

DIRECT TAX

INCOME TAX RATES

Individual, HUF, AOP, BOI and AJP

Old regime

Income (INR)	Existing and Proposed Rates (%)		
	Individuals (other than senior and super senior citizens)	Senior Citizens (60 years or more at any time during previous year)	Super Senior Citizens (80 years or more at any time during previous year)
0 – 250,000	NIL	NIL	NIL
250,001 – 300,000	5	NIL	NIL
300,001 – 500,000	5	5	NIL
500,001 – 1,000,000	20	20	20
1,000,001 and above	30	30	30

New Regime as per Section 115BAC of the IT Act (Default Regime w.e.f. AY 2024-25)

No changes have been proposed in the new regime of taxation under Section 115BAC of the IT Act. Accordingly, the rate of tax as applicable for AY 2024-25 and AY 2025-26 is as under:

Income (INR)	Existing and Proposed Rates (%)
	Individuals and HUF
Nil to 300,000	NIL
300,001 - 600,000	5
600,001 - 900,000	10
900,001 - 1,200,000	15
1,200,001 - 1,500,000	20
1,500,000 and above	30

Rebate, Surcharge & Cess for Individual, HUF, AOP, BOI and AJP

Sr. No.	Particulars	Existing and Proposed rates (%)
1	Rebate	Old Regime - INR 12,500 – If total income does not exceed INR 500,000 New Regime - INR 25,000 – If total income does not exceed INR 700,000
2	Surcharge (for income other than income covered under Section 111A, 112 & 112A, Section 115AD(1)(b) of the IT Act and Dividend)	Old Regime: <ul style="list-style-type: none"> ▪ 10% - If total income > INR 5 million but ≤ INR 10 million ▪ 15% - If total income > INR 10 million, but ≤ INR 20 million ▪ 25% - If total income > INR 20 million, but ≤ INR 50 million ▪ 37% - If total income > INR 50 million

Sr. No.	Particulars	Existing and Proposed rates (%)
		New Regime: <ul style="list-style-type: none"> ▪ 10% - If total income > INR 5 million but ≤ INR 10 million ▪ 15% - If total income > INR 10 million, but ≤ INR 20 million ▪ 25% - If total income > INR 20 million
3	Surcharge for income covered under Section 111A, 112, 112A, 115AD(1)(b) of the IT Act, dividend and income of AOPs comprising of companies as its members	<ul style="list-style-type: none"> ▪ 10% - If total income > INR 5 million but ≤ INR 10 million ▪ 15% - If total income > INR 10 million
4	Cess - Health and Education cess	<ul style="list-style-type: none"> ▪ 4%
5	AMT for Individuals, HUFs, AOPs (Including surcharge and cess)	Only for old regime: <ul style="list-style-type: none"> ▪ 19.24% - If adjusted total income > INR 2 million, but ≤ INR 5 million ▪ 21.16% - If adjusted total income > INR 5 million, but ≤ INR 10 million ▪ 22.13% - If adjusted total income > INR 10 million, but ≤ INR 20 million ▪ 24.05% - If adjusted total income > INR 20 million, but ≤ INR 50 million ▪ 26.36% - If adjusted total income > INR 50 million

Co-operative Societies

Normal Tax Rates

Income (INR)	Existing and Proposed Rates (%)
0 – 10,000	10
10,001 - 20,000	20
20,001 and above	30

Special Tax Rates under optional tax regime

Sr. No.	Particulars	Existing and Proposed rates (%)
1	Covered under Section 115BAD of the IT Act (Basic rate – 22%)	25.17% - Irrespective of total income
2	Covered under Section 115BAE of the IT Act (Basic rate – 15%) - Newly manufacturing co-operative society set up on or after 1 st April, 2023	17.16% - Irrespective of total income
3	AMT for co-operative societies	Only for old regime: <ul style="list-style-type: none"> ▪ 15.60% - If total income ≤ INR 10 million ▪ 16.69% - If total income > INR 10 million, but ≤ INR 100 million ▪ 17.47% - If total income > INR 100 million

