

NEWSLETTER NO 31 – UNION BUDGET 2024

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INCOME TAX RELATED IMPORTANT AMENDMENTS IN UNION BUDGET 2024:

Except when stated otherwise, maximum amendments would be Applicable from FY 2024-25.

1. This was sixth and importantly consecutive sixth full budget presented by FM Mrs Nirmala Sitaraman. It was presented post elections on July 23, 2024.
2. The proposed amendments shall be largely applicable from financial year 2024-25, ie, assessment year 2025-26 except when otherwise specified. Amendments related to CGST Act shall be applicable from the date of their notification in the official gazette.
2. Lok Sabha has passed the Finance Bill (No 2), 2024 on Aug 7, 2024 with some changes. I think it is passed in Rajya Sabha also on Aug 9, 2024. We are hereby discussing the Bill which has almost become Act.
3. No change in income tax rates in the old regime.
4. Few changes in the new tax regime for individuals and HUF, AOP, BOI and AJP – discussed in detail while dealing with Sec 115BAC.
5. Sec 2(22)(f) inserted: wef Oct 1, 2024, amount received by shareholder on buyback of shares to be treated as dividend.

Sec 57(i) is also amended and proviso added to provide that no expenses shall be allowed against such receipt.



Further 46A is amended to provide that consideration value of such shares shall be treated Nil thereby resulting in capital loss due to cost of acquisition.

Further Section 115QA which related to tax on company on buy back of shares would not be applicable wef Oct 1, 2024.

Further, Sec 194 amended to provide for TDS @ 10% on such payments.

Further, Sec 10(34A): Amount received by shareholder on buyback of shares was erstwhile exempt. Now it is taxable u/s 2(22)(f). Accordingly, this Section shall not apply wef Oct 1, 2024.

6. Sec 2(42A): To qualify as long term capital asset, standard holding period was 36 months. It is now reduced to 24 months. It is done from immediate effect ie July 23, 2024. For certain assets for which period of holding was 12 months would continue as before.
7. Sec 10(23C): Parallel system of approvals and taxation for trusts has been done away with. Application of registration under clauses iv, v, vi or via can now be made only upto Sep 30, 2024. Thereafter, provisions relating thereto shall be merged with Sec 11. However, clauses like (iiiab) and (iiiad) to continue as before.
8. Sec 12A(1)(ac)(ii) and (iii) amended to provide for renewal application under this Section for already registered/ provisionally registered trusts u/s 10(23C).

If there is delay in filing various applications as per clauses (i) to (vi) of Sec 12A(1)(ac), then Principal Commissioner or Commissioner have been empowered to condone the delay.

9. Sec 12AB: Time limits for issuance of orders in case of renewal of registration or fresh registration have been increased from six months from the end of the month in which application is made to six months from the end of the quarter in which application is made.
10. Sec 12AC: Sec 115TD (tax on accreted income) not to apply if on 12AB or 10(23C) registered or approved trust or institution merges with another having same or similar objects.



11. Explanation 3 added to Sec 28 wef Apr 1, 2025 (ie AY 2025-26) to clarify that any income from letting of a residential house or part thereof by owner shall be chargeable under the income from house property and not under income from business or profession.

It appears that it is not applicable to commercial properties.

But issue would arise in case of unsold flats in the hands of builders. To my mind, those be taxed under house property now.

12. Clause (iva) of Sec 36(1) amended to provide that employer contribution upto 14% (from earlier 10%) to pension scheme would be allowed as expenditure.

There is corresponding amendment in Sec 80CCD(2) to provide that in case of non Govt employees, employer contribution upto 14% would be allowed as deduction. But this additional deduction from 10% to 14% would be available only if that employee opts for new tax regime (115BAC).

13. Sec 40(b) amended to increase allowable remuneration for partnership firms. New limits are:

On first Rs 6 lacs of book profit or in case of loss – Rs 3 lacs or 90% of book profit whichever is higher.

On balance of book profit – 60% of book profit.

So, now additional salary of upto Rs 90,000 to Rs 1,50,000 (Rs 90,000 in case of higher profits) may be given to partners thereby resulting in reduction of tax liability of firms.

Issues:

- i. Remuneration is decided after the books are finalized but TDS is to be deducted on remuneration before April 30. It would be difficult. Even interest is decided later in many cases.

14. Sec 44BBC inserted to tax 20% on presumptive basis on non-resident assessee engaged in business of operation of cruise ships.



