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Going The Extra Mile

bakertilly
NETWORK MEMBER

INDIA INTERIM BUDGET 2024

This is a synopsis of the India Interim Budget 2024. The India Fiscal Budget 2024-25 (annual fiscal budget) shall be presented post the general elections, by the newly elected government.

Foreword

Reform, Perform and Transform

While the budget was restrained given the upcoming elections, the Finance Minister added a new dimension to the Government's mantra since 2014. To *Sabka Saath, Sabka Vikas* (together we all shall prosper) is now added *Sabka Vishwas* (through conviction of all). This was backed by an election war cry *"we expect that our governments, based on its stupendous work, will be blessed again by the people with a resounding mandate"*. Thereon, the speech went into a flashback which highlighted the efforts at inclusive development and social justice.

The recipients of this government's attention were interestingly divided into 4 castes i.e. Poor, Women, Youth and Farmer. Direct benefit transfers of ₹34 trillion saved the government ₹2.7 trillion, direct financial assistance was made to 18 million farmers, skilling of 14 million youth – to name a few. There was mention of timely infrastructure build up, digital push, a strengthened financial sector and successful launch of regulations e.g. GST.

Thus, setting the tone, the Finance Minister addressed the newly anointed 4 castes, and with equal finesse the business community. Infrastructure spends by the government for 2024-25 was earmarked at 3.4 per cent of GDP wherein forty thousand railway bogies are to be converted to the new fast train (*vande bharat*) standards, new railway corridors, aviation and metro connectivity will continue to get high focus, as would green energy and blue economy.

Tourism sector had a profound mention, including developing Lakshadweep to meet the growing demand of domestic tourist! Defence would receive special thrust and digital India remains key to formalizing the Indian economy. She further went along to talk about rooftop solarization, medical colleges, agro and food processing, etc.

To the credits of the current government, they have a pulse of critical issues, be they domestic or global. Let me quote an extract. *'Geopolitically, global affairs are becoming more complex and challenging with wars and conflicts. Globalization is being redefined with reshoring and friend-shoring, disruption and fragmentation of supply chains, and competition for critical minerals and technologies. A new world order is emerging after the Covid pandemic.'* This was followed by specific re-mention of the India-Middle East-Europe Economic Corridor. Geo-politics are equally, and wisely, in focus.

While there were no changes in existing tax rates or regulations, the FM did take out a thorn from the foot of many a small taxpayer. She announced the withdrawal of long outstanding income tax demand against those taxpayers where the demand is less than ₹25,000 up to 2009-10 and ₹10,000 for 2010-11 through 2014-15. Looks like she silently added a new caste to the 4 she created i.e. the lower middle-class employee/self-employed. But a welcome change and cuts unnecessary red tape.

The fiscal deficit projected at 5.1 per cent of GDP for 2024-25 is not very encouraging, with a target of 4.5 per cent by 2025-26. Worrisome, but with the economy all fired up, livable.

I wish the Government, and the fragmented opposition, the very best as they gear up for the elections!

Ajay Sethi

Budget Proposals

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2024. The direct tax provisions in the Finance Bill, 2024 would ordinarily apply to the Financial Year commencing on April 1, 2024 (Assessment Year 2025-26) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified.

The proposals contained in the Finance Bill are subject to ratification by the Parliament

Direct Taxes

INCOME TAX

- The basic tax slabs for individual and HUF remains **unchanged** in the old and new tax regime i.e.

OLD REGIME		NEW REGIME	
INCOME RANGE (₹)	**RATE (%)**	**INCOME RANGE (₹)**	**RATE (%)**
Upto 250,000[1]	Nil	Upto 300,000	Nil
250,001 - 500,000	5	300,001 - 600,000	5
500,001 - 1,000,000	20	600,001 - 900,000[2]	10
		900,001 - 1,200,000	15
1,000,001 and above[3]	30	1,200,001 - 1,500,000	20
		1,500,001 and above[4]	30

[1]Exemption limit for individuals reaching 60 and 80 years remains at ₹300,000 and ₹500,000 respectively

[2]Tax rebate limit for individuals, HUF, association of persons (other than a co-operative society), body of individuals and artificial juridical persons remains unchanged at ₹0.7 million under the new regime

[3]Surcharge remains at 10 per cent on income exceeding ₹5 to 10 million; stands at 15 per cent on income exceeding ₹10 to 20 million; stands at 25 per cent on income exceeding ₹20 to 50 million; stands at 37 per cent on income exceeding ₹50 million

[4]Surcharge remains capped at 25 per cent under the new regime

- Tax rates on partnership firms, local authority and co-operative societies remain **unchanged**. In case of a co-operative society, surcharge remain **unchanged** at 7 per cent on income exceeding ₹10 million and at 12 per cent on income exceeding ₹100 million respectively. In all other cases, surcharge at 12 per cent where income exceeds ₹10 million

- Corporate tax rates remain **unchanged** i.e.

