

Union Budget Highlights 2024-25

Foreword



As we embark on a new fiscal year, the Union Budget 2024 stands as a beacon of our nation's economic resilience and vision for growth. This document not only outlines our financial strategies but also reflects our commitment to inclusive development, sustainable progress, and transformative reforms.

In the face of global challenges and domestic aspirations, this budget sets forth a roadmap that balances prudence with ambition. It is crafted with a deep understanding of our diverse stakeholders—citizens, businesses, investors, and partners—ensuring that every rupee spent contributes to building a stronger, more prosperous India.

Notable Budget proposals include abolition of angel tax, enhanced emphasis placed on infrastructure development, efforts to generate employment opportunities and furthering of ease of doing business.

We are pleased to share the consolidated tax and policy highlights as well as key takeaways and impacts of the proposals announced.

Shuva Mandal
Managing Partner



DIRECT TAX PROPOSALS

Key Changes

- The rate of income tax for foreign companies is proposed to be reduced from 40% to 35%.
- It is proposed to sunset the provisions of clause (viib) of sub section (2) of section 56 of the Act. Thus, a company, in which public are not substantially interested, may receive any consideration for issue of shares exceeding its fair market value and the provision of section 56(2)(viib) of the Act shall not apply for AY 2025-26.
- It is proposed to amend Chapter XIV B of the Act to provide assessment for search u/s 132 or requisition u/s 132A of the Act for the cases initiated on or after 01/09/2024. It is proposed to assess or reassess for the block period of six Assessment Years preceding the previous year.
- It is proposed to merge two main regimes for trusts to claim exemption. The first is contained in the provisions of sub-clause(s) (iv), (v), (vi) or (via) of clause (23C) of section 10 and the second is contained in the provisions of sections 11 to 13 of the Act. Thus, it is proposed that the first regime sun-set and be transited to second regime.
- It is proposed that there would be two of holding period i.e. 12 months and 24 months. For all listed securities the holding period is proposed 12 months, and all other assets shall be 24 months.
- It is proposed to increase rate of tax for short term capital gains u/s 111A of the Act from 15% to 20%.
- It is proposed to make following changes for long term capital gains:

Change in Exemption Limit for LTCG u/s 112A (Listed Equity and units).	Change in rate of tax for LTCG u/s 112A and 112 (Listed Equity, Units, Immovable property, Unlisted equity, any other asset) (No indexation benefit available).	Change in rate of tax for LTCG on listed bonds and debentures.
1,00,000	10%	20%
1,25,000	12.5%	12.5%

- It is proposed to increase the rate of interest on for non-payment of tax collected at source to Government account from 1% to 1.5% for every month.
- It is proposed to increase the limit of remuneration to working partner of firm allowed as deduction as under:

(a) on the first Rs. 6,00,000 of the book profit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the bookprofit, whichever is more;
(b) on the balance of the book-profit	at the rate of 60 per cent

- It is proposed to rationalise the TDS rates as under:

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G – Commission etc on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024

- The consideration received by the shareholders on the buyback of shares of domestic company is proposed to be taxed as dividend income in the hands of shareholders. Further, shareholders are eligible to claim capital loss for its cost incurred for purchase of the bought back shares.
- It is proposed to clarify that tax shall be deducted at source u/s 194IA of the Act on sale of immovable property where consideration is exceeding INR 50 Lakhs regardless of fact that there are multiple buyers. This clarification is proposed because it has been observed that some taxpayers are interpreting that the consideration being paid or credited refers to each individual buyer's payment rather than the total consideration paid or stamp duty value for the immovable property.
- Proposed slab under new tax regime:
- It is proposed to extend the scope for lower deduction/ collection certificate of tax at source wherein section 194Q of the Act (tax deduction on purchase of goods) and section 206C(1H) of the Act (tax deduction on sale of goods) would be covered under section 197 of the Act for making an application.
- It is proposed that the cases where assessment order was passed as best judgement case under section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment.
- Standard Deduction for salaried employees increased from ₹50,000 to ₹75,000.
- Deduction on family pension for pensioners increased from ₹15,000 to ₹25,000.

