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Clause by Clause Analysis of

Budget 2024

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1. Tax Rates

i. Personal Tax Rates

New Tax Regime [Mandatory if not opted for old]

Individuals

Income (Rs)	Proposed rate of tax (AY 2024-25)
Upto 3,00,000	Nil
3,00,001-7,00,000	5%
7,00,001-10,00,000	10%
10,00,001- 12,00,000	15%
12,00,001 -15,00,000	20%
Above 15,00,000	30%

**Note- No deduction available except mentioned below.*

- Standard Deduction U/s 16(ia) Increased to Rs.75,000/-
- Family Pension U/s 57(iia) Increased to Rs.25,000/-
- Deposited in the Agniveer Corpus Fund u/s 80CCH(2)

Old Regime [Need to be opted]

Individuals other than Senior Citizen

Income (Rs)	Proposed rate of tax (AY 2025-26)
Upto 2,50,000	Nil
2,50,001-5,00,000	5%
5,00,001-10,00,000	20%
10,00,001 and above	30%

Senior Citizen (Between 60 – 80 years of age)

Income (Rs)	Proposed rate of tax (AY 2025-26)
Upto 3,00,000	Nil
3,00,001-5,00,000	5%
5,00,001-10,00,000	20%
10,00,001 and above	30%

Super Senior Citizen (Between above 80 years of age)

Income (Rs)	Proposed rate of tax (AY 2025-26)
Upto 5,00,000	Nil
5,00,001-10,00,000	20%
10,00,001 and above	30%

Note: Cess of 4% is leviable on the amount of income tax and surcharge, if any.

Rebate u/s 87A available for a resident Individual (whose income does not exceed 7,00,000). The amount of rebate is 100% of income tax calculated before education cess or 25000 whichever is less i.e. no tax under new regime upto Rs. 7 lakhs of Income.

Rebate u/s 87A continues under Old Regime for a resident individual (whose income does not exceed 5,00,000).The amount of rebate is 100% of income tax calculated before education cess or 12,500 whichever is less.

Surcharge to be added

Income (Rs)	Proposed rate of tax (AY 2025-26)	Rate of Tax (AY 2024-25)	Proposed rate of tax (AY 2025-26)	Rate of Tax (AY 2024-25)
	New Regime		Old Regime	
Upto 50 Lakhs	Nil	Nil	Nil	Nil
50 Lakhs -1 Cr	10%	10%	10%	10%
1 Cr- 2 Cr	15%	15%	15%	15%
2 Cr – 5 Cr	25%*	25%*	25%*	25%*
Above 5 Cr	37%*	37%*	37%*	37%*

**Surcharge on Dividend income and capital gains u/s 111A, 112 & 112A will be restricted to 15% only.*

Amendment in Capital Gain Tax Rates.

Section No.	Proposed rate of Tax (AY-2025-26) (till 22-07-2024)	Proposed rate of Tax (AY-2025-26) W.e.f (23-07-2024)	Rate of Tax (AY-2024-25)
Short-term capital u/s 111A	15%	20%	15%
Long-term capital gains u/s 112	20% with Indexation	12.5%	20% with Indexation
Long-term capital gains u/s112A	10%*	12.5%*	12.5%*

*The Exemption limit for u/s 112A has been increased from Rs. 1,00,000/- to Rs. 1,25,000/- w.e.f from 23rd July 2024.

Amendment is proposed in section 2 (42A) of the Act holding period for all listed securities will be held 12 months and all others Assets will be 24 months to calculate Long term capital Gain w.e.f from 23rd July 2024.

Amendment is proposed in section 50AA w.r.t. the tax rate on unlisted debentures and unlisted bonds are proposed to be brought to tax at applicable rates w.e.f from 23rd July 2024

Amendment in second proviso to section 48, indexation of cost removed for calculation of any long-term capital gains which is presently available for property, gold and other unlisted assets w.e.f from 23rd July 2024.

Amendments to section 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of long-term capital gains proposed under section 112A and 112 and rates of short term capital gains proposed under section 111A. w.e.f from 23rd July 2024.

ii. Corporate Tax Rates

Income	Proposed rate of tax (AY 2025-26)
Domestic Company having total income less than 1 Crore	30%*
Domestic Company having total income more than 1 Crore but less than 10 Crore	30%* plus surcharge of 7%
Domestic Company having total income more than 10 Crore	30%* plus surcharge of 12%
Other Company having total income less than 1 Crore	35%
Other Company having total income more than 1 Crore but less than 10 Crore	35% plus 2%
Other Company having total income more than 10 Crore	35% plus 5%

Note: Cess of 4% shall be levied over and above the above taxes.

**Reduced rate of 25% shall be applicable where total turnover / receipts in the last P.Y. does not exceed Rs 400 Cr*

**The domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB. The tax rate is 15% in section 115BAB and 22% in section 115BAA. Surcharge is 10% in both cases.*

iii. Firms

Flat tax rate of 30% and surcharge @ 12% of income tax if net income exceeds Rs 1 Cr. Additionally, cess of 4% is applicable.

iv. Cooperative Societies

Particular	Rate of Tax
Having total income of less than 10,001	10%
Having total income of more than 10,000 but less than 20,001	1,000 plus 20% of total income in excess fo Rs.10,000
Having total income of more than 20,000	3,000 plus 30% of total income in excees of Rs. 20,000

Surcharge to be added

Income (Rs)	Proposed rate of tax	Old rate of Tax
	(AY 2025-26)	(AY 2024-25)
Upto 1 Crore	Nil	Nil
1 Crore- 10 Crore	7%	7%
Above 10 Crore	12%	12%

Additionally, cess of 4% shall be levied.

A co-operative society resident in India have the option to pay tax at 22%, as per the provision of Section 115BAD, Surcharge would be at 10% on such tax.

A co-operative society resident in India have the option to pay tax at 15%, as per the provision of Section 115BAE, Surcharge would be at 10% on such tax.

2. Individual Tax

2.1 Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number [w.e.f. 01.10.2024]

Section 139AA of the Income-tax Act requires individuals eligible for an Aadhaar number to quote it in their PAN application and income tax return from 01.07.2017. For those without an Aadhaar number, quoting the Aadhaar Enrolment ID was initially permitted.

Given the widespread adoption of Aadhaar since 2017, the option to use the Enrolment ID is now seen as a potential source of PAN duplication and misuse. Therefore, it is proposed that the provision allowing the use of the Aadhaar Enrolment ID will be discontinued from 01.10.2024. Individuals who obtained their PAN using the Enrolment ID will be required to provide their Aadhaar number by a specified date to ensure compliance and prevent issues related to PAN duplication.

2.2 Revision of rates of STT [w.e.f 1st October 2024]

The Securities Transaction Tax (STT) was introduced through the Finance (No.2) Act, 2004, applicable to specified securities traded on recognized stock exchanges in India. Entities like stock exchanges, mutual funds with equity schemes, insurance companies, and lead merchant bankers collect and remit STT to the Central Government within seven days of collection. Since its inception, STT rates have been periodically revised.

Currently, STT is levied at 0.0625% on the premium of options sold, 0.0125% on the price of futures sold, and 0.1% on both purchase and sale of equity shares during delivery trades. For exercised options, the rate is 0.125% of the intrinsic price paid by the purchaser.

Now, it is proposed to increase STT rates to 0.1% on options premium and 0.02% on futures trading prices, reflecting market dynamics and trading volumes in these segments.

