactions. Hence, now it is proposed to amend section 92CA (2A) and (2B) to include specific domestic transactions. The above amendment is applicable from AY 2025-26.

Amendment to section 94B – Exclusion of finance company in IFSC from the ambit of thin capitalisation:

Section 94B provides disallowance of interest paid by an Indian company or a permanent establishment of a foreign company in India to a foreign associated enterprise subject to other conditions specifies in section 94B. For detailed understanding of section 94B, please read our article⁵.

⁵[thin-capitalization-restriction-of-interest-under-section-94B-next-litigation-saga-Part1.pdf \(sbsandco.com\)](#)

However, section 94B(3) states that disallowance is not applicable in respect of interest paid by an Indian company or PE of a foreign company engaged in the business of banking or insurance or NBFCs notified by the Government.

Now, it is proposed to amend section 94B to exclude a finance company located in IFSC from the ambit of section 94B. For the purpose of this section, finance company is defined to mean a finance company defined under Regulation 2(1)(e) IFSCA (Finance Company) Regulations, 2021 and which satisfies such conditions as may be prescribed. The above amendment is applicable from AY 2025-26.

Amendment to section 144C – Provisions of 144C are not applicable to search assessments:

It is proposed to insert a new 'Chapter -XIV B' in respect of search assessment for making the assessment for the block period. It is further proposed to amend section 144C so as to state that provisions of 144C are not applicable for block assessments covered under 'Chapter – XIVB'. The above amendment is applicable from 01.09.2024.

Enhancing the scope of safe harbour provisions:

The Hon'ble Finance Minister has announced that with a view to reduce litigation and provide certainty in international taxation, it is proposed to enhance the scope of safe harbour provisions.

1.8 Tax Deducted/Collected at Source

Amendment to section 192 – TCS, if any to be considered for computing TDS liability:

Section 192 governs the provisions of tax to be deducted by employers on the salaries paid or payable to their employees. In calculating such TDS amount, employers must consider the income of their employees under other heads and the taxes deducted thereon. Further, there are provisions under the IT Act where tax needs to be deducted even though there is no income element to the deductee in a particular transaction. However, this TDS and TCS were not previously considered for the purpose of TDS under section 192.

Now, it is proposed to amend section 192 to provide that where any employee earns

- » Any income chargeable under any other head of income (not being a loss under any such head other than loss under the head 'income from house property') or
- » Any tax has been deducted or collected under any provisions of the Act

then, such a person may submit the above information to the employer and the employer shall consider the above TDS and TCS also while computing the TDS liability under section 192.

Amendment to section 193 – Rationalization of TDS on interest on securities:

Section 193 deals with TDS on interest on securities. Proviso to section 193 provides that no tax has to be deducted on any interest payable on any security of the Central Government or a State Government. However, as an exception, TDS needs to be deducted on interest on 8% Savings (Taxable) Bonds, 2003 or 7.75% Savings (Taxable) Bonds, 2018 if such interest exceeds Rs.10,000/- during the year.

Now, it is proposed to amend section 193 to provide that TDS needs to be deducted on interest on Floating Rate Savings Bonds 2020 (Taxable) and any security of the Central Government or State Government, as specified by the Central Government through a notification in the Official Gazette. The above amendment is applicable from 01.10.2024.

Amendment to section 194C – Payments covered under section 194J are not covered:

Section 194C governs the provisions of TDS for payments to contractors at the rate of 1 percent when the payment is being made to an individual or HUF and 2 percent in case of payment made to others. However, there are instances where tax is being deducted under section 194C at a lower rate instead of deducting tax under section 194J at the rate of 10 percent.

In order to curb such practices, now it is proposed to amend section 194C to provide that any payment covered under section 194J is not considered as a work for the purpose of deduction of tax at source under section 194C.

Amendment to section 194-IA – TDS needs to be deducted even there are multiple transferors or transferees:

Section 194-IA states that any buyer who pays consideration for the transfer of immovable property, other than agricultural land, is required to deduct tax at source at the rate of 1 percent if the value of transaction exceeds Rs.50,00,000/-. The Hon'ble Tribunal in the case of Vinod Sony vs. ITO⁶ has held that when the property is acquired jointly, limit of Rs.50,00,000/- needs to be verified qua buyer. Further, the Hon'ble Tribunal in the case of Bhikhabhai Hirabhai Patel vs. DCIT⁷ held that when the property is held by joint owners, buyer needs to verify the limit of Rs.50,00,000/- qua transferor.

Now, it is proposed to amend section 194-IA to provide that where there is more than one transferor or transferee in respect of any immovable property, then the consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property. The above amendment is applicable from 01.10.2024.

Omission of section 194F – Removal of TDS on buyback of units by mutual funds/UTI:

Section 194F provides that the person responsible for paying to any person in respect of repurchase of units by mutual fund or UTI in respect of equity linked scheme is required deduct TDS at the rate of 20 percent if payment is covered under section 80CCB (2).

Now, it is proposed to omit these provisions w.e.f. 01.10.2024.

Amendment to various TDS sections – Reduction of TDS rates:

In respect of certain transactions covered under various sections, TDS rates have been reduced from 5 percent to 2 percent. The details of the reduced rates have been provided below:

⁶ [2019] 101 taxmann.com 190 (Delhi - Trib.)

⁷ [2023] 155 taxmann.com 87 (Ahmedabad - Trib.)

Nature of payment	Existing rate of TDS	Proposed rate of TDS
Section 194D – Insurance commission.	5 percent	2 percent
Section 194DA – Insurance maturity proceeds.	5 percent	2 percent
Section 194G – Commission on sale of lottery tickets.	5 percent	2 percent
Section 194H – Commission/Brokerage.	5 percent	2 percent
Section 194-IB – Renting of land/building other than covered under section 194-I.	5 percent	2 percent
Section 194-M – Payment of contractual fee/ commission (not being insurance commission)/ brokerage/ professional fee (other than covered under section 194C, 194H and section 194J).	5 percent	2 percent
Section 194-O – Payment for sale of goods/services through electronic platform	1 percent	0.1 percent

The above amendments (except section 194D) are applicable from 01.10.2024 and amendment in relation to section 194D is applicable from 01.04.2025. For detailed understanding of TDS and TCS provisions, refer ‘**Section III**’ of this book.

Amendment to section 197 and 206C – Lower deduction/collection certificates for transactions covered under section 194Q and section 206(1H):

Section 197 provides the benefit of lower deduction or Nil deduction in respect of income covered under certain sections by granting a lower deduction certificate. Similar to section 197, section 206C (9) provides lower collection of tax.

Section 194Q mandates that any buyer who pays a resident seller for the purchase of goods valued at more than Rs. 50 lakhs in a previous year must deduct tax at source at a rate of 0.1 percent on the amount exceeding Rs. 50 lakhs.

Further, section 206C(1H) mandates that any seller who receives any consideration for sale of any goods valued at more than Rs. 50 lakhs must collect tax at source at a rate of 0.1 percent on the amount exceeding Rs. 50 lakhs.

Now, it is proposed to amend section 197 and section 206C(9), to extend the benefit of lower deduction under section 197 and lower collection under section 206C(9) to transactions covered under section 194Q or amounts collected under section 206C(1H) respectively. The above amendments are applicable from 01.10.2024.

Amendment to section 198 – Tax paid outside India is to be included in the total income:

Section 198 states that all sums deducted at source in accordance with the provisions of Chapter XVII-B shall be deemed to be income received for the purpose of computing the income of an assessee.

However, there are instances wherein some assesseees are not including taxes withheld outside India but claiming the credit for such taxes, resulting in underreporting of total income as only their net income is being considered for calculating for tax liability.

To address this issue, it is proposed to amend section 198 to include that income tax paid outside India, by way of deduction, for which an assessee is allowed to claim credit against the tax payable while computing the income of the assessee. The above amendment is applicable from AY 2025-26.

Amendment to section 200(3) and section 206C(3B) – Time limit for filing of TDS/TCS correction statement:

In respect of TDS and TCS returns, a correction statement can also be prepared and furnished multiple times indefinitely for rectification of any mistake or to add, delete or update the information. However, no time limit was mentioned within which the correction statement needs to be furnished.

Now, it is proposed that no such correction statement can be furnished after the expiry of 6 years from the end of the financial year in which the statement is required to be furnished under section 200(3)/206C(3). This amendment is applicable from 01.04.2025.

Amendment to section 200A – Rationalization of processing of TDS returns:

Section 200A provides the manner of processing of statements furnished by the deductor under section 200. However, the quarterly statement of tax deposited in relation to transfer of virtual digital asset under section 194S (Form 26QF) is to be furnished by the deductee.

Now, in order to widen the scope of the section in respect of those statements, it is proposed to insert a new sub-section (3) to provide that the Board may make a scheme for processing of statements which have been made by any other person, not being a deductor. The above amendment is applicable from 01.04.2025.

Amendment to section 201 and section 206C(7A) – Streamlining of passing of order for assessee in default:

Under section 201, in a case where the deductor fails to deduct the whole or any part of the tax where the payee is a person resident in India, an order deeming such deductor to be an assessee in default shall be passed within **7 years** from the end of the financial year in which payment is made or credit is given or two years from the end of the financial year in which correction statement is furnished, whichever is later. However, there was no time limit provided for the cases where the payee is a person other than person resident in India.

Now, it is proposed to amend section 201 to reduce the time of 7 years to 6 years. Further, it is further proposed that such a time limit of 6 years is applicable to every person including a non-resident payee.

Similarly, it is proposed to insert a new sub-section (7A) to section 206C, where the collector fails to collect whole or any part of the tax from any person, an order deeming such collector to be an assessee in default shall be passed within **6 years**. The above amendments are applicable from 01.04.2025.

Amendment to section 206C(1F) – Enhancing the scope of TCS under section 206C(1F):

Section 206C(1F) provides that the seller is required to collect tax at source at the rate of 1 percent on sale of motor vehicle of value exceeding Rs. 10 lakhs.

Now, to widen the scope of section 206C(1F), it is proposed to amend the provisions of section 206C(1F) to provide that TCS provisions are applicable to any other good as may be prescribed by the Central Government. The above amendment is applicable from 01.01.2025.

Amendment to section 206C (4) – TCS credit to eligible person:

Section 206C (4) provides that where a TCS is collected under section 206C, such TCS is considered as a payment of tax on behalf of the person from whom the amount has been collected and credit shall be given to such person.

Now, it is proposed to amend section 206C(4) that credit of TCS may also be given to any other person who is eligible for credit of TCS. The above amendment is applicable from 01.01.2025.

Amendment to section 206C (7) – Higher interest rate for non-payment of TCS to the Government:

Section 206C (7) provides that failure to collect TCS or failure to pay TCS to the Government after collection attracts interest of 1 percent per month. On the other hand, in the case of TDS, two separate interest rates are applicable i.e. 1 percent per month in the case of failure to deduct tax and 1.5 percent in the case of failure to pay such amount to the Government after deduction.

Now, it is proposed to amend section 206C (7) to provide separate interest rates for TCS as well. The above amendment is applicable from 01.04.2025.

Insertion of section 206C (12) – No TCS on specified transactions:

It is proposed to insert a new section 206C (12) to provide that no TCS is required or collected at a lower rate in respect of specified transaction. The above amendment is applicable from 01.10.2024.

1.9 Assessments and Appeals

Amendment to section 147 – Rationalization of reassessment proceedings:

Vide Finance Act, 2021, the provisions for re-assessment of income and the search assessments have been revamped by replacing sections 147 to 151 with a new set of provisions which have been made applicable to reassessments and search assessments. The time limits for re-opening the assessments have also been amended by providing a maximum time period of 10 years. However, such amended provisions have led to numerous litigations since its implementation. Further, the time period of 10 years has put the assesseees in a long uncertainty towards litigations.

