# Union Budget 2024-25: Key Tax Reforms and Relief Measures Reforms Include Revised Income Tax Slabs and Improved Capital Gains Tax Structure (Ministry of Finance)

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#### Introduction:

While presenting the Union Budget 2024-2025 in Parliament, the Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman, emphasized the Budget's focus on nine identified priorities towards the goal of Viksit Bharat. The government's consistent endeavor to simplify taxation, improve taxpayer services, and reduce litigation has been well-received. 58% of corporate tax in FY 2022-23 came from the simplified tax regime, and more than two-thirds of taxpayers opted for the new personal income tax regime in the last fiscal year.

In her budget presentation, the Finance Minister also announced several attractive benefits aimed at providing tax relief to salaried individuals and pensioners who choose the new tax regime. Provisions and amendments have been introduced to further simplify and streamline the tax system.

#### **Personal Income Tax:**

#### Revised Tax Slabs:

The Union Budget 2024-25 introduces a revised tax regime rate structure, offering significant benefits to salaried employees, with savings of up to ₹17,500 in income tax. The revised structure is designed to simplify the tax regime and provide relief to middle-income earners, encouraging higher compliance and reducing the financial burden on taxpayers.

# Deductions and Exemptions:

- o Standard deduction for salaried employees increased from ₹50,000 to ₹75,000.
- o Family pension deduction for pensioners enhanced from ₹15,000 to ₹25,000.

# Income (₹) Existing Deduction Proposed Deduction

10,00,000	₹50,000	₹75,000
15,00,000	₹50,000	₹75,000
20,00,000	₹50,000	₹75,000
25,00,000	₹50,000	₹75,000

#### **Taxable Income:**

# Income (₹) Existing Taxable Income Proposed Taxable Income

9,50,000	₹54,600	₹44,200
14,50,000	₹1,45,600	₹1,30,000
19,50,000	₹2,96,400	₹2,78,200
24,50,000	₹4,52,400	₹4,34,200

#### **Abolition of Angel Tax:**

Section 56(2)(viib) of the Income Tax Act, 1961, previously imposed an "angel tax" on startups receiving funding from angel investors. The Finance Minister proposed abolishing this tax for all classes of investors, encouraging the growth of the Indian startup ecosystem. This abolition is expected to attract more domestic and international investments, fostering a dynamic and innovation-driven startup landscape.

#### **Capital Gains Tax:**

Changes in capital gains taxation aim to simplify the structure and provide relief to taxpayers:

#### Short-Term Capital Gains:

Short-term capital gains on specified financial assets will be taxed at 20% (up from 15%). Other financial and non-financial assets will continue to be taxed at applicable rates.

#### • Long-Term Capital Gains:

Long-term gains on all financial and non-financial assets will be taxed at 12.5%. Additionally, the exemption limit for capital gains on certain financial assets has been increased from ₹1 lakh to ₹1.25 lakh annually.

The rationalization of long-term capital gains rates, previously at 20% with indexation, to 12.5% without indexation (Section 112) aims to simplify tax calculations. This will benefit taxpayers, although limited gains relative to inflation may reduce the impact in certain cases.

## **Simplification for Charities and TDS:**

- The two distinct tax exemption regimes for charities have been consolidated into a single framework.
- The TDS rate on various payments has been reduced from 5% to 2%. The 20% TDS on repurchase of mutual fund or UTI units has been eliminated.
- E-commerce operator TDS rate has been reduced from 1% to 0.1%.
- Credit for Tax Collected at Source (TCS) can now be applied against TDS on salaries.

To alleviate compliance burdens, delayed TDS payments up to the due date of filing the TDS statement will no longer result in criminal penalties.

# **Litigation and Appeals:**

- The Vivad se Vishwas Scheme 2024 aims to resolve pending income tax disputes.
- Monetary thresholds for filing direct tax appeals have been increased to ₹60 lakh for Tax Tribunals, ₹2 crore for High Courts, and ₹5 crore for the Supreme Court.
- To reduce international taxation litigation, the scope of safe harbor rules has been expanded.

#### **Conclusion:**

The Union Budget 2024-25 represents significant strides towards a streamlined and taxpayer-friendly system. Key reforms such as revised income tax slabs, enhanced deductions, abolition of angel tax, and simplified capital gains taxation are expected to bolster economic growth, encourage investment, and create a more equitable tax environment for all taxpayers.