COMPANY	RATE (%)
Domestic[1]	
▸ Specific turnover/ gross receipts limit	25[2]
▸ Others	30
Foreign	40[3]

[1]Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

[2]The benefit of lower rate of tax is applicable to companies with turnover or gross receipts up to ₹4 billion during financial year 2022-23

[3]Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme remain **unchanged** i.e.

ENTITY	RATE (%)
Domestic Company and Cooperative Society[1]	
▸ New manufacturing enterprise	15[2]
▸ New manufacturing cooperative society	15[3]
▸ Others	22

[1]Deductions under respective provisions of Chapter VIA restricted for availing concessional tax rate. Surcharge at 10 per cent

[2]Benefit applicable to companies registered on or after October 1, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2024 with certain conditions

[3]Benefit applicable to manufacturing co-operative society set up on or after April 1, 2023 and commencing manufacturing or production before March 31, 2024 with certain conditions

OTHERS

- Withdrawal of long outstanding income tax demand against those taxpayers where the demand is less than ₹25,000 up to 2009-10 and ₹10,000 for 2010-11 through 2014-15.
- Time limit extended from March 31, 2024 to March 31, 2025 for
  - Incorporation of eligible start-ups
  - Commencement of operations by investment division of offshore banking unit whose income was exempt
  - Commencement of operation by a unit in IFSC engaged in leasing of aircraft or ship
- TCS applicability and rates on remittances made under Liberalised Remittance Scheme (LRS) remain **unchanged**

TYPE OF REMITTANCE	TCS RATE	
	PAYMENT UPTO ₹0.7 MILLION	**PAYMENT ABOVE ₹0.7 MILLION**
For education purposes financed by loan	Nil	0.5%
For medical treatment/ education purposes (other than financed by loan)	Nil	5%
Overseas tour package	5%	20%
For other purposes	Nil	20%

Indirect Taxes

No changes in tax rates under GST and import duties.

GOODS AND SERVICES TAX

- **Amendments**
  - Input Service Distributor ('ISD') now defined as a person receiving goods and services for or on behalf of any other office under the same Permanent Account Number ('PAN') of the legal entity. Such person to also be mandatorily registered as ISD.
  - Distribution of Input Tax Credit ('ITC') by ISD to be based upon the manner along with such restrictions and conditions as may be prescribed.
  - New section introduced for levy of penalty in cases of failure to register certain machines used in the manufacture of specified goods.

Commerce & Trade Focus

AGRICULTURE

- Application of Nano DAP, an indigenous and non-subsidized fertilizer, to be expanded across all agro-climatic zones.
- Research covering high-yielding varieties of oil seeds, to promote widespread adoption of modern farming techniques, market linkages, procurement, value addition, and crop insurance.
- Inland and aquaculture production to be boosted from the existing 3 to 5 tons per hectare thereby doubling exports to ₹1 trillion (US$ 12.05 billion) and generating 5.5 million employment opportunities.

SOCIAL DEVELOPMENT

- 20 million additional houses to be taken up in next 5 years under PM Awas Yojana (Grameen) to provide housing for the rural poor in India.
- Rooftop solarisation to be undertaken for 10 million households with the following benefits:
  - Generation of 300 units of free electricity per month
  - Annual savings for households estimated up to ₹18,000 (US$ 217)
  - Enabling charging of electric vehicles
  - Encourage entrepreneurship for vendors involved in supply and installation
  - Create employment for youth with technical skills
- To encourage scaling up of research and innovation in sunrise sectors, a corpus of ₹1 trillion (US$ 12.05 billion) to be established, permitting 50-year interest free loans.

INFRASTRUCTURE AND DEVELOPMENT

- ₹750 billion (US$ 9.04 billion) as a 50-year interest free loan to support State Governments for milestone linked reforms.
- Three major economic railway corridor programmes to be implemented to improve logistics efficiency and reduce cost:
  - energy, mineral and cement corridors
  - port connectivity corridors
  - high traffic density corridors
- 40,000 normal rail bogies will be converted to Vande Bharat standards thereby enhancing safety, convenience and comfort of passengers.