15. Sec 47(iii) substituted: Transfer by way of gift, will or irrevocable trust is not regarded as transfer. Earlier it could be done by any assessee (except ESOPs).

Now it is substituted to state that such done by individual or HUF would only be not regarded as transfer. Transfer by any other person would be treated as transfer for the purpose of Income tax.

16. Second proviso to Sec 48 which facilitated indexation in case of long term capital asset has been restricted for the transfers upto July 22, 2024. Any sale after this date would not have benefit of indexation.

However, while passing budget in Lok Sabha, they have provided that tax liability in certain cases not to exceed the liability under erstwhile regime.

17. Sec 50AA: Wef FY 2023-24, sale of following assets was categorically stated as short term capital gain irrespective of its period of holding. These would not even get concessional tax rate of 15/ 20%. This income would be chargeable as per slab rate. –

- ii. Specified mutual fund acquired on or after April 1, 2023,
- iii. Market linked debenture

Now wef July 23, 2024, following two things have also been added in above list:

- i. Unlisted bond,
- ii. Unlisted debenture

Which is transferred or redeemed or matures on or after July 23, 2024.

18. Sec 56(2)(viib) which was referred to as angel tax shall not apply on or after April 1, 2025 (ie to my mind AY 2025-26). Value of shares received/ allotted in excess of fair value was taxable for recipient. It was creating hinderance for startups.

19. There was non understandable part in clause (iv)(B) of first proviso to Sec 80G(5). That part is fortunately omitted wef Oct 1, 2024. Also, timelines for issuance of orders have been increased similar to Sec 12AB.



20. Sec 111A amended: STCG arising from transfer of equity share in a company or unit of equity oriented fund or unit of business trust on which STT is paid is increased from 15% to 20% wef July 23, 2024.
21. Sec 112 amended: Tax on LTCG reduced from 20% to 12.50% but benefit of indexation is removed. This will be applicable from July 23, 2024. However, while passing the bill, they added a proviso stating that in respect of land or building or both, if tax liability @ 12.50% is more than that calculated as per erstwhile system with indexation @ 20%, then such excess shall be ignored. Note following important points –
- This proviso is applicable to only Individual and HUF who are residents. No such benefit to non-residents. They will have to pay at 12.50% without indexation.
 - Not applicable to partnership firms, companies etc.
 - Applicable only in case of land or building or both. Not applicable in case of other assets such as gold, unlisted shares etc.
22. Sec 112A amended: Tax on LTCG upto Rs 1 lac was not applicable on equity share in a company or unit of equity oriented fund or unit of business trust on which STT is paid. Now this limit is increased to Rs 1.25 lacs. Nirmalaji has been very kind and this limit is applicable for LTCG arising before July 23, 2024 also.
23. Sec 115BAC – Following additional benefits given for this new scheme (which is already default scheme wef AY 24-25):

- New slabs with slight changes are as below:

Sl	Total income (Rs)	Rate of tax (%)
1	Upto Rs 3,00,000	Nil
2	From Rs 3,00,001 to Rs 7,00,000	5%
3	From Rs 7,00,001 to Rs 10,00,000	10%
4	From Rs 10,00,001 to Rs 12,00,000	15%
5	From Rs 12,00,001 to Rs 15,00,000	20%
6	Above Rs 15,00,000	30%

- Sec 16(ia) amended - Standard deduction from salary of Rs 50,000 increased to 75,000 only if assessee opts 115BAC.



- Sec 57(iia) amended to provide that from FY 24-25, where assessee opts for new regime (115BAC), standard deduction in case of family pension be raised from Rs 15k to Rs 25k.
- Deduction of employer contribution to pension scheme in case of non-government employees increased from 10% to 14%.

Since all benefits are now given to new scheme and old scheme is kept as it is without giving any regular benefits of inflation etc, naturally, new scheme would become attractive. From FY 2024-25 onwards, it seems that more than 90 or 95% people would opt for new scheme.

24. Sec 139(9A) inserted: wef Oct 1, 2024, where any ITR is filed in pursuance of an order u/s 119(2)(b) (condonation of delay), then provisions of Sec 139 would apply.
25. Sec 148 and 148A amended: Language of Sections is simplified. Could not understand the exact changes From memorandum, it appears that earlier wordings gave rise to multiple interpretations. From one article on Taxmann, following conclusion found:

In the old procedure, the notice U/s 148 was to be issued in the first instance. The old procedure contained the stage of

- "filing the return" followed by
- "asking for reasons" followed by
- "filing the objections"
- and then depending on the outcome of such order, deciding as to whether escalate the matter in writ or in appeal.

