# RVA INSIGHTS

February 2024

ROY VARGHESE & ASSOCIATES

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# Contents

# Direct Tax Updates



1. Budget 2024 does not bring about any changes to the tax rates for financial year (FY) 24-25.

   a. Tax rates for domestic companies for FY 24-25

| Particulars | Maximum Effective Tax Rate | Effective MAT rates |
|---|---|---|
| i) Concessional tax regime | | |
| a) Domestic companies opting for concessional tax rates as per section 115BAA | 25.17% | NA |
| b) New domestic companies with manufacturing activity opting for concessional tax rates as per section 115BAB | 17.16% | NA |
| ii) Other than concessional tax regime | | |
| a) Total turnover in FY 2022-23 is up to Rs 4 billion | 29.12% | 17.472% |
| b) Total turnover in FY 2022-23 exceeds Rs 4 billion | 34.94% | 17.472% |

b. Tax rates for foreign companies for FY 24-25

| Total Income | Effective Tax Rate |
|---|---|
| Up to Rs 10 million | 41.60% |
| Between Rs 10 million to Rs 100 million | 42.43% |
| Above Rs 100 million | 43.68% |

c. Tax rates for partnership firm & LLP for FY 24-25

| Total Income | Effective tax rate |
|---|---|
| Up to Rs 10 million | 31.20% |
| Above Rs 10 million | 34.94% |

d. Tax rates for individuals for FY 24-25

i) New tax regime

| Total Income | Slab rate |
|---|---|
| Till Rs 300,000 | Nil |
| Rs 300,001 to Rs 600,000 | 5% |
| Rs 600,001 to Rs 900,000 | 10% |
| Rs 900,001 to Rs 1,200,000 | 15% |
| Rs 1,200,001 to Rs 1,500,000 | 20% |
| Above Rs 1,500,000 | 30% |

Note: Rebate of Rs 25,000 is available for total income not exceeding Rs 700,000

ii) Old tax regime

| Total Income | Slab rate |
|---|---|
| Till Rs 250,000 | Nil |
| Rs 250,001 to Rs 500,000 | 5% |
| Rs 500,001 to Rs 1,000,000 | 20% |
| Above Rs 1,000,000 | 30% |

Note: Rebate of Rs 12,500 is available for total income not exceeding Rs 500,000

e. Surcharge rate on individuals – FY 24-25

| Total Income | Surcharge |
|---|---|
| Rs 5 million to Rs 10 million | 10% |
| Rs 10 million to Rs 20 million | 15% |
| Rs 20 million to Rs 50 million | 25% |
| Above Rs 50 million | 37% |

Note: Maximum rate of surcharge is Rs 15% in case of dividend income (for residents), long term capital gains and short-term capital gains (under section 111A). The maximum surcharge rate under new regime is 25%.

2. Following amendments are made for deductions / exemptions:

| Section | Particulars | Existing Condition | Amendment |
|---|---|---|---|
| 10(23FE) | Exemption to the wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA) or | Exemption for specified investment between 01 April 2020 to 31 March 2024 | Exemption for specified investment between 01 April 2020 to 31 March 2025 |

| Section | Particulars | Existing Condition | Amendment |
|---|---|---|---|
| | Sovereign wealth fund or pension fund | | |
| 80-IAC | Deduction for profits and gains of eligible start-ups | Entity should be incorporated on or before 31 March 2024 | Entity may be incorporated on or<br>before 31 March 2025 |
| 10(4D) | Exemption to specified fund | Commencement of operations on or<br>before 31 March 2024 | Commencement of operations on or before 31 March 2025 |
| 10(4F) | Exemption to royalty or interest income received by a non-resident from lease of aircraft or a ship | Commencement of<br>operations on or<br>before 31 March 2024 | Commencement of<br>operations on or<br>before 31 March 2025 |
| 80LA | Deduction to offshore banking units and IFSC | Commencement of<br>operations on or<br>before 31 March 2024 | Commencement of<br>operations on or<br>before 31 March 2025 |

3. Amendments with respect to faceless scheme

Time limit for the incorporation of following faceless schemes is further extended from 31 March 2024 to 31 March 2025:

a) Transfer Pricing Officer under section 92CA.

b) Dispute Resolution Panel under section 144C.

c) Income Tax Appellate Tribunal under section 253.

d) Consequential Procedure of Appellate Tribunal under section 255.

4. Amnesty for withdrawal of outstanding tax demands:

Tax demands outstanding up to Rs. 25,000 and Rs. 10,000 pertaining to the period up to FY 2009-10 and from FY 2010- 11 to 2014-15 respectively are proposed to be withdrawn. This move is expected to benefit around one crore taxpayers.

## MCA allows Listing of Securities overseas through IFSC and consequent amendment in FEMA

MCA has notified the Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 effective from January 24, 2024 thereby notifying International Financial Services Centre in India (IFSC) as the permissible jurisdiction and India International Exchange and NSE International Exchange as the permissible stock exchange.

LEAP Rules has also prescribed the eligibility norms for unlisted public companies and listed public companies for listing overseas. The procedural aspects in relation to timeline and form for filing the prospectus in e-form LEAP-1 (to be filed within 7 days after they have been finalized and filed with stock exchanges), complying with Indian Accounting Standards post listing etc.,

**Companies not eligible for listing the equity shares are**

- Section 8 companies and Nidhi companies
- Companies limited by guarantee and also having share capital
- Companies having outstanding deposits accepted from the public as per Chapter V of the Act and rules made thereunder;

- Companies having a negative net worth
- Companies having partly paid shares
- Companies defaulted in payment of dues to any bank/public financial institution/NCD holder/any other secured creditor and 2 years have not lapsed from the period default is made good
- Companies that has made any application for winding-up under the Act or for resolution or winding-up under the IBC and in case any proceedings against the company for winding-up under the Act or for resolution or winding-up under the IBC is pending;
- Companies defaulted in filing of MGT-7 & AOC-4 within the specified period.