2.3 Standard Deduction and deduction from family pension [A.Y. 2025-26]

In order to promote new tax regime, it is proposed to increase the deduction limit from Rs. 50,000 to Rs. 75,000 for salaried individuals covered u/s 16. Similarly, for income from family pension, the deduction limit would rise from Rs. 15,000 to Rs. 25,000 under section 57.

Section and Clause	Existing Deduction Limit	Proposed Deduction Limit
Section 16 (ia)	₹50,000 or amount of salary (whichever is less)	₹75,000 or amount of salary (whichever is less)
Section 57 (iia)	33.33% of family pension income or ₹15,000 (whichever is less)	33.33% of family pension income or ₹25,000 (whichever is less)

3. Business Taxation

3.1 Disallowance of settlement amounts paid [A.Y. 2025-26]

Explanation 1 of section 37(1) specifies that any expenditure incurred for a purpose that constitutes an offence or is prohibited by law cannot be considered as incurred for business or professional purposes, and thus, no deduction or allowance is permissible for such expenditure.

Explanation 3 further clarifies that this prohibition includes expenditure incurred to provide benefits or perquisites to individuals in violation of laws or regulations, or to compound offences under any law.

The proposed amendment aims to explicitly include expenditure incurred to settle proceedings related to contraventions under notified laws as part of the expenditures that are not allowable for deduction under section 37. In essence, the amendment reinforces that settlement amounts paid due to legal infractions are not deductible as business expenses under the Income Tax Act.

3.2 Preventing misuse of deductions of expenses claimed by life insurance business [A.Y. 2025-26]

Section 44 of the Income Tax Act governs the computation of profits and gains from insurance businesses, including mutual insurance companies and co-operative societies. Rule 2 of the First Schedule, applicable to life insurance businesses, calculates profits based on the annual average surplus adjusted from actuarial valuations under the Insurance Act, 1938, for the last inter-valuation period.

An amendment is proposed to Rule 2 of the First Schedule to provide that any expenditure not permitted under Section 37 shall be added back to the profits and gains of the life insurance business during computation.

3.3 Remuneration to working partners of a firm [A.Y. 2025-26]

Since Assessment Year 2010-11, the limit for partner remuneration to working partner is structured as follows:

1	On the first Rs. 3,00,000 of book-profit (or loss)	Rs. 1,50,000 or 90% of the book-profit, whichever is more.
2	On the balance of the book-profit	60% of book profit

The revised limits for deduction of remuneration to working partners in partnership firms is as follows:

1	On the first Rs. 6,00,000 of book-profit (or loss)	Rs. 3,00,000 or 90% of the book-profit, whichever is more.
2	On the balance of the book-profit	60% of book profit

3.4 Employer contribution to NPS referred in section 80CCD [A.Y. 2025-26]

Section 36(1)(iva) of the Act allows deductions to employers for contributions towards employee pension schemes, limited to 10% of the employee's salary. It is proposed to increase this limit to 14% of the employee's salary.

Section 80CCD(2) allows employees to claim deductions for pension contributions made by the Central Government, State Government, or other employers which is, currently, capped at 10% of

salary for contributions by non-government employers. It is proposed to increase this limit to 14% for cases where the employee's salary is taxable under section 115BAC(1A) of the Act.

These amendments aim to encourage higher contributions to pension schemes by both employers and employees, thereby enhancing retirement benefits while aligning with current tax structures.

4. Capital Gain

4.1 Change in Holding Period of Capital Assets [w.e.f. 23.07.2024]

Currently, the holding periods for determining capital gains are 12 months, 24 months, and 36 months. It is proposed to simplify this to just 12 months and 24 months which is as follows:-

Capital Asset	Present Holding Period	Proposed Holding Period	Effective from
Listed security (other than a unit) or a unit of the UTI or a unit of an equity oriented fund or a zero coupon bond	12 Months	No Change	NA
Other Listed Securities	36 Months	12 Months	23.07.2024
Unlisted shares and immovable property	24 Months	No Change	NA
Other Assets	36 Months	24 Months	23.07.2024

4.2 Change in Rates of STCG and LTCG [w.e.f. 23.07.2024]

Changes in Short-term Capital Gains:

Capital Gains	Present Rate	Proposed Rate	Effective from
Short-term capital gains on equity shares, units of equity oriented mutual fund and unit of a business trust on which STT paid	15%	20%	23.07.2024
Other short-term capital gains	Applicable Rate	No Change	NA

Changes in Long-term Capital Gains:

Capital Gains	Present Rate	Proposed Rate	Effective from
Long-term capital gains on listed equity shares, units of equity-oriented fund and business trust on which STT paid (Note)	10%	12.5%	23.07.2024
Long-term capital gains on unlisted securities or shares of a company not being a company in which the public are substantially interested computed without giving effect to the first and second proviso to section 48 by a non-resident.	10%	12.5%	23.07.2024
Long-term capital gains referred to in section 115E/115AD/ 115AB/115A/115ACA	10%	12.5%	23.07.2024
Long-term capital gains on Other Assets [not being long-term capital gains referred to in clauses (33) and (36) of section 10]	20%	12.5%	23.07.2024

Note: Exemption of gains upto ₹1.25 lakh (aggregate) is proposed for long-term capital gains under section 112A.

4.3 Removal of Benefit of Indexation of Cost [w.e.f. 23.07.2024]

In parallel with the rationalization of the LTCG rate to 12.5%, it is proposed to remove the indexation benefit under the second proviso to Section 48 for calculating long-term capital gains. This benefit is currently available for property, gold, and other unlisted assets. The removal is intended to simplify capital gains computation for both taxpayers and tax administration.

4.4 Parity in taxation between resident and non-resident assesses [w.e.f. 23.07.2024]

To ensure parity in taxation between residents and non-residents, amendments are being made to Sections 115AD, 115AB, 115AC, 115ACA, and 115E to align the rates for long-term capital gains proposed under Sections 112A and 112, as well as the short-term capital gains rates proposed under Section 111A.

Additionally, consequential amendments are being made to Sections 196B and 196C to align the withholding tax provisions with these proposed changes in capital gains tax rates.

4.5 Definition of Specified Mutual Fund u/s 50AA [AY 2026-27]

The Finance Act, 2023 introduced a special taxation regime under Section 50AA, treating gains from Market Linked Debentures and specified mutual funds as short-term capital gains regardless of the holding period. This has impacted funds such as Exchange Traded Funds (ETFs), Gold Mutual Funds, and Gold ETFs, which invest below 35% in equity shares, and created ambiguity for Fund-of-Funds (FoFs) that invest in other instruments.

Now, it is proposed to amend the definition of "Specified Mutual Fund" under Section 50AA to provide that a specified mutual fund shall mean a mutual fund:

(a) a Mutual Fund by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments; or

(b) a fund which invests 65% or more of its total proceeds in units of a fund referred to in sub-clause (a).

4.6 Transfer of a capital asset now be subject to capital gains tax [AY 2025-26]

Section 47 of the Act excludes certain transactions from being considered a transfer for capital gains tax purposes under Section 45. Clause (iii) exempts transfers of capital assets under a gift, will, or irrevocable trust, with an exception for specified ESOPs.

Despite the introduction of Section 50D and Section 50CA to address valuation and anti-avoidance issues, disputes have arisen over whether gifts of shares by companies are subject to capital gains tax due to the current provisions of Section 47(iii). This has led to tax

avoidance and erosion of the tax base.

Now, it is proposed to amend Section 47(iii) and its proviso to specify that the exemption applies only to transfers of capital assets by individuals or Hindu Undivided Families (HUFs) under a gift, will, or irrevocable trust. Transfers by entities such as companies will be subject to capital gains tax.