Surcharge & Cess for Co-operative Societies

Sr. No.	Particulars	Existing and Proposed rates (%)
1	Surcharge on income of co-operative society	<p>If not opted for special tax rates:</p> <ul style="list-style-type: none"> ▪ NIL - If total income ≤ INR 10 million ▪ 7% - If total income > INR 10 million, but ≤ INR 100 million ▪ 12% - If total income > INR 100 million <p>If opted for special tax rates under Section 115BAD or 115BAE:</p> <ul style="list-style-type: none"> ▪ 10% irrespective of total income

Sr. No.	Particulars	Existing and Proposed rates (%)
2	Cess - Health and Education cess	▪ 4%

Effective tax rates for Companies, Firms (including LLP)

Sr. No.	Description	Existing and Proposed rates (%) (Including surcharge & Cess)		
		Net income ≤ INR 10 million	Net Income > INR 10 million, but ≤ INR 100 million	Net income > INR 100 million
(A)	Domestic Companies			
1	Turnover or gross receipts in previous year 2019-20 ≤ INR 4 billion (Base rate – 25%)	26.00	27.82	29.12
2	Covered under Section 115BA of the IT Act (Base rate – 25%)	26.00	27.82	29.12
3	Covered under Section 115BAA of the IT Act (Base rate – 22%)	25.17		
4	Covered under Section 115BAB of the IT Act (Base rate – 15%)	17.16		
5	Any other Company having turnover or gross receipts in previous year 2020-21 > INR 4 billion (Base rate – 30%)	31.20	33.38	34.94
6	MAT under Section 115JB of the IT Act for companies other than that covered under Section 115BAA and 115BAB of the IT Act (Rate to be applied on book profits – base rate 15%)	15.60	16.69	17.47
7	Buy back tax under Section 115QA of the IT Act (Base rate -20%)	23.30		
(B)	Foreign Companies	Net income ≤ INR 10 million	Net Income > INR 10 million, but ≤ INR 100 million	Net income > INR 100 million
1	Regular tax (Base rate – 40%)	41.60	42.43	43.68
(C)	Firms and LLP	Net income ≤ INR 10 million	Net income > INR 10 million	
1	Regular tax (Base rate – 30%)	31.2	34.94	
2	AMT (Base rate – 18.5%)	19.24	21.55	

Surcharge and Cess

Particulars	Existing & Proposed
Other domestic companies	<ul style="list-style-type: none"> ▪ NIL - If total income ≤ INR 10 million ▪ 7% - If total income > INR 10 million, but ≤ INR 100 million ▪ 12% - If total income > INR 100 million
Domestic companies covered under Section 115BAA and Section 115BAB of the IT Act	<ul style="list-style-type: none"> ▪ 10% - Irrespective of the amount of total income
Foreign companies	<ul style="list-style-type: none"> ▪ NIL - If total income ≤ INR 10 million ▪ 2% - If total income > INR 10 million, but ≤ INR 100 million ▪ 5% - If total income > INR 100 million
Firms and LLP	<ul style="list-style-type: none"> ▪ 12% - If total income > INR 10 million
Health and education cess	<ul style="list-style-type: none"> ▪ 4%

TCS RATES FOR CERTAIN FOREIGN REMITTANCES

- Section 206C(1G) of the IT Act provides for liability to collect TCS on (i) an authorised dealer, who receives an amount for remittance out of India under the LRS of the RBI; and (ii) a seller of an overseas tour program package receiving an amount from a buyer who purchases such package.
- In order to remove difficulties in implementation of changes, Ministry of Finance vide Press release dated 28 June 2023 had provided certain relaxation and postponed the applicability of amendments made vide Finance Act 2023 to 1 October 2023. Further, CBDT vide Circular No. 10/ 2023 dated 30 June 2023 incorporated the changes proposed in press release.
- Section 206C(1G) of the IT Act is proposed to be amended retrospectively to legislate relaxation to TCS provision provided by above Circular No. 10/ 2023 dated 30 June 2023.
- Existing provisions and the proposed amendments are summarised as under:

Threshold		Person involved in the remittance	Existing provisions (Finance Act 2023 read with Circular 10/2023 dated 30 June 2023)	Proposed amendment by Finance Bill 2024
Upto 700,000	INR	Authorised Dealer under LRS	<ul style="list-style-type: none"> If amount remitted for purposes of education or medical treatment – Not applicable. If amount remitted is out of the loan obtained from any financial institution as defined in Section 80E - Not applicable Any other case - TCS @ 20% 	TCS not applicable (effective 1 July 2023)
		Seller of an overseas tour program package	<ul style="list-style-type: none"> TCS @ 5% (20% was replaced by 5% vide Circular 10/2023) 	<ul style="list-style-type: none"> No change
Above 700,000	INR	Authorised Dealer under LRS	<ul style="list-style-type: none"> Remittance for the purposes of education or medical treatment – TCS @ 5% on amount exceeding INR 700,000 Remittance is out of the loan obtained from any financial institution as defined in Section 80E - 0.5% on amount exceeding INR 700,000 Any other case - 20% on amount exceeding INR 700,000 	<ul style="list-style-type: none"> No change
		Seller of an overseas tour program package	<ul style="list-style-type: none"> TCS @ 20% on amount exceeding INR 700,000 	<ul style="list-style-type: none"> No change

- Further, the Finance Bill 2024 proposes to insert a proviso stating that the sum to be collected under Section 206C(1G) of the Act on or after the 1 July 2023 and before the 1 October 2023, shall be collected in accordance with the existing provisions (i.e., as they stood on the 1 April 2023).

ELP Comments

Finance Bill 2024 proposes to provide legislative force to the aspects covered in the circular 10/2023 and provide for non-applicability of TCS on remittances made by the authorised dealer under LRS below the threshold of INR 700,000.

EXTENSION OF TIMELINES

The following timelines are proposed to be amended and extended by Finance Bill 2024:

Provisions of the IT Act	Provision
Section 10(4D)	<ul style="list-style-type: none"> ▪ In this regard, the explanation defined investment division of offshore banking unit and specified fund as under: <ul style="list-style-type: none"> - “Investment division of offshore banking unit” means an investment division of a banking unit of a non-resident located in an IFSC as referred in Section 80LA(1A) and which has commenced its operations on or before the 31 March 2024. - “Specified fund” includes investment division of an offshore banking unit, which has been: <ul style="list-style-type: none"> ○ granted a certificate of registration as a Category-I FPI under the SEBI (FPI) Regulations, 2019 made under the SEBI Act, 1992 (15 of 1992) and which has commenced its operations on or before the 31 March 2024; and ○ fulfils such conditions including maintenance of separate accounts for its investment division, as may be prescribed. ▪ The aforementioned timeline (ending on 31 March 2024) for commencement of operations by investment division of offshore banking unit and specified fund is proposed to be extended to 31 March 2025.
Section 10(4F)	<ul style="list-style-type: none"> ▪ Section 10(4F) provides an exemption towards income of a non-resident by way of royalty or interest received by an IFSC unit on account of aircraft and ship lease, if the IFSC unit has commenced its operations on or before the 31 March 2024. ▪ The aforementioned timeline (ending on 31 March 2024) for commencement of operations by IFSC unit is proposed to be extended to 31 March 2025.
Section 10(23FE)	<ul style="list-style-type: none"> ▪ Section 10(23FE) provides exemption to income of a specified person viz, Sovereign Wealth Fund, Pension Fund and Wholly owned subsidiary of Abu Dhabi Investment Authority, in the nature of dividend, interest, any sum referred to in Section 56(2)(xii) or long-term capital gains arising from an investment made in India in the form of debt, share capital or unit. Such an exemption was provided with a conditionality that the investment is made on or before the 31 March 2024. ▪ The aforementioned timeline (ending on 31 March 2024) for making investment is proposed to be extended to 31 March 2025.
Section 80-IAC	<ul style="list-style-type: none"> ▪ Section 80-IAC provides 100% deduction to eligible start-ups in relation to profits and gains derived from eligible business for 3 consecutive assessment years. ▪ In this regard, the eligible start-up was required to be incorporated between 1 April 2016 and 1 April 2024. ▪ The aforementioned timeline (ending on 1 April 2024) for incorporation of eligible start-up is proposed to be extended to 1 April 2025.
Section 80LA	<ul style="list-style-type: none"> ▪ Section 80LA provides 100% deduction on income arising from the transfer of aircraft or ship which was leased by an approved IFSC Unit, subject to the condition that IFSC unit has commenced operation on or before 31 March 2024. ▪ The aforementioned timeline (ending on 31 March 2024) for commencing operations by IFSC unit is proposed to be extended to 31 March 2025.
Section 92CA, Section 144C, Section 253 and Section 255	<ul style="list-style-type: none"> ▪ With the objective of eliminating the human interface to the extent technologically feasible, optimizing utilization of the resources and/or introducing a team-based proceedings, the Central Government is empowered to make scheme under the below provisions: <ul style="list-style-type: none"> - Section 92CA (8) for determination of the arm’s length price - Section 144C (14B) of the Act for issuance of directions by the dispute resolution panel - Section 253(8) of the IT Act for the purposes of appeal to the Appellate Tribunal - Section 255(7) of the IT Act for the purposes of disposal of appeals by the Appellate Tribunal ▪ Further, the Central Government is empowered to issue direction/notification on or before 31 March 2024 that any of the provisions of the IT Act shall not apply or shall apply with such exceptions, modifications and adaptations as may be specified in the notification. ▪ The aforementioned timeline (ending on 31 March 2024) for issue of direction by the Central Government is proposed to be extended to 31 March 2025.

ELP Comments

While the aforementioned timeline set to lapse on 31 March 2024 and/or 1 April 2024 is proposed to be extended by the Finance Bill 2024. There is no proposed extension of timeline for the below provisions of the IT Act:

- Section 9A(8A) of the IT Act providing power to the Central Government for issuing notification.
 - Section 9A of the IT Act starts with a non-obstante clause and lists down certain activities of eligible investment fund and eligible fund manager would not constitute business connection in India. Section 9A (3) and Section 9A (4) provide conditions for eligible investment fund and eligible fund manager.
 - Section 9A(8A) provides power to the Central Government to notify that any one or more of the conditions specified in Section 9A (3) and Section 9A(4) shall not apply/ apply with modifications to the eligible investment fund and its eligible fund manager provided such fund manager is located in an IFSC and has commenced its operations on or before 31 March 2024.
 - The aforementioned timeline (ending on 31 March 2024) for issue of notification by the Central Government is not proposed to be extended.
- Section 115BAB of the IT Act providing special tax rate on income of new manufacturing domestic companies.
 - Section 115BAB of the IT Act provides concessional rate of tax of 15% in case of new manufacturing domestic companies which is registered on or after 1 October 2019, and has commenced manufacturing or production of an article or thing on or before 31 March 2024.
 - The aforementioned timeline for commencing manufacturing or production with respect to such domestic companies is not proposed to be extended.
- Section 115BAE of the IT Act providing special tax rate on income of certain new manufacturing co-operative societies.
 - In line with Section 115BAB, Section 115BAE introduced vide Finance Act 2023 provides for concessional rate of tax of 15% in case of new manufacturing co-operative societies that has been set-up and registered on or after 1 April 2023, and has commenced manufacturing or production of an article or thing on or before 31 March 2024.
 - The aforementioned timeline for commencing manufacturing or production with respect to manufacturing co-operative societies is not proposed to be extended.

