



## Varaiya and Shah LLP

Chartered Accountants

### HIGHLIGHTS – FINANCE BILL 2024

The Hon. Finance Minister presented the Union Budget 2024 on 23<sup>rd</sup> July, 2024.  
We hereby present the highlights of the Finance Bill 2024

#### Proposals for Income Tax

##### A. Rates of Income Tax:

- Changes in Tax Rates for Individuals & HUF under section 115 BAC (New Tax Regime):

New Tax Rates		Old Tax Rates	
Slab	Rate	Slab	Rate
Up to ₹ 3,00,000/-	Nil	Up to ₹ 3,00,000/-	Nil
From ₹ 3,00,001/- to ₹ 7,00,000/-	5%	From ₹ 3,00,001/- to ₹ 6,00,000/-	5%
From ₹ 7,00,001/- to ₹ 10,00,000/-	10%	From ₹ 6,00,001/- to ₹ 9,00,000/-	10%
From ₹ 10,00,001/- to ₹ 12,00,000/-	15%	From ₹ 9,00,001/- to ₹ 12,00,000/-	15%
From ₹ 12,00,001/- to ₹ 15,00,000/-	20%	From ₹ 12,00,001/- to ₹ 15,00,000/-	20%
Above ₹ 15,00,000/-	30%	Above ₹ 15,00,000/-	30%

- There are no changes in the tax rates as per old tax regime for Individuals & HUF.
- Rate of Tax for Foreign Co. is proposed to be reduced to 35% from 40%.

##### B. Salary:

The standard deduction from "Salaries" under Section 16(ia) has been enhanced to ₹ 75,000/- from the existing provision of ₹ 50,000/- provided the assessee opts for the new tax regime under Section 115 BAC. The said provision is effective from FY 2024-25.

### C. Income from House Property:

- Income earned from letting out residential house property by the owner is proposed to be taxed exclusively under the head of 'Income from House Property' and **not** under the head 'Profits and gains of business or profession'. The said provision is effective from FY 2024-25.

### D. Profits and Gains from Business or Profession:

- Employer Contribution towards Pension Fund:

At present employer's contribution towards pension fund is eligible for deduction to the employer, to the extent of 10%. Now it is proposed to enhance to the extent of 14% of the salary of the employee only when the employee opts for the new tax regime. The said provision is effective from FY 2024-25.

- Presumptive Taxation for cruise-ship business:

A presumptive income tax regime is proposed at the rate of tax of 20% of the amount received or deemed to be received for the carriage of the passengers for a non-resident who is engaged in the business of operation of cruise ships. The said provision is effective from FY 2024-25.

- Remuneration to partners:

➤ Proposed allowable remuneration paid to working partners wef FY 2024-25:

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 book-profit, whichever is more;
on the balance of the book-profit	at the rate of 60 per cent;

➤ Allowable remuneration paid to working partners up to FY 2023-24:

on the first Rs. 3,00,000 of the book-profit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the book-profit, whichever is more;
on the balance of the book-profit	at the rate of 60 per cent;

- It is advisable to modify the partnership deed in respect of the remuneration payable to the working partners in line with the above referred proposal.

## E. Capital Gains:

### CHANGES IN FORCE FROM 23<sup>RD</sup> JULY 2024

- Holding period for determination of Long Term Assets:

Nature of Asset	Period of Holding
Listed securities (equity shares, mutual funds, etc), units of listed business trust	12 months or more
Any other asset	24 months or more

- Changes in rates of tax and exemption for Capital Gain:

Particulars	New Rate	Old Rate
Long term capital gains	12.5%	10% without indexation & 20% with indexation
Short term capital gains on STT paid equity shares, units of equity oriented mutual funds and units of business trust	20%	15%
Other short term capital gains	Slab rates	Slab rates
<b>BENEFIT OF INDEXATION ABOLISHED WEF 23<sup>RD</sup> JULY 2024</b>		

- Exemptions for long term capital gains u/s 112A from tax shall be available for gains up to ₹ 1.25 lakhs (currently ₹ 1 lakh)
- Revision of Rates of STT (wef 1<sup>st</sup> October 2024:

Particulars	New Rate	Old Rate
Options	0.1%	0.0625%
Futures	0.02%	0.0125%

- Rationalisation of special provisions for specified mutual funds:
  - Currently, any gain on transfer of specified mutual funds is deemed to be short-term capital gains.
  - It is proposed that specified mutual fund will be defined as one which: – Invests more than 65% of its total proceeds in debt and money market instruments; or – Invests in a fund which invests more than 65% of its total proceeds in debt and money market instruments.
  - Further, unlisted debentures and unlisted bonds will be subject to deemed short-term capital gains tax. This amendment is proposed to be effective from 23 July 2024.

## **F. Income from Other Sources:**

- Family Pension:  
Section 57(ia) provision for a deduction equal to 1/3<sup>rd</sup> of the family pension or ₹ 15,000/- whichever is lower. In case the assessee opts for the new tax regime under Section 115 BAC, the amount of ₹ 15,000/- mentioned earlier will be enhanced to ₹ 25,000/-. This provision is effective from FY 2024-25.
- Abolishment of Angel Tax:  
Section 56(2)(viib) provides that if a private company receives any consideration for issue of shares at a premium, then the consideration exceeding the fair market value will be chargeable to tax under head "Income from Other Sources." The said provision is proposed to be discontinued from Financial Year 2024-2025.