4.7 Cost of Acquisition in case of equity shares sold under OFS as part of IPO process [AY 2018-19]

Section 10(38) provided an exemption for long-term capital gains on equity shares, units of equity-oriented funds, or units of business trusts if the transaction was subject to Securities Transaction Tax (STT). The Finance Act 2018 withdrew this exemption and introduce Section 112A to tax long-term capital gains on such assets, provided STT was paid both at acquisition and transfer.

The cost of acquisition of such shares u/s 55(2)(ac) is the higher of:

(a) Actual cost of acquisition

(b) lower of: Fair Market Value (FMV) of shares as of 31st January 2018; and Full value of Consideration received upon sale.

For equity shares not listed on 31.01.2018 but listed on the date of transfer, the FMV is calculated proportionally based on the Cost Inflation Index for the financial year 2017-18.

The introduction of Section 112A(4) relaxed the requirement of STT payment at acquisition for certain transactions, leading to a lacuna in calculating the cost of acquisition for shares acquired through Offer-for-Sale (OFS) during an Initial Public Offering (IPO), where STT is paid at transfer but shares are unlisted at that time.

Now, it is proposed to amend the Explanation to Section 55(2)(ac) to clarify that for unlisted equity shares sold under an OFS included in an IPO, the FMV for shares that were unlisted on 31.01.2018, but listed on the transfer date, should be determined using the same proportionate method based on the Cost Inflation Index for the relevant years.

4.8 Capital Gains on Buy-back of Shares [w.e.f. 01.10.2024]

It is proposed that payments made by a domestic company to buy back its own shares will be treated as dividends under Section 2(22)(f) in the hands of the shareholders receiving the buy-back proceeds, and taxed accordingly. No deduction for expenses will be allowed against this dividend income.

For shares bought back, the cost of acquisition will be considered to generate a capital loss, as these shares are deemed to be extinguished. Shareholders will be entitled to claim their original cost of acquisition (i.e., the cost of both bought-back shares and any remaining shares) for calculating capital gains on subsequent sales. The capital loss from the buy-back will be computed as follows:

(i) deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil;

(ii) allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;

(iii) allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

To implement this, a proviso is proposed to be added to Section 46A, stating that the value of consideration for shares bought back, as referred to in Section 2(22)(f), shall be deemed to be nil.

5. Other Sources

5.1 Abolition of Angel Tax [A Y 2025-26]

The Angel tax was imposed in Finance Act 2012 whereby tax was imposed on a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares and if the consideration received for issue of Shares exceeds Fair Market Value. The excess consideration over fair market value was taxable under "Income from other sources".

It implies that the shares issued by Indian company at premium should not be issued more than FMV otherwise the difference in taxable in the hands of company. This provision was applicable for shares issued to residents earlier and then extended to non-residents as well. Now, the same provision is proposed to be deleted for both cases.

5.2 Tax on distributed income of domestic company for buy-back of shares [w.e.f 1.10.2024]

The Finance Act 2013 introduced a tax on distributed income from buybacks by domestic companies, similar to the dividend distribution tax (DDT). Before the Finance Act 2020, companies paid DDT on distributed profits as per section 115O in addition to regular income tax. The Finance Act 2020 abolished Section 115O and dividend become taxable in the hands of shareholders w.e.f. 1.4.2020. After that the company is liable to pay tax @20% under section 115QA on buy back. But, the shareholder cannot take the benefit of the cost of the shares which has been bought back.

Now, It is proposed that buyback payouts to be taxed in the hands of recipients as income from other sources, similar to dividends. The payment made by a domestic company for buying back its shares should be treated as a dividend for the shareholders and taxed at applicable rates. Shareholders cannot deduct expenses against this dividend income. The cost of acquisition for the bought-back shares will result in a capital loss for shareholders which can be set off against capital gains.

Example :

100 shares bought in 2020 @Rs. 40/- per share
Total cost of acquisition Rs. 4000/-
20 shares bought back in 2024 @Rs. 60/- per share
Income taxable as deemed dividend Rs. 1200/-
Capital loss on such buyback (Rs. 40 *20) Rs. 800/-
50 Shares sold in 2025 @Rs. 70 per share
Capital Gain (3500 – 2000) Rs. 1500
Chargeable capital gain after set off Rs. 700

6. International Taxation

6.1 Tax incentives to IFSC [A Y 2025-26]

Following tax incentives has been given for units of International Financial Services Centre (IFSC):-

(A) Explanation to section 10(4D) has been amended to expand the ambit of specified funds which can claim exemption under the said section, to include retail funds and Exchange Traded Funds (ETFs) in IFSC. Specified funds shall now include funds established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which have been granted a certificate as a retail scheme or an Exchange Traded Fund and are regulated.

(B) Specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, is proposed to be exempted by amending the definition of "recognised clearing corporation"

(C) As per Section 68 of the Act, the assessee has to provide the source of funds to the AO. But, this additional onus of proof of satisfactorily explaining the source in the hands of the creditor, would not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI.

` Now, it is proposed to extend the relaxation to those VCFs which are regulated by IFSCA.

(D) Section 94B of the Act, relating to thin capitalisation, do not apply to Indian companies or permanent establishments of foreign companies which are engaged in the business of banking or insurance or such class of NBFCs as may be notified by the Central Government.

It is now proposed that the provisions of this section shall also not apply to finance companies, located in IFSC, which satisfy such conditions and carry on such activities as may be prescribed.

6.2 Promotion of domestic cruise ship operations by non-residents [A Y 2025-26]

In order to promote the cruise-shipping industry in India, the following is proposed:-

1. A presumptive taxation regime is being put in place for a non-resident, engaged in the business of operation of cruise ships, alongwith exemption to income of a foreign company from lease rentals, if such foreign company and the non-resident cruise ship operator have the same holding company.
2. New section 44BBC has been inserted which deems (Presumptive income) 20% of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident cruise-ship operator, on account of the carriage of passengers, as profits and gains of such cruise-ship operator from this business. This is applicable to only a foreign company.
3. Moreover, as per section 10(15B), the lease rentals paid by the above company which opts for presumptive regime u/s 44BBC, shall be exempt in the hands of the recipient company (second non-resident company), if both companies are subsidiaries of the same holding company.

6.3 Abolishment Equalisation Levy in certain cases [w.e.f. 1.08.2024]

Finance Act 2020 imposed equalization levy (EL) of 2% on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services. It is

proposed that the said provision shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1st day of August, 2024.

6.4 Non-reporting of Foreign Assets in the ITR [w.e.f. 1.10.2024]

Section 42 and 43 of the Black Money Act provides for penalty for non-disclosure or wrong disclosure of foreign income and assets in the ITR by a resident assessee other than not ordinarily resident in India.

In such a case of default, a penalty of an amount of Rs. 10 lakhs regardless of the value of asset located outside India may be levied on the assessee.

Further, penalty was not applicable in respect of an asset, being one or more bank accounts having an aggregate balance which does not exceed a value equivalent to Rs. 5 lakhs at any time during the previous year.

It is proposed to amend the provisos to sections 42 and 43 of the Black Money Act to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed Rs. 20 lakhs.

Hence, penalty cannot be levied for non-disclosure of all assets other than immovable property (but including ESOPs, Shares and bank accounts) having the value upto Rs. 20 lakhs.

6.5 Submission of statement by liaison office in India [w.e.f. 01.04.2025]

A non-resident having a liaison office in India, is required to prepare and deliver a statement in respect of its activities in a financial year to the Assessing Officer within 60 days from the end of such financial year under section 285 of the Act. But, there is no penalty prescribed for late filling.