MEASURE OF EASE OF LIVING AND DOING BUSINESS

- With a vision to improve ease of living and ease of doing business and improve taxpayer services, the finance minister proposed withdrawal of outstanding direct tax demands up to INR 25,000 pertaining to the period up to FY 2009-10 and upto INR 10,000 for FY 2010-11 to FY 2014-15.
- While such proposal was announced during the budget speech, a fine print by way of circular, notification or departmental instruction is awaited.

INDIRECT TAX

CENTRAL GOODS AND SERVICES TAX ACT, 2017(CGST ACT)

The following changes shall come into effect from a date to be notified.

Change in definition of Input Service Distributor

- An amendment has been proposed to Section 2(61) of the CGST Act viz. definition of the Input Service Distributor (ISD).
- With the proposed amendment, the definition of ISD is being modified to mean an office of the supplier which receives tax invoices towards receipt of input services, including invoices for services which are liable to GST under the reverse charge mechanism under Section 9(3) and 9(4) of the CGST Act, for or on behalf of distinct persons referred to in Section 25.
- Further, such definition also stipulates that the ISD is liable to distribute input tax credit in respect of such invoices, in the manner provided in Section 20 of the CGST Act.

Distribution of credit through ISD made mandatory

Section 20 of the CGST Act, which outlines the mechanism for distribution of credit by an ISD has been substituted and its implications are as under:

- An office of the supplier of goods/services which receives tax invoices for input services including invoices for services liable to tax under reverse charge, for or on behalf of distinct persons referred to in Section 25, shall be required to be registered as an ISD under Section 24 of the CGST Act.
- Such ISD shall distribute input tax credit in respect of such invoices to the recipient units and the mechanism for the same will be prescribed separately.

ELP Comments

In accordance with the recommendations put forth by the GST Council during its 50th and 52nd meetings, essential amendments to Section 2(61) and Section 20 of the CGST Act have been suggested. These changes aim to mandate the ISD mechanism, as evident from the proposed modifications in the definition of ISD and Section 20 of the CGST Act. The proposed ISD definition inter alia specifies that an ISD will be “liable to distribute the input tax credit in respect of such invoices in the manner provided in Section 20”. Additionally, the proposed amendment to Section 20 includes a provision stating that the ISD is required to be registered in accordance with Section 24(viii) of the CGST Act (i.e. mandatory registration).

Following the advent of GST, ambiguity arose regarding the mandatory application of the Input Service Distributor (ISD) mechanism for centrally procured third-party input services. It was unclear whether these services should be compulsorily distributed through the ISD mechanism or if they could alternatively be cross-charged to another distinct person. Maharashtra AAAR, in the case of Cummins India Ltd. [2022 (58) G.S.T.L. 549], held that the ISD mechanism should be mandatorily followed in relevant instances. Subsequently, CBIC vide Circular No. 199/11/2023-GST, dated 17th July 2023 (based on recommendations of the 50th GST Council meeting), clarified that the ISD mechanism is not mandatory and that the corresponding input tax credit can also be distributed by a normal registration, by way of issuing of an invoice under Section 31 of the CGST Act.

It is worth highlighting that, during the aforementioned meeting, the GST Council also made a significant decision to prospectively amend the law, making the ISD mechanism mandatory. Consequently, the current amendment has been suggested for the definition of ISD in Section 2(61) and Section 20 of the CGST Act.

Insofar as input tax credit qua invoices, liable to reverse charge, is concerned presently, same is done by assesses through the issuance of invoices from the normal registration of the distinct person (registered in the same state as the ISD) to the ISD, as per Rule 54(1A) of the CGST Rules. Subsequently, the ISD is responsible for the onward distribution of such credits. It remains to be seen in the impending rules if status quo regarding non-permissibility of an ISD to discharge reverse charge tax is maintained.