Total Income in Rs.	Rate of Tax
0 to 3 lakh	Nil
3 Lakh to 7 Lakh	5%
7 Lakh to 10 Lakh	10%
10 Lakh to 12 Lakh	15%
12 Lakh to 15 Lakh	20%
Above 15 Lakh	30%





INDIRECT TAX PROPOSALS

Changes in Customs Duty

- BCD to be reduced to 15% on mobile phone, mobile PCBA and charger.
- Custom duty to be reduced on gold and silver to 6% and platinum to 6.4%.
- BCD to be reduced on shrimp and fish feed to 5%.
- Exempted more capital goods for manufacturing of solar cells and panels.
- Custom duties on 25 critical minerals to be fully exempt.
- Three more cancer medicines to be fully exempt from custom duties.

IMPACT

The proposal to exempt three more cancer medicines is a welcome move considering the increasing number of cancer cases in India and the skyrocketing treatment costs.





REGULATORY PROPOSALS

Ease of Doing Business

Insolvency and Bankruptcy Code:

- An Integrated Technology Platform will be set up for improving the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders.
- Appropriate changes to the IBC, reforms and strengthening of the National Company Law Tribunal and appellate tribunals will be initiated to speed up insolvency resolution. Additional tribunals will be established. Out of those, some will be notified to decide cases exclusively under the Companies Act.

Accelerated Corporate Exit:

- Jan Vishwas Bill 2.0 currently in the works for furthering ease of doing business. States to be incentivised for implementing their Business Reforms Action Plans and digitalization.

Accelerated Corporate Exit:

- The services of the Centre for Processing Accelerated Corporate Exit (C-PACE) will be extended for voluntary closure of LLPs to reduce the closure time.

GIFT-IFSC

- It is proposed that retail schemes and Exchange Traded Funds in IFSC, shall enjoy tax exemptions along similar lines as available to specified funds.
- It is further proposed to exempt certain income of Core Settlement Guarantee Fund set up in IFSC.
- It is proposed to exclude the applicability of section 94B to certain finance companies located in IFSC.
- It is proposed that where a venture capital fund (VCF) located in IFSC extends a loan / other amount to an assessee, it shall no longer be called upon to explain the source of funds.
- Further, it is proposed that surcharge shall not apply on income-tax payable on income from securities by specified funds.

Labour-Related Reforms

- Union Budget 2024-25 proposes to provide services to labour, including those for employment and skilling.
- Open architecture databases for the rapidly changing labour market, skill requirements and available job roles, and a mechanism to connect job aspirants with potential employers and skill providers will be covered in these services.
- A comprehensive integration of e-shram portal with other portals will facilitate such a one-stop solution.
- Revamping Shram Suvidha and Samadhan portals is directed towards enhancing ease of compliance for industry and trade.





SECTOR IMPACTS

REAL ESTATE

- The government has reaffirmed its commitment to infrastructure and social development, specifically addressing rental housing proposals, which are seen as a positive step for the real estate sector.
- The budget includes provisions for enhancing agricultural infrastructure, such as cold storage and transportation networks, with an increased Agri-Infrastructure Fund allocation to ₹30,000 crore. This aims to support sustainable farming practices and improve the overall efficiency of the agricultural sector, which indirectly benefits real estate through enhanced rural development.
- Continued support for the PM Awas Yojana is expected to benefit housing finance companies, particularly those focused on affordable housing, which could stimulate growth in the real estate market.
- The budget emphasizes job creation through various schemes, which is anticipated to boost consumer spending and, consequently, demand for housing and infrastructure development.
- Under the Pradhan Mantri Awas Yojana (PMAY) Urban Housing 2.0, a total budget of ₹10 lakh crore has been allocated to address urban housing needs, with the central government providing ₹2 lakh crore in aid. This initiative aims to subsidize rates for housing projects, supporting affordable housing initiatives.
- An interest-free loan allocation of ₹1.5 trillion to states is intended to encourage increased infrastructure spending at the state level, promoting local development projects.
- The budget includes plans for rental housing in public-private partnership (PPP) mode specifically for industrial workers, which is expected to boost the institutional rental market and co-living spaces.
- The establishment of working women hostels in collaboration with the industry has been highlighted, which could significantly enhance the availability of housing options for women, thus supporting their workforce participation.
- Under the PM Awas Yojana Urban 2.0, the government plans to address the housing needs of 1 crore urban poor and middle-class families with an investment of ₹10 lakh crore over the next five years, including a central assistance of ₹2.2 lakh crore.
- Collaborative efforts with state governments and multilateral banks will promote water supply, sewage treatment, and solid waste management projects for 100 large cities, utilizing treated water for irrigation.
- Building on the PM SVANidhi Scheme, the government will support the development of 100 weekly street food hubs in select cities over the next five years.