Now, it is proposed that failure to furnish statement may attract a penalty u/s 271GC of

- Rs. 1,000 for every day for which the failure continues, if the period of failure does not exceed three months; and

- Rs. 1,00,000 in any other case.

However, as per Section 273B, this penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure.

6.6 Rationalization of TP Provision in case of SDT [A Y 2025-26]

Like International Transaction, now TPO has power to determine the ALP of all SDT transaction which have not been referred to TPO by the AO and/or in whose respect audit report under section 92CE has not been filed.

6.7 Amendments related to Advance Rulings [w.e.f. 1.10.2024]

The Finance Act, 2021 provided that the Authority for Advance Rulings shall cease to operate with effect from such date, as may be notified by the Central Government in the Official Gazette i.e. September 01, 2021 and new Board for Advance Rulings (BAR) has been constituted. All the pending application before AAR has been transferred to BAR.

As per earlier law, an applicant may withdraw an application within 30 days from the date on which such application is made before AAR. But, the new law does not specify the procedure of withdrawal of application which are transferred before BAR from AAR.

Now, it is proposed to amend section 245Q to allow application for withdrawal by the 31st of October, 2024 for the transferred applications before BAR (from AAR). It is further proposed to provide that on receipt of such an application, the BAR may, by an order, reject the application of withdrawn on or before the 31st day of December, 2024.

6.8 Penalty u/s section 271FAA[w.e.f. 1.10.2024]

The existing provisions of section 271FAA of the Act levies penalty of Rs. 50,000 on the specified person for furnishing inaccurate statement of the financial transactions / reportable account as prescribed under section 285BA of the Act.

A clarificatory amendment has been proposed in section 271FAA to provide that penalty under the said section shall be attracted in any of the following circumstances–

(i) furnishing inaccurate information in the statement shall be liable;

(ii) failure to comply with due diligence requirement in the statement;

However, in section 273B, it is proposed to include section 271FAA in order to provide that no penalty shall be imposable for any failure referred to in the said section, if the assessee proves that there was reasonable cause for such failure.

6.9 Amendment to include the reference of Black Money Act for obtaining a tax clearance certificate [w.e.f. 1.10.2024]

For obtaining Tax Clearance Certificate by a person who is domiciled in India and want to leave India, the income-tax authorities should also see the liability pending under Black Money Act also apart from the liabilities under Income-tax Act, 1961, or the Wealth-tax Act, 1957 (27 of 1957), or the Gift-tax Act, 1958 (18 of 1958), or the Expenditure-tax Act, 1987 (35 of 1987)

6.10 TDS deducted abroad is income [A Y 2025-26]

Section 198 of the Act provides that tax deducted at source should be regarded as income received for the purpose of computation of income in India. There is no specific mention of Tax deducted at foreign country.

Now, it is proposed to amend section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

7. Charitable Trust

7.1 Rationalization of the provisions of Charitable Trusts [w.e.f. 1.10.2024]

Merger of Trusts under First Regime with Second Regime

There are two main regimes for trusts or institutions to claim tax exemption. First regime are as per Provisions in section 10(23C)(iv), (v), (vi), (via) and Second regime are as per Provisions in sections 11 to 13. Both regimes offer similar benefits and have been aligned over the years. To simplify procedures and reduce administrative burden, it is proposed to phase out the first regime and transition trusts to the second regime gradually.

It is proposed that applications for approval under the first regime [section 10(23C)(iv), (v), (vi), (via)] filed on or after 1.10.2024, will not be considered. Applications filed before 1.10.2024, will be processed under the current first regime rules. Approved trusts will continue to enjoy exemptions under the first regime until their current approval expires. These trusts can later apply for registration under the second regime. Eligible investment modes under the first regime will be protected in the second regime via amendments to section 13.

7.2 Condonation of delay in filing application for registration u/s Section 12AB [w.e.f. 1.10.2024]

Trusts or institutions seeking registration under section 12AB must apply within the timelines specified in section 12A(1)(ac). Sometimes, trusts or institutions cannot file the application on time. If they miss the deadline, they may face taxes on accreted income and could permanently lose their exemption status. It is proposed that the PCIT/CIT be allowed to condone the delay if there is a reasonable cause, treating the application as filed on time.

7.3 Timelines for disposing applications for registration u/s 12AB or u/s 80G [w.e.f. 1.10.2024]

Section	Old Time Limit for Disposal of application by Tax Department filed by assessee	New Time Limit w.e.f. 1-Oct-2024 for Disposal of application by Tax Department filed by assessee
Under Section 12AB	within a period of six months from the end of the month	Within a period of six months from the end of the quarter in which the application was received.
Under Section 80G	within a period of six months from the end of the month	Within a period of six months from the end of the quarter in which the application was received.

7.4 Merger of trusts under the exemption regime with other trusts – Section 12AC [w.e.f. 1.4.2025]

When a trust or institution approved or registered under either the first or second regime merges with another approved or registered entity under either regime, it may be subject to Chapter XII-EB, which deals with tax on accreted income under specific circumstances.

It is proposed that such mergers will not attract any tax u/s 12AC if following conditions are fulfilled:-

(a) the other trust or institution has same or similar objects;

(b) the other trust or institution is registered under section 12AA or 12AB or approved under 10(23C), as the case may be; and

(c) the said merger fulfils such conditions as may be prescribed.

8. Tax Administration and Compliance

8.1 Introduction of block assessment provisions in cases of search under section 132 and requisition under section 132A [w.e.f. 01.09.2024]

The Finance Act 2021 amended sections 153A and 153C of the Act to apply only to search and seizure proceedings u/s 132 or requisition u/s 132A initiated on or before 31.03.2021. It abolished the separate regime for search assessments, merging them into the reassessment provisions. Additionally, sections 147, 148, 149, 151, and 151A were amended to allow the issuance of notices under section 148 if search or survey or requisition occurred on or after 01.04.2021, suggesting that income has escaped assessment for the three assessment years preceding the relevant assessment year. Notices can be issued within ten years if the escaping income is ₹50 lakh or more, represented in the form of assets.

To address inefficiencies in the current search assessment process and to make the procedure of assessment of search cases cost- effective, efficient and meaningful, the block assessment scheme will be introduced for searches or requisition initiated on or after 01.09.2024.

Key features include:

1. Block Period: Consists of the six assessment years preceding the year in which the search was initiated or any requisition was made and includes the period from April 1 of the search or requisition year until the last authorization date.
2. Consolidated Assessment: Regular assessments for the block period will abate, and a single consolidated assessment will be conducted. No further assessments or reassessments will occur for this period until the block assessment is complete.
3. Undisclosed Income: Total income will include undisclosed income, which shall include any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery,

valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be incorrect.

4. Taxation: Tax will be levied at 60% on block period income, with no surcharge currently proposed. Interest under sections 234A, 234B, or 234C and penalties under section 270A will not apply.
5. Penalty: Penalty on undisclosed income will be 50% of the tax payable. No penalty if the undisclosed income is disclosed and tax paid in the return.
6. Time Limit: Block assessments must be completed within 12 months from the end of the month in which the last search or requisition authorization was executed or made. For other persons, the limit is 12 months from the notice issuance under section 158BC. However, an exclusion of nearly six months shall be available in respect of period from date of search to the date of handing over of seized material to the Assessing Officer.
7. Exclusions: Evidence related to international or specified domestic transactions, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, will not be included in the block assessment and will be considered separately.
8. Approval and Procedure: Notices and assessment orders will require approval from the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director and section 144C will not apply.