To mitigate such situations, it is proposed to replace existing reassessment provisions under section 148 – section 152 with new set of provisions. It is further proposed to insert a new set of provisions ‘Chapter XIV-B’ for search assessments with new time limits. The details of changes made to reassessment proceedings have been provided in the table below:

Particulars	Proposed provisions	Remarks
Part I: Issuing of Notice. Section 148	For reassessing or recomputing, the assessing officer shall serve a notice on the assessee asking the assessee to file return of income.	The concept of extension of time limit by assessing officer for furnishing of return of income beyond 3 months has

	<p>No notice shall be issued unless there is information with the assessing officer which suggests that the income has escaped the assessment.</p>	<p>been removed in the proposed provisions.</p>
<p>Part II: Income deemed to be escaped the assessment. Section 148 (3)</p>	<p>The information with the assessing officer which suggests that the income chargeable to tax has escaped the assessment means:</p> <ul style="list-style-type: none"> i. Any information in accordance with the risk management strategy. ii. Any audit objection. iii. any information received under an agreement referred to in section 90 or section 90A of the Act; or iv. any information made available under the scheme notified under section 135A; or v. any information which requires action in consequence of the order of a Tribunal or a Court. vi. any information emanating from survey conducted under section 133A, other than under section 133(2A), on or after 01.09.2024. 	<p>Under the proposed provisions, in case of search cases, as new Chapter XIV-B has been inserted, search cases have been removed from the purview of reassessment.</p>

<p>Part III: Procedure for making reassessment. Section 148A</p>	<p>Where the assessing officer has the information which suggest that the income chargeable to tax has escaped the assessment, before issuing any notice under section 148, the assessing officer shall</p> <ul style="list-style-type: none"> i. Provide an opportunity of being heard to such assessee by serving upon him a notice to show cause as to why a notice under section 148 should not be issued in his case. ii. Such notice shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment. iii. On receipt of the notice, the assessee may furnish his reply within such period, as may be specified in the notice. iv. On the basis of material available on record and taking into account the reply of the assessee, pass an order with the prior approval of the specified authority determining 	<p>The time limits contained in the existing provisions created a lot of confusion in respect of the issue of notice under section 148A and section 148. Now, it is proposed to streamline the time limits for issue of notice under section 148A. The details of new time limits has been provided under section 149.</p> <p>However, the procedure under section 148A is not applicable where the assessing officer has received information under the scheme notified under section 135A.</p>
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	<p>whether or not it is a fit case to issue notice under section 148.</p>	
<p>Part IV: Time limit for issue of notice</p>	<p>Under the proposed variations, notice under section 148 shall not be issued,</p> <ul style="list-style-type: none"> i. If 3 years and 3 months have elapsed from the end of relevant assessment year. ii. If 3 years and 3 months but not 5 years and 3 months years have elapsed from the end of relevant assessment year unless the assessing officer has in his possession of books of accounts or other documents or evidence which reveal that the income, represented in the form of asset, expenditure, transaction or entry has escaped assessment amounts to Rs.50,00,000 or more for that year. <p>Whereas the show cause notice under section 148A shall not be issued,</p>	<p>The exiting time limits for issue of notice under section 149 have been reduced from 10 years to 5 years. The extra 3 months provided in the proposed section 149 is to complete the procedure under section 148A.</p> <p>As per the existing provisions, notice can be issued beyond 3 years if the assessing officer has in is possession books of account or other document or evidence which reveal that the income, represented in the form of</p> <ul style="list-style-type: none"> i. asset, ii. expenditure in respect of a transaction or in relation to an event or occasion iii. an entry or entries in the books of account. <p>has escaped the assessment amounts to Rs.50,00,000/-.</p> <p>The above conditions, with regard to the issue of notice</p>

	<p>i. If 3 years have elapsed from the end of relevant assessment year.</p> <p>ii. If 3 years but not 5 years have elapsed from the end of relevant assessment year unless the income chargeable to tax which has escaped assessment as per the information available with assessing officer amounts to or likely to amount to Rs.50,00,000 or more for that year.</p>	<p>beyond 3 years has a lot of discussion at various stages. Hence, it is proposed to make changes in respect of reopening of assessment beyond 3 years.</p>
<p>Part V: Specified Authority</p>	<p>Under the proposed variations, the specified authority for obtaining prior approval under sections 148 and 148A, irrespective of the time period, shall be the below for all cases:</p> <ol style="list-style-type: none"> a. Additional commissioner or b. Additional director or c. Joint commissioner or d. Joint director, as the case may be 	<p>The concept of separate specified authority under section 151 has been removed as obtaining prior approval for issue of notice is not required once the procedure under section 148A is followed.</p> <p>Further, for the purpose of passing the order under section 148A, prior approval of the specified authority is required.</p>

<p>Part VI: Applicability of the proposed amendment</p>	<p>The existing provisions of section 147 to 151 are applicable in respect of a search has been initiated/requisition is made/ a survey is conducted under section 133A (other than sub-section (2A)) or a notice has been issued under section 148 or order under section 148A(d) has been passed before 01.09.2024.</p>	<p>It is proposed to make new provisions effective from 01.09.2024.</p>
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Insertion of new ‘Chapter XIV-B’ – New scheme for search assessments:

It is proposed to insert a new ‘Chapter XIV-B’ in relation to search initiated or requisition made on or after 01.09.2024. The details of search assessments have been provided in the table below:

Particulars	Provisions
<p>Block Assessment:</p>	
<p>Assessment under Chapter XIV-B from 01.09.2024.</p>	<p>When a search is initiated under section 132 or requisition is made under section 132A of the IT Act on or after 01.09.2024, the assessing officer shall assess the total income of the entire block period in accordance with the provisions of this chapter.</p>
<p>Block Period – Section 158B(a)</p>	<p>The block period includes the below mentioned period:</p> <ul style="list-style-type: none"> a. The period of six previous years preceding the previous year in which the search was initiated, or any requisition was made. b. The period starting from 1st April of the year in which search is initiated or requisition is made and ending

	<p>on date of execution of last of authorizations of such search or requisition.</p>
<p>Determination of undisclosed income:</p>	
<p>Undisclosed income of any other person – Section 158BD</p>	<p>Where the assessing officer is satisfied that any undisclosed income belongs to or pertains to or relates to any other person, then such information or assets seized shall be handed over to the assessing officer having jurisdiction on such other person. The assessing officer of such other person shall carry out the assessment as per the provisions of this chapter. Further, there is no distinction in the block period of such other person. It shall be the same of the person on whom the search or requisition is made.</p>
<p>Taxability of the total income</p>	
<p>Tax charged under section 113 – Section 158BA(7)</p>	<p>Once the total income including the undisclosed income is determined by the assessing officer, such income shall be taxed as per section 113 of the IT Act, at the rate of 60 percent as increased by surcharge and cess.</p> <p>However, if the income is already declared in return filed under section 139, section 142(1) or section 148 or already assessed under the other provisions prior to the initiation of search, or the income determined for the year of search where the previous year has not ended, such income is chargeable to tax as per the normal provisions of the Act.</p>

Levy of interest and penalty:	
Interest and penalty shall not be levied and imposed – Section 158BF	Interest under 234A, section 234B or section 234C and penalty under section 270A shall not be levied or imposed on the undisclosed income of the assessee for the block period.
Interest on late filing / non-filing of return of income under this chapter – Section 158BFA(1)	However, in the event of non-filing return of income for the block period within the time limits specified in the notice, interest is levied at the rate of 1.5 percent of tax on assessed undisclosed income, per month or part of the month for the period between: <ol style="list-style-type: none"> a. The day immediately following the expiry of time specified in the notice issued under section 158BC(1) and b. The date of completion of assessment under section 158BC(1)(c).
Penalty on undisclosed income – Section 158BFA(2)	Penalty may be imposed which is equal to 50 percent of the tax payable on the undisclosed income.
Penalty under other provisions.	Penalty shall not be levied under section 271AAD(1), section 271D, section 271DA or section 271E if: <ol style="list-style-type: none"> a. A return of income is furnished by the assessee under section 158BC(1); b. Tax liability has been settled either by way of direct payment or through the money seized in the search; c. Evidence of tax paid furnished along with return; and d. An appeal is not filed against the income which is shown in the return.

New Vivad Se Vishwas Scheme, 2024 – Reduction of appeals at various fora:

Considering the huge pile of pending litigations and to provide the expeditious disposal of the appeals, the government had launched Direct Tax Vivad Se Vishwas Scheme, 2020. The scheme got a huge positive response from taxpayers and also resulted in the collection of substantial revenue to the government.

Presently, a large number of appeals are being mounted at the income tax department's side which is leading to piling up of pending litigations. To mitigate this, it is proposed to launch Direct Tax Vivad Se Vishwas Scheme, 2024 providing the taxpayers options to expediate their litigations. The key takeaways from the scheme are listed below:

Particulars	Provisions
Who is eligible for the scheme?	<ul style="list-style-type: none"> a. A person in whose case an appeal/writ or special leave petition is filed and is pending as on 22.07.2024. b. Objections have been filed by a person before DRP and the directions are yet to be issued as on 22.07.2024 c. DRP has issued directions, but the assessing officer has yet to pass the final assessment order on the person as on 22.07.2024 d. An application under section 264 is filed by a person and is pending as on 22.07.2024
Procedure of the scheme:	
Step-1	The declarant shall file a declaration
Step-2	A certificate shall be issued by the authority within 15 days determining the amount payable by the declarant.
Step-3	The declarant shall pay the amount payable within 15 days and intimate the payment details to the authority. The declarant shall withdraw the appeal or writ petition and furnish the proof of such withdrawal along with the intimation of payment to the authority.

Step-4	The declarant shall file a declaration waiving his right to claim any other remedy available under the IT Act. Such declaration shall be treated valid only if it is furnished correctly and no conditions of the scheme are violated.
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Amount payable under the scheme:

S No	Tax arrear	Whether the declarant is an appellant after 31.01.2020.	Amount payable on or before 31.12.2024	Amount payable from 01.01.2025 but on or before the last date
1	Disputed tax + interest and penalty	Yes.	Disputed tax.	Disputed Tax + 10 percent of disputed tax.
2	chargeable on disputed tax	Before 31.01.2020.	Disputed tax + 10 percent of disputed tax.	Disputed tax + 20 percent of disputed tax.
3	Disputed interest, disputed penalty,	Yes.	25 percent of the disputed interest, disputed penalty or disputed fee.	30 percent of the disputed interest, disputed penalty or disputed fee.
4	disputed fee	Before 31.01.2020 and continuing to be the appellant at the same forum.	30 percent of the disputed interest, disputed penalty or disputed fee.	35 percent of the disputed interest, disputed penalty or disputed fee.

However, in the following cases, the liability under the above table is 50 percent of the amount mentioned in the table.

- » where appeal or writ petition is filed by the revenue; or

- » where an appeal/objection is filed by the CIT(A)/JCIT(A)/DRP by the appellant on any issue and such issue is decided in favour of the appellant by the ITAT or by the High Court; or
- » where an appeal is filed before the ITAT, and such issue is decided in favour of the appellant by the High Court.

Amendment to section 153 – Rationalization of time limits under section 153:

A new section 153(1B) has been inserted to provide time limit for completion assessments in a where a return of income has been furnished in consequent to the order issued under section 119(2)(b). The new section states that assessment may be passed within a period of 12 months from the end of the year financial year in which such a return was furnished. Further, an amendment is also made to section 139 to provide that return filed in consequent to the order under section 119(2)(b) is considered as return of income under section 139. The above amendment is applicable from 01.10.2024.

Amendment to section 251 – Set aside powers to CIT (A):

After the amendment by the Finance Act, 2000 with effective from 01.06.2001, power to set aside matters to the file of the assessing officer for fresh adjudication has been removed from section 251. However, there are many instances wherein assessment has been completed under section 144 as no information has been submitted by the assessee before the assessing officer.

As many appeals, in respect of assessments under section 144 are pending before the CIT(A) level, now it is proposed to amend section 251 to provide that where an appeal against the order passed under section 144 is filed, the CIT (A) may set aside the assessment and refer the case back to the assessing officer for making a fresh assessment. However, such power is not available to JCIT(A).

Further, it is proposed to make a consequential amendment to section 153 (3) to provide that assessing officer shall pass the assessment order in the case of set aside cases

within a period of 12 months from the end of financial year in which the order under section 250 is received by the PCCIT or CCIT or PCIT or CIT. The above amendment is applicable from 01.10.2024.

Amendment to section 244A and section 245 – Rationalization of adjustment of demand:

Under section 245, the assessing officer may adjust any tax refund due to the assessee to any outstanding tax demand in the case of pending assessments till the passing the assessment order. Since any demand in an assessment is due after 30 days of the date of order, hence withholding of refund up to the date order will not sufficient hence, it is proposed to withhold the refund up to 60 days of the date of order. Further, in consequence of the above amendment, it is proposed to make amendment section 244A to extend the period excluded for additional interest payment from the date of order till the date of withholding of the refund amount. The above amendment is applicable from 01.10.2024.

Extension of monetary limits for filing of appeals:

The Hon'ble Finance Minister in her budget speech has announced that it is proposed to enhance the monetary limits for filing of appeals before various fora. The details of limits have been provided below:

S. No.	Appellate authority	Existing limits (Rs.)	Proposed limits (Rs.)
1	Before Appellate Tribunal	50,00,000	60,00,000
2	Before High Court	1,00,00,000	2,00,00,000
3	Before Supreme Court	2,00,00,000	5,00,00,000

1.10 Penalty Provisions

Amendment to section 271FAA and section 273B – Rationalization of penalty provisions:

Presently, under the provisions of section 271FAA, the penalty of Rs. 50,000 shall be applicable for furnishing inaccurate information who are required to file the Statement of Financial Transaction (SFT) or Reportable account under section 285BA. Following are the proposed circumstances under which the penal provisions under this section shall be applicable w.e.f. 01.10.2024:

- a) Furnishes inaccurate information in the statement
- b) Fails to comply the due diligence requirement in the statement

It is also proposed in section 273B, that these penalty provisions shall not be applicable if the assessee proves that there was a reasonable cause for such failure. The above amendments are applicable from 01.10.2024.