## **G. Charitable Trusts and Institutions:**

- Charitable Trusts and Institutions are provided exemptions under Section 10(23C) and Section 11 to 13.
- In order to align the two regimes, applications under section 10(23C) shall not be considered after 1<sup>st</sup> October, 2024.
- Applications filed before 01/10/2024 and trusts already registered u/s 10(23C) will continue to get exemption under the said section till the validity of their registration certificates.
- They will subsequently have to apply for registration under section 12A.
- Provisions for condonation of delay in application u/s 12A and to rationalise the timelines for filing application u/s 80G and 12AB have been proposed.
- New Sec 12AC is proposed to be inserted for provisions regarding mergers of two trusts.

## **H. Buyback of Shares:**

- The sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, and shall be charged to income-tax at applicable rates.
- Since the shares are extinguished, the capital gains will be calculated as follows:
  - Full Value of Consideration = Nil
  - Cost of Acquisition = Cost at which shares were purchased

This will result in capital loss which can be adjusted against the capital gain as per provisions of the Income Tax Act.

- The provisions regarding buyback are effective from 1<sup>st</sup> October 2024.

#### I. Rationalisation of TDS Rates:

- It has been proposed to reduce TDS rates as follows:

Section No.	Particulars	Present Rate	Proposed Rate	Effective Date
194D	Payment of Insurance commission	5%	2%	1 <sup>st</sup> April 2025
194DA	Payment in respect of any sum under life insurance policy	5%	2%	1 <sup>st</sup> October 2024
194G	Payment of commission or remuneration or prize on sale of lottery tickets	5%	2%	1 <sup>st</sup> October 2024
194H	Payment of commission or brokerage	5%	2%	1 <sup>st</sup> October 2024
194-IB	Payment of rent by certain individuals or HUF exceeding INR 50,000	5%	2%	1 <sup>st</sup> October 2024
194M	Payment for carrying out work contract, brokerage, commission or FTS by certain individuals or HUF	5%	2%	1 <sup>st</sup> October 2024
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1 <sup>st</sup> October 2024
194F	Payments on account of repurchase of units by Mutual Fund or UTI	20%	Proposed to be deleted	1 <sup>st</sup> October 2024

- A new TDS section 194T will be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.
- In case of TCS collected but not deposited rate of interest was 1%. The same has been increased to 1.5%.

- It is proposed to levy TCS on luxury goods of value exceeding 10 lakhs.
- Lower deduction certificates can be obtained for tax deducted/collected u/s 194Q and 206C(1H)
- It is proposed that while computing TDS on salary, credit should be provided for tax deducted or collected at source under any provisions of the IT Act by the employer. This amendment is proposed to be effective from 1 October 2024.
- It is now proposed that fees for professional or technical services covered under Section 194J shall be specifically excluded from the definition of 'work' under Section 194C w.e.f. 1 October 2024.
- Section 194-IA TDS on Immovable Property:  
It is proposed to clarify that for computing the consideration for TDS purpose, the aggregate amounts paid by all the transferees to all transferors would be considered. Such clarification is effective from 1 October 2024.

#### **J. Rationalisation of Reassessment provisions (Sec 147,148,149):**

- In cases where the income escaping assessment amounts to ₹ 50 lakhs or more, the time limit for issue of notice for reassessment proceedings is proposed to be reduced from ten years to five years and three months. The proposed amendment will apply from 1<sup>st</sup> September, 2024.
- In other cases, no notice for reassessment shall be issued after three years and three months from the end of the relevant assessment year.

#### **K. Others:**

- In order to incentivise operations from IFSC, several tax concessions have been provided to units located in IFSC.
- It is proposed to introduce the scheme of block assessment for the cases in which search has been initiated under section 132 or requisition issued u/s 132A. The "block period" shall consist of previous six assessment years preceding the year in which search/requisition is initiated u/s 132 or 132A. Ongoing regular assessments for the years covered in the block period shall abate and there will be one consolidated assessment for the block period. This amendment will take effect from 1<sup>st</sup> September, 2024.
- Currently, appeal to the ITAT are to be filed '**within sixty days of the date on which the order sought to be appealed against is communicated**' to the assessee or to the PCIT/CIT, as the case may be.' Now the time limit for filing the appeal before the ITAT will be **within two months from the end of the month in which the order sought**

**to be appealed against is communicated** to the assessee or to the Principal Commissioner or Commissioner, as the case may be. This amendment will take effect from 1<sup>st</sup> October, 2024.

- Direct Tax Vivaad Se Vishwas Scheme, 2024 shall come into force from the date to be notified by the Central Government.
- Equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1st August, 2024.
- Effective 1<sup>st</sup> October 2024, option to quote Aadhaar Enrolment ID, in place of Aadhaar number, in tax return form and PAN application is proposed to be discontinued.
- Every person who has been allotted PAN on the basis of Enrolment ID is required to intimate their Aadhaar number on or before the notified date.

Thanking You,  
We, at Varaiya & Shah LLP  
Date: 29<sup>th</sup> July, 2024

*Compiled by CA Divisha Sancheti*

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