INDIA BUDGET 2024

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FOREWORD

The Budget for 2024-2025, presented by Finance Minister Nirmala Sitharaman, underscores the commitment to India's growth story while addressing global economic uncertainties and coalition dharma. With a focus on fostering inclusive growth and ensuring economic resilience, this budget builds on the strong foundations laid by previous budgets. India's economic growth continues to be a standout amidst global uncertainties, maintaining low and stable inflation rates. The budget for FY 2025 sets the fiscal deficit target at 4.9% of GDP, showcasing the government's commitment to fiscal prudence while aiming for robust economic expansion. This year's budget emphasizes employment, skilling, MSME support, and the middle class, with a special focus on four key groups: the poor, women, youth, and farmers. The Prime Minister's package includes five schemes to facilitate employment and skilling opportunities for over 4.1 crore youth, with a central outlay of ₹ 2 Lakh Crore.

Major initiatives in agriculture include a comprehensive review and funding for research to boost productivity and develop climate-resilient varieties. There are also initiatives to promote natural farming, increase vegetable production, and achieve self-sufficiency in pulses and oilseeds. Financial support for shrimp farming and export, and the implementation of Digital Public Infrastructure for agriculture, are key features. The Employment Linked Incentive program supports first-time employees and job creation in manufacturing, with enhanced participation of women in the workforce through hostels, creches, and skilling programs. Skilling loans and education loans will support youth in acquiring necessary skills and higher education.

Inclusive human resource development and social justice programs aim to empower farmers, youth, women, and the poor through comprehensive development initiatives. There is a special focus on the eastern states under the Purvodaya plan and financial support for Andhra Pradesh and Bihar. Significant allocations are made for rural development and women-led development initiatives. The manufacturing and services sectors receive support for MSMEs through credit guarantee schemes, new assessment models, and enhanced credit support. The development of E-Commerce Export Hubs and internship opportunities in top companies, along with infrastructure development for industrial parks and rental housing for workers, are also highlighted.

Urban development initiatives aim to develop cities as growth hubs with a focus on creative redevelopment and transit-oriented development. Housing needs are addressed under PM Awas Yojana Urban 2.0, with support for water supply and sanitation projects. The development of street markets and encouragement of states to lower stamp duties are also part of the budget. Energy security policies promote energy transition and support for nuclear energy research and development, along with initiatives for Advanced Ultra Super Critical thermal power plants and traditional micro and small industries.

Significant investment in infrastructure is highlighted, with a provision of ₹ 11.11 Lakh Crore for capital expenditure. There is support for state governments and private investment in infrastructure, with the launch of Phase IV of PMGSY and financial support for flood management projects. Innovation, research, and development are encouraged through the operationalization of the Anusandhan National Research Fund and a venture capital fund for the space economy. Mechanisms to spur private sector-driven research and innovation at a commercial scale are included. Next-generation reforms are focused on formulating an Economic Policy Framework for sustained high growth and employment opportunities, with land, labour, capital, and entrepreneurship reforms aimed at improving productivity and facilitating market efficiency.

On the taxation front, the government has stayed true to its motto of consistency, compliance and consolidation. While it has simplified the capital gains tax regime and rationalised withholding tax rates, it has also renewed its efforts to ensure the shift to the new tax regime by offering additional deductions. In order to reduce the litigation, introduction of Vivaad Se Vishwas and reduction in the period of reopening of assessments to 5 years in certain cases are much needed welcome moves. With the abolishment of angel tax, investment activities in the private sector are expected to get a boost.

The 2024 Budget is a testament to India's resilience and ambition, balancing growth with fiscal responsibility and aiming for a prosperous and equitable future. This budget lays a strong foundation for achieving the goal of Viksit Bharat, addressing the needs of all sections of society, and positioning India as a global economic leader. We look forward to a year of progress and hope, driven by the collective effort and unwavering spirit of our nation.

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BUDGET HIGHLIGHTS

Economy

- Fiscal deficit at 5.8% of GDP in RE (Revised Estimate) for the FY 2023-2024 and 4.9% BE (Budgeted Estimate) for the FY 2024-2025.
- For the year 2024-2025, the total receipts other than borrowings and the total expenditure are estimated at ₹ 32.07 Lakh Crore and ₹ 48.21 Lakh Crore respectively.
- The net tax receipts are estimated at ₹ 25.83 Lakh Crore.
- The fiscal deficit is estimated at 4.9 per cent of GDP.
- Government aims to reach a deficit below 4.5 per cent next year.

Budgetary Allocations

- ₹ 48,20,512 Crores allocated for the Total Budgeted Expenditure. Major budget allocations are in the following sectors:
- ₹ 18,58,158 Crores allocated to Finance.
- ₹ 6,21,941 Crores allocated to Defense.
- ₹ 2,78,000 Crores allocated to Road Transport and Highways.
- ₹ 2,55,393 Crores allocated to Railways.
- ₹ 2,23,323 Crores allocated to Consumer Affairs, Food and Public Distribution.
- ₹ 2,19,643 Crores allocated to Home affairs.
- ₹ 1,80,233 Crores allocated to Rural Development.
- ₹ 1,68,500 Crores allocated to Chemical and Fertilizers.
- ₹ 1,32,470 Crores allocated to Agriculture and Farmers' Welfare.
- ₹ 1,23,293 Crores allocated to Communications.
- ₹ 1,20,628 Crores allocated to Education Sector.
- ₹ 90,959 Crores allocated to Health and Family welfare.

- ₹ 98,714 Crores allocated to Jal Shakti.
- ₹ 82,577 Crores allocated to Housing and Urban Affairs.
- ₹ 26,092 Crores allocated to Women and Child Development.
- ₹ 24,969 Crores allocated to Atomic Energy
- ₹ 22,531 Crores allocated to Labor and Employment.
- ₹ 22,138 Crores allocated to Micro, Small and Medium Enterprises (MSME).
- ₹ 19,100 Crores allocated to New and Renewable Energy.
- ₹ 15,930 Crores allocated to Petroleum and Natural Gas.
- ₹ 14,225 Crores allocated to Social Justice and Empowerment
- ₹ 11,469 Crores allocated to Commerce and Industry.
- ₹ 13,000 Crores allocated to Tribal Affairs
- ₹ 13,043 Crores allocated to Space Industry
- ₹ 4,520 Crores allocated to Skill Development and Entrepreneurship.
- ₹ 2,480 Crores allocated to Tourism.

Direct Taxes

- Comprehensive review of the Income Tax Act, 1961 over the coming 6 months for making it concise, easy to read and to reduce disputes and litigation and provide certainty to taxpayers
- For individuals, HUFs, AOP, BOI and artificial juridical person, the tax rates remain unchanged, however, the tax slabs under the new regime have been changed to ₹ 0 - ₹ 3 Lakhs, ₹ 3 Lakhs - ₹ 7 Lakhs, ₹ 7 Lakhs - ₹ 10 Lakhs, ₹ 10 Lakhs - ₹ 12 Lakhs, ₹ 12 Lakhs - ₹ 15 Lakhs and above ₹ 15 Lakhs
- The tax rates for co-operative societies, firms, local authorities and companies remains unchanged
- Corporate tax rate for foreign companies is reduced from 40% to 35%
- Standard deduction for salaried employees under new regime increased from ₹ 50,000 to ₹ 75,000

- Deduction on family pension for pensioners opting for new regime increased from ₹ 15,000 to ₹ 25,000
- Abolishment of Angel Tax for all investors in a company in which public is not substantially interested
- Period of holding to determine whether a capital asset is short term or long term has been rationalized to only 2 periods i.e., 12 months or 24 months. Unlisted bonds and debentures will be considered short term capital assets irrespective of period of holding
- Indexation benefits not available for any transfer of long term capital asset on and from 23-Jul-2024
- STCG tax on STT paid listed securities increased from 15% to 20%. STCG on other assets to remain unchanged
- LTCG tax for all assets (including STT paid listed securities) sold on or after 23-Jul-2024 standardised to 12.5%
- Exemption on LTCG on sale of STT paid listed securities increased from ₹ 1 Lakh to ₹ 1.25 Lakhs per year
- Consideration received on buyback to be taxed as dividend in hands of shareholders without deduction of any expenses. Capital loss on extinguishment of shares bought back allowed to be carried forward and set off against any other future capital gains
- Reduction of TDS rates on certain payments from 5% to 2% and reduction of TDS rates on e-commerce transactions from 1% to 0.1%. 10% TDS to be deducted on Partner's Remuneration and other payments
- STT on futures increased from 0.0125% to 0.02% and on options from 0.0625% to 0.1%
- Equilization levy of 2% not applicable on consideration received for e-commerce websites on or after 01-Aug-2024
- Rationalization of provisions relating to assessment and reassessment
- Rationalization of time limit for filing appeal before ITAT
- Re-introduction of block assessment provisions in cases of search under section 132 and requisition under section 132A

- Reducing time limitation for orders deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person
- Presumptive Taxation introduced for domestic cruise-ship operations by non-resident
- Increase in deduction allowed in respect of private sector employer's contribution to a pension scheme from 10% to 14% of the employee's salary, provided the employee is paying tax under the new tax regime
- Rationalization of the provisions of Charitable Trusts and Institutions
- Safe harbor rules to be amended to expand the scope
- Transfer pricing assessment procedure to be streamlined
- Vivad se Vishwas Scheme, 2024 introduced

Indirect Taxes

Customs

- Three cancer drugs namely TrastuzumabDeruxtecan, Osimertinib and Durvalumab fully exempted from custom duty.
- BCD on mobile phone, mobile Printed Circuit Board Assembly (PCBA) and mobile charger reduced to 15 per cent.
- Customs duties on gold and silver reduced to 6 per cent and that on platinum to 6.4 per cent.
- BCD removed on ferro nickel and blister copper.
- BCD removed ferrous scrap and nickel cathode.
- Concessional BCD of 2.5 per cent on copper scrap.
- Capital goods for use in manufacture of solar cells and panels exempted from customs duty.
- For promotion of domestic aviation and boat & ship MRO, time period for export of goods imported for repairs extended from six months to one year.
- Time-limit for re-import of goods for repairs under warranty extended from three to five years.