Insertion of section 271GC – penalty for non-furnishing of statement by liaison office in India:

Section 285 read with Rule 114DA provides that a non-resident having liaison office in India is required to prepare and furnish a statement in Form 49C, in respect of its activities during the financial year to the Assessee Officer within 60 days from the end of the financial year.

Now, it is proposed to amend section 285 to provide that such a statement needs to be furnished within the period as may be specified instead of 60 days. Further, it is proposed to insert section 271GC to levy a penalty for non-furnishing of such a statement within the time period as follows:

- a) a penalty of Rs. 1000 for every day for which the failure continues, if the period of failure does not exceed three months; and
- b) Rs. 1 lakh in any other case.

It is also proposed in section 273B, that this penalty shall not be applicable if the assessee proves that there was a reasonable cause for such failure. The above amendments are applicable from 01.01.2025.

Amendment to section 271H – Penalty for failure to furnish TDS/TCS statements:

Section 271H provides for penalty for failure to furnish TDS statement referred to in 200(3) or TCS statement referred to in proviso to section 206C(3) or furnish incorrect information in the such statements, wherein it states that there shall be no penalty if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statements.

To ensure better compliance, and to mitigate the inconvenience faced by the deductees or collectees, it is proposed to reduce the time period from one year to one month. The above amendment is applicable from 01.04.2025.

Amendment to section 276B – Penalty for failure to remit TDS to the government:

Section 276B states that if a person fails to credit the TDS to central government, he shall be punishable with rigorous imprisonment for a minimum term of three months which may extend up to seven years along with fine.

Now, it is proposed to provide relaxation from prosecution to such a person, if the payment of tax deducted in respect of a quarter has been made to the credit of the central government at any time on or before the time prescribed for filing the statement of such quarter under section 200(3) of the Act. The above amendment is applicable from 01.10.2024.

1.11 Black Money Act and Benami Transactions Act

Amendment to section 42 of Black Money Act – Immunity from penalty for non-reporting of foreign assets:

Under section 42 of the Black Money Act, in the case of resident (other than resident but not ordinarily resident), failure to furnish the return of income or failure to furnish information with regard to foreign assets or providing inaccurate information attracts a penalty of Rs.10,00,000/-.

These provisions have caused many litigations since many salaried assesseees having received shares of a foreign company as employee stock option scheme and could not provide such information in the return of income leading to violation of Black Money Act and being liable to a penalty of ten lakh rupees for each previous year of violation.

To provide relief to such assessee the government has proposed to extend the relaxation by not applying the section 42 and section 43 in case of non-disclosure of any foreign asset other immovable asset where the aggregate amount does not exceed an amount of twenty lakh rupees. The above amendment is applicable from 01.10.2024.

Amendment to section 132B of the Income Tax Act – Recovery of liability under Black Money Act from the assets seized under search:

Section 132B provides that any liability existing under the provisions of the IT Act along with certain other acts may be recovered from the assets seized under section 132 and 132A. Now, it is proposed to amend section 132B so as to provide that liability under the Black Money Act can also be recovered from the seized asset. The above amendment is applicable from 01.10.2024.

Amendment to section 230 of the Income Tax Act – Clearance certificate under the Black Money Act to leave India:

Section 230 mandates any person who is domiciled in India (and in respect of whom circumstances exist which in the opinion of the income tax authority render it necessary) to obtain a tax clearance certificate from the income tax authorities before leaving the

country that he has no liabilities under the Income-tax Act, 1961, or the Wealth-tax Act, 1957, or the Gift-tax Act, 1958, or the Expenditure-tax Act, 1987.

Now, it is proposed to amend section 230 to provide that such clearance certificate needs to be obtained in respect of liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. The above amendment is applicable from 01.10.2024.

Amendment to section 24 – Rationalization of time limits under Benami Act:

Time limit to respond to notice: Section 24 provides the procedure for the issue of notice and attachment of property involved in benami transactions. Issuance of show cause notice by the initiating officer to the benamidar and the beneficial owner, if any identified are dealt in sub-section (1) and sub-section (2) respectively. However, existing provisions of the section do not provide maximum time limit for the benamidar and the beneficial owner to respond against the show cause notice issued. Hence, it has been proposed to insert sub-section (2A) in order to provide a maximum time limit of three months from the end of the month in which the show cause notice is issued.

Time limit for provisional attachment: It is proposed to increase the time limit from existing 90 days to 4 months in respect of provisional attachment of the property under sub-section (3) and in respect of passing the order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property under sub-section (4).

Time limit to refer the case to the adjudicating authority: Under the existing provisions, the initiating officer shall draw up a statement of the case and refer it to the adjudicating authority within 15 days from the date of attachment order. It is proposed to increase the time limit to one month from the end of the month in which the attachment order has been passed. The above amendments are applicable from 01.10.2024.

Insertion of section 55A – Immunity from prosecution:

With a view of obtaining evidence from the benamidar or any such person referred under section 53, initiating officer may tender immunity from prosecution. However, such immunity shall be limited to the extent to which the immunity has been offered by the initiating officer and accepted by the benamidar or such other person. However, if the initiating officer finds that the immunity has been misused, he may withdraw such immunity and make the benamidar and such other person be liable for the penalty to which he would otherwise have been liable. The above amendment is applicable from 01.10.2024.

1.12 Other Amendments**Amendment to first schedule - Disallowance of expense to insurance companies:**

As per section 44 of the Act, the profits and gains of any business of insurance shall be computed as per the first schedule. However, there is no provision to restrict or add back if any expenditure is claimed, which is disallowed under section 37.

Now, it is proposed to amend the rule 2 of first schedule to insert a proviso to disallow any expenditure as per the section 37 in computing profits or gains of Life insurance business. The above amendment is applicable from AY 2025-26.

Amendment to section 245Q and section 245R:

Vide Finance Act 2021, board for advance rulings has been set up by replacing the authority of advance rulings. Further, it has been provided that transfer of cases from authority for advance rulings to board for advance rulings by way of section 245Q(4) and a Notification S.O 3562(E) dated 01.09.2021 has been notified making the transfer to BAR. However, the ruling for the pending cases were delayed due to the change to new forum and the non-binding nature of the ruling made substantial passage of the time. With a view to allowing withdrawal of the pending cases transferred to board for advance rulings the applicants are given an opportunity to make a request to withdraw the transferred cases to board for advance rulings by 31.10.2024 under section 245Q.

To facilitate such withdrawal request section 245R is proposed to amend and allow the board may by an order reject the application made and pass an order of withdrawal on or before 31.12.2024. The above amendments are applicable from 01.10.2024.

Amendment to Finance Act, 2004 – Increase of STT on futures and options:

It is proposed to increase the STT on sale of an option in securities from 0.0625 percent to 0.1 percent and in the case of sale of futures from 0.0125 percent to 0.02 percent. The above amendment is applicable from 01.10.2024.

Section II – Income Tax Rates

Income Tax Rate for FY 2024-25

Though there is no proposal in the Finance Bill to change the income tax rates (in the old regime), for quick reference and better understanding, rates of tax for the FY 2024-25, have been provided below:

2.1 Rates of Tax for Individual/HUF/AOP/BOI/AJP

Old Regime:

Individual (other than resident senior citizen and resident super senior citizen)/HUF/AOP/BOI/AJP:

Total income (In Rs.)	Rate of tax – AY 2024-25 (in percentage)	Rate of tax – AY 2025-26 (in percentage)
Up to 2,50,000	NIL	NIL
2,50,001 – 5,00,000	5	5
5,00,001 – 10,00,000	20	20
Above 10,00,000	30	30

Resident individual being a senior citizen (Aged 60 years or above but less than 80 years):

Total income (In Rs.)	Rate of tax – AY 2024-25 (in percentage)	Rate of tax – AY 2025-26 (in percentage)
Up to 3,00,000	NIL	NIL
3,00,001 – 5,00,000	5	5
5,00,001 – 10,00,000	20	20
Above 10,00,000	30	30

Resident individual being a super senior citizen (Aged 80 years or above):

Total income (In Rs.)	Rate of tax – AY 2024-25 (in percentage)	Rate of tax – AY 2025-26 (in percentage)
Up to 5,00,000	NIL	NIL
5,00,001 – 10,00,000	20	20
Above 10,00,000	30	30

Surcharge rates for Individual/HUF/AOP/BOI/AJP:

Total income (In Rs.)	Rate of surcharge- AY 2024-25 # (in percentage)	Rate of surcharge - AY 2025-26 # (in percentage)
Up to 50,00,000	NIL	NIL
50,00,001 – 1,00,00,000	10	10
1,00,00,001 – 2,00,00,000	15 ^{\$}	15 ^{\$}
2,00,00,001 – 5,00,00,000	25	25
5,00,00,001 – 10,00,00,000	37	37
Above 10,00,00,000	37	37

#However, a marginal relief is available while computation of surcharge.

^{\$}Maximum surcharge rate for capital gains covered under section 111A/112/112A and for dividend is 15 percent. Further, in the case of AOP, if all the members of the AOP are companies, maximum surcharge is 15 percent.

Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.

Rebate under section 87A: Rebate under section 87A is available to the extent of total income tax payable or Rs. 12,500, whichever is less. However, the rebate is available

only if total income does not exceed Rs.5,00,000. Further, rebate is available only to resident individual.

New regime under section 115BAC:

Section 115BAC has been made as a default regime from AY 2024-25 for individual/HUF AOP, BOI or AJP.

Existing rates under section 115BAC		Proposed rates for section 115BAC	
Total income (In Rs.)	Rate of tax (in percentage)	Total income (In Rs.)	Rate of tax (in percentage)
Up to 3,00,000	NIL	Up to 3,00,000	NIL
3,00,001 - 6,00,000	5	3,00,001 - 7,00,000	5
6,00,001 - 9,00,000	10	7,00,001 - 10,00,000	10
9,00,001 - 12,00,000	15	10,00,001 - 12,00,000	15
12,00,001 - 15,00,000	20	12,00,001 - 15,00,000	20
Above 15,00,000	30	Above 15,00,000	30

However, certain deductions are not available to taxpayers who have opted for concessional rate under section 115BAA. Please refer to [Appendix A](#).

Surcharge rates applicable to Individual/HUF/AOP/BOI/AJP (for AY 2024-25 onwards):

Total income (In Rs.)	Rate of surcharge – AY 2024-25 # (in percentage)	Rate of surcharge - AY 2025-26 # (in percentage)
Up to 50,00,000	NIL	NIL
50,00,001 – 1,00,00,000	10	10
1,00,00,001 – 2,00,00,000	15 ^{\$}	15 ^{\$}
2,00,00,001 – 5,00,00,000	25	25
Above 5,00,00,000	25	25

#However, a marginal relief is available while computation of surcharge.

\$Maximum surcharge rate for capital gains covered under section 111A/112/112A and for dividend is 15 percent. Further, in the case of AOP, if all the members of the AOP are companies, maximum surcharge is 15 percent.

Health and Education Cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.

Rebate under section 87A: Rebate under section 87A is available to the extent of total income tax payable or Rs. 25,000 whichever is less. However, the rebate is available only if total income does not exceed Rs.7,00,000. Further, rebate is available only to resident individual.

2.2 Rates of Tax for Company

Condition	Rates of tax (in percentage)	Rates of tax (MAT) (in percentage)	Effective rates (after surcharge and cess)					
			Income less than Rs. 1 Crore (in percentage)		Income exceeding Rs. 1 Crore but not exceeding Rs.10 Crore (in percentage)		Income exceeding Rs. 10 Crore (in percentage)	
			Normal	MAT	Normal	MAT	Normal	MAT
Turnover/Gross Receipts does not exceed Rs. 400 Crore for FY 2022-23	25	15	26	15.60	27.82	16.69	29.12	17.47
Company opted for section 115BA	25	15	26	15.60	27.82	16.69	29.12	17.47
Company opted for section 115BAA	22	NIL	25.17	NIL	25.17	NIL	25.17	NIL
Company opted for section 115BAB	15	NIL	17.16	NIL	17.16	NIL	17.16	NIL
Any other company	30	15	31.2	15.60	33.38	16.69	34.94	17.47
Foreign Company	35	15	36.40	15.60	37.13	15.91	38.22	16.38

Surcharge and cess - domestic company & company covered under section 115BA:

Total income (In Rs.)	Rate of surcharge – AY 2024-25 # (in percentage)	Rate of surcharge – AY 2025-26 # (in percentage)
Up to 1,00,00,000	NIL	NIL
1,00,00,001 - 10,00,00,000	7	7
Above 10,00,00,000	12	12
# However, a marginal relief is available while computation of surcharge.		
Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

Surcharge and cess – foreign company:

Total income (In Rs.)	Rate of surcharge – AY 2024-25 # (in percentage)	Rate of surcharge – AY 2025-26 # (in percentage)
Up to 1,00,00,000	NIL	NIL
1,00,00,001 - 10,00,00,000	2	2
Above 10,00,00,000	5	5
# Marginal Relief is provided while computation of surcharge.		
Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

Concessional rate of tax for a domestic company:

A domestic company, instead of paying tax at the normal rates applicable i.e., 25 percent and 30 percent, may opt for taxation under the new regime of taxation under section 115BAA. The rate of tax provided under section 115BAA is optional to the company. However, such a company cannot claim certain deductions under section 115BAA.