   The main objectives for the introduction of this scheme are early finalization of search assessments, coordinated investigation during search assessments and reduction in multiplicity of proceedings.

8.2 Rationalisation of provisions relating to assessment and reassessment under the Act [w.e.f. 01.09.2024]

The Finance Act, 2021 introduced significant changes to the procedure for assessment and reassessment of income, effective from 01.04.2021. The amendments involve modifications to sections 148 and 149, and the

introduction of a new section 148A.

Due to extensive litigation caused by multiple interpretations of existing reassessment provisions, and requests to shorten notice issuance timelines, it is proposed to streamline the reassessment procedures. The proposed amendments are as follows:

1. Amendment to Section 148:

   Notice Requirement: Before proceeding with assessment, reassessment, or recomputation under section 147, the Assessing Officer (AO) must issue a notice under section 148. This notice must include a copy of the order passed under section 148A(3) and provide a period of up to three months for the assessee to file a return.

   Information Requirement: A notice under section 148 cannot be issued without specific information suggesting that income has escaped assessment.

   Information Sources: Information from surveys conducted under section 133A (excluding section 133A(2A)) on or after 01.09.2024, will be considered valid for suggesting escaped income.

   Approval Requirement: If information is received under section 135A, prior approval from a specified authority is required before issuing a notice under section 148.

2. Amendment to Section 148A:

   Opportunity to be Heard: Before issuing a notice under section 148, the AO must provide the assessee with an opportunity to be heard by issuing a notice to show cause, along with the information suggesting escaped income. The assessee can respond within a specified time frame.

   Order Determination: Based on the assessee's reply and available records, the AO will pass an order with prior approval from a specified authority to decide if issuing a notice under section 148 is warranted.

   Exclusions: This procedure does not apply if information is received under section 135A.

3. Amendment to Section 149:

   Time Limits for Notices:

   Normal Cases: Notices under section 148A cannot be issued if three years have passed since the end of the relevant assessment year.

Notices under section 148 cannot be issued if three years and three months have passed, except in specific cases.

Specific Cases: Notices under section 148A can be issued up to five years from the end of the relevant assessment year if the escaped income is ₹50 lakh or more.

Notices under section 148 can be issued up to five years and three months if there is evidence of escaped income of ₹50 lakh or more.

4. Amendment to Section 151:

Specified Authorities: For issuing notices under sections 148 and 148A, the specified authorities will be the Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director.

5. Amendment to Section 152:

Transitional Provisions: For searches, requisitions, or surveys initiated between 01.04.2021, and 01.09.2024, the provisions of sections 147 to 151 will apply as they were before the Finance (No. 2) Act, 2024.

Pre-September 1, 2024 Assessments: Assessments, reassessments, or recomputations where notices or orders were issued before 01.09.2024, will follow the pre-amendment provisions of sections 147 to 151.

8.3 Amendment in provisions relating to set off and withholding of refunds [w.e.f. 01.10.2024]

Section 245 of the Income-tax Act, as amended by the Finance Act, 2013, authorizes various tax authorities—including the Assessing Officer, Commissioner, Principal Commissioner, Chief Commissioner, and Principal Chief Commissioner—to adjust or withhold a tax refund against any outstanding tax demands. If a refund is due but assessment or reassessment proceedings are pending, the Assessing Officer, with approval from the Principal Commissioner or Commissioner of Income-tax, can withhold the refund if it is deemed that granting it might adversely affect revenue. During this period, no additional interest on the withheld refund is payable under section 244A of the Act.

The provision requires the Assessing Officer to meet two conditions: form an opinion that granting the refund could negatively impact revenue, and record the reasons for this decision in writing. The necessity to record reasons ensures that the opinion is well-documented and justified. The phrase "is of the opinion that the grant of refund is likely to adversely affect the revenue" will be retained, along with the requirement to record

reasons and obtain prior approval from the Principal Commissioner or Commissioner of Income-tax.

To address the current limitation of withholding refunds only up to the date of assessment/reassessment, it is proposed to extend this period to sixty days from the date of assessment or reassessment. This extension also necessitates a consequential amendment to section 244A to ensure that no additional interest is paid on refunds withheld for this extended period.

8.4 Rationalisation of the time-limit for filing appeals to the Income Tax Appellate Tribunal [w.e.f. 01.10.2024]

Section 253 of the Income-tax Act outlines the procedure for filing an appeal with the Income Tax Appellate Tribunal (ITAT) against orders from various tax authorities, including the Joint Commissioner of Income-tax (Appeals) and the Commissioner of Income-tax (Appeals) (CIT(A)). The ITAT serves as the second appellate authority in the income tax appellate process.

Currently, Section 253(1) specifies the types of orders that can be appealed to the ITAT. Clause (a) allows appeals against orders passed by Deputy Commissioners (Appeals) or Commissioners (Appeals) under various sections of the Act. However, it does not include references to penalties under section 158BFA, which deals with penalties for undisclosed income following a search. To address this oversight, it is proposed to amend clause (a) to include section 158BFA, thereby enabling appeals against such penalty orders.

Additionally, Section 253(3) requires appeals to the ITAT to be filed within sixty days of the communication of the order to the assessee or the Principal Commissioner or Commissioner. With the advent of the Faceless Appeal system, where orders are uploaded daily by the CIT (Appeals) rather than being sent in bulk, tracking the communication dates has become challenging. To simplify this, it is proposed to amend section 253(3) to allow appeals to be filed within two months from the end of the month in which the order is communicated the assessee or to the Principal Commissioner or Commissioner, as the case may be, aligning with the new electronic communication practices.

8.5 Amendments in sections 245Q and 245R related to Advance Rulings [w.e.f. 01.10.2024]

The Finance Act, 2021, introduced amendments to Chapter XIX-B of the

Income-tax Act, which governs Advance Rulings. This act resulted in the discontinuation of the Authority for Advance Rulings (AAR) effective 01.09.2021, with the Central Government subsequently establishing the Board for Advance Rulings (BAR). The new sections under Chapter XIX-B detail the powers and procedures for the BAR.

Section 245Q(3) permits applicants to withdraw their advance ruling applications within thirty days of submission. Following the AAR's dissolution, some pending applications were transferred to the BAR. However, the thirty-day withdrawal period had already passed for these applications. Given the delay and changes in the ruling process, many applicants have requested to withdraw their pending applications due to concerns such as the transition to the BAR, the non-binding nature of the new rulings, and the substantial time elapsed.

To address these concerns, it is proposed to amend section 245Q to allow withdrawal of applications transferred to the BAR by 31.10.2024, provided that no order under section 245R(2) has been issued. Furthermore, the amendment will enable the BAR to reject such applications as withdrawn by 31.12.2024, upon receipt of the withdrawal request.

8.6 Powers of the Commissioner (Appeals) in the case of Best Judgement Cases [w.e.f. 01.10.2024]

Section 251 of the Income-tax Act outlines the powers of the Joint Commissioner (Appeals) and

Commissioner (Appeals). Specifically, sub-section (1) grants the Commissioner (Appeals) authority to confirm, reduce, enhance, or annul assessments and to confirm, cancel, or vary penalty orders. Additionally, section 250(4) allows the Commissioner (Appeals) to seek reports from the Assessing Officer after conducting further inquiries before disposing of an appeal.

It has been observed that in cases where assessments are made under best judgment provisions (section 144), taxpayers often do not respond to notices from the Faceless Assessing Officer and directly file appeals with the Commissioner (Appeals). To address the significant backlog of appeals and disputed tax demands at this stage, it is proposed to grant the Commissioner (Appeals) the power to set aside such assessments and refer the case back to the Assessing Officer for a fresh assessment. This change aims to improve the handling of best judgment cases and ensure that assessments are conducted fairly.