Excise

- Notification No 12/2012-Central Excise dated 17.3.2012 is being amended to extend the time period for submission of the final Mega Power Project certificate from 120 months to 156 months.
- The Clean Environment Cess, levied and collected as a duty of excise, is being exempted on excisable goods lying in stock as on 30th June, 2017 subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1st July, 2017.

Goods and Service Tax

- TDS deductors must file returns regardless of whether any tax was deducted.
- Section 107 (6) of the CGST Act reduces the maximum pre-deposit for appeals to ₹ 20 Crores (from ₹ 25 Crores), and Section 20 of the IGST Act aligns this with a reduction to ₹ 40 Crores (from ₹ 50 Crores).
- Section 109 of the CGST Act empowers the Government to specify cases that will be heard only by the Principal Bench of the Appellate Tribunal.
- Reduces the maximum pre-deposit for appeals from twenty percent to ten percent of the tax in dispute, and lowers the maximum pre-deposit amount from fifty crores to twenty crores in central tax.
- Section 128A of the CGST Act provides a conditional waiver of interest and penalty for demand notices issued under Section 73 for FY 2017-2018 to 2019-2020, excluding erroneous refunds, with no refund for already paid interest and penalty.

DIRECT TAX PROPOSALS

(Unless specified, proposals shall take effect from AY 2025-26)

RATES OF TAX / THRESHOLD LIMIT

a. Individual, HUF, AOP or BOI, Artificial Judicial Person

Old Regime

- No change in tax slabs and basic tax rates.
- Surcharge in case of LTCG is continued to be capped @15%, similar to last year.
- In the case of AOPs consisting of only companies as its members, surcharge shall not exceed 15%, similar to last year.
- No change in Health and Education Cess, which is @ 4%.
- No change in Tax rebate for resident individual whose income does not exceed ₹ 5 Lakhs.

New Regime (Default Regime)

- It is proposed to give benefit to the taxpayer by way of changes in the slabs and effective tax rates as under:

Taxable Income Slab (₹)	Rate of Tax
Up to ₹ 3,00,000	NIL
₹ 3,00,001 to ₹ 7,00,000	5.20%
₹ 7,00,001 to ₹ 10,00,000	10.40%
₹ 10,00,001 to ₹ 12,00,000	15.60%
₹ 12,00,001 to ₹ 15,00,000	20.80%
₹ 15,00,001 to ₹ 50,00,000	31.20%
₹ 50,00,001 to ₹ 1,00,00,000	34.32%
₹ 1,00,00,001 to ₹ 2,00,00,000	35.88%
Above ₹ 2,00,00,000	39.00%

- New Regime will continue to be 'default tax regime' with an option to taxpayer to choose old regime.
- No change in surcharge. Maximum surcharge will be 25% in case of income exceeding ₹ 5 Crores.
- No change in Tax rebate which is 100 % Tax rebate to a resident individual on total income not exceeding ₹ 7 Lakhs
- It is proposed to increase the benefit of Standard Deduction u/s 16(ia) to salaried employees from ₹ 50,000 to ₹ 75,000 only under New Regime.

b. Firm and LLP

- No change in basic tax rate of 30% and surcharge of 12% for income above ₹ 1 Crore.
- No change in Health and Education Cess, which is 4%.
- Effective Tax rates shall be as under (subject to AMT).

Taxable Income	Tax Rates (Including surcharge and cess)
Up to ₹ 1 Crore	31.20%
Above ₹ 1 Crore	34.94%

c. Companies:

Normal Regime

- No change in Tax rate of 25% for domestic companies, having total turnover or gross receipts not exceeding ₹ 400 Crores in FY 2022-2023.
- For Foreign companies, it is proposed to reduce the Tax rate from 40% to 35% on income other than income chargeable at special rate.
- For Domestic companies, surcharge of 7% is applicable where income exceeds ₹ 1 Crore and 12% where income exceeds ₹ 10 Crores.
- For foreign companies, surcharge of 2% is applicable where income exceeds ₹ 1 Crore and 5% where income exceeds ₹ 10 Crores.

- No change in Health and Education Cess, which is 4%.
- Effective tax rates shall be as under (Subject to MAT):

Particulars	Domestic Company	Foreign Company
Turnover/Gross Receipts up to ₹ 400 Crores in FY 2022-2023		
Taxable Income upto ₹ 1 Crore	26.00%	36.40%
Taxable Income above ₹ 1 Crore to ₹ 10 Crores	27.82%	37.13%
Taxable Income above ₹ 10 Crores	29.12%	38.22%
Turnover/Gross Receipts above ₹ 400 Crores in FY 2022-2023		
Taxable Income upto ₹ 1 Crore	31.20%	36.40%
Taxable Income above ₹ 1 Crore to ₹10 crores	33.38%	37.13%
Taxable Income above ₹ 10 Crores	34.94%	38.22%

Optional Regime

- No change in the rates of Optional Regime in the case of domestic companies. The provisions of MAT shall not be applicable.
- Effective rates for domestic companies under both the sections are as under:

Particulars	As per section 115BAA	As per section 115BAB
Effective Tax Rate (Including surcharge and cess)	25.17%	17.16%

d. Co-operative society

Normal Regime

- There is no change in the slab rates for tax. The same are as under:

Taxable Income Slab	Tax Rates
Up to ₹ 10,000	10%
₹ 10,001 to ₹ 20,000	20%
Above ₹ 20,000	30%

- Surcharge is reduced to 7% in case of income exceeding ₹ 1 Crore but less than ₹ 10 Crores.
- Surcharge @ 12% shall be levied in case of income exceeding ₹ 10 Crores.

Optional Regime

- No change has been proposed in the tax rate for Optional Regime. The effective tax rate shall be 25.17%.

e. Minimum Alternative Tax (MAT) & Alternate Minimum Tax (AMT)

- No change in basic MAT @ 15%, AMT @ 18.5% (except Co-operative Societies). AMT rate continues to be at 15% for Co-operative Societies.
- No change in Surcharge and Cess rates.

TDS & TCS PROVISIONS

a) Rationalization of the TDS and TCS rates:

Following are the changes proposed in TDS and TCS rates:

Section	Nature of deduction	Present rate	Proposed Rate	Effective date
TDS Rates				
194D	Payment of insurance commission (in case of person other than company)	5%	2%	01-Apr-2025
194DA	Payment in respect of life insurance policy	5%	2%	01-Oct-2024
194G	Commission etc. on sale of lottery tickets	5%	2%	01-Oct-2024

Section	Nature of deduction	Present rate	Proposed Rate	Effective date
194H	Payment of commission or brokerage	5%	2%	01-Oct-2024
194-IB	Payment of rent by certain individuals or HUF	5%	2%	01-Oct-2024
194M	Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	01-Oct-2024
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	01-Oct-2024
194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India	20%	Omitted	01-Oct-2024
194T	Remuneration / interest payable to partners in a partnership firm	Nil	10%	01-Apr-2025
193	Floating Rate Savings (Taxable) Bonds (FRSB) 2020	Nil	10%	01-Oct-2024
TCS Rates				
206C(1F)	Sale of luxury goods > ₹ 10 Lakhs (Luxury goods to be notified)	Nil	1%	01-Jan-2025

b) Increase in penal interest for TCS defaults

It is proposed to increase the interest rate on late payment of TCS to 1.5% per month from existing 1% per month.

c) Claim of TCS credit available to minor in the hands of the parent

Currently, there is no provision in the Act for allowing credit of TCS to any other person (e.g. parent) other than the collectee. It is proposed to allow credit of tax collected to person other than collectee subject to the rules notified by CBDT.

d) Clarification for TDS on sale of immovable property

It is proposed to clarify that under Section 194-IA, in case of more than one transferor or transferee the limit of ₹ 50 Lakhs shall be checked with the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors.

e) Taxability of gross income for which foreign tax credit is claimed

It is proposed to clarify that taxes deducted in India as well as outside India shall be considered as a part of taxable income. Hence, gross amount of income shall be considered as taxable income and not the amount net of TDS or withholding taxes deducted outside India.

f) Avoidance of overlap between Section 194C and Section 194J

It is proposed to explicitly clarify state that any sum referred to in sub-section (1) of section 194J does not constitute "work" for the purposes of TDS under section 194C.

g) Allowability of application for Nil / lower rate of TDS and TCS on sale of goods

The Government had earlier introduced TDS and TCS on sale of goods at 0.1%. However, these TDS and TCS deductions were kept out of the ambit of the lower / Nil TDS and TCS application. It is now proposed that tax payers may apply for Nil or lower rate of TDS or TCS on sale of goods.

h) Time limit for TDS and TCS correction statement

It is proposed that correction statements shall be allowed to be filed only upto 6 years from the end of the financial year in which the statements are statutorily required to be filed.

i) Relaxation of penalty on non-furnishing of TDS and TCS statements

Under the current regime, penalty may not be imposed if the defaulter can prove that TDS / TCS was paid along with interest and penal fees and returns were filed before expiry of 1 year from the statutory due date. The time limit of 1 year is now proposed to be reduced to 1 month.

j) Relief from prosecution proceedings for TDS default

It is proposed to provide for exemption from prosecution if TDS payment has been made at any time on or before the time prescribed for filing the statement for such payment under sub-section (3) of section 200 of the Act (w.e.f 01-Oct-2024).