Person	Rate of tax	Effective rate#
Domestic Company	22 percent	25.17 percent
However, certain deductions are not available to companies which have opted for concessional rate under section 115BAA. Please refer to Appendix B.		
Surcharge: A flat surcharge of 10 percent (irrespective of total income) is applicable for companies which have opted for concessional rate under section 115BAA.		
Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

Concessional rate of tax for a new manufacturing company:

A new manufacturing company being a domestic company, instead of paying tax at the normal rates applicable i.e., 25 percent and 30 percent, may opt for taxation under the new regime of taxation under section 115BAB. The rate of tax provided under section 115BAB is optional to the company. However, such a company cannot claim certain deductions under section 115BAB.

Person	Rate of tax*	Effective rate
New Manufacturing Company	15 percent	17.16 percent
However, certain deductions are not available to companies which have opted for concessional rate under section 115BAB. Please refer to Appendix C.		
* If the company earns any income other than income from manufacturing, such income is taxable at the rate of 22 percent. Further, transfer pricing adjustment is taxable at 30 percent.		
Surcharge: A flat surcharge of 10 percent (irrespective of total income) is applicable for companies which have opted for concessional rate under section 115BAB.		
Health and education Cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

2.3 Rates of Tax for Firm

Total income (In Rs.)	Rate of tax – AY 2024-25	Rate of tax – AY 2025-26
On Total Income	30 percent	30 percent
Surcharge: A flat surcharge of 12 percent is applicable if total income exceeds Rs. 1 crore. However, a marginal relief is available while computation of surcharge.		
Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

2.4 Rates of Tax for Cooperative Society

Total income (In Rs.)	Rate of tax – AY 2024-25 (in percentage)	Rate of tax – AY 2025-26 (in percentage)
Up to 10,000	10	10
10,001 – 20,000	20	20
Above 20,000	30	30

Surcharge and cess – cooperative society:

Total income (In Rs.)	Rate of surcharge – AY 2024-25 # (in percentage)	Rate of surcharge – AY 2025-26 # (in percentage)
Up to 1,00,00,000	NIL	NIL
1,00,00,001 - 10,00,00,000	7	7
Above 10,00,00,000	12	12
# However, a marginal relief is available while computation of surcharge.		
Health and education Cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

Concessional rate of tax for a cooperative society:

A co-operative society, instead of paying tax at the normal slab rates applicable, may opt for taxation under the new regime of taxation under section 115BAD. The rate of tax provided under section 115BAD is optional to the co-operative society. However, such a co-operative society cannot claim certain deductions under section 115BAD.

Person	Rate of tax	Effective rate
Co-operative society	22 percent	25.17 percent
However, certain deductions are not available to co-operative societies which have opted for concessional rate under section 115BAD. Please refer to Appendix D .		
Surcharge: A flat surcharge of 10 percent (irrespective of total income) is applicable for co-operative societies which have opted for concessional rate under section 115BAD.		
Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.		

Cooperative societies engaged in manufacturing:

A co-operative society being a resident engaged in manufacturing or production of an article or thing, instead of paying tax at the normal slab rates applicable, may opt for taxation under the new regime of taxation under section 115BAE. The rate of tax provided under section 115BAE is optional to the co-operative society. However, such a cooperative society cannot claim certain deductions under section 115BAE.

Person	Rate of tax*	Effective rate
Co-operative society	15 percent	17.16 percent
However, certain deductions are not available to cooperative societies which have opted for concessional rate under section 115BAE. Please refer to Appendix E .		
* If the co-operative society earns any income other than income from manufacturing, such income is taxable at the rate of 22 percent. Further, transfer pricing adjustment is taxable at 30 percent.		

Surcharge: A flat surcharge of 10 percent (irrespective of total income) is applicable for co-operative societies which have opted for concessional rate under section 115BAE.

Health and education cess: Health and education cess at the rate of 4 percent is payable on the amount of income tax plus surcharge.

Appendices – Conditions for Applicability of New Regime

2.5 Appendix A – Individual/HUF/AOP/BOI/AJP

Following deductions are not available under the new regime under section 115BAC (applicable from AY 2024-25)

Section 10(5)	Leave travel allowance. ('LTA')
Section 10(13A)	House rent allowance. ('HRA')
Section 10(14)	Special allowance to meet the expenditure to perform office duties.
Section 10(17)	Daily and other allowances to MP/MLA
Section 10(32)	Rs.1,500 deduction while clubbing the minor income.
Section 10AA	Deduction to SEZ units.
Section 16	Entertainment allowance Employment tax.
Section 24(b)	Interest on home loan for a self-occupied property.
Section 32(1)(iia)	Additional depreciation in respect of new plant and machinery.
Section 32AD	Deduction in respect of investment in new plant and machinery in notified backward areas.
Section 33AB	Deduction in respect of Tea, Coffee or Rubber business.
Section 33ABA	Deduction in respect of deposit in site restoration fund.
Section 35(1)(ii)	Deduction in respect of amount paid to approved research association, university, college or institution.
Section 35(1)(iia)	Deduction in respect of amount paid to a company which is engaged in research activities.

Section 35(1)(iii)	Deduction in respect of amount paid for social science or statistical research.
Section 35 (2AA)	Deduction in respect of amount paid to national laboratory or university or IIT or specified person with a specific direction.
Section 35AD	Deduction in respect of expenditure on specified business.
Section 35CCC	Deduction in respect of expenditure on notified agricultural extension project.
Chapter VIA – Except section 80CCD (2), 80CCH and section 80JJAA*	Deduction in from section 80A to 80VV - Other than the provisions of section 80CCD (2) (Employer’s contribution to pension scheme), section 80CCH (Contribution to Agnipath Scheme) and section 80JJAA (Deduction in respect of employment of new employees).
*80LA - Deduction under section 80LA is allowed if a person has a unit in the International Financial Services Centre as referred to in section 80LA(1A).	
Conditions under section 115BAC	
Assessee shall not setoff any loss carried forward or depreciation from any earlier assessment year if such loss or depreciation is attributable to any of the deduction specified above.	
Assessee shall not setoff any loss under the head "Income from house property" with any other head of income	
Procedure to exercise the option under new regime	
Individual/HUF/AOP/BOI/AJP who is having income from business/profession	Individual/HUF/AOP/BOI/AJP shall exercise the option for new regime by filing a Form 10-IEA before the due date under section 139(1).

	Once the option is exercised in a year, such an option is applicable to subsequent years as well and no separate Form is required to be submitted again. However, individual/HUF/AOP/BOI/AJP may withdraw the option in any year but, once the option is withdrawn, such person cannot exercise the option again in future. (if such person ceases to have income from business/profession, he can exercise the option under the below clause).
Individual/HUF/AOP/BOI/AJP who is not having income from business/profession.	Individual/HUF/AOP/BOI/AJP can exercise the option while filing the return of income and no separate form is required to be filed. Further, individual/HUF/AOP/BOI/AJP may change the option every year.

2.6 Appendix B – Domestic Company

Following deductions are not available to companies which have opted for concessional rate under section 115BAA

Section 10AA	Special deductions for SEZ units.
Section 32(1)(ia)	Additional depreciation in respect of new plant and machinery.
Section 32AD	Deduction in respect of investment in new plant and machinery in notified backward areas.
Section 33AB	Deduction in respect of Tea, Coffee or Rubber business.
Section 33ABA	Deduction in respect of deposit in site restoration fund.
Section 35(1)(ii)	Deduction in respect of amount paid to approved research association, university, college or institution.
Section 35(1)(ia)	Deduction in respect of amount paid to a company which is engaged in research activities.

Section 35(1)(iii)	Deduction in respect of amount paid for social science or statistical research.
Section 35(2AA)	Deduction in respect of amount paid to national laboratory or university or IIT or specified person with a specific direction.
Section 35(2AB)	Deduction in respect of amount spent on scientific research in the business of bio-technology or manufacturing of any article or thing not specified in the list of the 11 th Schedule.
Section 35AD	Deduction in respect of expenditure on specified business.
Section 35CCC	Deduction in respect of expenditure on notified agricultural extension project.
Section 35CCD	Deduction in respect of expenditure on skill development project.
Chapter VIA – Except and section 80JJAA and 80M*.	Deduction in Chapter VI-A - Other than the provisions of section 80JJAA (Deduction in respect of employment of new employees) and section 80M (Deduction in respect of certain intercorporate dividend).
*80LA - Deduction under section 80LA is allowed if a person has a unit in the International Financial Services Centre as referred to in section 80LA(1A).	
Conditions under section 115BAA	
Assessee shall not setoff any loss carried forward or depreciation from any earlier assessment year if such loss or depreciation is attributable to any of the deduction specified above.	
Assessee shall not set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A (carry forward and set off of accumulated loss and	

unabsorbed depreciation allowance in the case of amalgamation or demerger), if such loss or depreciation is attributable to any of the deductions specified above.

Where the person fails to satisfy the conditions specified above in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the IT Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.

Procedure to exercise the option under new regime

Filing of Form 10-IC	As the provisions of section 115BAA are optional, to claim such benefits, assessee shall exercise such option by filing the Form 10-IC on or before the due date for filing return of income for previous year from which assessee has intended to claim benefits of section 115BAA which means that the option may be exercised from any previous year. However, once the option is exercised, same cannot be withdrawn for the same or subsequent previous years.
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2.7 Appendix C – Domestic Manufacturing Company

Following deductions are not available to companies which have opted for concessional rate under section 115BAB

Section 10AA	Special deductions for SEZ units.
Section 32(1)(iia)	Additional depreciation in respect of new plant and machinery.
Section 32AD	Deduction in respect of investment in new plant and machinery in notified backward areas.
Section 33AB	Deduction in respect of Tea, Coffee or Rubber business.
Section 33ABA	Deduction in respect of deposit in site restoration fund.

Section 35(1)(ii)	Deduction in respect of amount paid to approved research association, university, college or institution.
Section 35(1)(iia)	Deduction in respect of amount paid to a company which is engaged in research activities.
Section 35 (1)(iii)	Deduction in respect of amount paid for social science or statistical research.
Section 35(2AA)	Deduction in respect of amount paid to national laboratory or university or IIT or specified person with a specific direction.
Section 35(2AB)	Deduction in respect of amount spent on scientific research in the business of bio-technology or manufacturing of any article or thing not specified in the list of the 11 th Schedule.
Section 35AD	Deduction in respect of expenditure on specified business.
Section 35CCC	Deduction in respect of expenditure on notified agricultural extension project.
Section 35CCD	Deduction in respect of expenditure on skill development project.
Chapter VIA – Except section 80JJAA and section 80M.	Deduction in Chapter VI-A - Other than the provisions of section 80JJAA (Deduction in respect of employment of new employees) and section 80M (Deduction in respect of certain intercorporate dividend).
Conditions under section 115BAB	
Company shall be incorporated on or after October 01, 2019 and shall commence manufacturing on or before March 31, 2024.	
The company shall not be formed by splitting up, or the reconstruction, of the existing business. However, the above restriction is not applicable when such business is re-	

established, reconstructed or revived with in a period of three years from the end of previous year in which the circumstances specified under section 33B has occurred.

The company shall not acquire/install any machinery or plant which is used for any purpose. However, machinery or plant which is used by any other person outside India shall not be considered as used machinery or plant if:

- » Such machinery or plant was not used in India up to the date of installation.
- » Such machinery or plant is imported into India from any country outside India.
- » No depreciation is allowed or is allowable under the IT Act in computing total income for any period prior to the date of installation.

However, assessee is allowed to acquire/install used machinery or plant provided the value of which shall not exceed 20 percent of the total value of machinery or plant acquired/installed by the company.

The company shall not use any building which is previously used as hotel or convention centre in respect of which deduction under section 80-ID has been claimed and allowed.

The company shall not engage in any business other than the business of manufacturing or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. Following business shall not be considered as eligible business:

- » Development of computer software in any form or in any media.
- » Mining.
- » Conversion of marble blocks or similar items into slabs.
- » Bottling of gas into cylinder.
- » Printing of books or production of cinematograph film; or
- » Any other business as may be notified by the Central Government in this behalf.

