

Interim Budget 2024

- SABKA SAATH, SABKA VIKAS AUR SABKA
VISHWAS

TRANSACTION AND BUSINESS STRUCTURING | AUDIT AND ASSURANCE |
DIRECT TAX | CORPORATE AND REGULATORY LAWS |
INDIRECT TAX | FEMA AND INTERNATIONAL TAXATION | SAFE |
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SOUND STRATEGY WITH GREAT SOUND BITES

The interim budget for 2024-25, coming on the heels of the general elections, provides a roadmap for making India a developed nation in the next couple of decades. Hon'ble Finance Minister Nirmala Sitharaman did not make any changes to tax rates but provided a robust plan for building a stronger nation.

India is navigating through choppy international waters and needs a strong multi dimensional development and growth strategy. The last four years have been exceptional and the surprises each year have been new and daunting. Last year, in this space we had spoken about the war in Ukraine and rising inflation. We are less than a month away from the two year anniversary of the war and have a new humanitarian and geopolitical challenge in the Middle East between Israel and Palestine. The US 10 year yield went above 5% last year. Despite all these challenges India's stock market is at an all time high.

Most notable in this budget was the FM's focus on containing the fiscal deficit aggressively to 5.1% of the GDP while keeping a loose purse string on infrastructure development and defence allocations.

It is notable that in the strategy for Amrit Kaal, the first area of focus is towards sustainable development and meeting 'Net Zero' by 2070. India is taking its seat at the world's leaders table and for this the push towards defence and infrastructure. This along with the soft

power around being seen as a responsible global citizen and contributing to the global manufacturing and knowledge economy, should hold us in good stead over the coming years.

A push towards a trust based economy is required now, where there is 'Sabka Vishwas' as mentioned by the Finance Minister. Traditionally, there has been a trust deficit in the state machinery but increasingly it is seen that as the government takes more responsibility and accountability for its actions, trust in some pockets can be rebuilt. It will be important to really take the entire country along to build this trust and internal disharmony should be well addressed. A cohesive civil society with trust in the government machinery and a clear development focus, should really enable us to celebrate a grand centenary in 2047, with the foundation laid during the 'Amrit Kaal'.

CA Haresh K. Chheda



WAIVER OF PETTY DEMANDS

- It is proposed that petty, non-verified or non-reconciled Income Tax demands outstanding upto INR.25,000/- for the period upto FY 2009-10 shall be waived.
- Further, it has also been proposed to waive off outstanding Income Tax demand upto INR.10,000/- from FY 2010-11 to 2014-15.

EXTENSION OF SUNSET CLAUSES FOR STARTUP'S AND IFSC'S EXEMPTION

- Income of following is exempt from tax if the operations are commenced or investments are made on or before 31st March 2024. It is now proposed to extend the sunset clause from 31st March 2024 to 31st March 2025 in the following:
 - Commencement of operations by Investment division of Offshore Banking Unit in IFSC.
 - Commencement of operations by Category 1 Foreign Portfolio Investors.
 - Commencement of operations by IFSC unit paying royalty or interest income on account of lease or aircraft or ship.
 - Making of investment by specified person such as Abu Dhabi Investment Authority, Sovereign Wealth Fund or Foreign Pension Funds.

TAX INCENTIVE FOR UNITS LOCATED IN IFSC

- Currently section 80LA allows a deduction of income arising from transfer of aircraft or a ship which was leased out by an unit set up in International Financial Service Center (IFSC) subject to condition that such unit has commenced operation on or before 31st March 2024.
- It is now proposed to extend the said benefit to units commencing operations before 31st March 2025.

EXTENSION OF DATE OF INCORPORATION FOR ELIGIBLE START-UP FOR DEDUCTION

- Currently, a deduction of 100% of the profits derived from eligible business by an eligible start-up is available for any 3 consecutive years, if the turnover from the business does not exceed INR 100 crores and if the eligible start-up is incorporated after 31st March, 2016 but on or before 31st March, 2024.
- In order to extend the benefit to eligible start-ups, it is proposed to extend the last date of incorporation from 31st March, 2024 to 31st March, 2025.