SALARIES

a) Increase in standard deduction for new regime

It is proposed to increase the benefit of Standard Deduction u/s 16(ia) to salaried employees from ₹ 50,000 to ₹ 75,000 only under New Regime.

BUSINESS INCOME

a) Rent income earned from residential property cannot be reported as business income

It is proposed to clarify that any income earned from letting out of a residential house by the owner cannot be reported under the head "Profits and gains of business or profession" and shall be chargeable under the head "Income from house property".

b) Disallowance of settlement amounts being paid to settle contraventions

It is proposed to clarify that expenditure incurred to settle proceedings initiated in relation to a contravention under any law shall be disallowed under Section 37.

c) Increase in limit of remuneration to working partners of a firm allowed as deduction

It is proposed to amend the ceiling limit of deduction under Section 40(b) of remuneration paid to working partners by a partnership firm as under: -

Earlier	Amended
On first ₹ 3,00,000 of book profit or in case of loss - ₹ 1,50,000 or 90% of the book profit, which is higher	On first ₹ 6,00,000 of book profit or in case of loss - ₹ 3,00,000 or 90% of the book profit, which is higher
On balance book profit - 60% of the book profit	Unchanged

d) Increase in limit for deduction under Section 36(1)(iva) available to the employer

It is proposed to increase deduction on employer contribution to pension scheme referred in Section 80CCD from 10% to 14% of the employee's salary where such salary is chargeable to tax under new regime.

e) Presumptive taxation for domestic cruise-ship operations by non-residents

It is proposed to insert a new section 44BBC providing for presumptive income @ 20% in case of non-resident cruise-ship operators. Consequential amendment proposed in Section 44B to exclude cruise-ship business.

CAPITAL GAINS

a. Rationalisation of taxation of Capital Gains [w.e.f. 23-Jul-2024]

- In order to rationalise and simplify the taxation of Capital Gains, it is proposed that there will be only two holding periods for determining whether the capital gain is short term capital gain or long term capital gain as under: -

Particulars	Period of holding criteria for long term capital asset
All Listed securities (including units of business trust)	>12 months
Other assets (including bonds, debentures, gold, unlisted shares, immovable property, etc.)	>24 months

- It is proposed that no indexation benefit shall be allowed in respect of any LTCG.
- It is proposed to change the tax rate of certain capital gains as under: -

Nature of capital gain	Old tax rate	New tax rate
STCG on sale of listed equity shares / unit of equity-oriented MF / unit of business trust taxable u/s. 111A	15%	20%
LTCG on sale of listed equity shares / unit of equity oriented MF / unit of business trust taxable u/s. 112A	10% with exemption limit of ₹ 1,00,000	12.50% with exemption limit of ₹ 1,25,000
LTCG taxable u/s. 112	20% after indexation	12.50% (no indexation allowed)

b. Taxability on buy-back of shares (w.e.f. 01-Oct-2024)

- It is proposed to tax distributed income of domestic company by way of buy-back of shares in the hands of shareholder as dividend income.
- It is further proposed to not allow any deduction for expenses against such dividend income.
- Further, it is proposed that the cost of acquisition of shares bought back by the company would be considered as capital loss in the hands of shareholder and eligible for set-off against capital gains if any for the said year or carry forward and set -off against capital gain, if any for the subsequent year.

c. Transfer of capital asset by way of gifts, etc. falling under exclusion to transfer available only for individuals and HUFs

Transfer of a capital asset by way of gift, will or an irrevocable trust is currently excluded from the definition of transfer. It is proposed that such exclusion shall be available only in respect of transfer made by individual or a HUF and not by any other person.

d. Amendment in section 55 [w.r.e.f. 01-Apr-2018]

It is proposed to provide that in respect of unlisted equity shares sold under an offer for sale to the public through an IPO, the FMV as on 31-Jan-2018 shall be determined by applying the cost inflation index of F.Y. 2017-2018 to the cost of the acquisition.

e. Rationalization of tax rates in special cases

- To bring parity in taxation between resident and non-resident, corresponding amendments to section 115AB, 115AC, 115ACA, 115AD and 115E are proposed.
- It is proposed to increase the rate of tax from 10% to 12.5% in case of LTCG and increase the rate of tax from 15% to 20% in case of STCG for non-residents taxable under the special provisions (w.e.f. 23-Jul-2024).
- Further, it is proposed to increase the exemption limit of ₹ 1,00,000 to ₹ 1,25,000 in case of LTCG on income of FIIs from transfer of securities u/s 115AD of IT Act.

OTHER SOURCES

a. Abolishment of angel tax for all classes of investors

Currently, section 56(2)(viib) provides that where any consideration received by a company in which public are not substantially interested, from issue of shares exceeds the fair market value of such shares, such excess consideration shall be chargeable to tax. It is now proposed to abolish this provision.

b. Deductions on family pension increased from ₹ 15,000 to ₹ 25,000

It is proposed that the deduction on income from family pension shall be allowed to the extent of ₹ 25,000 (currently ₹ 15,000) or 33.33% of such income, whichever is lower, under the new tax regime.

DEDUCTIONS UNDER CHAPTER VIA:

a. Enhanced deduction u/s. 80CCD(2) for contribution to pension scheme

Section 80CCD (2) deals with deduction for contribution to pension scheme of Central Government made by private sector employers.

It is proposed to enhance the said deduction from current 10% to 14% of the employee's salary where said salary is chargeable to tax under the new tax regime.

b. Scope of deduction for donations u/s. Section 80G widened

Deductions u/s. 80G to be allowed to an assessee for donations made to National Sports Development Fund, subject to specified conditions.

INTERNATIONAL TAXATION & TRANSFER PRICING

a. Exempting finance companies located in IFSC from the purview of thin capitalisation provisions

It is proposed to exclude finance companies located in IFSC from the applicability of thin capitalisation provisions under section 94B, subject to the fulfillment of prescribed conditions and undertaking prescribed activities.

b. Widening of scope of Section 92CA to include 'Specified domestic transaction'

In specified cases, it is proposed to empower the transfer pricing officer to assess specified domestic transactions not referred to him by the AO or where Form 3CEB is not filed.

c. Withdrawal of Equalization levy (w.e.f. 01-Aug-2024)

- It is proposed to withdraw Equalization levy applicable at 2% to an e-commerce operator for e-commerce supply or services.
- Consequently, the corresponding exemption under Section 10 in respect of income arising from specified services subject to Equalization levy on e-commerce transaction is proposed to be withdrawn.

PROCEDURAL AMENDMENTS

a. Rationalization related to certain return filing provisions

- A new section 139 (9A) is proposed to be inserted and shall apply where any return of income is furnished in pursuance of an order under clause (b) of sub-section (2) of section 119 (w.e.f 01-Oct-2024)

- Provisions of Section 139AA allowing to quote Aadhar Enrolment ID in place of Aadhar number has been discontinued. Further, it is proposed that every individual who has received PAN based on their Aadhaar enrolment ID before 01-Oct-2024, must provide their Aadhaar number to the designated authority on or before a notified date.

b. Rationalisation of provisions relating to reassessment under the Act (w.e.f. 01-Sep-2024)

- Provisions of reassessment proceedings u/s. 148 and 148A are proposed to be rationalised

- The time limitation for issuance of notice under section 148A and section 148 of the Act is proposed to be reduced as follows:

Case Type	Income Escapement	Time Limit
Issue of notice u/s. 148A	Below ₹ 50 Lakhs	3 years and 3 months from the end of the assessment year
	₹ 50 Lakhs or more	5 years and 3 months from the end of the assessment year
Issue of notice u/s. 148	Below ₹ 50 Lakhs	3 years from the end of the assessment year
	₹ 50 Lakhs or more	5 years from the end of the assessment year

- It is proposed to substitute Section 151 so as to provide that specified authority for the purposes of sections 148 and 148A shall be Additional Commissioner / Additional Director / Joint Commissioner / Joint Director.

c. Introduction of block assessment provisions in search cases [w.e.f. 01-Sep-2024]

It is proposed to re-introduce the scheme of block assessment for the search cases. Salient features of block assessment are as under:

- Block assessment would be applicable to search commenced on or after 01-Sep-2024

- There will be one consolidated assessment for one assessee for the block period
- Block period would comprise of:
  - o 6 P.Y.s preceding the P.Y. in which search is initiated
  - o From 1st April of the P.Y. in which search is initiated till the date of conclusion of search
- Notice u/s. 158BC is to be issued for carrying block assessment
- The assessment in respect of any other person shall be governed by the provisions of section 158BD, which provides that where the AO is satisfied that any undisclosed income relates to any person, other than the person with respect to whom search was made, then, any assets / books seized shall be handed over to the AO having jurisdiction over such other person and that AO shall proceed u/s. 158BC against such other person.
- Regular assessments, if any, for the block period shall abate
- Till block assessment is complete, no further assessment / reassessment proceeding shall take place in respect of the block period
- Tax shall be charged @ 60% for the block period as per section 113. No surcharge is proposed. No interest u/s. 234A, 234B or 234C shall be levied in respect of undisclosed income for the block period
- Penalty @ 50% of the tax amount shall be levied on undisclosed income for the block period. However, no penalty shall be levied if the undisclosed income is offered in the return filed in pursuance of search and tax thereon is paid.
- Time limit for completion of block assessment of searched assessee is 12 months from the end of the month in which search is concluded.
- Time limit for completion of block assessment of any other person is 12 months from the end of the month in which notice u/s. 158BC is issued.