Assessee shall not set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A (carry forward and set off of accumulated loss and

unabsorbed depreciation allowance in the case of amalgamation or demerger), if such loss or depreciation is attributable to any of the deductions specified above.

Where the person fails to satisfy the conditions specified above in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the IT Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.

Procedure to exercise the option under new regime

Filing of Form 10-ID	As the provisions of section 115BAB are optional, to claim such benefits, assessee shall exercise such option by filing the Form 10-ID on or before the due date for filing return of income for previous year from which assessee has intended to claim benefits of section 115BAB which means that the option may be exercised from any previous year. However, once the option is exercised, same cannot be withdrawn for the same or subsequent previous years.
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2.8 Appendix D – Cooperative Society

Following deductions are not available to co-operative societies which have opted for concessional rate under section 115BAD

Section 10AA	Special deductions for SEZ units.
Section 32(1)(iia)	Additional depreciation in respect of new plant and machinery.
Section 32AD	Deduction in respect of investment in new plant and machinery in notified backward areas.
Section 33AB	Deduction in respect of Tea, Coffee or Rubber business.
Section 33ABA	Deduction in respect of deposit in site restoration fund.

Section 35(1)(ii)	Deduction in respect of amount paid to approved research association, university, college or institution.
Section 35(1)(ia)	Deduction in respect of amount paid to a company which is engaged in research activities.
Section 35 (1)(iii)	Deduction in respect of amount paid for social science or statistical research.
Section 35(2AA)	Deduction in respect of amount paid to national laboratory or university or IIT or specified person with a specific direction.
Section 35AD	Deduction in respect of expenditure on specified business.
Section 35CCC	Deduction in respect of expenditure on notified agricultural extension project.
Chapter VIA – Except section 80JJA.	Deduction in Chapter VI-A - Other than the provisions of section 80JJAA (Deduction in respect of employment of new employees).
*80LA - Deduction under section 80LA is allowed if a person has a unit in the International Financial Services Centre as referred to in section 80LA(1A).	
Conditions under section 115BAD	
Assessee shall not setoff any loss carried forward or depreciation from any earlier assessment year if such loss or depreciation is attributable to any of the deduction specified above.	
Where the person fails to satisfy the conditions specified above in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the IT Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.	

Procedure to exercise the option under new regime

Filing of Form 10-IF	As the provisions of section 115BAD are optional, to claim such benefits, assessee shall exercise such option by filing the Form 10-IF on or before the due date for filing return of income for previous year from which assessee has intended to claim benefits of section 115BAD which means that the option may be exercised from any previous year. However, once the option is exercised, same cannot be withdrawn for the same or subsequent previous years.
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2.9 Appendix E – Manufacturing Cooperative Society

Following deductions are not available to co-operative societies which have opted for concessional rate under section 115BAE.

Section 10AA	Special deductions for SEZ units.
Section 32(1)(ia)	Additional depreciation in respect of new plant and machinery.
Section 33AB	Deduction in respect of Tea, Coffee or Rubber business.
Section 33ABA	Deduction in respect of deposit in site restoration fund.
Section 35(1)(ii)	Deduction in respect of amount paid to approved research association, university, college or institution.
Section 35(1)(ia)	Deduction in respect of amount paid to a company which is engaged in research activities.
Section 35 (1)(iii)	Deduction in respect of amount paid for social science or statistical research.
Section 35(2AA)	Deduction in respect of amount paid to national laboratory or university or IIT or specified person with a specific direction.

Section 35AD	Deduction in respect of expenditure on specified business.
Section 35CCC	Deduction in respect of expenditure on notified agricultural extension project.
Chapter VIA – Except section 80JJA.	Deduction in Chapter VI-A - Other than the provisions of section 80JJAA (Deduction in respect of employment of new employees).

Conditions under section 115BAE

Co-operative society shall be set up and registered on or after 01.04.2023 and shall commence manufacturing on or before 31.03.2024.

The business shall not be formed by splitting up, or the reconstruction, of the existing business.

The co-operative society shall not use any machinery or plant which is previously used for any purpose. However, machinery or plant which is used by any other person outside India shall not be considered as used machinery or plant if:

- » Such machinery or plant was not used in India up to the date of installation.
- » Such machinery or plant is imported into India from any country outside India.
- » No depreciation is allowed or is allowable under the IT Act in computing total income for any period prior to the date of installation.

However, assessee is allowed to acquire/install used machinery or plant provided the value of which shall not exceed 20 percent of the total value of machinery or plant acquired/installed by the co-operative society.

The co-operative society shall not engage in any business other than the business of manufacturing or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. This shall include the business of generation of electricity, however, following business shall not be considered as eligible business:

- » Development of computer software in any form or in any media.

- » Mining.
- » Conversion of marble blocks or similar items into slabs.
- » Bottling of gas into cylinder.
- » Printing of books or production of cinematograph film; or
- » Any other business as may be notified by the Central Government in this behalf.

Assessee shall not set off of any loss carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions specified above and it shall be deemed to have been given full effect and no further deduction is allowed in subsequent year. Assessee can claim depreciation under section 32 other than section 32(1)(iia).

The provisions of section 115JC, section 115JD are not applicable to co-operative societies opted for provisions of section 115BAE.

The option can be exercised by the assessee in the first return of income in respect of relevant to the assessment year commencing on or after 01.04.2024 and such option once exercised for any previous year shall not be allowed to be withdrawn for the same or any other previous year.

Where the person fails to satisfy the conditions specified above in any previous year, the option shall become invalid in respect of the assessment year relevant to that previous year and subsequent assessment years and other provisions of the IT Act shall apply, as if the option had not been exercised for the assessment year relevant to that previous year and subsequent assessment years.

Procedure to exercise the option under new regime

Filing of Form 10-IFA	As the provisions of section 115BAE are optional, to claim such benefits, assessee shall exercise such option by filing the Form 10-IFA on or before the due date for filing return of income for previous year from which assessee has intended to claim benefits of section 115BAD which
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	<p>means that the option may be exercised from any previous year. However, once the option is exercised, same cannot be withdrawn for the same or subsequent previous years.</p>
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Section III – TDS/TCS Rates and Due Date for Filing of TAR/Form 3CEB and ITR

3.1 Rates of TDS for FY 2024-25

Though there are few changes in the TDS and TCS provisions, for ease of reference, TDS and TCS rates under existing provisions of IT Act for the FY 2024-25 have been provided below:

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
192	Any person being an employer	Any person being an employee	Payment of salary	Basic exemption limit	Applicable slab rates (Refer the remarks)	Tax shall include surcharge and cess. (Amendment has been made to section 192)
192A	Trustees of EPF or any person authorised to make payment	Any person being an employee	Payment of accumulated balance of Provident fund	50,000	10 percent (Refer the remarks)	If PAN not available- 20 percent.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
	under the scheme					
193	Any person responsible for paying interest on securities	Resident	Interest on Securities	Depends upon nature of security	Rates in force -10 percent	Tax shall include surcharge and cess.
	Indian Company/ Company which has made prescribed arrangements	Resident	Distribution of any dividend	5,000	10 percent	The payment should be made in any mode other than cash to avail threshold.
194A	Any person (Refer the remarks)	Resident	Interest other than interest on securities	1.Banks, co-operative banks and	Rates in force – 10 percent	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
				post office - 40,000(50,000 if payee is a senior citizen) 2.Others- 5,000		business or Rs.50Lakhs in the case of profession in the preceding year. Tax shall include surcharge and cess.
194B	The person responsible for payment	Any person	Winnings from lottery or crossword puzzle, gambling/betting	Aggregate limit - 10,000	Rates in force – 30 percent	Tax shall include surcharge and cess.
194BA	The person responsible for payment	Any person	Net winnings from online games		30 percent	Tax shall include surcharge and cess.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194BB	Any person being a bookmaker	Any person	Winnings from horse race	Aggregate limit - 10,000	Rates in force – 30 percent	Tax shall include surcharge and cess.
194C	Any person responsible for payment (Refer the remarks)	Resident - Individual/HUF	Payment to contractors	Individual limit -30,000 Aggregate limit - 1,00,000	1 percent	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of business or Rs.50Lakhs in the case of profession in the preceding year.
		Resident - other than above	Payment to contractors	Individual limit - 30,000 Aggregate limit - 1,00,000	2 percent	Individual/HUF is not required to deduct tax when such services is exclusively for the personal purpose of such individual or members of HUF.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194D	Any person responsible for payment	Resident	Insurance Commission	Aggregate limit - 15,000	Rates in force – 5 percent (2 percent from 01.04.2025)	Tax shall include surcharge and cess.
194DA	Any person responsible for payment	Resident	Insurance maturity proceeds	1,00,000	5 percent (2 percent from 01.10.2024)	No TDS on amounts covered under section 10(10D).
194E	The person responsible for payment	Non-Resident sportsman/ association/ Entertainer who is not a	Income referred to in section 115BBA	Without any limit	20 percent	

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
		citizen of India				
194EE	The person responsible for payment	Any person (Refer the remarks)	Payment of amount lying in the deposit account under National Savings Scheme	2,500	10 percent	This section is not applicable when the payee is the heir of the assessee.
194F	The person responsible for payment	Any person covered under section 80CCB	Payment on account of repurchase of units/termination of plan by Mutual Fund or Unit Trust of India	Without any limit	20 percent	Omitted from 01.10.2024.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194G	Any person responsible for payment	Any person who is stocking/distributing, purchasing or selling lottery tickets	Commission, remuneration or prize on sale of lottery tickets	15,000	5 percent (2 percent from 01.10.2024)	
194H	Any person responsible for payment (Refer the remarks)	Resident	Commission other than insurance commission as covered under section 194D or brokerage	15,000	5 percent (2 percent from 01.10.2024)	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of business or Rs.50Lakhs in the case of profession in the preceding year.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194-I	Any person responsible for payment (Refer the remarks)	Resident	Renting of plant/machinery/equipment	2,40,000	2 percent	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of business or Rs.50Lakhs in the case of profession in the preceding year.
		Resident	Renting of land/building/furniture/fittings		10 percent	
194-IA	Any person being a transferee (other than person referred to in section 194LA)	Resident transferor	Transfer of immovable property (Refer the remarks)	50,00,000	1 percent	Provisions are not applicable in respect of transfer of rural agricultural land in India. Tax shall be deducted on consideration or stamp duty value whichever is higher. TAN is not required. (aggregate amount needs to be considered for multiple transferors/ transferees)

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194-IB	Any person being an individual /HUF	Resident	Renting of land/building other than covered under section 194-I	50,000 per month or part of a month	5 percent (2 percent from 01.10.2024)	TAN is not required.
194-IC	Any person responsible for payment	Resident being an individual/HUF	Consideration under a JDA	Without any limit	10 percent	Tax is not required to deduct when consideration is paid in kind.
194J	Any person responsible for payment (Refer the remarks)	Resident	Fees for professional services	30,000	10 percent	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of business or Rs.50Lakhs in the case of profession.
		Resident	Fees for technical services	30,000	2 percent	
		Resident	Remuneration/fees/ commission to a director (other than	Without any limit	10 percent	Individual/HUF is not required to deduct tax when such services is

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			covered under section 192)			exclusively for the personal purpose of such individual or members of HUF in the preceding year. If payee is engaged in the business of only operation of call centre, then the rate of tax would be 2 percent for all type of payments specified under this section.
		Resident	Royalty	30,000	2 percent	
		Resident	Non-compete fee	30,000	10 percent	
194K	Any person responsible for payment	Resident	Income in respect of units of MF, UTI	5,000	10 percent	Tax is not required to be deducted if the income is in the nature of capital gains.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194LA	Any person responsible for payment	Resident	Compensation for compulsory acquisition of immovable property (Refer the remarks)	2,50,000	10 percent	Provisions are not applicable in respect of transfer of agricultural land (rural and urban).
194LB	The person responsible for payment	Non-resident or a foreign company	Interest on infrastructure debt fund	Without any limit	5 percent	
194LBA	Any person being a business trust	Resident	Income distributed by a business trust	Without any limit	10 percent	Tax shall include surcharge and cess. If SPV has not exercised option under section 115BAA, then no tax to be deducted in respect of dividend.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
		Non-resident or a foreign company	Income distributed by a business trust - Interest from SPV	Without any limit	5 percent	Tax shall include surcharge and cess.
			Income distributed by a business trust - Dividend	Without any limit	10 percent	Tax shall include surcharge and cess. If SPV has not exercised option under section 115BAA, then no tax to be deducted in respect of dividend.
		Non-resident or a foreign company	Income by way of renting or leasing or letting out any real estate asset	Without any limit	Rates in force – 30 percent	Tax shall include surcharge and cess.
194LBB	Any person being an	Resident		Without any limit	10 percent	Tax shall include surcharge and cess.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
	investment fund referred to in section 115UB	Non-resident (Refer the remarks)	Any income other than proportion of business income	Without any limit (Refer the remarks)	Rates in force – 30 percent	
194LBC	Any person being a securitization trust referred to in section 115TCA	Resident – Individual/H UF	Any income from in respect of investment in a securitization trust	Without any limit	25 percent	Tax shall include surcharge and cess.
		Resident – other than above			30 percent	
		Non-resident or a foreign company			Rates in force – 30 percent	
194LC		Non-resident or a	Interest in respect of loan agreement	Without any limit	5 percent	These provisions are applicable only in respect of monies