GREEN ENERGY

- To accomplish India's commitment for 'net-zero' by 2070:
  - Viability gap funding to be provided for harnessing offshore wind energy potential for initial capacity of 1 giga-watt.
  - Coal gasification and liquefaction capacity of 100 MT will be set up by 2030 aimed to reduce imports of natural gas, methanol, and ammonia.
  - Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.
  - Financial assistance will be provided for procurement of biomass aggregation machinery to support collection
- Scheme of bio-manufacturing and bio-foundry to be launched to provide environment friendly alternatives for transforming consumptive manufacturing paradigm to the one based on regenerative principles.

FISCAL MANAGEMENT

- Capital expenditure outlay increased by 11.1 per cent to ₹11.11 trillion (US$ 133.86 billion) which amounts to 3.4 per cent of the GDP.
- Revised Estimate of the total receipts for 2023-24 (other than borrowings) stood at ₹27.56 trillion (US$ 332.05 billion), of which tax receipts are ₹23.24 trillion (US$ 280 billion). The Revised Estimate of the total expenditure for 2023-24 is ₹44.90 trillion (US$ 540.96 billion).
- Revenue receipts for 2023-24 stood at ₹30.03 trillion (US$ 361.81 billion).
- Revised Estimate of the fiscal deficit is 5.8 per cent of GDP for 2023-24.
- Total budget receipts (other than borrowings) and the total budget expenditure for 2024-25 are estimated at ₹30.80 trillion (US$ 362.41 billion) and ₹47.66 trillion (US$ 574.22 billion) respectively. The tax receipts are estimated at ₹26.02 trillion (US$ 313.49 billion).
- Fiscal deficit in 2024-25 is estimated to be 5.1 per cent of GDP.
- The gross and net market borrowings through dated securities during 2024-25 are estimated at ₹14.13 trillion (US$ 170.24 billion) and ₹11.75 trillion (US$ 141.57 billion) respectively.

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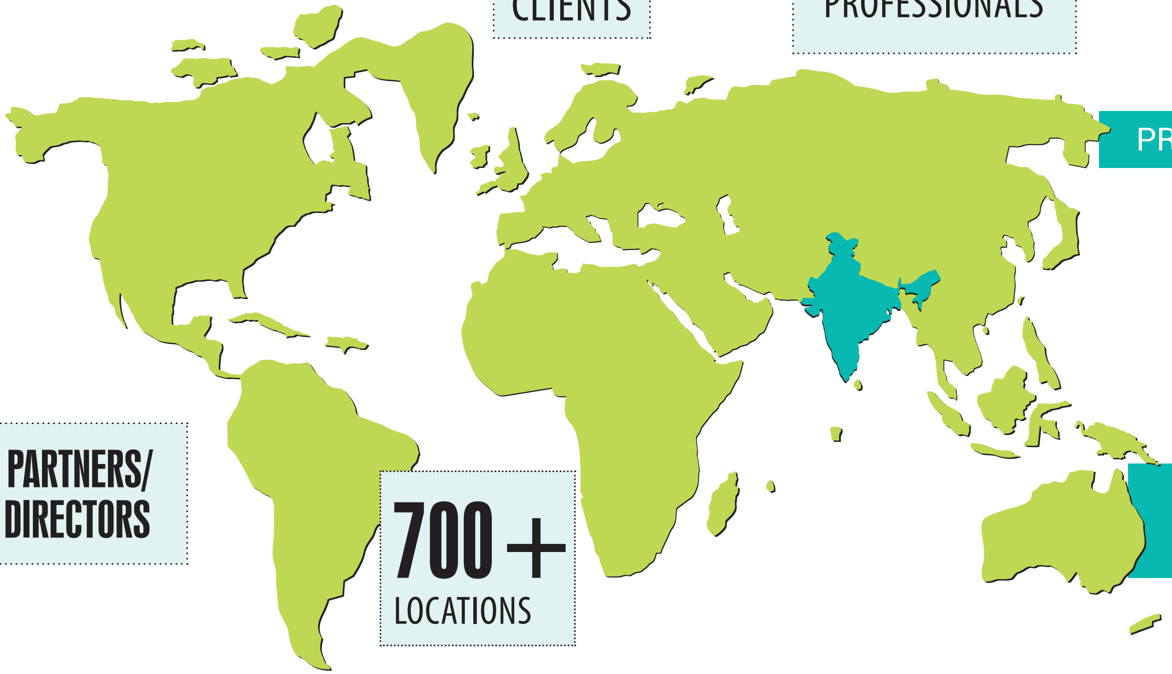

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