The prevailing distribution mechanism, integral to the existing Section 20 of the CGST Act, will now be prescribed by way of rules. Presently, as per extant Rule 39(1)(e) of the CGST Rules, an ISD is authorized to distribute the credit of Integrated Goods and Services Tax (IGST) as IGST to the recipient within the same state. However, challenges in interpretation and practical implementation had arisen, compelling assesses to obligatory transfer such credit as Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST), despite specific provisions. It is anticipated that the introduction of the new mechanism will not only address the existing controversy surrounding this issue but also provide a resolution for its effective implementation.

Penalty – for failure to register certain machines used in manufacture of goods as per special procedure

- Section 122A has been introduced in the CGST Act to impose penalty for non-compliance with the registration requirements for machines used in the manufacturing of goods, for which any special procedure has been notified under Section 148 of the CGST Act. In case of contravention, a penalty of INR 100,000 shall be imposed for every unregistered machine, in addition to any other penalties imposed under the CGST Act.
- Furthermore, unregistered machines are also liable for seizure and confiscation, unless the penalty is paid, and registration is completed within three days of receiving the penalty order.

ELP Comments

The proposed amendment seeks to penalize the manufacturer of goods namely, Pan masala, Tobacco, Hookah, Smoking mixtures etc, on non-compliance of the special procedure inter alia in relation to the registration of packing machines being used for filling and packing of packages, notified vide Notification no. 04/2024- Central Tax, dated 05.01.2024.

CUSTOM TARIFF

No changes are proposed to the existing import duty rates.

Being an interim budget, no changes were proposed to import duties. However, in the past week, through several notifications validity of exemptions lapsing on March 31, 2024 have been extended to September 30, 2024.

Also, prior to budget, some important rate changes have already been notified for telecom industry illustratively, specified goods including GSM Antenna, Main lens SIM socket, film-front flash and Side key classified under Chapter 39, 73 and 85 used in manufacture of cellular mobile phones are being subject to duty 10%. At the same time, the inputs or parts used in manufacture of these goods is notified for Nil tariff.



**ECONOMIC
LAWS
PRACTICE**
ADVOCATES & SOLICITORS

MUMBAI

9th Floor, Mafatlal Centre
Vidhan Bhavan Marg
Nariman Point, Mumbai 400 021
T: +91 22 6636 7000

DELHI NCR

NEW DELHI

DR Gopal Das Bhawan, 16th Floor,
28, Barakhamba Road,
New Delhi – 110 001.
T: +91 11 41528400

NOIDA

9th Floor, Berger Tower, Sector 16 B,
Noida, Uttar Pradesh - 201301.
T: +91 120 6984 300

AHMEDABAD

C-507/508, 5th Floor, Titanium Square
Thaltej Cross Roads, SG Highway,
Ahmedabad - 380054
T: +91 79460 04854

PUNE

202, 2nd Floor, Vascon Eco Tower
Baner Pashan Road
Pune 411 045
T: +91 20 4912 7400

BENGALURU

6th Floor, Rockline Centre
54, Richmond Road
Bengaluru 560 025
T: +91 80 4168 5530/1

CHENNAI

No 18, BBC Homes, Flat-7 Block A
South Boag Road
Chennai 600 017
T: +91 44 4210 4863

GIFT CITY

GIFT CITY Unit No. 605,
Signature, 6th Floor Block 13B,
Zone – I GIFT SEZ, Gandhinagar 382355

 elplaw.in

 insights@elp-in.com

 [/elplaw.in](https://www.facebook.com/elplaw.in)

 [/ELPIndia](https://twitter.com/ELPIndia)

 [/company/economic-law-practice](https://www.linkedin.com/company/economic-law-practice)

 <https://elppodcast.buzzsprout.com/>

DISCLAIMER:

The information contained in this document is intended for informational purposes only and does not constitute legal opinion or advice. This document is not intended to address the circumstances of any particular individual or corporate body. Readers should not act on the information provided herein without appropriate professional advice after a thorough examination of the facts and circumstances of a particular situation. There can be no assurance that the judicial/quasi judicial authorities may not take a position contrary to the views mentioned herein.