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
	Indian company or Business trust	foreign company	on or after 01.07.2012 but before 01.07.2023			borrowed in foreign currency from a source outside India.
Interest in respect of issue of long term infrastructure bonds on or after 01.07.2012 but before 01.10.2014			Without any limit	5 percent		
Interest in respect of issue of any long term bonds including infrastructure bonds on or after			Without any limit	5 percent		

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			01.10.2014 but before 01.07.2023			
			Interest in respect of issue of rupee denominated bond before 01.07.2023	Without any limit	5 percent	
			Interest in respect of long term bonds or rupee denominated bond on or after 01.04.2020 but before 01.07.2023	Without any limit	4 percent	These provisions are applicable only in respect of monies borrowed in foreign currency from a source outside India. The bonds referred here must be listed only on a recognized stock exchange located in any
			Interest in respect of long term bonds or rupee	Without any limit	9 percent	International Financial Services Centre.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			denominated bond on or after 01.07.2023			
194LD	Any person responsible for payment	Foreign institutional investor or qualified foreign investor	Interest on payable on or after 01.06.2013 but before 01.07.2023 on rupee denominated bonds of an Indian company or Government security	Without any limit	5 percent	
			Interest payable on or after 01.04.2020 but before			

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			01.07.2023 on municipal debt security			
194M	Any person being an individual/HUF	Resident	Payment of contractual fee/ commission (not being insurance commission)/ brokerage/ professional fee (other than covered under section 194C, 194H and section 194J)	50,00,000	5 percent (2 percent from 01.10.2024)	TAN is not required.
194N	Every person being a bank,	Any person - who filed	Withdrawal of cash from bank	1,00,00,000	2 percent	Rs.3Crore for co-operative societies (deductee).

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
	cooperative society engaged in banking business or a post office	returns for any of the last three years Any person - who has not filed returns for all last three years & time limit to file return of income has expired	Withdrawal of cash from bank	20,00,000	2 percent if the amount does not exceed Rs.1Crore. 5 percent if the amount exceeds Rs.1 Crore	
194O	E- commerce operator	Resident - E commerce participant	Payment for sale of goods/services	Without any limit (Refer the remarks)	1 percent	Tax is not required to be deducted when payment is made to an individual/HUF if the

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			through electronic platform		(0.1 percent from 01.10.2024)	<p>aggregate amount does not exceed Rs.5 lakhs and such person provides PAN or Aadhar number to the payer.</p> <p>Once the tax is deducted (even no tax is deducted in the above case) under this section, no tax shall be deductible under other provisions (except for section 194S). However, the said exemption is not applicable for income from hosting advertisements and any other services.</p>

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194P	Specified bank	Resident – specified senior citizen (Refer the remarks)	Payment of pension and interest by a specified bank	Computatio n of total income	Income tax on total income based on rates in force	Specified senior citizen means who is of the age of 75 years or more who is having only a pension income and interest from such specified bank. Tax shall include surcharge and cess.
194Q	Any person being a buyer (Refer the remarks)	Resident	Purchase of goods	50,00,000	0.1 percent on amount exceeding Rs.50Lakhs	Buyer means whose turnover exceeds Rs.10Crore during the preceding year. If tax is already deducted under other provisions or tax is collected under section 206C (other than 206C(1H), tax is not required to be deducted under this section.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
194R	Any person responsible for payment (Refer the remarks)	Resident	Perquisite in business/ profession (in cash or kind)	20,000	10 percent	Individual/HUF is required to deduct tax only when turnover exceeds Rs. 1Crore in the case of business or Rs.50Lakhs in the case of profession in the preceding year.
194S	Any person responsible for payment	Resident	Payment for transfer of VDA	10,000* 50,000**	1 percent	* If the payer is other than a specified person. **If the payer is a specified person. Specified person means Individual/HUF whose turnover does not exceed Rs. 1 Crore in the case of business or Rs.50 Lakhs in the case of profession in the preceding year, or not having

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
						any income under the head PGBP. This section prevails over section 194O. TAN is not required.
195	Any person responsible for payment	Non-resident or a foreign company	Any income chargeable to tax (other than salary, interest under section 194LB/194LC/194LD)	Without any limit	Rates in force (Refer the remarks)	Tax shall include surcharge and cess.
196A	Any person responsible for payment	Non-resident or a foreign company	Income in respect of units of MF (Refer the remarks)	Without any limit	20 percent (or rate in treaty)	No deduction of tax on income payable in respect of units of UTI to a NRI or Non-resident HUF, if units are acquired from NRE account in foreign currency.

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
196B	The person responsible for payment	Offshore fund	Income in respect of units referred to in section 115AB	Without any limit	10 percent (for LTCG - 12.50 percent from 23.07.2024)	
196C	The person responsible for payment	Non-resident	Income by of interest/dividend/ long term capital gains in respect of bonds/GDR referred to in section 115AC	Without any limit	10 percent (for LTCG - 12.50 percent from 23.07.2024)	
196D	The person responsible for payment	Foreign institutional investor	Income referred to in section 115AD (other than interest	Without any limit	20 percent or rate in treaty.	No tax is to be deducted on income in respect of capital

Section	Deductor	Deductee	Nature of payment	Threshold (in Rs.)	Rate of TDS	Remarks
			under section 194LD)			gains from transfer of securities referred in section 115AD.
		Specified fund	Income referred to in section 115AD (other than interest under section 194LD)	Without any limit	10 percent	

3.2 Rates of TCS for FY 2024-25

Section	Nature of transaction	Threshold (in Rs.)	Rate of TCS	Remarks
206C (1)	Alcoholic Liquor for human consumption	Without any limit	1 percent	If a buyer being a resident provides a declaration to the seller that these products would be utilized for the purposes of manufacturing, processing or producing articles or things or for the purpose of generation of power and not for trading purpose, then, TCS is not required to be collected by the seller.
	Tendu leaves		5 percent	
	Timber obtained under a forest lease		2.5 percent	
	Timber obtained by any mode other than under a forest lease		2.5 percent	
	Any other forest produce not being timber or tendu leaves		2.5 percent	
	Scrap		1 percent	
	Minerals, being coal or lignite or iron ore		1 percent	
206C(1C)	Parking lot	Without any limit	2 percent	
	Toll plaza		2 percent	
	Mining and quarrying		2 percent	Mining does not include mining of mineral oil.

Section	Nature of transaction	Threshold (in Rs.)	Rate of TCS	Remarks
206C(1F)	Sale of motor vehicle or any other notified goods (from 01.01.2025).	10 Lakhs	1 percent	
206C(1G)	Remittance of amount LRS	7 Lakhs	i. 0.5 percent ii. 5 percent iii. 20 percent (Refer the remarks)	i. For the purpose of education (if the amount being remitted is loan obtain from any financial institution as specified in section 80E. ii. For the purpose of education/medical treatment. iii. Any other purpose. TCS shall be collected on the amount in excess of Rs.7 Lakhs.
	Sale of overseas tour package	Without any limit	i. 5 percent up to Rs.7,00,000 ii. 20 percent	Once the TCS is collected by the seller of overseas tour package, AD bank shall not collect TCS.

Section	Nature of transaction	Threshold (in Rs.)	Rate of TCS	Remarks
				If the payer is liable to deduct tax at source and deducted the same, the payee is not required to collect TCS.
206C(1H)	Sale of goods other than goods being exported, covered under section 206C(1), 206C(1F) or 206C(1G)	50 Lakhs	0.1 percent	The seller is required to collect TCS only if the turnover for the preceding year exceeds Rs.10 Crore. If buyer is required to deduct tax at source and deducted such amount, then, TCS is not required.

3.3 Due Date for Filing of TAR/Form 3CEB and ITR

Though there are few changes in the due dates, for ease of reference, due date for filing of return of income and tax audit report for the AY 2024-25 have been provided below:

Class of person	Conditions	Due date for filing of TAR/Form 3CEB	Due date for filing of ITR
Company	If the company is required to file Form 3CEB	October 31	November 30
	If the company is not required to file Form 3CEB	September 30	October 31
LLP	If the LLP is required to file Form 3CEB	October 31	November 30
	If the LLP is not required to file Form 3CEB but required to file TAR	September 30	October 31
	If the LLP is not required to file TAR but required to audit under the LLP Act, 2008	N.A.	October 31
	Other than above	N.A.	July 31
Firm	If the firm is required to file Form 3CEB	October 31	November 30
	If the firm is not required to file Form 3CEB but required to file TAR	September 30	October 31
	If the firm is not required to file TAR	N.A.	July 31
	If the firm/LLP is required to file Form 3CEB	N.A.	November 30

Class of person	Conditions	Due date for filing of TAR/Form 3CEB	Due date for filing of ITR
Partner of an LLP/Firm	If the firm/LLP is not required to file Form 3CEB but required to file TAR	N.A.	October 31
	If the LLP is required, an audit under the LLP Act	N.A.	October 31
	Other than above	N.A.	July 31
Individual /HUF	If the person is required to file Form 3CEB	October 31	November 30
	If the person not required to file Form 3CEB but required to file TAR	September 30	October 31
	Other than above	N.A.	July 31
Other Assessee	If the person required to file Form 3CEB	October 31	November 30
	If the person not required to file Form 3CEB but required to file TAR	September 30	October 31
	Other than above	N.A.	July 31
Person other than a company/firm	If first proviso to section 139 (1) is applicable	N.A.	October 31

Section IV – CBDT Circulars

(From 01.04.2023 to 30.06.2024)

4.1 CBDT Circulars - Income Tax

Circular No. 04/2023 dated 05.04.2023 – Clarification regarding deduction of TDS under section 192 to deductor under section 115BAC of the Act:

Section 115BAC which was introduced vide Finance Act, 2020 has provided a new regime of taxation. Vide Finance Act, 2023, sub-section (1A) has been inserted by making section 115BAC as the default tax regime. Further, under sub-section 6, a person may exercise the option to opt out of the new tax regime and choose to be taxed under the old regime. Hence, in the case of the employee, to avoid the hardship of the employer entities, it has been directed that the employer shall seek information from each employee regarding their intended tax regime and shall deduct tax according to the option exercised.

If no information has been provided by the employee, then the employer is directed to deduct tax as per the rates provided in section 115BAC(1A) of the IT Act i.e., new tax regime. Further, such intimation by employee and consequent deduction of tax by employer does not result in exercising the option in terms of 115BAC(6), and employee shall be required to exercise the same as per the provisions of the section.

Circular No. 6/2023 dated 22.05.2023 – Guidelines to Rule 133 in computing the income under section 194BA:

Vide Finance Act, 2023, section 194BA was introduced as a compliance measure to deduct tax on winnings from online games. In this regard, Rule 133 has been notified on 22.05.2023 and guidelines have been provided for removing any difficulties in the calculation of net winnings.

» **If the user has multiple wallets, how the net winnings are computed?**

All the wallets of the user shall be treated as user account. Any deposit/withdrawal from any of the wallet is considered as withdrawal/deposit

from the user account. The term withdrawal/deposit shall refer to aggregate deposits/withdrawals of user.

$$\text{Net winning} = A - (B + C)$$

A= amount withdrawn from the user account.

B= Aggregate amount of deposit made in the user account.

C= Opening balance in the user account.

If one deductor is having multiple platforms and it is not technologically feasible for him to integrate multiple user accounts across platforms, then he may calculate tax required to be deducted for each platform separately. Further, transfer of amount from one account to another across the same gaming platform shall not be treated as withdrawal/deposit for the purpose of computation of net winnings.

» **Is a deposit made from borrowed money a taxable or non-taxable deposit.**

A deposit shall be treated as non-taxable when such a deposit is being made from the taxed income of the assessee or money which is not taxable as per the Act. Since the borrowed money is not taxable, such a deposit would be a non-taxable deposit.

» **Treatment of Bonus, referral bonus, incentives, coins, coupons and vouchers etc.**

Any amount of bonus, referral bonus and incentives provided by the online game intermediary shall be treated as taxable deposit and is included in the closing balance while computing the net winnings. Further, if coins, coupons or vouchers are credited to the user account, then equivalent value in terms of money shall be treated as taxable deposit.

However, if such bonus or coupons are non-withdrawable and are to be used only for making trades, such amounts are to be ignored for calculation of net winnings. Hence, they are not considered in either non-taxable deposits,

opening balance or closing balance. If subsequently, they are made available for withdrawal, they shall be treated as taxable deposits.

