Desai Saksena & Associates
Chartered Accountants

Key highlights
of
Budget
2024-25

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Direct Tax Proposals

Enhanced Limit of Standard deduction and Family Pension Deduction Under New Regime

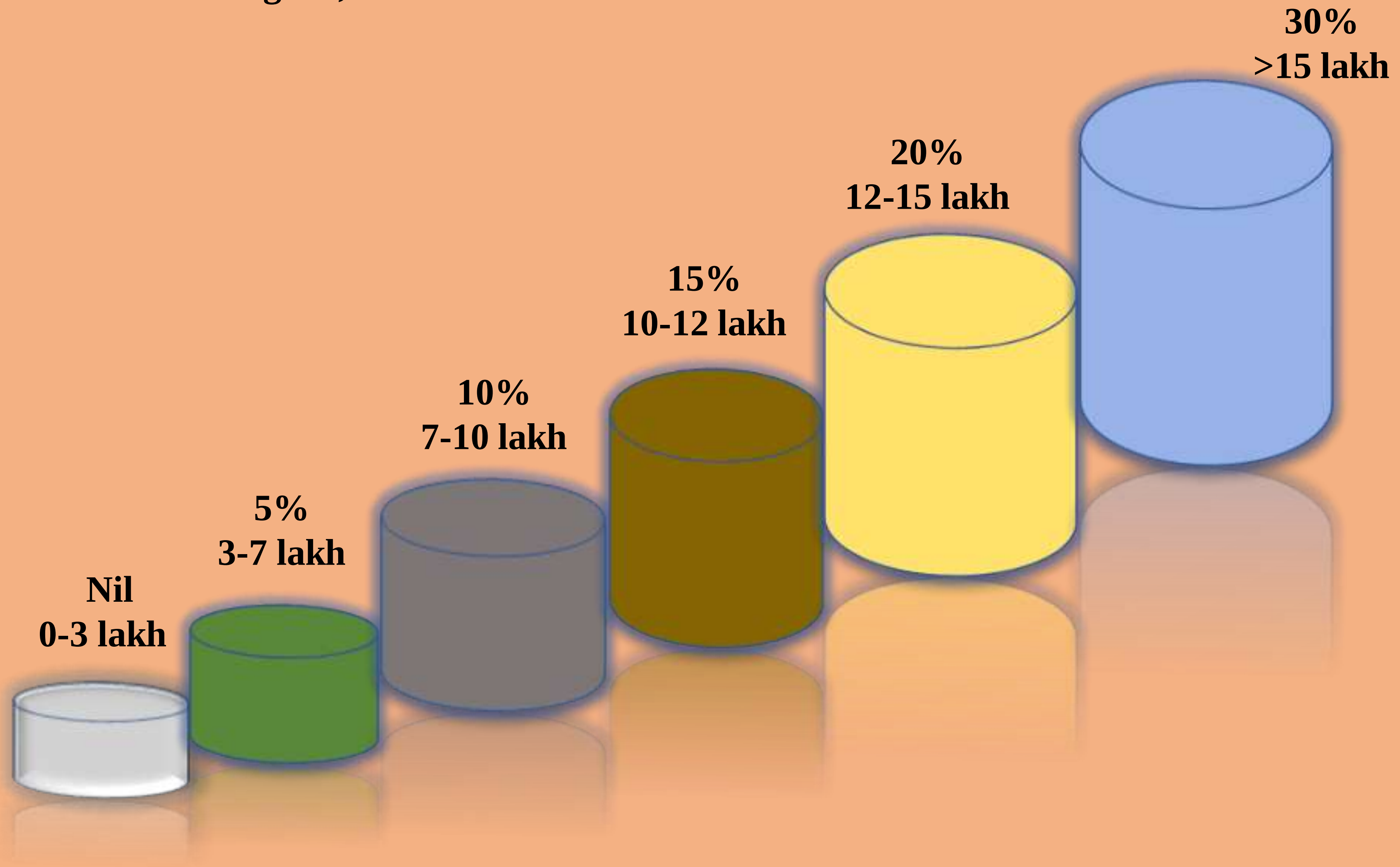
- Under the new regime, the standard deduction for salaried individuals has been increased to Rs. 75,000 from Rs. 50,000.