- In calculating the time limit, an exclusion of 180 days is available in respect of period from date of search to the date of handing over of seized material to the AO.

d. Other procedural changes:

- For obtaining tax clearance certificate under section 230 of the Act it is proposed to insert the reference of liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the sub-section (1A) of the section 230 of the Act. (w.e.f. 01-Oct-2024).
- It is proposed to empower CIT(A) to set-aside the assessment back to the Assessing Officer in certain specified cases (w.e.f. 01-Oct-2024).

DIRECT TAX VIVAD SE VISHWAS SCHEME, 2024

It is proposed to introduce Direct Tax Vivad Se Vishwas Scheme, 2024 from a date to be notified. Salient features of the proposed scheme are as follows:

- Eligible Person:
    - o A person in whose case an appeal or a writ petition or special leave petition is filed by him or by income tax authority or by both, before Supreme Court / High Court / ITAT / CIT(A) and is pending as on 22-Jul-2024.
    - o A person who has filed objections before the DRP, for which no directions have been issued as on 22-Jul-2024 or in case where directions are issued, the AO has not completed the assessment as on 22-Jul-2024.
    - o A person who has filed a revision application u/s. 264 of the Act, which is pending as on 22-Jul-2024.

- Computation of amount payable:

Tax arrears	Amount payable on or before 31-Dec-2024	Amount payable after 01-Jan-2025 upto the last date as may be prescribed
Disputed demand includes tax, interest and penalty. (Additional 10% if the pendency is before 31-Jan-2020 at the same appellate forum)	Only disputed tax	110% of disputed tax
Disputed interest, penalty or fee. (Additional 5% if the pendency is before 31-Jan-2020 at the same appellate forum)	25% of disputed amount	30% of disputed amount

Note: Only 50% of the above is payable in the following cases:

- o An appeal or writ petition or special leave petition is filed by the income tax authority.
- o An appeal is filed before CIT(A) or objections before DRP on any issue on which declarant has got a favorable decision from ITAT or High Court which is not reversed by higher authority.
- o An appeal is filed before ITAT on any issue on which declarant has got a favorable decision by High Court which is not reversed by Supreme Court

- Procedure:
  - o The amount payable shall be determined by the AO within a period of 15 days from the date of receipt of declaration.
  - o The amount determined shall be paid within 15 days of receipt of certificate from the department.

- Ineligible Cases:
  - o Assessment orders passed in case of search;
  - o Prosecution cases;
  - o Undisclosed income or asset from a source located outside India;
  - o Information received under an agreement referred to in section 90 or 90A of the Act;
  - o Any person in respect of whom detention or prosecution has been ordered under provisions of various Acts, such as Prevention of Corruption Act, 1988; Prevention of Money Laundering Act, 2002, Prohibition of Benami Property Transaction Act, 1988, etc.

ALLIED LAWS

a. Relief from penalty under Black Money Act, 2015

- Under the current regime, every resident and ordinarily resident, while filing the return of income, shall disclose all foreign assets and income from such foreign assets in the Income Tax Return. Currently any non- disclosure attracts a penalty of ₹ 10 Lakhs regardless of the value of the asset located outside India.
- It is now proposed to amend Sections 42 and 43 of the Black Money Act to provide that 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 ₹ 20 Lakhs (w.e.f. 01-Oct-2024).

b. Liability under Black Money Act, 2015 to be adjusted against seized assets [01-Oct-2024]

- It is proposed that the liability under Black Money Act, 2015 can be recovered out of the assets seized, if any, during search.

c. Rationalisation of provisions under The Prohibition of Benami Property Transactions Act, 1988 (PBPT Act)

- It is proposed to insert sub-section (2A) in section 24 of PBPT Act to provide a maximum time limit of 3 months from the end of the month in which notice is issued to the benamidar or the beneficial owner to file their explanations or submission. The existing provision does not provide a time limit to reply to the notice.

- It is proposed to increase the time limit provided in sub-section (3) and (4) of section 24 of PBPT Act, from 90 days to 4 months for the Initiating Officer to provisionally attach the property or to pass an order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property, as the case may be.

- It is proposed to insert a new section 55A in the PBPT Act, 1988 which allows the Initiating Officer to offer immunity from penalties under section 53 to the benamidar or any other person (excluding the beneficial owner) in exchange for their full and truthful disclosure about the benami transaction. This immunity can be granted with the prior approval of the competent authority mentioned in section 55. Once accepted, immunity protects the person from prosecution and penalties under section 53 to the extent specified in the immunity (w.e.f. 01-Oct-2024).

- After tendering the immunity, if any person has not complied the conditions, Initiating Officer may withdraw the immunity and impose penalty under this Act to which he would have otherwise been liable.

RATIONALISATION OF PROVISIONS OF CHARITABLE TRUSTS AND INSTITUTIONS

a. Merger of trusts under first regime with second regime [w.e.f. 01-Oct-2024]

- It is proposed to merge Trusts or Institutions under clause (23C) of section 10 (first regime) with the Trusts and institutions covered u/s. 11 to 13 (second regime). Suitable procedural amendments are made accordingly.

- Applications seeking approval or provisional approval u/s. 10(23C) and filed on or after 01-Oct-2024 shall not be considered whereas those filed before 01-Oct-2024 and are pending, would be processed under the extant provisions of section 10(23C) itself.

- Certain eligible modes of investment specified under the first regime will be protected and continue to be recognized under the second regime through appropriate amendments in section 13.

- A new section 12AC is proposed to be inserted to introduce conditions under which the merger with another approved/ registered entity under either regime will not attract the provisions of Chapter XII-EB.

- It is proposed to amend section 11(7) to include references of clause (23EA), (23ED) and (46B) of section 10 allowing trusts under the second regime to also claim exemption.

b. Condonation of delay in filing application for registration by trusts or institutions [w.e.f. 01-Oct-2024]

- It is proposed to enable Principal Commissioner or Commissioner to condone the delay in filing application as per section 12A to trusts or institutions in case of genuine reasons

c. Rationalisation of timelines for funds or institutions [w.e.f. 01-Oct-2024]

- It is proposed to rationalize the timelines for filing applications for seeking approval under section 80G.

- It is proposed to rationalise timelines for disposing applications made by trusts or funds or institutions to 6 months from the end of the quarter in which the application was received.

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INDIRECT TAX PROPOSALS

Customs

a. Rate Related Changes

- **Changes with effect from 24-Jul-2024:**

Sector	Tariff Heading	Commodity	Old	New
Plastics	3920, 3921	PVC films/ flexible sheets	10%	20%
Consumer	6601 10 00	Garden umbrella	20%	20% or ₹ 60 per piece, whichever is higher
Chemicals	9802 00 00	Laboratory chemicals	10%	150%
Agricultural Products	1207 99 90	Shea Nuts	30%	15%
Aquafarming & Marine Exports	0306 36	Live SPF Vannamei shrimp broodstock	10%	5%
Aquafarming & Marine Exports	0306 36	Live Black tiger shrimp broodstock	10%	5%
Aquafarming & Marine Exports	0308 90 00	SPF Polychaete worms	30%	5%
Aquafarming & Marine Exports	2301 10 90	Insect meal for use in Research &		
Development purposes in aquatic feed manufacturing	15%	5%		

Sector	Tariff Heading	Commodity	Old	New
Aquafarming & Marine Exports	2309 90 90	Single Cell Protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing	15%	5%
Aquafarming & Marine Exports	2309 90 31	Prawn and shrimps feed	15%	5%
Aquafarming & Marine Exports	2309 90 39	Fish feed	15%	5%
Critical Minerals	2504	Natural Graphite	5%	2.5%
Critical Minerals	2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	5%	2.5%
Critical Minerals	2811 22 00	Silicon dioxide	7.5%	2.5%
Critical Minerals	3801	Artificial Graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semimanufactures	7.5%	2.5%

Sector	Tariff Heading	Commodity	Old	New
Chemicals and Plastics	3102 30 00	Ammonium Nitrate, whether or not in aqueous solution	7.5%	10%
Chemicals and Plastics	3920 (other than 3920 99 99) or			
3921	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	25% (with effect from 24.07.2024)	10%	
Chemicals and Plastics	3920 99 99	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	25% (with effect from 24.07.2024)	15%
Textile and Leather Sector	2929 10 90	Methylene Diphenyl Di-isocyanate		
(MDI) for use in the manufacture of Spandex Yarn	7.5%	5% Subject to IGCR conditions		
Textile and Leather Sector	0505 10	Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export	30%	10%
Precious Metals	7108	Gold bar	15%	6%
Precious Metals	7108	Gold dore	14.35%	5.35%
Precious Metals	7106	Silver bar	15%	6%

Sector	Tariff Heading	Commodity	Old	New
Precious Metals	7106	Silver dore	14.35%	5.35%
Precious Metals	7110	Platinum, Palladium, Osmium,		
Ruthenium, Iridium	15.4%	6.4%		
Precious Metals	7118	Coins of precious metals	15%	6%
Precious Metals	7113	Gold/Silver findings	15%	6%
Precious Metals	71	Platinum and Palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertors	7.5%	5%
Precious Metals	84	Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	7.5%	5%
Medical Equipment	9022 30 00	X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	15%	5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)

Sector	Tariff Heading	Commodity	Old	New
Medical Equipment	9022 90 90	Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	15%	5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)
IT and Electronics Sector	8517 13 00, 8517 14 00	Cellular mobile phone	20%	15%
IT and Electronics Sector	8504 40	Charger/Adapter of cellular mobile Phone	20%	15%
IT and Electronics Sector	8517 79 10	Printed Circuit Board Assembly (PCBA) of cellular mobile phone	20%	15%
IT and Electronics Sector	8517 79 10	Printed Circuit Board Assembly (PCBA) of specified telecom Equipment	10%	15%

- Changes with effect from 01-Oct-2024:

Sector	Tariff Headings	Commodity	Old	New
Agricultural Products	2008 19 20/ 2008 19 30	Roasted nuts and seeds, other nuts including arecanuts, prepared or preserved	30%	150%
Renewable Energy Sector	7007	Solar glass for manufacture of solar cells or solar modules	Nil	10%

Sector	Tariff Headings	Commodity	Old	New
Renewable Energy Sector	74	Tinned copper interconnect for manufacture of solar cells or solar modules	Nil	5%

- The Basic Customs Duty on the following goods have been exempted with effect from 24-Jul-2024:

Tariff Heading	Commodity	Tariff Heading	Commodity
0306 36 60	Artemia	0511 91 40	Artemia cysts
1504 20	Fish lipid oil for use in manufacture of aquatic feed	1504 20	Crude fish oil for use in manufacture of aquatic feed
1518	Algal Oil for use in manufacture of aquatic feed	2102 20 00	Algal Prime (flour) for use in manufacture of aquatic feed
2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	2301 20	Krill Meal for use in manufacture of aquatic feed
1901	Pre-dust breaded powder for use in processing of sea-food	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of The Customs tariff Act, 1975
2530 90 91	Strontium sulphate (natural ore)	2603 00 00	Copper ores and concentrates

Tariff Heading	Commodity	Tariff Heading	Commodity
2605 00 00	Cobalt ores and concentrates	2609 00 00	Tin ores and Concentrates
2611 00 00	Tungsten Ores and Concentrates	2613	Molybdenum ores and Concentrates
2615 10 00	Zirconium ores and concentrates	2615 90	Hafnium Ores and concentrates
2615 90 10	Vanadium ores and concentrates	2615 90 20	Niobium or tantalum ores and Concentrates
2617	Antimony Ores and Concentrates	2804 50 20	Tellurium
2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	2804 69 00	Other silicon
2804 90 00	Selenium	2805 30 00	Alkali or alkaline earth metals, Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed
2815 20 00	Potassium hydroxide	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium
2822 00 10	Cobalt oxides	2822 00 20	Cobalt hydroxides
2822 00 30	Commercial cobalt oxides	2825 20 00	Lithium oxide and hydroxide
2825 30	Vanadium oxides and hydroxides	2825 60 10	Germanium oxides
2825 70	Molybdenum oxides and Hydroxides	2825 80 00	Antimony oxides
2825 90 20	Cadmium oxides	2827 35 00	Chlorides of Nickel

Tariff Heading	Commodity	Tariff Heading	Commodity
2827 39 30	Strontium chloride	2833 24 00	Sulphates of Nickel
2834 21 00	Nitrates of potassium	2836 91 00	Lithium carbonates
2836 92 00	Strontium arbonates	2841 90 00	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium
2846	Compounds, inorganic or organic of rare earth metals	2918 15 30	Bismuth citrate
8001	Unwrought Tin	8101 94 00	Unwrought tungsten, including bars and rods obtained simply by sintering
8102 94 00	Unwrought molybdenum, including bars and rods obtained simply by sintering	8103 20	Unwrought tantalum, including bars and rods obtained simply by sintering, powders
8105 20 20	Cobalt, unwrought	8106 10 10	Bismuth, unwrought
8109 21 00	Unwrought zirconium, powders, Containing less than 1 part hafnium to 500 parts zirconium by weight	8110 10 00	Unwrought antimony, powders

Tariff Heading	Commodity	Tariff Heading	Commodity
8112 12 00	Beryllium unwrought, powders	8112 31	Hafnium unwrought, waste and scrap, powders
8112 41 10	Rhenium unwrought	8112 69 10	Cadmium unwrought, powders
8112 69 20	Cadmium, wrought	8112 92 00	Unwrought; waste and scrap; powder of, - (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium
7202 60 00	Ferro Nickel	7402 00 10	Blister Copper
41	Wet white, Crust and finished leather for manufacture of textile or leather garments, leather /synthetic footwear or other leather products, for export	38,48 or any other Chapter	Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/ synthetic footwear or other leather products, for export
30	(i) Trastuzumab Deruxtecan, (ii) Osimertinib, (iii) Durvalumab	39	All types of polyethylene for use in manufacture of orthopaedic implants falling under sub-heading 9021 10

Tariff Heading	Commodity	Tariff Heading	Commodity
39, 72, 81	Special grade stainless steel, Titanium alloys, Cobalt-chrome alloys, and All types of polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39	28, 29, 38	Specified parts for use in manufacture of connectors
74	Oxygen Free Copper for use in manufacture of Resistors	40	Specified die-cut parts for use in manufacture of cellular mobile phones
40, 70, 76	Specified mechanics for use in manufacture of cellular mobile phones	84, 85, or any other chapter	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods
Any Chapter	Components and consumables for use in manufacture of specified vessels	Any Chapter	Technical documentation and spare parts for construction of warships

Tariff Heading	Commodity	Tariff Heading	Commodity
Any Chapter	Goods under S. No. 404 of Notification No. 50/2017 Customs, used for petroleum exploration operations		

- Changes in Export Duty with effect from 01-Oct-2024:

Sector	Tariff Headings	Description of goods	Old	New
Leather and Textiles	4104 to 4106	Tanned or crust hides of skins, whether or not split, but not further prepared	40%	20%
Leather and Textiles	4301	Raw fur and skins including lamb fur skin	60%/ 10%	40%
Leather and Textiles	4302	Tanned or dressed furskin	60%	20%

b. Rules and Notification related changes:

- The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 have been amended to insert a provision for New Shipper Review with effect from 24-Jul-2024.
- Notification No. 37/2023- Customs dated 10-May-23 is being validated for the period from 1-Apr-2023 up to and inclusive of 10-May-2023 to provide exemption from Basic Customs Duty and AIDC on imports of crude soyabean oil and crude sunflower seed oil subject to availability of unutilized quota in TRQ authorization for FY 2022-2023 allotted by DGFT and Bill of lading issued on or before 31-Mar-2023.
- GST Compensation Cess is being exempted with effect from 1-Jul-2017 on imports in SEZ by SEZ units or developers for authorized operations.

- The duration for export in the case of aircraft and vessels imported for maintenance, repair and overhauling has been increased from 6 months to 1 year, further extendable by 1 year.
- The time-period of duty-free re-import of goods (other than those under export promotion schemes) exported out from India under warranty has been increased from 3 years to 5 years, further extendable by 2 years
- The India-UAE CEPA Tariff notification is being amended as consequential changes in duty rates on precious metals.
- BCD Exemption for 117 goods covered under the Notification no. 50/2017-Customs dated 30-Jun-2017 are being extended up to 31-Mar-2026.
- BCD Exemption for 11 goods covered under the Notification no. 50/2017-Customs dated 30-Jun-2017 are being extended up to 31-Mar-2029.
- BCD Exemption for following goods are extended up to 31-Mar-2026
    - o Motion picture, music, gaming software
    - o machinery, components for setting up fuel cell based on waste to energy
    - o castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA
    - o machinery/components for initial setting up of non-conventional power generation plants
    - o work of art, antiques in museum or art gallery
    - o precious stones imported by posts on 'approval or return' basis
    - o copper cathodes, wire bars and wire rods produced out of copper reverts
    - o gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing
    - o goods imported for execution of an export order for jobbing

- BCD Exemption for following goods are extended up to 31-Mar-2029:
  - o Goods exported to foreign countries for display in show-rooms of Govt of India
  - o Goods supplied freely under warranty as replacement for defective ones in lieu of earlier imported goods
  - o Foodstuffs and provisions (excluding fruit products, tobacco, alcohol) by foreigners
  - o Firearms and ammunition when imported for use by a renowned shooter
  - o Specified gifts; goods gifted free under a bilateral agreement; goods imported by Indian Red cross Society, goods for the purposes of relief and rehabilitation
  - o Appliance/aids for blind/handicapped imported by institution for blind & deaf; and other specified teaching aids imported by Govt Universities
  - o Articles for foreign origin imported for repair and return, theatrical equipment and costumes, mountaineering expedition equipment, photographic, filming recording etc
  - o Specified capital goods, and other ancillary items imported for repairs
  - o Specified imports relating to Defence, internal security forces and Air Force
  - o Specified equipment, instruments, raw materials, components, pilot plant and computer software when imported for publicly funded R & D projects
  - o Scientific and technical instruments, apparatus, equipment, accessories etc when imported by publicly funded research institution
  - o Capital goods/machinery/ measuring instruments for manufacture of semiconductor wafers
  - o Parts of aircraft when imported into India under the Standard Exchange Scheme

- Imports of artwork and antique books
- Imports in relation to defense and international security forces including medals, decorations, personal effects of Defense Personnel, bonafide gifts from foreign donors, stores and goods for trials, demonstration
- Specified medicines from whole of the duty of customs, when imported for supply under Specified Patient Assistance Programme
- Capital goods/machinery used by the IT/Electronics industry, subject to actual user condition
- Specified raw materials, inputs and parts for use in manufacture of specified electronic items
- Aviation Turbine Fuel in the tanks of the aircrafts of an Indian Airline or of the Indian Air Force

• The notifications with respect to the following are being allowed to lapse with effect from 30-Sept-2024:

- BCD and additional duty exemption under Sections 3 (1), 3 (3) and 3 (5) on standard gold bars imported by a RBI authorised bank;
- full exemption from BCD to second-hand computers/ accessories and peripherals received as donation by schools, charitable institutions;
- exemption from Special Additional Duty (SAD) levied vide section 3 (5) of CTA on to all goods imported for subsequent sale when IGST, CGST, SGST or UTGST paid by importer;
- exemption from Special Additional Duty (SAD) levied vide section 3(5) of CTA on to all goods imported for subsequent sale when IGST, CGST, SGST or UTGST paid by importer.
- exemption to imports of duty-paid fuel and lubricating oil on aircrafts taken during the outward flight; goods imports by United Arab Airlines; aircraft engines, spares imported by Indian Airlines and Air India International. Re-import entries will operate from re-import notification 45/2017-Cus
- exemption from import duty under the Sea Customs Act on catering cabin equipment, food and drink on re-importation

by aircrafts of the Indian Airlines Corporation from foreign flights

- SWS on Critical Minerals, as provided in Notification No. 11/2018 – Customs, dated 02-Feb-2018, have been exempted with effect from 24-Jul-2024.
- AIDC rates for Precious Metals, as provided in Notification No. 11/2021 – Customs, dated 01-Feb-2021 have been reduced with effect from 24-Jul-2024

c. Law related changes (changes with effect from date of enactment of Finance Bill, unless specified otherwise)

Customs Act, 1962

- Section 28 DA of the Customs Act is being amended to enable the acceptance of different types of proof of origin provided in trade agreements in order to align the said section with new trade agreements, which provide for self-certification. Accordingly, 'certificate of origin' has been replaced by the term 'proof of origin'. 'Proof of origin' has been defined to mean a certificate or declaration issued in accordance with a trade agreement certifying or declaring, as the case may be, that the goods fulfil the country of origin criteria and other requirements specified in the said agreement. Further, 'Issuing Authority' has been defined to mean an authority or person designated for the purposes of issuing proof of origin under a trade agreement.
- Section 65 of the Customs Act is being amended to empower the Central Government to specify certain manufacturing and other operations in relation to a class of goods that shall not be permitted in a warehouse.
- For the purpose of trade facilitation, Section 143AA and Section 157(2)(m) of the Customs Act have been amended to include 'any other persons' apart from importers and exporters.

Customs Tariff Act, 1975

- Section 6 of the Customs Tariff Act, 1975, which provided for levy of protective duties, shall be omitted. The omission is proposed pursuant to the Tariff Commission being wound up by resolution dated 01-Jun-2022 of the Government of India.

- New tariff lines in respect of defence products, technical textiles, sustainable blended aviation fuel, products used in Indian semiconductor machines, e-bicycles, natural menthol, printer cartridge etc. have been inserted in the First Schedule. This is to align the tariff lines with WCO classification and better identification of goods. These changes shall come into effect from 01-Oct-2024.

AMENDMENTS IN THE CGST, IGST & UTGST ACT

- Section 11A in the CGST Act, Section 6A of the IGST Act and Section 8A in the UTGST Act is being inserted is being inserted to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade. Similar power is being proposed in of UTGST Act and GST (Compensation to States) Act.

- Section 13 (3) of the CGST Act is amended to specify the time of supply for services where the recipient is required to issue the invoice under the reverse charge mechanism. Similar amendment is proposed in Clause (f) of Section 31 (3) for time of issuance of invoice and a supplier registered only for tax deduction at source (TDS) under Section 51 is not considered a registered person.

- Sub-section (5) inserted in Section 16 allows registered persons to claim input tax credit for invoices or debit notes from the financial years 2017-2018 to 2020-2021 in any return filed up to 30-11-2021. Similarly Sub-section (6) has been inserted in Section 16 to allow claim of input tax credit for invoices or debit notes in returns filed by the supplier for the period between the cancellation and revocation of registration subject to certain conditions prescribed in Section 30 (2). These amendments are effective from 01-07-2017. Further, where the tax has been paid or the input tax credit has been reversed, no refund of the same shall be admissible.

- Clause (i) of Section 17 (5) of the CGST Act is being substituted to restrict the availability of input tax credit in respect of tax paid u/s 74 of the said Act upto Financial Year 2023-2024. To give effect to the above amendment Sub-section (12) is being inserted in section 73 and 74.

- To restrict refund of unutilised input tax credit in cases of zero-rated supplies of goods subject to export duty, new sub- section (15) is being inserted in section 54 of the CGST Act and a similar provision has been made in Section 16 (4) of the IGST Act.

- Persons summoned under sub-section (1) must under new sub-section (1A) inserted in Section 70 to allow authorized representative, as directed by the proper officer to state the truth, make required statements, and produce necessary documents during the examination.
- Section 74A is being inserted in the CGST Act, so as to provide for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised pertaining to the Financial Year 2024-25 onwards.

Particulars	Non-Fraud Cases	Fraud Cases
Threshold for Notice	No notice if tax involved is less than ₹1,000 for the financial year.	No notice if tax involved is less than ₹1,000 for the financial year.
Time Limit for Notice	Notice must be issued within 42 months from the due date of the annual return or the date of erroneous refund.	Notice must be issued within 42 months from the due date of the annual return or the date of erroneous refund.
Subsequent Periods	Statement for subsequent period on the same ground on which SCN has been served for prior period can be issued.	Statement for subsequent period on the same ground on which SCN has been served for prior period can be issued.
Amount of Penalties	10% of the due tax or ₹10,000, whichever is higher.	Full tax due
Issuance of Order	Order issued within 12 months of notice, extendable by up to 6 months by the Commissioner.	Order issued within 12 months of notice, extendable by up to 6 months by the Commissioner.
Waiver or Reduce Penalty	No penalty if due tax and interest paid before SCN or within 60 days of the SCN.	15% Penalty if due tax and interest paid before SCN.

Particulars	Non-Fraud Cases	Fraud Cases
		25% Penalty if due tax and interest paid within 60 Days of SCN. 50% Penalty if due tax and interest paid within 60 Days of Order.
Shortfall in Payment	If voluntary payment is insufficient, officer will issue a notice for the shortfall.	If voluntary payment is insufficient, officer will issue a notice for the shortfall.
Self-Assessed Tax Penalty	Penalty applies if self-assessed or collected tax is not paid within 30 days from the due date.	Penalty applies if self-assessed or collected tax is not paid within 30 days from the due date.

Note: Necessary consequential changes are proposed to be made in various sections i.e., 10(5), 21, 35(6), 49(8), 50(1), 51(7), 61(3), 62(1), 63, 64(2), 65(7), 66(6), 75, 104(1), 107(11) and 127.

- Section 112 (1) and (3) has been amended to empower the Government to notify the date for filing appeals and revise the time limit for filing appeals or applications before the Appellate Tribunal effective from 01-08-2024. Further, Section 112 (6) has been amended to allow the Appellate Tribunal to admit departmental appeals filed within three months after expiry of six-month time limit.
- Section 122 (1B) of the CGST Act is amended and, now penalty shall be applicable only to electronic commerce operators who are required to collect tax at source under section 52 of the said Act, effective from the 01-10-2023.
- Further, if a notice is issued under section 74, the proceedings will be deemed concluded if an order is passed as directed by the Appellate Authority or Tribunal. However, if an appeal or review is pending, the person must pay any additional tax as per the Appellate order within three months for the proceedings to be considered concluded, except cases with pending appeals or writ petitions that were not withdrawn by the notified date and when

proceedings are concluded under this section, no further appeal can be made under sections 107 or 112 against orders referred to in the section.

- Section 140 (7) of the CGST Act is amended to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by ISD prior to the appointed day, for which invoices were also received prior to the appointed date, effective 01-07-2017.

- Proviso to Section 171 (2) of the CGST Act is inserted to empower the Government to notify the date from which any application for anti-profiteering cases shall not be admitted by the Authority. Further, an explanation is inserted to Section 171 (3A) to include Appellate Tribunal to act as an Authority under the said section.

- Following activities are now covered under Schedule III of CGST Act:

  Paragraph 9: Activity of apportionment of co-insurance premium from the lead insurer to co-insurers under co-insurance agreements, provided the lead insurer pays tax on the full premium amount received from the insured.

  Paragraph 10: Services provided by an insurer to a reinsurer, where ceding or reinsurance commission is deducted from the reinsurance premium, provided the reinsurer pays tax on the total reinsurance premium, including the commission.

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KEY POLICY CHANGES IN FY 2024-25 AND BUDGET AMENDMENTS 2024

FEMA/RBI

- The Reserve Bank of India ("RBI"), vide its Circular No. RBI/2024-25/41 A.P. (DIR Series) Circular No. 09 dated 07-June-2024, expanded the ambit of overseas portfolio investment to include any investment in an overseas fund which is regulated, or in an investment fund/ vehicle set up in an International Financial Services Centre.
- Vide Notification No. FEMA 5(R)/(4)/2024-RB dated 06-May-2024, RBI has permitted a person resident outside India to open, hold or maintain an interest-bearing account in INR or foreign currency for the purpose of posting and collecting margin in India for a permitted derivative contract.
- Vide Notification No. RBI/2024-25/46 A.P. (DIR Series) Circular No. 12 dated 03-July-2024, the RBI has permitted submission of Form A2 in physical or digital form irrespective of the value of transaction.
- RBI has launched 'PRAVAAH' (Platform for Regulatory Application, Validation and Authorisation) portal for obtaining various regulatory approvals (including compounding process) in a seamless manner.
- Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024 notified on March 14, 2024, have modified the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ('NDI Rules'), enabling issuance of partly paid units through investment vehicles to persons resident outside India. Further, the issuances of partly paid units by Alternate Investment Fund (AIF) to persons resident outside India prior to the said amendment could be regularised by undertaking compounding.
- RBI has decided to facilitate remittances for all the permissible purposes under Liberalised Remittance Scheme (LRS) to IFSCs for availing financial services and financial products for all Capital and Current Account transactions. Further, resident individual can open foreign currency account (FCA) in IFSCs.