INFRASTRUCTURE

- Allocation of 11.11 crore rupees for capital expenditure which is 3.4 percent of GDP.
- Allocation of 1.5 lakh crore rupees of interest free loans provided to states for resource allocation.
- Private investment in infrastructure will be encouraged through Viability Gap Financing (VGF). A market-based financing framework will be initiated.
- Phase IV of the Pradhan Mantri Gram Sadak Yojna will be launched to provide connectivity to 25,000 rural habitations.
- Power projects, which include the establishment of a new 2400 MW power plant at Pirpainti, will be undertaken at a cost of 21,400 crore.
- In partnership with States, and Multilateral Development Banks, water supply, sewage treatment and solid waste management projects in 100 large cities will be promoted.
- Rental housing scheme will facilitate dormitory type rental housing for industrial workers in Public-Private-Partnership (PPP) mode with VGF support.
- Investment-ready "plug and play" industrial parks to be developed in or near 100 cities.
- 12 industrial parks sanctioned under the National Industrial Corridor Development Programme.
- Development of the Patna-Purnya expressway, Buxar-Bagalpur expressway, Bodhgaya-Rajgir-Vaishali-Darbanga spurs, and additional two-lane bridge over Ganga at Baksar at 26,000 crores proposed.
- Prime Minister Surya Ghar Muft Bijli Yojana has been launched to install rooftop solar plants to enable 1 crore households' free electricity up to 300 units every month.
- Allocation of funds for industrial development for essential infrastructure such as water, power, railways and roads in Andhra Pradesh and development of Industrial Corridor.
- Provision of 2.66 lakh crore rupees for rural development has been provided.
- Formulation of Transit Oriented Development plans has been proposed.
- Financial assistance through Accelerated Irrigation Benefit Programme for irrigation projects has been proposed.
- Policies, market-based mechanisms and regulations will be introduced for creative brownfield redevelopment of cities. E-commerce Export Hubs will be established in Private-Public-Partnership (PPP) mode.
- Framework for climate finance to support achievement of the country's climate commitments and green transition.

IMPACT

The Union Budget 2024 aims to provide strong fiscal support to infrastructure with an allocation of 3.4% of GDP in line with the Interim Budget. As a part of this endeavour, road connectivity projects and power projects have been proposed. Long-term interest-free loans will be extended to the states in order to enable resource allocation for infrastructure investment.