- Similarly, a deduction on family pension for persons having pension income has been increased to Rs. 25,000 from Rs. 15,000 if they file taxes under the new regime.

Note: As a result of the above changes, a salaried employee in the new tax regime can save up to Rs. 17,500 in taxes.

Changes in Tax Structure Under the New Regime

Under the New tax regime, the tax structure is revised as follows:



Simplification of Taxation of Capital Gains

Period of holding for classifying Long Term Asset and Short Term Asset

Only two holding periods, 12 months and 24 months. Period of 36 months has been removed

Listed Securities – period of holding exceeding 12months – Long Term

For all other Assets – Period of holding exceeding 24 months – Long Term

Unlisted bonds and debentures are brought in line with the taxation on debt mutual funds and market-linked debentures i.e. it will be considered as Short Term irrespective of period of holding

Simplification of Taxation of Capital Gains

Rate of Tax

At Slab Rate

Unlisted bonds and debentures (Section 50AA of the Act) are brought in line with the taxation on debt mutual funds and market-linked debentures. they will be treated as short-term irrespective of the period of holding.

20%

Short-Term Capital Gain for listed equity shares, a unit of an equity-oriented fund, and a unit of a business trust.

12.5%

The limit on the exemption of Long-Term Capital Gains on the transfer of equity shares or equity-oriented units or units of Business Trust has increased from Rs.1 Lakh to Rs.1.25 lakh per year. However, the rate at which it is taxed has increased from 10% to 12.5%.

The exemption limit to Rs. 1.25 lakhs has been increased for the whole of the year, whereas the tax rate changed on 23rd July 2024.

The tax on long-term capital gains on other financial and non-financial assets is reduced from 20% to 12.5%.

The indexation benefit that previously was available on sale of long-term assets, has now been removed. **So, any sale of long term asset made from 23rd July, 2024, will attract tax rate of 12.5% only without indexation benefit.**

However, it is to be noted that the provision regarding availing the benefit of FMV of asset as on 01.04.2001 as cost while selling the asset, is still available even after the recent changes.

Changes in TDS Rates

TDS Sections	Current TDS Rate	Proposed TDS Rate	Effective from
Section 194D - Payment of insurance commission in case of other than company	5%	2%	1st April 2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1st October 2024
Section 194G -Commission on sale of lottery tickets	5%	2%	1st October 2024
Section 194H - Payment of commission or brokerage	5%	2%	1st October 2024
Section 194-IB - Payment of Rent by certain individuals or HUF	5%	2%	1st October 2024
Section 194M - Payment To Resident Contractors and Professionals (Payment exceeding Rs 50 L)	5%	2%	1st October 2024
Section 194-O - Payment of certain sum by e-commerce operator to e-commerce participants	1%	0.1%	1st October 2024
Section 194F - Payment on account of repurchase of units by mutual funds or UTI	20%	Omitted	1st October 2024

Introduction of TDS on Payments Made to Partners by Firms(Section 194T)

This budget introduced a new TDS provision for payments made by the firms (i.e., it covers both partnership firms as well as LLPs), to the partners by way of salary, remuneration, interest, bonus or commission.

So, now any payment by a firm of the above nature exceeding Rs. 20,000 shall be subjected to the TDS at the rate of 10% u/s 194T w.e.f. 01.04.2024.

Increase in limit for Partner's Remuneration

Under section 40(b), the partner's limit for remuneration has been increased in the Budget 2024 as follows (Applicable for FY 2024-25):

On the first Rs. 6,00,000/- of book profit or loss	Rs.3,00,000 or 90% of the book profit, whichever is higher
On the remaining balance of book-profit	60% of the book-profit

Abolishment of Angel Tax

The Angel tax provisions of Section 56(2)(viib) has been proposed to be removed.

Angel Tax is a tax levied on companies that issue fresh shares to investors at a price above the company's Fair Market Value. The excess of the Issue Price over and above the FMV was made taxable u/s 56(2)(viii) as an angel tax in the hands of the Company. This provision is proposed to be removed w.e.f. FY 2024-25.