- It is proposed that the Government will notify simplified rules and regulations for Foreign Direct Investment and Overseas Investments to

  (1) facilitate foreign direct investments,

  (2) nudge prioritization, and

  (3) promote opportunities for using Indian Rupee as a currency for overseas investments

SEBI

- SEBI introduced regulations for Small and Medium Enterprises Real Estate Investment Trusts (SME REITs), (Notified on 8th March 2024) to help SMEs raise capital by pooling their real estate assets and issuing units to investors. This initiative aims to enhance liquidity and provide fractional ownership in both residential and commercial properties.
- With a view to consolidate all relevant operational Circulars on AIF and ensure effective regulatory framework for AIFs, SEBI has issued Master Circular for AIFs on 7-May-2024.
- SEBI issued Master Circular No SEBI/HO/MIRSD/MIRSDSECFATF /P/CIR/2024/78 dated 06th June 2024 providing guidelines for all intermediaries registered with SEBI. The said guidelines stipulate the essential principles for combating Money Laundering (ML) and Terrorist Financing (TF) and provide detailed procedures and obligations to be followed and complied with by all the registered intermediaries.

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CAPITAL MARKET

Despite heightened geopolitical risks, rising interest rates and volatile commodity prices, Indian capital markets have been one of the best performing among emerging markets in FY 2024, reflecting India's bright economic stature. Capital markets are becoming prominent in India's growth story, with an expanding share in capital formation and investment landscape on the back of technology, innovation, and digitization. The following sections present the significant trends in primary markets, secondary markets, and institutional investment in India.

Amid healthy domestic economic performance and a favorable investment climate, primary markets remained robust during FY 2024, facilitating capital formation of ₹ 10.9 Lakh Crore (which approximates 29 per cent of the gross fixed capital formation of private and public corporates during FY 23), compared to ₹ 9.3 Lakh Crore in FY 2023. Of the total amount mobilized in FY 24, 78.8 per cent was raised through debt issuances. Fund mobilization through all three modes, viz., equity, debt, and hybrid, increased by 24.9 per cent, 12.1 per cent and 513.6 per cent, respectively, in FY 24 compared to the previous year.

The number of initial public offers (IPOs) increased by 66 per cent in FY 2024 from 164 in FY 2023 to 272 in FY 2024, while the amount raised grew by 24 per cent (from ₹ 54,773 Crore in FY 2023 to ₹ 67,995 Crore in FY 2024). SME platforms at the exchanges witnessed heightened activities during FY 2024 as the number of IPOs/FPOs (Follow-on Public Offers) of SMEs increased by 1.6 times (from 125 in FY 2023 to 196 in FY 2024), while the corresponding fund raised rose by more than two and half times over the previous year (from ₹ 2,333 Crore in FY 2023 to ₹ 6,095 Crore in FY 2024). As per E&Y Global IPO trends report, Indian exchanges were global leaders in IPO listings. India's share consistently rose to 17 per cent in 2023 from 6 per cent and 11 per cent in 2021 and 2022, respectively 46 Reflecting the buoyant market conditions, Qualified Institutional Placements (QIPs) 47 emerged as a critical equity fundraising mechanism for the corporates during FY 2024. Resource mobilization through rights issues more than doubled to ₹ 15,110 Crore during FY 2024, compared to ₹ 6,751 Crore in the previous year.

The corporate debt market in India is going from strength to strength. During FY 2024, the value of corporate bond issuances increased to ₹ 8.6 Lakh Crore from ₹ 7.6 Lakh Crore during the previous financial year. The number of corporate bonds public issues in FY 2024 was the highest for any financial year so far, with the amount raised (₹ 19,167 Crore) at a four-year high. Private placements remained the preferred channel for corporates, accounting for 97.8 per cent of total resources mobilised through the bond market. Increasing investor demand and the rise in the cost of borrowing from banks have made these markets more attractive for corporates for funding requirements. The quantum of outstanding corporate bonds increased by 5.5 per cent YoY to ₹ 45 Lakh Crore (i.e., 15.5 per cent of GDP) at the end of March 2024.

FY 2024 has been a spectacular year for MFs as their AuM of the MFs increased by ₹ 14 lakh crore (YoY growth of 35 per cent) to ₹ 53.4 Lakh Crore at the end of FY 2024, boosted by mark-to-market (MTM) gains and expansion of the industry. The total number of folios increased from 14.6 Crore at the end of FY 2023 to 17.8 Crore at the end of FY 2024.

During FY 2024, ₹ 39,024 Crore was raised by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs), more than five times compared to FY 2023, supported by the Government's thrust on infrastructure development.

After enduring a highly turbulent global environment in FY 2023, global stock markets recovered and performed well during FY 24. All the major markets, except China and Hong Kong, delivered better returns during the period compared to the previous year. Indian stock market was among the best-performing markets, with India's Nifty 50 index ascending by 28.6 per cent during FY 2024, as against (-) 0.6 per cent during FY 2023. FY 2024 saw stellar performances from the US, Brazilian and Japanese markets among the global markets. There was evidence of an AI-led tech stock surge, with the tech-heavy US Nasdaq index rising by 34 per cent during FY 2024 after delivering heavy losses in FY 2023.

Primary Market Resource Mobilization (Equity)										
Period	Public Issue (IPO + FPO)		Rights Issue		QIPs		Preferential Allotments		Total	
	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)
FY 2022-2023	166	63,372	73	6,751	11	8,212	454	83,832	704	1,62,167
FY 2023-2024	274	68,006	67	15,110	61	68,972	689	45,155	1091	1,97,243

Resource Mobilization in Corporate Bond Market						
Period	Public Issue		Private Placement		Total	
	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)	No. of Issues	Amount (₹ Cr.)
FY 2022-2023	34	9,221	1524	7,54,467	1558	7,63,688
FY 2023-2024	45	19,168	1347	8,37,756	1392	8,56,924

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ECONOMIC OUTLOOK

Global Economy

After back-to-back black swan events causing marked uncertainty and volatility, the global economy appeared to have stabilized in 2023. While uncertainties stemming from adverse geopolitical developments remain, supply chain rigidities have eased, and inflationary pressures are expected to moderate in 2024. The two risks hovering at the beginning of 2023 — consumer price inflation and fears of a recession — have receded. The policy rates in major economies, after remaining at all-time high levels in 2023, are expected to see a cut in 2024. The World Economy, as per the July 2024 World Economic Outlook (WEO) of the International Monetary Fund (IMF), achieved a growth of 3.3 per cent in 2023 compared to 3.5 per cent in 2022 and, is projected to grow at 3.2 per cent in 2024.

Indian Economy

As per the provisional estimates of national income for FY 2023-2024 published by the National Statistical Office, India's real and nominal GDP growth has been pegged at 8.2 per cent and 9.6 per cent, respectively, in FY 2023-2024. Private consumption expenditure has registered a growth of 4.0 per cent in FY 2023-2024, driven by resilient urban demand conditions and recovery in rural demand. Investment has remained strong, as reflected in the growth of Gross Fixed Capital Formation, which increased by 9.0 per cent in real terms in FY 2023-2024.

In spite of global challenges, merchandise trade deficit narrowed in FY 2023-2024, primarily due to falling international commodity prices. A narrowing merchandise trade deficit, coupled with rising net service receipts, has kept the current account deficit low.

Agricultural gross value added grew by 1.4 per cent in FY 2023-2024. As per the 3rd advance estimates released by the Ministry of Agriculture and Farmers Welfare, production of food grains is estimated at 328.8 million tonnes in FY 2023-2024. The industry sector has registered a growth of 9.5 percent in FY 2023-2024, led by robust manufacturing and construction activity. The services sector's growth of 7.6 per cent, in the same period, was driven mostly by financial, real estate and professional services.

The growth momentum is corroborated by the high-frequency indicators such as passenger vehicle sales, housing sales, domestic air passenger traffic, digital payments, Index of Industrial Production, and nonfood credit offtake. Further, strong growth in economic activity is also evident in buoyant GST collections in FY 2023-2024 which set a new milestone with total gross GST collection of ₹ 20.18 Lakh Crore, reflecting an 11.7 per cent increase over FY 2022-2023. The buoyant performance of many indicators coupled with stable inflation indicators, supports the economic dynamism.

The Reserve Bank of India (RBI) has projected 7.2 per cent growth in India's real GDP for FY 2024-2025. The Indian Meteorological Department's (IMD) forecast of an above-normal southwest monsoon is expected to boost kharif production and replenish reservoir levels. The healthy balance sheets of banks and corporations, combined with the government's continued focus on capital expenditure, high-capacity utilization, and business optimism, are favorable for investment activity. Further, gradual reversal of global geopolitical tension may lead to higher external demand.

Inflation

Inflationary pressures have moderated in FY 2023-2024, with average retail inflation easing to 5.4 per cent compared to 6.7 per cent in FY 2022-2023. Headline inflation stood at 5.1 per cent in June 2024, with much lower core inflation of 3.1 per cent. The overall retail inflation is within the notified tolerance band of 2 to 6 per cent of RBI

External Sector

India's merchandise exports witnessed a contraction to $ 437.1 Billion in FY 2023-2024, mainly on account of the lower value realized for petroleum products. The value of merchandise imports also declined from $ 716 Billion in FY 2022-2023 to $ 677.2 Billion in FY 2023-2024. The combined effect of decline in merchandise imports and exports led to the narrowing of the merchandise trade deficit to $ 240.2 Billion in FY 2023-2024.

India's services exports grew by 4.9 per cent to $ 341.1 Billion in FY 2023-2024 whereas the services imports declined by 2 per cent to $ 178.3 Billion in FY 2023-2024. This led to net surplus in India's service trade of $ 162.8 Billion in FY 2023-2024. The services trade surplus coupled with a decline in the merchandise trade deficit, resulted in an improvement in India's Current Account Deficit which narrowed to $ 23.2 Billion (0.7 per cent of GDP) during FY 2023- 2024 from $ 67 Billion (2 per cent of GDP) in FY 2022-2023.