However, as per the amended procedure, "before" issuing the notice the stages of

- "inquiry",
- "filing of reply (objections)",
- "giving opportunity of hearing" and
- passing of an order disposing the reasons precedes the issuance of the notice u/s 148.

26. Very important change in Sec 149 wef Sep 1, 2024: Time limits for issuance of notice u/s 148/ 148A changed:



Sec	Particulars	Earlier time limit	New time limit
148A	For income escapements upto Rs 50 lacs	3 years from end of AY	Same
148	For income escapements upto Rs 50 lacs	3 years from end of AY	3 years and 3 months from end of AY
148A	For income escapements above Rs 50 lacs	10 years from end of AY	5 years from end of AY
148	For income escapements above Rs 50 lacs	10 years from end of AY	5 years and 3 months from end of AY

Interesting to note that maximum time limits were increased from 6 years to 10 years in Budget 2021.

27. Important amendment in Sec 151 wef Sep 1, 2024: Specified authority for Sec 148 and 148A shall be Addl Comm or Addl Director or Joint Comm or Joint Director instead of earlier Commissioner or Principal Chief Commissioner as the case may be. Thus, lower authorities can now give approvals.
28. Entire Chapter XIV-B relating to special procedure for assessment of search cases substituted wef Sep 1, 2024.
29. Sec 192: wef Oct 1, 2024, employee can now inform TCS also to his employer so that employer can consider this amount while doing TDS.
30. Sec 194C: If any work is covered u/s 194J(1), then it wont be covered under this Section.
31. In following cases TDS rates changed wef Oct 1, 2024:

Sec	Particulars	Old rate (%)	New rate (%)
194DA	Payment by Insurance company any sum under life insurance policy	5	2
194G	Commission on sale of lottery tickets	5	2
194H	Commission or brokerage	5	2



194IB	Payment of rent by certain Individuals or HUF	5	2
194M	Payment of certain sums by certain Individuals or HUF	5	2
194O	Payment of sums by e-commerce operator to e-commerce participant	1	0.1

32. Important change in Sec 194IA: wef Oct 1, 2024, it is provided that TDS is applicable if property value exceeds Rs 50 lacs irrespective of number of buyers and sellers.
33. Important - Sec 194T inserted wef Apr 1, 2025 (may be AY 25-26): TDS at 10% applicable on salary and interest paid or credited to partners. Threshold limit given is Rs 20,000. This may create lot of practical problems for small businessmen like us.
34. Wef Oct 1, 2024, application for lower deduction of TDS u/s 197 may also be made for TDS u/s 194Q. Similar amendment made in Sec 206C(9) for lower TCS u/s 206C(1H).
35. Important amendment – wef Apr 1, 2025 (may be AY 2025-26) proviso added to Sec 200(3): TDS return can be corrected/ revised maximum upto six years from end of FY in which original statement is required to be delivered. Earlier there was no such limit.

Sec 206C(3B) – Similar to TDS correction statement, TCS correction statement would also be filed only upto 6 years.

36. Time limit for TDS related orders u/s 201(3) reduced from 7 years to 6 years. Similar amendment for TCS by inserting Sec 206C(7A).
37. Important – wef Jan 1, 2025 Sec 206C(1F) amended to provide for TCS on seller who receives any amount of consideration for sale of any other goods as may be specified.

To my mind jewellery, watches may be included.

38. Sec 206C(4) amended wef Jan 1, 2025 – TCS credit would now be available in the hands of other person eligible for credit. For example, if minor child



goes abroad for studies, the TCS thereon may be claimed in the hands of parents.

39. Sec 206C(7) – Interest rate on late payment of TCS brought at par with TDS. Earlier it was 1% pm for all cases. Now, 1% pm if assessee fails to collect and collects late. It would be 1.50% pm if collected but not paid.
40. Sec 206C(12) inserted to provide that TCS may not be collected or collected at lower rate from persons or institutions as may be specified.
41. Important amendment in Sec 251 wef Oct 1, 2024: First appellate authority may remand back the case in case of best judgement assessment u/s 144.
42. Important amendment in Sec 253(3) wef Oct 1, 2024: Appeal to Tribunal had to be filed within 60 days of communication of order. Now, it can be filed within 2 months from end of month in which it is communicated.
43. Very important – Penalty u/s Sec 271H: In case of failure to submit TDS/ TCS return, penalty was not leviable if it was filed within one year after payment of applicable interest and late fee. Now this period is reduced to just one month.
44. Sec 276B – wef Oct 1, 2024, decriminalization of non payment of TDS if it is paid before the time limit of filing TDS returns. It appears that the benefit would not be available if TDS is paid after due date of filing returns but before actual filing of them.