» **What is the point of time of withdrawal?**

When the amount is transferred from the user account to any other account of the same platform, such transfer is not treated as withdrawal. However, when the amount is withdrawn from one user account to any other account, it is considered as withdrawal.

When, in consideration of the amount in user account, same coupons etc are issued for purchase of goods or services, or some item in kind is issued, that is considered as withdrawal.

» **Tax deduction in case of nominal withdrawals**

Tax need not be deducted if following conditions were met:

- i. The net winnings comprised in withdrawn amount does not exceed Rs. 100 a month.
- ii. Subsequently, tax has to be deducted when such amount exceeds Rs. 100 in the same month or subsequent month, and in the case of no subsequent withdrawal, at the end of the financial year.
- iii. If at a later point of time, the balance in the user account is not sufficient to pay the tax, then deductor undertakes to pay the difference amount.

» **Treatment of winnings received in kind.**

When the winnings are either in kind or partly in cash and partly in kind, the deductor has to ensure that required tax has been deducted before release of the winnings. Hence, deductee need to show the proof of payment of tax in order to get the winnings released from deductor.

» **Valuation of winnings received in kind.**

Particulars	Valuation guideline
General case	FMV of the winning
If the winning is purchased by the intermediary	Purchase price
If the winning is manufactured by the intermediary	Price charged to its customers

For the purposes of valuation for TDS, the amount of GST is not included.

» **What is the relief for non-compliance made between the effective date of section 194BA (01.04.2023) and issuance of these guidelines (22.05.2023).**

In case of any shortfall of TDS for April 2023, such shortfall shall be paid by 7th June along with the TDS of May 2023.

Circular No. 7/2023 dated 31.05.2023 – Revision of monetary limits for condonation of delay under section 119(2)(b) of the Act:

Under section 119(2)(b) of the Act, powers have been vested to the income tax authorities for condoning delay in filing return of income, claiming refund and claiming carry forward of loss and set-off thereof. In this connection, Circular No. 09 of 2015 dated 09-06-2015 was issued by prescribing all the comprehensive guidelines, procedure to be followed for deciding condonation applications and monetary limits of the claim amounts were specified for segregation of powers of condonation within the hierarchies of authorities. In this connection, the monetary limits were modified, and the comparison of old and new monetary limits is listed below:

Authority	Circular No. 9 of 2015	Circular No. 7 of 2023
PCIT / CIT	Up to Rs. 10,00,000	Up to Rs. 50,00,000
CCIT	Rs. 10,00,000 to Rs.	Rs. 50,00,000 to Rs. 2,00,00,000
PCCIT	50,00,000	Rs. 2 crores to Rs. 3,00,00,000
The Board	Above Rs. 50,00,000	Above Rs. 3,00,00,000

Circular No. 8/2023 dated 31.05.2023 – Revision of exceptions to the monetary limits for filing appeals deferred under section 158AB:

Section 158AB was introduced vide Finance Act, 2022 providing the deferral of appeals in respect of question of law which was pending before the higher juridical fora. As per the provisions of the section, the PCIT/CIT is directed to defer the filing of appeal till the final disposal of the matter regarding the same question of law. In this regard, in the case of appeal containing more than one grounds out of which only certain grounds are to be deferred under section 158AB, guidelines were provided on 29.09.2022 that irrespective of the tax effect of all the grounds exceeding the monetary limits, appeal can be deferred till the final disposal of the matter. However, vide the above circular, it was amended that only if the tax effect of all the grounds exceeds the monetary limit, the appeal of matter covered under section 158AB, can be deferred whether or not tax effect relating to deferral exceeds monetary limit.

Further, when judicial finality is achieved in favour of the revenue in the 'other case', appeal in the 'relevant case' should be contested subsequent to the decision in the 'other case'. If the judicial outcome in the 'other case' is not in favour of the revenue and it is not accepted by the department, appeal against the same may be contested in the 'other case'.

Circular No. 9/2023 dated 28.06.2023 – Extension of time limits for submission of TDS/TCS statements:

By exercising the powers vested to CBDT under section 119 of the Act, the time limit for filing Form 26Q and 27Q which was due on 30.07.2023 was extended to 30.09.2023. Further, the time limit to file Form 27EQ which was due on 15.07.2023 was extended to 30.09.2023.

Circular No. 10/2023 dated 30.06.2023 and Circular No 11 dated 06.07.2023 – Removing the difficulties in implementing the changes relating to TCS on LRS and overseas tour package:

The Finance Act, 2023 has amended section 206C(1G) vide which the rate of TCS has been increased from 5 percent to 20 percent by removing the threshold of 7 lakhs for the remittances made in LRS scheme and for purchase of overseas tour package. However, vide the above Circular no. 10 of 2023, the Board, by considering various practical difficulties, have restored the earlier rates and thresholds and issued that new rates will be applied from 01.10.2023 with thresholds.

S.No.	Nature of remittance	Existing provisions	Changes from 01.10.2023	Remarks
1	For the purpose of education (if the amount being remitted is loan obtain from any financial institution as specified in section 80E.	0.50 percent if the amount of remittance exceeds Rs.7,00,000.	0.50 percent if the amount of remittance exceeds Rs.7,00,000.	No change in the TCS provisions. TCS needs to be collected on amount in excess of Rs.7,00,000.
2	For the purpose of education	5 percent if the amount of remittance exceeds Rs.7,00,000.	5 percent if the amount of remittance exceeds Rs.7,00,000.	No change in the TCS provisions. TCS needs to be collected on amount in excess of Rs.7,00,000.
3	For the purpose of medical treatment	5 percent if the amount of remittance	5 percent if the amount of remittance	No change in the TCS provisions. TCS needs to be

		exceeds Rs.7,00,000.	exceeds Rs.7,00,000.	collected on amount in excess of Rs.7,00,000.
4	Any other purpose	5 percent if the amount of remittance exceeds Rs.7,00,000.	20 percent if the amount of remittance exceeds Rs.7,00,000	The rate of TCS has increased from 5 percent to 20 percent. TCS needs to be collected in an amount in excess of Rs.7,00,000.
5	Purchase of overseas tour package	5 percent without any limit.	5 percent up to Rs.7,00,000. 20 percent on amount in excess of Rs.7,00,000.	Rate of TCS is increased from 5 percent to 20 percent in respect of payment in excess of Rs.7,00,000.

Circular No. 12/2023 dated 12.07.2023 – Clarification regarding taxability of income earned by a non-resident investor from offshore investments in investment fund routed through an Alternative Investment Fund:

Through the circular 14 of 2019, it was clarified that that any income in the hands of the non-resident investor from offshore investments routed through the Category I or Category II AIF, being a deemed direct investment outside India by the non-resident investor, is not taxable in India under section 5(2) of the Act. It was also clarified that loss arising from the offshore investment relating to non-resident investor, being an exempt loss, shall not be allowed to be set-off or carried-forward and set off against the income of Category I or Category II AIF.

In addition to the above, this circular extends the definition of ‘investment fund’ provided in the explanation 1 of Chapter XII-FB by virtue of Finance Act, 2023, to include reference to International Financial Services Centres Authority (Fund Management) Regulations, 2022 under International Financial Services Centres Authority (IFSCA) Act, 2019.

Circular No. 13/2023 dated 26.07.2023 – Procedure to be followed for condonation of delay in case of returns of income claiming deduction under section 80P of the IT Act from AY 2018-19 to AY 2022-23:

Through this circular, CBDT facilitates the condonation process for returns of income claiming deduction under section 80P by directing CCIT(s) and DGIT(s) to handle the applications for condonation of delay. They are instructed to decide on the merits of each case, admitting both pending and new applications for assessment years 2018-19 to 2022-23.

In assessing these applications, CCIT(s) and DGIT(s) need to ensure that the delay was due to circumstances that are beyond the control of the assessee and are supported by appropriate documentary evidence. They may also allow in the cases where the delay is due to delay in audit process under various State Laws, while examining the completion date of the audit with the due date for filing the return of income. In addition to this, any issues indicating tax avoidance or evasion specific to the case should be thoroughly scrutinized and ensure that further necessary actions are taken as per the law.

CCIT(s) and DGIT(s) are expected to dispose of these cases within 3 months from the end of the month in which the application is received or transferred by the Board. The circular specifically emphasizes that no order shall be passed rejecting the application without providing the applicant an opportunity to be heard.

Circular No. 14/2023 dated 27.07.2023 – SOP for making application for recomputation of total income of a co-operative society engaged in the business of manufacturing of sugar:

Sugar Factories in co-operative sectors offer amounts to farmers for the purchase of sugarcane as Final Cane Price (*herein referred as 'FCP'*) which is over and above the Statutory Minimum Price (*herein referred as 'SMP'*) fixed by the Central Government under the Sugarcane Control Order, 1996. However, these payments of FCP over and above the SMP for purchase of sugarcane was disallowed by the income tax department on the ground that these excess payments were in the nature of appropriation/distribution of profits, and which resulted into tax litigations.

In order to provide relief to sugar co-operative societies and to boost the industry, an amendment to section 36(1)(xvii) was inserted by the Finance Act, 2015, which allows the SMP fixed by Central Government for purchase of sugarcane or the price at which sugarcane is actually purchased, whichever is lower to be allowed as deduction while computing the business income. This was made applicable w.e.f. 01.04.2016 and was effective from AY 2016-17 prospectively. Eventually, this amendment did not cover the prior years that existed before AY 2016-17.

To end these demands and pending litigations and to encourage the co-operative societies engaged in the manufacturing of sugar, an amendment to section 155 of the IT Act has been introduced vide insertion of sub-section (19) through Finance Budget 2023 i.e., w.e.f. 01.04.2023. It states that the amount disallowed for purchase of sugarcane over or above SMPs will be allowed as expenditure, but it shall not exceed the price fixed or approved by the government for that respective financial year. In order to avail this relief, the sugar co-operative societies have to make application u/s 154 of the IT Act to the assessing officer for re-computation of income. For the making application under this section, the period of 4 years will start from the end of P.Y. 2022-23.

Standard Operating Procedure (SOP) for making application before assessing officer for re-computation of total income were outlined by this circular. The application, under

section 155(19), must be filed with the respective jurisdictional assessing officer. Upon applying for re-computation, the sugar cooperative society should be prepared to furnish the following documents:

- » Computation of income, audit report, audited Profit & Loss account and Balance Sheet for the concerned years.
- » Assessment order/Appellate order(s) received on the above subject.
- » Notice of Demand as issued under section 156 of the Act.
- » Challans indicating taxes paid (if any).
- » Copy of orders indicating fixation of excess price over SMP by the Government.
- » Certificate showcasing registration as a cooperative society under respective State/Central Act.
- » Any other documentation might be requested by the jurisdictional assessing officer.

Upon receiving the application, the Jurisdictional assessing officer shall pass an order under section 155(19) read with section 154 of the Act, within six months from the end of the month in which the application was submitted.

Circular No. 15/2023 dated 16.08.2023 – Guidelines under section 10 (10D) of the Act:

Background:

Section 10(10D) of ITA states that maturity proceeds of life insurance policy is exempt from tax if premium payable does not exceed 10 percent of sum assured (20 percent in respect of policies issued on or before 31.03.2012, 15 percent in respect of disability covered under section 80U/80DDB).

Further, through the FA, 2021, the section has been amended to state that exemption shall not be available in respect of ULIP issued on or after 01.02.2021 if the amount of premium in respect of ULIP exceeds Rs. 2,50,000 per annum (if more than one ULIP is taken, exemption is applicable only in respect of those ULIPs whose aggregate premium does not exceed Rs.2,50,000 per annum).

Now, in order to deny the exemption under section 10(10D) to those insurance policies where the premium is high, it is proposed to amend section 10(10D) to state that the exemption is not available in respect of insurance policies (other than ULIPs) issued on or after 01.04.2023 if the amount of premium exceeds Rs. 5,00,000 per annum.

Further, if more than one policy is taken, the exemption is applicable only in respect of those policies whose aggregate premium does not exceed Rs. 5,00,000 per annum. However, the above restrictions are not applicable in respect of amounts received on account of death of a person. It was also proposed to insert a clause (xiii) in section 56(2) to tax the amount received on maturity of insurance policy after reducing the premium paid for insurance policy subject to certain conditions.

Ninth proviso to the section mentions that CBDT shall issue guidelines with the prior approval of central government in order to remove any difficulties. Hence, this circular has been issued as guidelines by way of examples of different situations.