Further, to implement the above, Ministry of Finance has also Introduced the Foreign Exchange Management Act (Non-debt Instruments) Amendment Rules, 2024 on 24th January, 2024 amending the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 on January 24, 2024.

Foreign Exchange Management Act (Non-debt Instruments) Amendment Rules, 2024 on 24th January, 2024 S.O. 322(E).

# Interim Budget 2024



Against the backdrop of the upcoming national elections later this year, the interim budget for the financial year 2024 25 was presented by Ms. Nirmala Sitharaman, the Indian Finance Minister. This interim budget serves as a temporary financial plan until the new government is elected, which is expected to unveil the full budget around July 2024. In adherence to the customary approach for interim budgets, no significant reforms or alterations in tax policies have been announced. Instead, the budget outlines estimated receipts and expenditure, fiscal deficit targets, capital expenditure (capex) allocations, and the current government's vision for India's economic and social advancement. The vision for “Viksit Bharat” is that of prosperous Bharat, in harmony with nature, with modern infrastructure providing opportunities for all to reach their potential. The next five years will be years of “unprecedented” development and golden moments to realize the goal of developed India by 2047.

Besides delivering on high growth, the present government is equally focused on a more comprehensive GDP i.e. Governance, Development and Performance. The Budget stressed on the empowerment of the poor, women, youth and farmers. In the last 10 years, government has helped 25 crore people to get freedom from multidimensional poverty. On the global stage, the India – Middle East – Europe Economic corridor stands as a strategic and economic game-changer, not only for India but also for other nations involved. Remarkably, Foreign Direct Investment (FDI) inflows between 2014 and 2023 totaled an impressive 596 billion USD, twice the inflow observed during 2005-2014. In the pursuit of sustained foreign investment, the government is engaged in negotiating bilateral investment treaties with international partners, embodying the ethos of First Develop India (FDI). Emphasizing fiscal consolidation, the budget targets reducing the fiscal deficit to below 4.5% by 2025-26, with an estimated fiscal deficit of 5.1% of GDP for 2024-25. Over the last decade, direct tax collections have more than tripled, and the number of return filers has surged by 2.4 times. Adhering to tradition, the budget refrained from proposing any changes to taxation.

In summary, although the Budget doesn't introduce major pronouncements, it outlines the trajectory envisioned by the present Government for India's future. Beyond economic reforms, the Budget predominantly emphasizes proposals related to social justice, inclusive development, and the empowerment of various segments including youth, the impoverished, women, and farmers. Addressing areas such as physical and social infrastructure, digitization, and green energy, the Budget reflects a commendable emphasis on social welfare measures. As India prides itself on being a mixed economy, the noteworthy focus on inclusive growth, if effectively implemented, promises a bright future for the nation.

## Key policy announcements:

### A. Announcement of Policies/India Growth:

1. **Rooftop solarization**: Through rooftop solarization, one crore households will be enabled to obtain up to 300 units' free electricity every month. The following benefits are expected.
    i) Savings up to fifteen to eighteen thousand rupees annually for households from free solar electricity and selling the surplus to the distribution companies;
    ii) Charging of electric vehicles;
    iii) Entrepreneurship opportunities for a large number of vendors for supply and installation;
    iv) Employment opportunities for the youth with technical skills in manufacturing, installation and maintenance;

2. **Infrastructure Development**: Capital outlay for infrastructure development for the next year is increased by 11.1% to 11,11,111 crores. i.e. 3.4% of GDP.

3. **Research and innovation for catalyzing growth, employment and development**: A corpus of rupees one lakh crore will be established with fifty-year interest free loan. The corpus will provide long-term financing or refinancing with long tenors and low or nil interest rates. This will encourage the private sector to scale up research and innovation significantly in sunrise domains. A new scheme will be launched for strengthening deep-tech technologies for defense purposes.

4. **Housing for middle class**: Government will launch a scheme to help deserving sections of the middle class "living in rented houses, or slums, or chawls and unauthorized colonies" to buy or build their own houses

5. **Matsya Sampada**: Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to: enhance aquaculture productivity from existing 3 to 5 tons per hectare, double exports to 1 lakh crore and generate 55 lakh employment opportunities in near future. Five integrated aqua parks will be setup.

6. **Railways**: Three major economic railway corridor programmes have been identified to be implemented under the PM Gati Shakti for enabling multi-modal connectivity. They will improve logistics efficiency and reduce cost.
   i) energy, mineral and cement corridors,
   ii) port connectivity corridors, and
   iii) high traffic density corridors

7. **Green Energy**: Towards meeting the commitment for 'net-zero' by 2070, the following measures will be taken:
   i) Viability gap funding for harnessing offshore wind energy potential for initial capacity of one giga-watt.
   ii) Coal gasification and liquefaction capacity of 100 MT to be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia.
   iii) Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.
   iv) Financial assistance to be provided for procurement of biomass aggregation machinery to support collection.

## B. Indirect Tax Announcements:

1. No changes have been proposed to the indirect taxes including import duties.
2. Amendments related to Input Service Distribution:
   - i) Mandating the input service Distributors registration.
   - ii) Proposed introduction of Penalty u/s 122A aiming to enforce compliance with special procedures concerning the registration of manufacturing machines as outlined in Sec 148.

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