Consequently, amendments to section 153(3) are also proposed to establish a time limit for the disposal of cases that are set aside by the Commissioner (Appeals). These provisions will apply to appellate orders issued by the Commissioner (Appeals) on or after October 1, 2024.

8.7 Rationalisation of provisions related to time-limit for completion of assessment, reassessment and recomputation [w.e.f. 01.10.2024]

The existing provisions of section 153 of the Act specify the various time-limits for completion of assessment, reassessment and recomputation under various provisions of the Act. The following amendments are proposed to remove the procedural difficulties in implementation of the provisions of the said section:

1. Assessment Orders for Returns Post-Section 119(2)(b): Currently, section 153(1) mandates that assessments under sections 143 or 144 be completed within twelve months from the end of the assessment year. A new sub-section (1B) is proposed to address cases where returns are filed following an order under section 119(2)(b). This amendment will allow such assessments to be completed within twelve months from the end of the financial year in which the return is furnished.
2. Time Limits for Fresh Assessments: Currently, Section 153(3) provides the time-limit for passing the fresh assessment order in pursuance of an order under section 254 or section 263 or section 264

   setting aside or cancelling an assessment and assessment order shall be passed at any time before the expiry of twelve months from the end of the financial year in which the order under section 250 or section 254 is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, as the case may be.

   In this regard, it is proposed to amend this sub-section to explicitly include references to section 250, which deals with appeals. This change will provide a clear time limit for the disposal of cases where assessments are set aside by the Commissioner (Appeals).
3. Timeline for Revived Assessments: Currently, Section 153(8) states that assessments or reassessments revived under section 153A must

be completed within one year from the end of the month of revival or within the time frame specified in section 153B, whichever is later.

In this regard, it is proposed to amend the said sub-section to provide the timeline for passing of order in the case of revived assessment or re- assessment proceedings as a consequence of annulment of block assessments under Chapter XIV-B of the Act.

4. Exclusion of Search Period in Limitation: Explanation 1(xii) to Section 153 excludes the period from the initiation of a search to the handover of seized materials (up to 180 days) when computing the limitation period. In this regard, a new 6th proviso is proposed to provide that the date of limitation in such cases falls at the end of the month, after taking into account the exclusion provided in the Explanation.

   Further, the existing provisions of section 139 of the Income-tax Act require every company, firm, or being a person other than a company or a firm whose total income exceeds the maximum amount not chargeable to tax to furnish a return of income. To address the situation where returns are filed following an order under 119(2)(b), a consequential amendment is proposed to section 139. This amendment will ensure that the requirements of section 139 also apply to returns filed in compliance with such orders under section 119(2)(b).

9. Penalty

9.1 Penalty for failure to furnish statements [w.e.f. 1.4.2025]

Section 271H of the Act inter alia relates to penalty for failure to file TDS or TCS returns/ statements within the due date.

It is proposed to amend section 271H(3) to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of one month from the time prescribed for furnishing such statement.

10. Tax Deduction at Source

10.1 Rationalisation of Tax Deducted at Source rates:

To enhance ease of doing business and improve taxpayer compliance, it is proposed to reduce the various TDS rates, which currently range from 0.1% to 30% and above. The proposed changes in TDS rates are as follows:-

Rationalisation of TDS rates is proposed as below:-

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission	5%	2%	1.04.2025
(in case of person other than company)			
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G – Commission etc. on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted	1.10.2024	

10.2 Ease in claiming credit for TCS collected/TDS deducted by salaried employees [w.e.f. 01.10.2024]

Section 192 of the Act mandates tax deduction at source on salary income. Section 192(2B) allows for the consideration of income under other heads and any tax deducted thereon when computing salary tax deductions, subject to certain conditions.

Tax Collected at Source (TCS) was not considered when computing tax deductions on salary which impacts the cash flow issues for employees. It was long pending demand that all TDS and TCS should also be accounted for in this calculation of TDS under the head Salary.

Now, it is proposed to amend Section 192(2B) to include any tax deducted or collected under Chapter XVII-B or Chapter XVII-BB. This change will allow such taxes to be considered when computing the tax to be deducted from salary income, easing compliance and improving cash flow management for employees.

10.3 Alignment of interest rates for late payment to Government account of TCS [w.e.f. 01.04.2025]

Section 206C of the Act mandates the collection of tax at source (TCS) on transactions such as trading in alcoholic liquor, forest produce, and scrap. Section 206C(7) specifies that if a person fails to collect tax or, after collection, fails to deposit it to the Central Government, they are liable to pay simple interest at the rate of 1% per month or part thereof on the amount from when the tax was collectible until it is paid.

Currently, the interest rates for late payment of TCS are lower compared to those for late deduction or deposit of TDS under Section 201(1A), which imposes a higher interest rate of 1.5% per month due to the more severe consequences of non-compliance. This disparity also impacts those liable for TCS.

To align the interest rates with TDS provisions and address this discrepancy, it is proposed to amend Section 206C(7). The amendment will increase the interest rate from 1% to 1.5% per month or part thereof for non-payment of TCS to the Government account, from the date of collection until the tax is actually paid.

10.4 Claiming credit for TCS of minor in the hands of parent [w.e.f. 01.01.2025]

Section 206C of the Act provides for the collection of tax at source (TCS) on transactions involving the trading of alcoholic liquor, forest produce, scrap, etc. Currently, there is no provision allowing the credit of TCS to any person other than the collectee.

For example, under the Liberalized Remittance Scheme of the Reserve Bank of India, funds remitted in the name of a minor, TCS has been collected u/s 206C(1G) in the name of minor. However, there is no provision for the minor's parent to claim this TCS credit in their tax return.

Now, it is proposed to amend Section 206C to enable the CBDT to notify rules for situations where TCS credits can be transferred to a person other than the collectee. To prevent misuse of this provision, the credit of TCS for a minor will only be allowed if the minor's income is clubbed with the parent's income as per Section 64(1A) of the Act. This section mandates the inclusion of a minor child's income in the total income of the parent for tax purposes.

10.5 TDS on payment by partnership firm to partners [w.e.f. 01.04.2025]

Currently, there is no provision for TDS on payments such as salary, remuneration, interest, bonus, or commission made to partners by a partnership firm.

It is proposed to introduce a new section 194T which will mandate TDS on such payments at the time of credit or payment whichever earlier.

Payments Covered: Salary, remuneration, commission, bonus, and interest paid to any account (including capital account) of a partner.

Threshold: TDS will apply if the aggregate payments exceed ₹20,000 in a financial year.

TDS Rate: 10%

Time of Deduction: At the time of credit of such sum to the account of the partner (including the capital account) or at the time of payment thereof, whichever is earlier

This amendment aims to streamline tax compliance for partnership firms and ensure that appropriate taxes are deducted on payments to partners.

10.6 TCS at the rate of 1% on Luxury Goods [w.e.f. 01.01.2025]

Currently, Section 206C(1F) of the Act mandates that sellers collect TCS at 1% on the sale of motor vehicles valued over ₹10 lakh.

It is proposed to amend Section 206C(1F) to extend TCS to other goods exceeding ₹10 lakh in value. The Central Government will notify which luxury goods will fall under this provision. This amendment aims to improve the monitoring of high-value purchases by high net worth individuals.