Situation 1:

Where the assessee has not received any consideration on any eligible insurance policies during the previous year (PY) preceding the current PY or consideration has been received on eligible life insurance policies but has not been claimed as exempt in the PYs. Now, the assessee has received during the current PY under –

- » one eligible life insurance policy only and the amount of premium payable does not exceed Rs. 5,00,000 for any of the previous years during the term of policy, such consideration shall be exempt.
- » one eligible life insurance policy and the amount of premium payable exceeds Rs. 5,00,000 for any of the previous years during the term of policy, such consideration shall be taxable.
- » more than one eligible life insurance policies and the aggregate amount of premium payable does not exceed Rs. 5,00,000 for any of the previous years during the term of policy, such considerations shall be exempt.

- » more than one eligible life insurance policy and the aggregate amount of premium payable exceeds Rs. 5,00,000 for any of the previous years during the term of policy, the consideration or aggregate considerations where the aggregate amount of premium payable does not exceed Rs. 5,00,000 shall be exempt.

Situation 2:

Where the assessee has received consideration under one or more eligible insurance policies during any previous year (PY) preceding the current PY and claimed as exempt in such PY (these are referred to as old eligible life insurance policy). Now, the assessee has received during the current PY under –

- » one eligible life insurance policy only and the aggregate amount of premium payable on such eligible life insurance policy and old eligible life insurance policies does not exceed Rs. 5,00,000 for any of the previous years during the term of policy, such consideration shall be exempt.
- » one eligible life insurance policy and the aggregate amount of premium payable on such eligible life insurance policy and old eligible life insurance policies exceeds Rs. 5,00,000 for any of the previous years during the term of policy, such consideration shall be taxable.
- » more than one eligible life insurance policies and the aggregate amount of premium payable on such eligible life insurance policies and old eligible life insurance policies does not exceed Rs. 5,00,000 for any of the previous years during the term of policy, such considerations shall be exempt.
- » more than one eligible life insurance policy and the aggregate amount of premium payable on such eligible life insurance policies and old eligible life insurance policies exceeds Rs. 5,00,000 for any of the previous years during the term of policy, the consideration under only such eligible insurance policies shall be exempt where the aggregate amount of premium along with the aggregate amount of premium of old eligible insurance policies does not exceed Rs.

5,00,000 for any of the previous years during the term of any of such eligible life insurance policies.

Circular No. 17/2023 dated 09.10.2023 – Clarification of doubts while filing the Form No. 10B/10BB:

Audit report in the case of a fund or trust or institution or any university or other educational institution or any hospital or other medical institution, under clause (b) of the tenth proviso to clause (23C) of section 10, or sub-clause (ii) of clause (b) of sub-section (1) of section 12A of the act, is required to be furnished in Form No. 10B/10BB. However, to remove doubts while filling the forms, CBDT has clarified regarding details of donors making “substantial contribution to the trust or institution” for AY 2023-24

- » Details may be given with respect to donors whose aggregate contribution *during the previous year* exceeds INR 50,000/-.
- » Details of relatives of such donors may be provided, *if available*.
- » Details of concerns in which such donors have substantial interest may be provided, *if available*.

Circular No. 18/2023 dated 20.10.2023 – Extension of due date for furnishing the Form 56F:

As per newly inserted Rule 16D for the Income tax rules, 1962, assessee who wants to avail deduction under section 10AA of the act, needs to furnish the report of accountant in Form 56F on or before the due date of furnishing the audit report under section 44AB i.e., 30.09.2023. Since, Form 56F itself has been notified on 19.10.2023, through this circular, the CBDT has extended the due date for furnishing the form till 31.12.2023.

Circular No. 19/2023 dated 23.10.2023 – Condonation of delay under section 119(2)(b) in filing of Form No. 10-IC for Assessment Year 2021-22:

Domestic companies that wish to pay concessional tax rate of 22 percent shall intimate the department by filing Form 10-IC on or before the due date of filing of return of income

under section 139(1). CBDT condones the filing of form for AY 2021-22 if the following conditions are satisfied.

- » Return of income has been filed on or before the due date specified in section 139(1)
- » While filing the return of income, the company has opted taxation under section 115BAA in ITR Form – 6
- » Form 10-IC is filed on or before 31.01.2024

Circular No 20/2023 dated 28.12.2023 – Guidelines under sub-section (4) of section 194-O of the Income-tax 1961:

The CBDT has issue guidelines along with FAQ to clarify the TDS provisions under 194-O as per the Act. Finance Act 2020 has inserted section 194-O in the IT Act mandating the e-commerce operator (ECO) to deduct tax at the rate of one percent on the amount of gross sale of goods or services or both, facilitated through its digital or electronic facility or platform. For detailed understanding of the Circular, read our article⁸.

Circular No 01/2024 dated 23.01.2024 – Explanatory Circular explaining the provisions of Finance Act, 2023:

The CBDT has issued a Circular explaining the provisions of the Finance Act, 2023.

Circular No 02/2024 dated 05.03.2024 – Order under Section 119 of the Act, in relation to the Audit report requirements of trusts or institutions under Section 10(23C) of the Act:

The CBDT has announced that for AY 2023-24, trusts and institutions must comply with new audit report requirements to claim tax exemptions under sections 10(23C) and 12AA or 12AB of the Act. These entities must use Form No. 10B if

- » their total income exceeds Rs.5 crores,
- » they received foreign contributions, or

⁸ [SBS-Wiki-eJournal-April-2024-Volume-117.pdf \(sbsandco.com\)](https://www.sbsandco.com/SBS-Wiki-eJournal-April-2024-Volume-117.pdf)

- » applied income outside India; or
- Otherwise, they should use Form No. 10BB.

These changes, effective from April 1, 2023, and applicable from AY 2023-24 onwards as per the Income-tax (Third Amendment) Rules, 2023. The due date for submitting these forms was October 31, 2023. However, it has been noted that many entities incorrectly submitted the forms. Consequently, the CBDT, exercising its authority under section 119, has extended the deadline to March 31, 2024, for the trusts and institutions who have filed the incorrect Form within due date to submit the correct audit reports in the appropriate forms to maintain their exemption eligibility.

Circular No 03/2024 dated 06.03.2024 – Clarification on utilization of funds when such funds are transferred to other trusts or institutions under Section 119 of the Act:

Every trust or institutions shall apply at least 85 percent of their income to charitable or religious purposes, either directly or through donations to other similar entities, with the condition that corpus donations are excluded to ensure the donee applies the funds appropriately. The Finance Act, 2023, specifies that only 85 percent of donations to other trusts will be considered as application towards charitable purposes.

Concerns were raised about the remaining 15 percent of donations, and the CBDT clarified that while the entire donated amount is exempt, the 15 percent need not be invested under section 11(5) modes. Kindly refer to the above-mentioned circular for an example clearly explaining the different scenarios when a trust or institution donates to another trust or institution.

Circular No 04/2024 dated 07.03.2024 – Ex-post facto extension of due date for filing Form No. 26QE which was required to be filed during the period 01.07.2022 to 28.02.2023 (FY 2022-23):

The CBDT has extended the due date for filing Form No. 26QE for specified persons who deducted tax under section 194S of the Income-tax Act, 1961, for the period from July 1,

2022, to February 28, 2023. This extension, now set to May 30, 2023, addresses issues where these people could not file the form and pay the TDS on time due to the unavailability of Form No. 26QE. Consequently, any fees under section 234E and interest under section 201(1A)(ii) levied for delays up to May 30, 2023, will be waived. This extension is a one-time extension in view of the circumstances.

Circular No 05/2024 dated 15.03.2024 – Circular under section 268A of the Income-tax Act, 1961 for filing of appeals by the Department before Income Tax Appellate Tribunal, High Courts and SLPs/appeals before Supreme Court-measures for reducing litigation-Reg:

The CBDT has revised the monetary limits and conditions for filing departmental appeals under the Income-tax Act, 1961 before Income Tax Appellate Tribunals (ITATs), High Courts (HCs), Special Leave Petitions (SLP) and Supreme Court (SC). The new guidelines supersede previous communications and set specific monetary thresholds for appeals:

S. No.	Appellate authority	Monetary limit (Rs.)
1	Before Appellate Tribunal	50,00,000
2	Before High Court	1,00,00,000
3	Before Supreme Court	2,00,00,000

However, certain exceptions exist where appeals may be filed regardless of the monetary limits, such as cases involving constitutional validity of provisions, where any order, notification, instruction or circular etc. has been held as invalid, assessment based on the information from law enforcement agencies, pending prosecution, adverse comments or costs levied against the Department, unquantifiable tax effects, undisclosed foreign assets, organized tax evasion viz penny stocks/accommodation entries, court directions, writ matters, matters relating to equalization levy, specific disputes related to TDS/TCS, matters relating to applicability of DTAA.

For calculating the 'tax effect,' it includes the difference between the tax on total assessed income and the tax on income excluding disputed issues, inclusive of

applicable surcharges and cess but excluding interest unless interest itself is disputed. For computations under sections 115JB and 115JC, specific formulas are provided. Appeals should not be filed solely based on exceeding monetary limits and merits must be considered to reduce unnecessary litigation and ensure taxpayer certainty. The guidelines also mandate systematic record-keeping of judicial folders and monthly reporting of appeal decisions due to low tax effects despite non-acceptance of judgments on merits or exceptions.

Additionally, CBDT emphasizes that non-filing of appeals due to low tax effects should not be misconstrued as acceptance of decisions by the revenue. In such instances, departmental representatives should clarify that appeals were not filed solely because of the monetary threshold, and these cases should not be considered precedents. The department retains the right to appeal in other similar cases where the tax effect exceeds the specified limits. The provisions under section 268A(4) reinforce this stance, requiring tribunals and courts to consider the reasons behind the filing decisions as per the guidelines.

Circular No 06/2024 dated 23.04.2024 – Partial modification of Circular No.3 of 2023 dated 28.03.2023 regarding consequences of PAN becoming inoperative as per rule 114AAA of the Income tax Rules, 1962:

Circular No. 3 of 2023, dated March 28, 2023, by the CBDT, outlines the consequences of a PAN becoming inoperative due to failure to link with Aadhaar as per section 139AAA. Effective from July 1, 2023, until the PAN is operative, the consequences include the withholding of tax refunds, non-payment of interest on refunds, and higher rates of TDS and TCS under sections 206AA and 206CC, respectively. Due to taxpayer grievances about receiving notices for short deduction or collection of TDS/TCS, the CBDT has specified that for transactions up to March 31, 2024, if the PAN becomes operative by May 31, 2024, there will be no liability for deductor/collector to deduct/collect tax at higher rates under sections 206AA and 206CC. Instead, standard provisions under Chapter XVII-B or XVII-BB will apply.

Circular No 07/2024 dated 25.04.2024 – Extension of due date for filing of Form No. 10A/10AB under the Income-tax Act, 1961:

The due date for Form No.10A, related to applications under various sections for tax exemptions and approvals, has been extended to June 30, 2024. Similarly, the due date for Form No. 10AB, for applications under specific provisions of section 10, section 12A, and section 80G, has also been extended to June 30, 2024. This extension aims to mitigate hardships for taxpayers who missed the previous deadline of September 30, 2023. The extension applies to pending applications where no order has been passed, allowing these to be treated as valid. If an application was previously rejected solely for late submission or wrong section code, applicants can reapply by the new deadline. Additionally, existing trusts, institutions, or funds that missed the Form No. 10A deadline for AY 2022-23 and subsequently received provisional registration as new entities can opt to surrender this provisional status and reapply as existing entities by June 30, 2024. This extension provides relief and ensures compliance without penalty for late submissions.

Glossary of Terms

Term	Description
AJP	Artificial Juridical Person
AOP	Association of Persons
AY	Assessment Year
Benami Transactions Act	Prohibition of Benami Property Transactions Act, 1988
Black Money Act	Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015
BOI	Body of Individuals
CCIT	Chief Commissioner of Income Tax
CIT	Commissioner of Income Tax
Companies Act	Companies Act, 2013
CT Act	Central Goods and Services Act, 2017
DGIT	Director General of Income Tax
DRP	Dispute Resolution Panel
FA	Finance Act
FY	Financial Year
HUF	Hindu Undivided Family
JCIT	Joint Commissioner of Income Tax
IFSCA	International Financial Services Centres Authority
IT Act	Income Tax Act, 1961
ITR	Income Tax Return
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax under section 115JB
N.A.	Not Applicable
PAN	Permanent Account Number
PCCIT	Principle Chief Commissioner of Income Tax
PCIT	Principle Commissioner of Income Tax
PDGIT	Principle Director General of Income Tax
Rs.	Indian Rupee
TAN	Tax Deduction/Collection Account Number
TAR	Tax Audit Report
TCS	Tax Collection at Source
TDS	Tax Deduction at Source

Budget 2024

An Analysis by SBS

About the book

This book contains an analysis of Budget 2024 by SBS spread across the following topics

Section I	Budget Proposals -2024
Section II	Income Tax Rates
Section III	TDS/TCS Rates and Due Date for Filing of TAR/Form 3CEB and ITR.
Section IV	CBDT Circulars (from 01.04.2023 - 30.06.2024)

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2024