## Title: Simplification of IT Act, Tax Reassessment, Capital Gains Taxation

- Income-tax Act, 1961 to be made concise and easy to read.
- Opening of Reassessment beyond three years from the end of the assessment year, only if escaped income is ₹50 lakh or more, up to a maximum period of five years from the end of the assessment year.
- Time limit for search cases to be reduced from 10 years to 6 years before the year of search.

- Short-term gains on certain financial assets to be taxed at 20%.
- Long-term gains on all financial and non-financial assets to be taxed at 12.5%.
- Listed financial assets held for more than a year to be classified as long-term.
- Vivad Se Vishwas Scheme, 2024 for resolution of certain income tax disputes pending in appeal.

## Title: Tax Relief and Revised Tax Slabs in New Tax Regime

Income (₹)	Tax Rate (%)	
0–3 lakh	Nil	
3–7 lakh	5%	
7–10 lakh	10%	
10–12 lakh	15%	
12–15 lakh	20%	

## Above 15 lakh 30%

- Income tax saving of up to ₹17,500 for salaried employees in the new tax regime.
- Income Tax Relief for Salaried Individuals and Pensioners:
  - o Standard deduction for salaried employees increased from ₹50,000 to ₹75,000.
  - o Deduction on family pension for pensioners increased from ₹15,000 to ₹25,000.

## (Table on Taxation Benefits)

## Income (in Rs):

Displays tax calculations for different income brackets: Rs. 10,00,000, Rs. 15,00,000, Rs. 20,00,000, and Rs. 25,00,000.

## **Columns Explained:**

## 1. Standard Deduction:

- Existing: Rs. 50,000 for all income brackets.
- o Proposed: Rs. 75,000 for all income brackets.

#### 2. Taxable Income:

- Calculated after applying the standard deduction to income.
- For example, for an income of Rs. 10,00,000:
  - Existing taxable income: Rs. 9,50,000.
  - Proposed taxable income: Rs. 9,25,000.

#### 3. **Tax:**

o Tax calculated on the taxable income.

- o E.g., for Rs. 10,00,000 income:
  - Existing tax: Rs. 54,600.
  - Proposed tax: Rs. 44,200.

## 4. Benefit/Savings:

- o Shows the difference between the existing and proposed tax systems in terms of savings.
- For Rs. 10,00,000 income, savings are Rs. 10,400.
- o For Rs. 15,00,000 income, savings are Rs. 15,600, etc.

## (Impact of Change in LTCG Rate and Removal of Indexation)

This image explains the impact of removing indexation for Long-Term Capital Gains (LTCG) tax calculations. The new LTCG rate is proposed at 12.5%, without indexation benefits.

#### **Key Parameters:**

- A: Test period is 10 years.
- B: Cost of Acquisition (CoA) is Rs. 100.
- C: Cost Inflation Index (CII) for FY 2024-25 is 363; for FY 2014-15 is 240.
- D: Indexation factor is 1.51 (363/240).
- E: Indexed CoA becomes Rs. 151 (100 x 1.51).

**Table:** The table compares taxation under the old and new systems for three different cases of sale considerations.

## 1. Case 1 (Sale Consideration: Rs. 400):

- With indexation, capital gains are Rs. 249.
- Without indexation, capital gains are Rs. 300.
- Tax under old rate (20%): Rs. 49.8.
- Tax under new rate (12.5%): Rs. 37.5.
- Tax difference: Rs. (-12.3).
- Tax difference as a percentage: +24.7% (savings).

# 2. Case 2 (Sale Consideration: Rs. 300):

- With indexation, capital gains are Rs. 149.
- Without indexation, capital gains are Rs. 200.
- Old tax: Rs. 29.8.
- New tax: Rs. 25.
- Tax difference: Rs. (-4.8).
- Tax difference as a percentage: +16.1%.

## 3. Case 3 (Sale Consideration: Rs. 200):

o With indexation, capital gains are Rs. 49.

Without indexation, capital gains are Rs. 100.

Old tax: Rs. 9.8.

New tax: Rs. 12.5.

Tax difference: Rs. (+2.7).

• Tax difference as a percentage: (-27.6%).

The first table focuses on tax savings based on income brackets, while the second table shows the effect of removing indexation in calculating capital gains taxes and lowering the tax rate from 20% to 12.5%.