THE DIRECT TAX VIVAD SE VISHWAS SCHEME 2024

1. Specified date is July 22, 2024.
2. Appeal should be pending on specified date.
3. Amounts to be paid either by Dec 31, 2024 or within extended period upto date to be specified. Extended date is called as 'Last date'.
4. If appeal is filed after Jan 31, 2020 but before specified date, then if amount paid upto Dec 31, 2024 –
 - If dispute is related to tax, interest and/ or penalty - Pay 100% tax and get relief from interest and penalty.
 - If dispute is related to only interest, penalty and/ or fee – Pay 25% and get relief for remaining 75%.
5. If appeal is filed on or before Jan 31, 2020, then if amount paid upto Dec 31, 2024 –
 - If dispute is related to tax, interest and/ or penalty - Pay 110% tax and get relief from interest and penalty.
 - If dispute is related to only interest, penalty and/ or fee – Pay 30% and get relief for remaining 70%.
6. If paid after Dec 31, 2024 but before Last date – then add 10% in case of disputes related to tax, interest, penalty; add 5% in case of interest, penalties and late fees.
7. Sec 94(2) of Scheme –if assessee has already paid extra amount than required as above, then it would be entitled for refund also but without interest u/s 244A.
8. The scheme can be conveniently called as Vivad se Vivad Scheme also because there are long pending appeals due to inefficient system and assesseees are fed up of the pressure due to long lasting demands. New proposals are inviting new litigations which shall pave way for another such scheme. So, Vivad se Vivad. They are making so many changes everyday so that people don't understand the law itself.



GST RELATED IMPORTANT AMENDMENTS IN UNION BUDGET 2024:

Some amendments related to CGST and IGST shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Central Goods and Service Tax, 2017

1. Sec 9(1) – un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor taken out of GST ambit.
2. Earlier there were two main sections for penalty – Sec 73 for non fraud cases and 74 for fraud cases. Now, these sections would operate only upto FY 2023-24.

From FY 24-25 onwards, common Sec 74A introduced. Timelines for levying penalties have been amended.

Particulars	Earlier limit u/s 73 or 74	New limit u/s 74A
Non fraud cases – issuance of notice	33 months from due date for furnishing annual return	42 months from due date for furnishing annual return
Non fraud cases – issuance of order	36 months from due date for furnishing annual return	12 months from issuance of notice
Fraud cases – issuance of notice	54 months from due date for furnishing annual return	42 months from due date for furnishing annual return
Fraud cases – issuance of order	60 months from due date for furnishing annual return	12 months from issuance of notice

Thus, now timelines are same for fraud and non-fraud cases. Earlier officers were very casually putting cases under fraud cases if time limit for non-fraud is over.

Also, now there is internal time limit of 12 months for issuance of order after issue of notice which is very good. Earlier officers used to wait till last day even if SCN is issued early.



In new 74A, there is small relaxation for payment of taxes from 30 to 60 days in certain cases to avoid/ reduce penalty.

Now, only distinction between fraud and non-fraud cases is amount of penalty leviable.

3. Sec 11A inserted – Sometimes, as per general trade practice, tax is not levied or short levied compared to what is stated in GST law. In such cases, council has in some cases, regularized it on as is where is basis. However, there was no statutory power to do so. This section has provided that power.
4. Sec 13 (3): Time of supply – relaxation given in the case of self invoice in case of RCM. If payment is not already made, then date of preparation of self invoice shall be time of supply.

There is corresponding change in Sec 31(3)(f) to prescribe time limit for claiming credit u/s 16(4) in respect of self invoice in RCM (ie purchase from unregistered person). It is also provided that if supplier is registered under GST only for TDS, then such supplier would be treated as unregistered supplier.

5. Very important - Sec 16(5): ITC in respect of FY 17-18, 18-19, 19-20 and 20-21 may be claimed in any return u/s 39 which is filed upto Nov 30, 2021.

And what if claimed late? – it seems Govt wants to tax it double.