RENEWABLE ENERGY

- Allocation of Rs. 19,000 crores to new and renewable energy sector and the details show that Rs. 8,500.35 crores allocated to solar power (grid), showing a rise of nearly 79% against the revised estimates of the Union Budget 2023-24. Overall, the Total-Solar Energy Sector received an allocation of Rs. 16394.75 crores against the revised estimates of Rs. 6041.56 crores of the Union Budget 2023-24.
- Allocation of Rs. 851 crores to the programme for wind and other renewable energy in the Union Budget 2024-25 against the revised estimates of Rs. 946.30 crore. Additionally, the Government is also to spend Rs. 600 crores on National Green Hydrogen Mission.
- Allocation of Rs. 300 crores to Bio Energy Programme from Union Budget 2024-25 against Rs. 75 crores last year. The government will also spend Rs 600 crore on National Green Hydrogen Mission.
- PM Suryaghar Muft Bijli Yojana has been launched to install rooftop solar panels to enable 1 Crore households obtain free electricity up to 300 units every month. The scheme has generated remarkable response with more than 1.28 crore registrations and 14 lakh applications, and the government will further encourage it.
- A policy for promoting Pumped Storage Projects to be drafted for electricity storage and facilitating smooth integration of the growing share of renewable energy with its variable and intermittent nature in the overall energy mix.
- A joint venture between National Thermal Power Corporation (NTPC) and Bharat Heavy Electricals Limited (BHEL) to setup a full scale 800 MW super critical thermal power with higher efficiency, for which the government shall provide the required fiscal support.
- Proposed to expand the list of exempted capital goods for use in the manufacturing of solar cells and panels in the country. However, in the view of the sufficient domestic manufacturing capacity for solar glass, glass, and thinned copper interconnect, it was proposed, not to extend the exemptions of customs duties on the same.
- Financial support for shifting of micro and small industries to cleaner forms of energy.

IMPACT

The increased budgetary allocation will help in development and maintenance of the transmission infrastructure in the country and it will encourage development of a robust ecosystem for renewable energy and according to sources upon the announcement of the Budget 2024 for renewable sector the shares of the renewable energy sector have also geared.



Technology

- A joint venture between NTPC and BHEL will set up a full scale 800 MW commercial plant using AUSC technology. The government will provide the required fiscal support.
- For improving data governance, collection, processing and management of data and statistics, different sectoral data bases, including those established under the Digital India mission, will be utilized with active use of technology tools.
- Integrated Technology Platform will be set up for improving the outcomes under IBC.
- Angel tax abolished for all classes of investors.
- It has been proposed to develop DPI applications at population scale for productivity gains, business opportunities, and innovation by the private sector. These are planned in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance.
- The Anusandhan National Research Fund to be operationalised for basic research and prototype development. In line with the Interim Budget announcement, a mechanism will be set up to give a boost to private sector-driven research and innovation at commercial scale. This has an outlay of Rs. 1 crore.
- Technology to be adopted towards digitalisation of the economy.

STARTUPS

- Angel tax is removed for start-ups. Angel tax under Section 56 (2) (vii b) of the Income-tax Act, 1961, is the tax imposed on the amount of investments raised by startups exceeding the fair market value of the company.

IMPACT

The abolition of angel tax for all investor classes will enhance investments into startups. The startup ecosystem has been at the forefront of innovation and also played a huge role in the creation of intellectual property in India. This move will further assist startup founders in securing investments.

MSME

- Credit guarantee scheme – MSMEs can avail term loans for purchase of machinery and equipment without collateral or third-party guarantee. A separate self-financing guarantee fund will be constituted to provide each applicant with a guarantee cover up to Rs 100 crore, subject to the borrower paying guarantee fee.
- E-commerce export hubs to be created in a private-public partnership (PPP) mode to help small businesses and traditional artisans sell their products in international markets.

IMPACT

These steps would enable supporting MSMEs to have availability of funds and grow sales including international markets.

BANKING

- Expand banking services through setting up 100 plus branches of India Post Payment Bank in the Northeastern region of India.
- Undertaking reformation of Debt Recover Tribunal (DRT) and establishment of additional tribunals to speed up recovery.
- An Integrated Technology Platform will be set up under Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders.
- Rules and regulations for Foreign Direct Investment and Overseas Investments to be simplified to facilitate foreign direct investments, nudge prioritization, and promote opportunities for using Indian Rupee as a currency for overseas investments.
- Changes to the IBC, reforms and strengthening of the tribunal and appellate tribunals will be initiated to speed up insolvency resolution along with established of additional tribunals.

IMPACT

These measures will ensure expansion of banking services in the northeastern region. Also, the changes to IBC and setting up of additional tribunals will facilitate strengthening of debt recovery and speedy resolution of cases.



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