10.7 TDS on Sale of Immovable Property [w.e.f. 01.10.2024]

Section 194-IA of the Act requires tax deduction at source (TDS) on the transfer of immovable property (excluding agricultural land). Specifically:

Section 194-IA(1): Requires TDS at 1% of the higher of the sale consideration or stamp duty value of the property when making payments to a resident for the transfer.

Section 194-IA(2): Provides an exemption from TDS if both the consideration and the stamp duty value are below ₹50 lakh. Few taxpayers have interpreted that the ₹50 lakh threshold applies to each individual buyer's payment rather than the total consideration for the property. As a result, TDS may not be deducted if the amount paid by each buyer is less than ₹50 lakh, even if the total consideration and stamp duty value exceed ₹50 lakh.

To clarify the legislative intent, it is proposed to amend Section 194-IA(2) to specify that when there is more than one transferor or transferee, the ₹50 lakh threshold applies to the aggregate of amounts paid or payable by all transferees to the transferor, or all transferors for the immovable property.

10.8 TDS on Floating Rate Savings (Taxable) Bonds (FRSB) 2020 [w.e.f. 01.10.2024]

Section 193 of the Act governs the deduction of tax at source (TDS) on interest payments made to residents on securities.

To align with new financial instruments and ensure proper tax compliance, it is proposed to amend

Section 193 to include the following:

a. Floating Rate Savings Bonds (FRSB) 2020 (Taxable): TDS will be applied to interest payments exceeding ₹10,000 on these bonds.

b. Other Specified Securities: TDS will also apply to interest payments exceeding ₹10,000 on any other securities of the Central or State Government, as specified by the Central Government through a notification.

This amendment aims to ensure that TDS is effectively applied to new types of securities and savings instruments.

10.9 Excluding sums paid under section 194J from section 194C (Payments to Contractors) [w.e.f. 01.10.2024]

Currently, Section 194C of the Act mandates TDS on payments to contractors at 1% for individual or HUF contractors and 2% for others. Section 194J relates to TDS on fees for professional or technical services, with rates of 2% or 10% depending on the type of payment.

There has been confusion where payments subject to TDS under Section 194J are incorrectly being subjected to TDS under Section 194C. This issue arises because Section 194C's definition of "work" does not exclude payments that should be covered under Section 194J.

To address this, it is proposed to amend the Act to explicitly state that payments covered under Section 194J(1) will not be considered "work" for the purposes of TDS under Section 194C. This clarification will help ensure that the appropriate TDS provisions are applied based on the nature of the payment.

10.10 Widening ambit of section 200A of the Act [w.e.f. 01.04.2025]

Section 200A of the Act outlines the process for handling statements of TDS and corrections made by the person deducting tax under Section 200. Currently, this section primarily addresses statements filed by deductors.

To improve the processing of statements filed by entities other than deductors, such as exchanges filing Form No. 26QF, it is proposed to amend Section 200A. The amendment will allow the Board to

establish a scheme for processing statements made by such entities. This change aims to streamline the handling and processing of these statements, ensuring better compliance and administration.

10.11 Extending the scope for lower TDS/TCS certificate [w.e.f. 01.10.2024]

Section 197 allows for certificates for lower tax deduction rates on eligible payments under Chapter XVII-B. Section 206C(9) provides for lower tax collection rates under specified sections.

Section 194Q requires buyers to deduct tax at 0.1% on payments exceeding ₹50 lakh to residents, while Section 206C(1H) requires sellers to collect tax at 0.1% on receipts exceeding ₹50 lakh. The deductee cannot obtain the lower deduction certificate in such cases.

To address the issues and ease the compliance burden, the following amendments are proposed:

a) It is proposed to amend Section 197 to include Section 194Q, allowing for lower deduction certificates.

b) It is also proposed to amend Section 206C(9) to include Section 206C(1H), enabling lower collection certificates.

These changes aim to facilitate easier business operations and reduce the compliance burden on taxpayers.

10.12 Notification of certain persons or class of persons as exempt from TCS [w.e.f. 01.10.2024]

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc.

Entities whose income is exempt from taxation and who are not required to file returns of income have raised concerns about difficulties they face due to TCS on their transactions. These entities currently have no provision for exemption from TCS, leading to unnecessary tax collection and administrative burden.

It is therefore proposed to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government

in the Official Gazette, in this behalf.

10.13 Time limit to file correction statement in respect of TDS/ TCS statements [w.e.f. 01.04.2025]

Section 200 of the Act mandates that a person deducting tax must pay the deducted tax to the Central Government and furnish detailed TDS statements within a prescribed time. It also allows for the submission of correction statements to rectify mistakes or update information.

Similarly, Section 206C deals with TCS on various goods. It requires the furnishing of detailed TCS statements and permits the delivery of correction statements for mistakes or updates.

Currently, there is no time limit for furnishing correction statements, potentially leading to indefinite revisions and misuse, causing difficulties for deductees/collectees.

It is proposed to amend Section 200 and Section 206C(3B) to set a six-year limit for delivering correction statements. No correction statement would be accepted after six years from the end of the financial year in which the original statement was delivered, ensuring finality and reducing potential misuse.

10.14 Reducing time limitation for orders deeming any person to be assessee in default [w.e.f. 01.04.2025]

Section 201 and Section 206C of the Act outline consequences for failure to deduct or collect tax or for not paying the required tax. Similarly, Section 206C(6A) addresses defaults in tax collection and payment.

Currently, Section 201(3) provides a 7-year limit for orders related to defaults in tax deduction when the payee is a resident, but no such limit exists for defaults involving non-residents, creating uncertainty.

It is proposed to amend Section 201(3) and insert a new Section 206C(7A) to establish that no order can be made deeming a person as an assessee in default for failure to deduct or collect tax after 6 years from the end of the financial year in which the payment was made or credit given, or 2 years from the end of the financial year in which the correction statement was delivered, whichever is later.

11. Miscellaneous Amendments

11.1 Adjusting liability under Black Money Act, 2015 against seized assets [w.e.f. 01.10.2024]

It is proposed to amend Section 132B to include liabilities arising under the Black Money Act. This change will enable the recovery of such liabilities from seized assets, aligning the treatment of these liabilities with those under the other tax laws already covered by the section.

11.2 Amendments to the Prohibition of Benami Property Transactions Act, 1988:

(A) Amendment of Section 24 of the Prohibition of Benami Property Transactions Act, 1988 [w.e.f. 01.10.2024]

Section 24 of the Prohibition of Benami Property Transactions (PBPT) Act, 1988 relates to notice and attachment of property involved in Benami transaction.

The following changes are proposed to Section 24 of the PBPT Act, 1988 to establish clearer timelines, improve efficiency, and ensure timely case handling:

1. Time Limit for Responses:

   `Currently, there is no specific time frame for a benamidar to respond to the notice issued under sub-section (1) or for a beneficial owner to file submissions based on the notice under sub-section (2). To address this, it is proposed to insert a new sub-section (2A) that establishes a maximum time limit of three months from the end of the month in which the notice is issued for both parties to submit their explanations or submissions.

2. Time Limit for Provisional Attachment Decisions:

   The existing provisions of sub-sections (3) and (4) require the Initiating Officer to make decisions on provisional attachment within 90 days from the last day of the month in which the notice under sub-section (1) is issued. The proposal is to extend this period to four months from the end of the month in which

the notice is issued, allowing more time for thorough decision-making.

3. Time Limit for Statement of the Case:

   Currently, sub-section (5) mandates that the Initiating Officer must prepare and refer the statement of the case to the Adjudicating Authority within fifteen days from the date of the attachment order. It is proposed to amend this to a period of one month from the end of the month in which the attachment order is issued, providing additional time for the preparation of the statement.