Clause 146 of Finance Bill (No 2) 2024/ or clause 150 of the bill as passed by Lok Sabha clearly states that if any taxes are already paid or ITC reversed already, then it would not be refunded.

6. Important – Sec 16(6): If returns could not be filed because registration was cancelled u/s 29, then belated ITC can be claimed in return filed within 30 days of revocation of cancellation. Provided the ITC had not become time barred on the date of cancellation of registration itself.
7. Sec 30(2) – Proviso added to state that now revocation of cancellation of registration shall be done by proper officer subject to such conditions and restrictions, as may be prescribed. This has been quite a subject matter of



litigation and courts have ruled in favour of taxpayer that cancellation of registration is violation of fundamental rights.

8. Important – Sec 39(3) amended to provide that TDS deductors have to file monthly returns even if it is Nil. In the 53rd GST council meeting, it was stated that late fee would not be applicable in case of Nil returns.
9. Sec 54(15) inserted and second proviso to Sec 54(3) omitted – No refund shall be allowed of unutilized ITC in respect of export if goods exported are subject to export duty. Earlier, there was an anomaly whereby refund was allowed on full payment of tax on such exports.
10. Sec 70 amended to provide that in case of summons, the taxpayer can attend himself or through an authorized representative. This is a big practical relief.
11. Explanation 2 to section 74 omitted – It defined the word ‘suppression’ which has a very wide meaning. Thereby anything could be covered u/s 74. Now this is omitted. But I am not very clear of effect of this amendment because similar explanation is now included in new Sec 74A.
12. Sec 75(2A) inserted – If proper officer had levied penalty u/s 74A as fraud case but during appeal, it is concluded that it is not fraud case, then in such situation, penalty leviable under non fraud case would be applicable.

Sec 75(10) – The adjudication proceedings shall be deemed to be concluded if order is not passed within time limits prescribed u/s 73, 74 or 74A.

13. Sec 107(6) – Maximum amount of part payment in case of first appeal has been reduced from Rs 25 crore to Rs 20 crore (each under CGST and SGST).
14. Sec 109 – Anti profiteering cases to be heard by Principal bench of Tribunals now. Also, notified cases to be heard only by the Principal bench.
15. Sec 112: Since appellate tribunals are not yet set up, time limit for filing appeal would be given once those are set up.

RTP is given 3 months to file appeal with tribunal. However, if department wants to go in appeal, they have been given 6 months. Now, further



provision for condonation of delay upto 3 months is provided. So, now they will have 9 months against 3 months with RTP. So great equality!

Big relief in in part payment as per Sec 112(8). Earlier additional 20% of tax in dispute was required to be paid for filing appeal with tribunal. Now it is reduced to 10% and also maximum amount reduced from Rs 50 crore to Rs 20 crore (each CGST and SGST).

16. Very very important - New Sec 128A introduced. It is like amnesty scheme. Waiver of interest and penalty if tax is paid upto date as may be notified (it was mentioned as Mar 31, 2025 in 53rd GST council meeting). This provision shall be applicable only in case of non fraud cases and orders u/s 73. Wont be applicable for Sec 74 orders.

The interest or penalty already paid shall not be refunded. Again injustice to honest and prompt taxpayers.

Above benefit shall not be applicable in case of erroneous refund. The appeals filed with Appellate Tribunals or Courts would have to be withdrawn.

Issues:

- a. There is also a glitch of interpretation or wording. Section says if tax is payable as per order or notice and such tax is paid then the interest and penalty shall be waived. What if it is only interest demand.
17. Sec 140: Retrospective amendment for giving transition credit in respect of Input Service Distributor.
 18. Schedule III – Co insurance premium and reinsurance premium declared neither goods nor services.
 19. Amendments in IGST Act, UTGST Act and Compensation Act are only those which are parallel to above as discussed in CGST. No other amendments in these acts.



MISC PROPOSALS OTHER THAN INCOME TAX AND GST:

1. Setting up of working women hostels in collaboration with Industry and establishing creches.
2. Financial support for loans up to Rs 10 lacs for higher education in domestic institutions.
3. Mudra loan limit increased from ₹10 lakhs to ₹20 lakhs under the 'Tarun' category.

Disclaimer:

All efforts have been made to ensure correctness of data. However, readers are advised to confirm from their own sources also. Interpretations given above are our personal opinions at M/s Umesh Agrawal and Associates. We are not responsible for any loss arising due to the above information.