The startup ecosystem will benefit considering the frequent fund raise that can happen in startups and the compliance cost and the time that is consumed by the said provision while conducting a fund raise in start up.

Corporate Taxes on Foreign Companies

Corporate taxes are imposed on the company's net income or profit. In the Budget 2024, Finance Minister Nirmala Sitharaman has proposed to reduce the corporate tax on foreign companies from 40% to 35%.

Increased Deduction on Employer's Contribution to Pension Scheme

Section 80CCD provides a deduction for the employer's contribution to the Pension scheme up to 10%. Budget 2024 has now increased the limit deduction limit to 14% of the salary of the employee during the previous year. This is with effect from FY 2024-25.

STT on Futures and Options

The Securities Transaction Tax (STT) on futures has been increased from 0.0125% to 0.02% and STT on options has been increased from 0.0625% to 0.1%.

Taxation of Share Buybacks

OLD

Under the existing provisions, amount received by shareholder on buy back of shares by the company was tax free in the hands of shareholder. The company, in turn was required to pay additional tax @ 20% + Surcharge @12% and Cess @4%.

Effective from 01.10.2024

NEW

Under the proposed amendment, the amount received by shareholder on buy back would be taxed as dividend in the hands of shareholder. Needless to say, liability of additional tax under section 115QA by the company is removed.

It is proposed that buyback pay outs to be taxed in the hands of shareholders as income from other sources, being dividend income and taxed at applicable rates. **Bill further proposes that shareholders cannot claim deduction for any expenses against this dividend income. Further, the value of consideration received shall be deemed to be Nil for such bought-back shares and accordingly, cost of acquisition for the bought-back shares shall be capital loss computed under the head “Capital Gains”.** Such loss shall be allowable for set-off against capital gains. Consequently, the bill proposes to provide that exemption provision of Sec.10 (34A) shall not be applicable to shareholders.

Two tax exemption regimes for charities to be merged into one

The proposed merger aims to simplify the taxation of charitable organizations by:-

- **<u>Eliminating the need for dual registration:</u>**

Charitable organizations will no longer need to register under both Section 12A and Section 10(23C) to avail of tax exemptions.

- **<u>Streamlining the approval process:</u>**

The approval process for charitable institutions will be simplified, reducing the administrative burden on organizations.

- **<u>Reducing tax uncertainty:</u>**

The merged regime will provide clarity on the tax treatment of charitable organizations, reducing disputes and litigation.

- **<u>Promoting charitable activities:</u>**

The simplified tax regime is expected to encourage more organizations to engage in charitable activities.

Two tax exemption regimes for charities to be merged into one

The merged regime will likely have the following features:-

❖ **<u>Single registration:</u>**
Charitable organizations will need to register only once to avail of tax exemptions.

❖ **<u>Simplified approval process:</u>**
The approval process will be streamlined, with a single authority responsible for approving charitable institutions.

❖ **<u>Uniform tax treatment:</u>**
The income of all charitable organizations will be exempt from tax if applied for charitable purposes in India.

❖ **<u>Reduced compliance burden:</u>**
The merged regime will reduce the administrative burden on charitable organizations, allowing them to focus on their core activities.

Overall, the proposed merger of the two tax exemption regimes for charities aims to simplify taxation, reduce uncertainty, and promote charitable activities in India.

Other Direct Tax Updates

- **Reopening of ITR:**

Only if the escaped income is Rs 50 lakh or more can an assessment be reopened beyond three years from the end of the assessment year, up to a maximum period of five years from the end of the assessment year. In the case of search cases, the time limit of 10 years is reduced to six years.

- **Income Tax Appeals**

To reduce the number of pending cases, the monetary limits for filing tax dispute appeals in tax tribunals, high courts, and supreme courts have been raised to **Rs.60 Lakh**, **Rs.1 Crore** and **Rs. 2 Crore**.

- **Vivaad se Vishwas Scheme**

This scheme has been reintroduced to facilitate the settlement of income tax disputes and eliminate litigation.

- **Payment of TDS upto due date of filing statement**

Delay for payment of TDS up to due date of filing statement decriminalized.

Thank you

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