REFORMS IN TCS ON REMITTANCE UNDER LRS AND PURCHASE OF OVERSEAS TOUR PROGRAM

- Circular No.10 of 2023 dated 30 June 2023 had been issued to remove difficulty for collection of TCS on overseas remittance under Liberalised Remittance Scheme (LRS) by Authorised dealer and on purchase of overseas tour program by seller of such tour package.
- It is now proposed to amend the provisions of Income Tax Act to align with the above Circular in the following manner:

Nature of Payment	Earlier rate before Finance Act 2023	New rate with effect from 1 October 2023
LRS for education, financed by loan from Financial Institution	Nil upto INR 7 lakhs, 0.5% above INR 7 lakhs	Nil upto INR 7 lakhs, 0.5% above INR 7 lakhs
LRS for Medical Treatment & education (other than financed by loan)	Nil upto INR 7 lakhs, 5% above INR 7 lakhs	Nil upto INR 7 lakhs, 5% above INR 7 lakhs
LRS for other purposes	Nil upto INR 7 lakhs, 5% above INR 7 lakhs	Nil upto INR 7 lakhs, 20% above INR 7 lakhs
Purchase of overseas tour program	5% (without limit)	5% till INR 7 lakhs, 20% above INR 7 lakhs





MANDATORY REGISTRATION FOR ISD

The Finance Bill, 2024 has proposed to make registration as an Input Service Distributor (ISD) mandatory from a date to be notified by the Government

- There has always been a discussion on whether mechanism of ISD (Input Service Distributor) is to be mandatorily followed for distribution of input tax credit in respect of common expenses incurred by the head office or specific expenses incurred on behalf of a particular branch / branches. The provision of ISD as drafted in the GST law currently, uses the word “may” implying that the mechanism is not required to be followed mandatorily. Consequently, a tax invoice is generally issued to the branches for attributing the common input services procured by Head Office from third party. This was also clarified in the Government Circular No. 199/11/2023 – GST dated 17th July, 2023.
- Basis the above proposed amendment, replacing “may” with “shall”, entities having more than one branch offices will now have to identify the common expenses (including expenses liable under the reverse charge mechanism) incurred by the head office as well as expenses attributable to a particular branch / branches for

distribution through the Input Service Distribution mechanism. Simultaneously, tax invoices issued for cross charging of the common expenses and cross charging for services rendered by the head office / branch office to the branch office will have to be reviewed. Please note that the above proposal is not yet notified and shall be effective only from a date to be notified by the Government.

- However, implementing the ISD mechanism involves system changes and additional compliances requiring such entities to prepare in advance for -
 - a. obtaining a separate ISD registration,
 - b. apprising the suppliers of common services to issue a tax invoice against the ISD registration,
 - c. distributing such common credit to the respective branches by issuing an ISD invoice,
 - d. attributing credit of a particular branch to the respective branch,
 - e. filing of monthly returns for distribution of such credit and
 - f. reviewing the earlier position taken for cross charge

All the amendments mentioned above are proposed in the Finance Bill, 2024 and will take effect from FY 2024-25 (i.e. AY 2025-26) unless otherwise specifically stated, subject to passing by both the houses of the Parliament and assent by the President. This being an election year, a full-fledged budget shall be presented by the new government post elections.

This document summarizes the Interim Budget 2024 and the recent policy changes. It has been prepared for the privileged use of our clients. We recommend you to seek professional advice before taking action on specific issues.

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‘ न चोर हार्यं न च राज हार्यं न भात्रू
भाज्यं न च भारकारि
व्ययं कृते वर्धत एव नित्यं
विद्याधनं सर्वधनप्रधानम ’

Knowledge is the **Wealth** that:
The **Thief** cannot **Steal**,
The **King** cannot **Acquire**,
The **Brothers** cannot **Share**,
Does not Weigh on You,
Grows Forever as you **share** ,
Truly, **Knowledge** is the **Greatest Wealth**.

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