

HIGHLIGHTS OF INDIA'S INTERIM UNION BUDGET 2024-25



Key Policy Announcements

Foreign Direct Investments (FDI) – ‘First Develop India’

- In order to encourage sustained foreign investment, bilateral investment treaties to be negotiated with the spirit of ‘first develop India’.

Corpus For Research and Innovation

- Corpus of Indian Rupees (INR) 1,000 billion to be created with fifty-year interest free loan in order to encourage the private sector to scale up research and innovation significantly in sunrise domains.

Financing for Development of Tourist Centres

- Long-term interest free loans will be provided to the Indian states for financing comprehensive development of iconic tourist centres, and for branding and marketing them at global scale. Focus will be on development of tourism centres including our islands and spiritual tourism.

Financing for ‘Viksit Bharat’

- Provision of fifty-year long-term interest free loans amounting to INR 750 billion for supporting the vision of ‘Viksit Bharat’.

Increase in Capital Expenditure Outlay

- There is a proposed increase in capital expenditure outlay for the forthcoming fiscal year by 11.1% which would amount to 3.4% of the Gross Domestic Product (GDP). This seeks to spur economic growth and foster employment opportunities.

Fiscal Deficit Target

- Continuing on the path of fiscal consolidation, the revised fiscal deficit estimate as a percentage of GDP for Financial Year (FY) 2023-24 to be at 5.8% as against original estimate of 5.9%, and the projected rate for FY 2024-25 is pegged at 5.1% with targeted plan to bring it to less than 4.5% for FY 2025-26, showing the government’s commitment to fiscal discipline.

Direct Tax Proposals

Tax Rates

Individual

- No changes in tax rates or income slabs

Corporate

- No changes in tax rates

Tax Collection at Source

- The Central Board of Direct Taxes (CBDT) Circular dated 30 June 2023 had modified the Tax Collected at Source (TCS) rates w.e.f. 1 October 2023 on:
 - Remittances under Liberalised Remittance Scheme (LRS)
 - Overseas tour program package
- TCS rates under the Income-tax Act, 1961 (Act) have now been aligned with CBDT Circular dated 30 June 2023 (see table below)

Nature of payment	Till 30 September 2023	w.e.f. 1 October 2023
For education financed by specified financial institution	0.5% - Above INR 7 Lakhs	0.5% - Above INR 7 Lakhs (No change)
For Medical treatment/ education (other than financed by loan)	5% - Above INR 7 Lakhs	5% - Above INR 7 Lakhs (No change)
Remittances under LRS for Other purposes	5% - Above INR 7 Lakhs	20% - Above INR 7 Lakhs
Purchase of Overseas tour program package	5% - No threshold	5% - 0 to INR 7 Lakhs 20% - Above INR 7 Lakhs

Extended Sunset Dates

Sunset dates in relation to certain exemptions and deductions under the Act are extended for a year:

- Exemption of income attributable to an investment division of offshore banking unit – Last date for commencement of operations by such units is extended from 31 March 2024 to 31 March 2025
- Exemption of income of a specified fund being an investment division of offshore banking unit – Last date for commencement of operations by such units is extended from 31 March 2024 to 31 March 2025
- Exemption of income to a non-resident on account of lease of aircraft/ ship and paid by a unit of International Financial Services Centre (IFSC) – Last date for commencement of operations by such units is extended from 31 March 2024 to 31 March 2025
- Deduction to a unit of an IFSC in relation to its income arising from transfer of Aircraft/ Ship leased by it – Last date for commencement of operations by such unit is extended from 31 March 2024 to 31 March 2025
- Exemption of investment income of an eligible sovereign wealth fund, pension fund and a wholly owned subsidiary of Abu Dhabi Investment Authority – Last date for making the investments by such investors is extended from 31 March 2024 to 31 March 2025
- Deduction for eligible start-ups – Date before which the eligible start up should be incorporated is extended from 1 April 2024 to 1 April 2025

Other Proposals

- Withdrawal of outstanding tax demands, up to INR 25,000 for period up to FY 2009-10, and up to INR 10,000 for FY 2010-11 to FY 2014-15, is announced in the Budget. There is no enabling provision proposed in the Finance Bill, 2024 and further clarifications are awaited. This proposal is expected to benefit 1 crore taxpayers.
- Timeline for issuing notification for implementation of the faceless assessment scheme for transfer pricing assessments and scheme for faceless proceedings before the Dispute Resolution Panel is extended from 31 March 2024 to 31 March 2025.

Indirect Tax Proposals

[To be effective from date to be notified]

Goods and Services Tax (GST) - Key Legislative Changes

- Input Service Distributor (ISD) registration to be made mandatory for a taxpayer with multi-state presence; in line with the recommendations made during the 50th and 52nd meetings of the GST Council.
- Amended definition of ISD is proposed. Manner of distribution of credit by an ISD proposed to be amended.
- Provisions are inserted to provide for additional penalty of INR 1 lakh per machine for failure to register the machine used in manufacture of pan-masala, tobacco, etc. Failure to pay such penalty could also result in confiscation of the machine.

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