(B) Insertion of Section 55A in the Prohibition of Benami Property Transactions Act, 1988 [w.e.f. 01.10.2024]

Under Section 53(2) of the Prohibition of Benami Property Transactions Act (PBPT) Act, 1988, the penalty for benami transactions is a rigorous imprisonment ranging from one to seven years, along with a fine up to 25% of the fair market value of the benami property. This penalty applies equally to benamidars, beneficial owners, and anyone who abets the transaction. This uniform penalty often discourages benamidars from providing evidence against beneficial owners, particularly since many benamidars are poor and illiterate.

To address this issue, a new Section 55A is proposed to be inserted into the PBPT Act. This section would allow the Initiating Officer, with prior approval from the competent authority, to offer immunity from penalties under Section 53 to a benamidar or any person who provides full and truthful information about the benami transaction. Acceptance of this immunity would protect the individual from prosecution and penalties related to the transaction.

However, if the person granted immunity fails to comply with the disclosure conditions, conceals information, or provides false evidence, the immunity can be withdrawn. In such cases, the individual can be prosecuted and penalized as if immunity had never been granted.

12. Direct Tax Vivad se Vishwas Scheme, 2024

12.1 Direct Tax Vivad Se Vishwas Scheme, 2024 will come into force on such date as the Central Government may by notification in the Official Gazette, appoint.

12.2 Few Definitions specified in the Scheme-

(a) "appellant" means—

i. a person in whose case an appeal or a writ petition or special leave petition has been filed either by him or by the income-tax authority or by both, before an appellate forum and such appeal or petition is pending as on the specified date; or

ii. a person who has filed his objections before the Dispute Resolution Panel under section 144C of the Income-tax Act and the Dispute Resolution Panel has not issued any direction on or before the specified date; ora person in whose case the Dispute Resolution Panel has issued direction under sub-section (5) of section 144C of the Income-tax Act and the Assessing Officer has not completed the assessment under sub- section (13) of that section on or before the specified date; or

iii. a person who has filed an application for revision under section 264 of the Income-tax Act and such application is pending as on the specified date;

(b) "appellate forum" means the Supreme Court or the High Court or the Income Tax Appellate Tribunal or the Commissioner (Appeals) or Joint Commissioner (Appeals), as the case may be;

(c) "designated authority" means an officer not below the rank of a Commissioner of Income-tax notified by the Principal Chief Commissioner for the purposes of this Scheme;

(d) "disputed fee" means the fee determined under the provisions of the Income-tax Act in respect of which appeal has been filed by the appellant;

(e) "disputed income" in relation to an assessment year, means the whole or so much of the total income as is relatable to the disputed tax;

(f) "disputed interest" means the interest determined in any case under the provisions of the Income-tax Act, where—

i. such interest is not charged or chargeable on disputed tax;

ii. an appeal has been filed by the appellant in respect of such interest;

(g) "disputed penalty" means the penalty determined in any case under the provisions of the Income-tax Act, where—

i. such penalty is not levied or leviable in respect of disputed income or disputed tax, as the case may be;

ii. an appeal has been filed by the appellant in respect of such penalty;

(h) "disputed tax", in relation to an assessment year or financial year, as the case may be, means the income-tax including surcharge and cess (hereafter in this Chapter referred to as the amount of tax) payable by the appellant under the provisions of the Income-tax Act, as computed hereunder:—

(A) in a case where any appeal, writ petition or special leave petition is pending before the appellate forum as on the specified date, the amount of tax that is payable by the appellant if such appeal or writ petition or special leave petition was to be decided against him;

(B) in a case where objection filed by the appellant is pending before the Dispute Resolution Panel under section 144C of the Income-tax Act, as on the specified date, the amount of tax payable by the appellant if the Dispute Resolution Panel was to confirm the variation proposed in the draft order;

(C) in a case where Dispute Resolution Panel has issued any direction under section 144C(5) of the Income-tax Act, and the Assessing Officer has not completed the assessment under section 144C(13) on or before the specified date, the amount of tax payable by the appellant as per the assessment order to be passed by the Assessing Officer in pursuance of the said assessment under sub-section (13) thereof;

(D) in a case where an application for revision under section 264 of the Income-tax Act, is pending as on the specified date, the amount of tax payable by the appellant if such application for revision was not to be accepted:

Provided that in a case where the dispute in relation to an assessment year relates to reduction of tax credit under section 115JAA or section 115JD of the Income-tax Act, or any loss or depreciation computed thereunder, the appellant shall have an option either to include the amount of tax related to such tax credit or loss or depreciation in the amount of disputed tax, or to carry forward the reduced tax credit or loss or depreciation, in such manner as may be prescribed.

(i) "tax arrear" means—

i. the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax, and penalty leviable or levied on such disputed tax; or

ii. disputed interest; or

iii. disputed penalty; or

iv. disputed fee.

12.3 Amount payable by declarant

Subject to the provisions of this Scheme, where a declarant files under the provisions of this Scheme on or before the last date, a declaration to the designated authority in accordance with the provisions of section 91 in respect of tax arrear, then, notwithstanding anything contained in the Income-tax Act or any other law for the time being in force, the amount payable by the declarant under this Scheme shall be as mentioned in the Table below, namely:—

Sl. No	Nature of tax arrear.	Amount payable under this Scheme on or before the 31st day of December, 2024.	Amount payable under this Scheme on or after the 1st day of January, 2025 but on or before the last date.
(a)	where the tax arrear is the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax and penalty leviable or levied on such disputed tax in a case where the declarant is an appellant after the 31st day of January, 2020 but on or before the specified date.	Amount of the disputed tax	the aggregate of the amount of disputed tax and 10% of disputed tax.
(b)	where the tax arrear is the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax and penalty leviable or levied on such disputed tax in a case where the declarant is an appellant on or before the 31st day of January, 2020 at the same appellate forum in respect of the such tax arrear.	The aggregate of the amount of disputed tax and 10% of disputed tax	the aggregate of the amount of disputed tax and 20% of disputed tax
(c)	where the tax arrear relates to disputed interest or disputed penalty or disputed fee where the declarant is an appellant after the 31st day of January, 2020 but on or before the specified date.	20% of disputed interest or disputed penalty or disputed fee.	30% of disputed interest or disputed penalty or disputed fee.
(d)	where the tax arrear relates to disputed interest or disputed penalty or disputed fee where the declarant is an appellant on or before the 31st day of January, 2020 at the same appellate forum in respect of the such tax arrear.	30% of disputed interest or disputed penalty or disputed fee.	

Provided that in a case where an appeal or writ petition or special leave petition is filed by the income-tax authority on any disputed issue before the appellate forum, the amount payable shall be one-half of the amount in the Table above calculated on such issue, in such manner, as may be prescribed:

Provided further that in a case where an appeal is filed before the CIT (Appeals) or JCIT (Appeals) or objections is filed before the DRP by the appellant on any issue on which he has already got a decision in his favour from the ITAT (where the decision on such issue is not reversed by the High Court or the Supreme Court) or the High Court (where the decision on such issue is not reversed by the Supreme Court), the amount payable shall be one-half of the amount in the Table above calculated onsuch issue, in such manner, as may be prescribed:

Provided also that in a case where an appeal is filed by the appellant on any issue before the ITAT on which he has already got a decision in his favour from the High Court (where the decision on such issue is not reversed by the Supreme Court), the amount payable shall be one-half of the amount in the Table above calculated on such issue, in such manner as may be prescribed.

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