Foreign Exchange Reserves & Exchange Rate

There was an increase in India's foreign exchange reserves during FY 2023-2024. Foreign exchange reserves stood at $ 646.4 Billion at the end of March 2024, higher than $ 578.4 Billion at the end of March 2023. The import cover of India's foreign exchange reserves increased to 10.9 months as of 8th March 2024 from 9.7 months at the end of March 2023.

The Indian Rupee depreciated by 1.2 per cent against the US Dollar from April 2023 to March 2024. The INR also depreciated against the Pound Sterling and Euro by 3.4 per cent and 0.4 per cent, while it appreciated against the Japanese Yen by 10.7 per cent during the same period.

Developments in Capital Markets

Amid buoyant economic performance and a favorable investment climate, primary markets remained robust during FY 2023-2024. Fund mobilization through equity, debt, and hybrid modes increased by 24.9 per cent, 12.1 per cent and 513.6 per cent, respectively, in FY 2023-2024. The Indian stock market has seen a remarkable surge over the years and India became fifth in the world by market capitalization in FY 2023-2024. India's market capitalization to GDP ratio has improved significantly to 124 per cent in FY 2023-2024, compared to 77 per cent in FY 2018-2019.

Monetary and liquidity conditions

Monetary and credit conditions evolved in line with the monetary policy stance during the year, supporting domestic economic activity. The Monetary Policy Committee (MPC) maintained the status quo on the policy repo rate at 6.5 per cent in FY 2023-2024. It focused on withdrawing accommodation to ensure that inflation gradually aligns with the target while supporting growth.

Gross non-performing assets (GNPA) ratio of Scheduled Commercial Banks (SCBs) continued its downward trend, reaching 2.8 per cent of the gross advances at the end of March 2024 from its peak of 11.2 per cent in FY 2017-2018. The improvement in SCBs' asset quality has been broad-based. As SCBs bolstered their capital base by capitalizing reserves from higher profits and raising fresh capital, their capital-to-risk weighted assets ratio (CRAR) became 16.8 per cent in March 2024, well above the regulatory minimum.

Central Government Finances

The Union Government's commitment towards fiscal consolidation is underlined by the achievement of the budgeted fiscal deficit targets over the past years. Continuing on the path of fiscal consolidation witnessed in the post-pandemic years, the fiscal deficit of the Union Government declined to 5.6 per cent of GDP as per Provisional Actuals (PA) published by the Controller General of Accounts (CGA), while the revenue deficit declined to 2.6 per cent of GDP in FY 2023-2024.

Revenue receipts have shown continued buoyancy in the past years, driven by robust growth in tax collection. As per the PA of 2023-2024, the gross tax revenue and tax-net to Centre increased by 13.4 per cent and 10.9 per cent, respectively. The total expenditure of the Union Government registered a growth of 5.9 per cent in FY 2023-2024 (PA). While the Union Government in the past years prioritized capital expenditure to sustain and enhance the growth, the fiscal policy also assisted in achieving the longer-term objective of ensuring strong macro-economic fundamentals.

Growth Outlook

The upward revision of growth forecast for India by major international organizations, including IMF, World Bank, and Organization for Economic Cooperation and Development, underscores the country's macroeconomic strength and strong growth prospects. As per the projections of WEO database of IMF, India is likely to become the third-largest economy in 2027 (in USD at market exchange rate).

A promising outlook for the agricultural sector is emerging with an above normal southwest monsoon forecast. Strong corporate and bank balance sheets are expected to bolster the economic landscape, while the Government's continuous focus on capital expenditure augurs well for sustained growth. The Government's focus on infrastructure and logistics improvements is focused on crowding-in private investment. Short-term growth prospects, thus, appear bright. The Reserve Bank of India has projected a growth of 7.2 per cent for India in FY 2024-2025. Nonetheless, continuance of global uncertainties presents a downside risk to India's short-term growth prospects. Any worsening of geopolitical tensions is likely to impact global economic stability, including for India, due to the impact on global trade and capital flows.

As regards India's medium-term prospects, the country's digital infrastructure has witnessed remarkable growth in the last few years, cutting across sectors. The digital revolution is poised to propel expansion of economic activities, including modes of service delivery over the coming decade. Further, the fortification of the Start-Up ecosystem, coupled with initiatives like the Production Linked Incentives, will bolster manufacturing output and opportunities. This combined with focus on inflation targeting, alignment of monetary policy to the requirement of price stability, and orderly growth is expected to contribute to steady growth in business, enterprise and consumer confidence.

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SECTORAL ANALYSIS

Agriculture and Allied Sectors — Positive

Budget Proposal

- Natural Farming Initiatives: Over the next two years, the government plans to introduce 10 million farmers to natural farming practices, promoting sustainable agricultural methods.
- Research and Development: New 109 high-yielding, climate-resilient varieties of 32 field and horticulture crops to be released for cultivation by farmers.
- Self-Reliance in Oilseeds: in the production, storage, and marketing of key oilseeds such as mustard, groundnut, sesame, soybean, and sunflower.
- Digital Infrastructure: digital crop survey for Kharif crops in 400 districts, integrating data from six crore farmers into national registries to streamline access to agricultural services.
- Vegetable Production Clusters: establishment of large-scale vegetable production clusters near major consumption centers.
- Support for Aquaculture: financial support scheme for the aquaculture sector, including the establishment of nucleus breeding centers for shrimp broodstocks and facilitating funding through NABARD.

Impact

- These measures should boost agricultural productivity and resilience and promote sustainable practices.
- Measures are expected to strengthen the supply chains and market access. This will support farmer producer organizations and cooperatives.

Infrastructure
Positive

Budget Proposal

- Government to spend ₹ 11.1 Lakh Crore on Capex in FY 2024-2025, which will be around 3.4% of the GDP.
- ₹ 1.5 Lakh Crore provision for long-term interest-free loans to support infrastructure investments by state governments.
- Phase IV of PMGSY to provide all-weather connectivity to 25,000 rural habitations.
- Accelerated Irrigation Benefit Programme to provide support of ₹ 11,500 Crore for projects such as Kosi-Mechi intra state link to Bihar.
- Road connectivity projects to be developed at the cost of ₹ 26,000 Crore.
- Special financial support of ₹. 15,000 Crore provided for Andhra Pradesh to support capital investment projects.
- Urban development - housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹ 10 Lakh Crore. This will include the central assistance of ₹ 2.2 Lakh Crore in the next 5 years.

Impact

- Capex investment provides a multiplier effect which will provide a boost to economic growth.
- Emphasis on Urban Infrastructure will facilitate development of 'Cities as growth hubs'.
- Substantial investments under PM Awas Yojana will revitalize the affordable housing segment, which has faced challenges in recent years.

Energy

Positive

Budget Proposal

- PM Suryaghar Muft Bijli Yojana initiative aims to install rooftop solar panels for one crore households, providing free electricity up to 300 units per month.
- The budget proposes a new policy to promote pumped storage projects, which are crucial for integrating renewable energy sources like solar and wind into the grid.
- The government plans to significantly incorporate nuclear energy into the energy mix, with initiatives for setting up small modular reactors and advancing research in nuclear technologies.
- There is a proposed exemption of Basic Customs Duty (BCD) on capital equipment for solar manufacturing.
- There was an emphasis on the need for investments in renewable energy, including policy measures and viability gap funding (VGF) to support clean energy projects. This includes incentives for battery storage and other renewable technologies
- The budget allocation for the National Green Hydrogen Mission has been doubled from the previous year, with ₹600 crore (USD 72 million) allocated in 2024-2025. Under the Green Hydrogen Initiatives there are recommendations of a hydrogen purchase obligation for sectors like refineries and fertilizers.

Impact

- The budget outlines a roadmap for decarbonizing sectors that are challenging to transition, such as refineries and steel production by leveraging advanced technologies in thermal & nuclear power generation.
- With the Suryaghar Ghar Muft Bijli Yojana upto 1 crore households would obtain free electricity
- The changes in customs duty are expected to boost domestic production and job creation in the solar sector.

- The Green Hydrogen Initiatives are expected to drive domestic demand for the same.
- It reflects the government's comprehensive approach to fostering renewable energy growth, enhancing energy security, and addressing climate change challenges in India.

Education, Employment & Skilling — Positive

Budget Proposal

- Announcement of a substantial allocation of ₹ 1.48 Lakh Crore aimed at enhancing employment opportunities and skill development for the youth.
- A new package of schemes with an outlay of ₹ 2 Lakh Crore to create employment opportunities for approximately 4.1 Crore youth over the next five years.
- Internship opportunities for 1 Crore students in 500 top companies, offering a monthly stipend of ₹ 5,000 for 12 months. The companies will cover training costs, with a portion funded through Corporate Social Responsibility (CSR) initiatives.
- Introduction of a centrally sponsored scheme to skill 20 Lakh youth over five years and upgrading 1000 Industrial Units using a hub & spoke model
- Providing financial support by launch of a revised skill loan scheme allowing loans up to ₹ 7.5 Lakh to assist 25,000 students annually & loan upto ₹ 10 Lakh for higher domestic education with a 3% interest subvention for one Lakh students per year
- Introduction of employment linked incentives by providing a one-time wage subsidy of up to ₹ 15,000 in three installments for first time employees registered with EPFO
- Incentives for employers hiring new employees, including reimbursement of up to ₹ 3,000 per month for two years for additional hires.

Impact

- By integrating financial support for education, internship opportunities, and direct incentives for both job seekers and employers, the government is taking a proactive approach to address the skill gaps and unemployment issues facing the youth today.
- This comprehensive strategy is expected to foster a more skilled workforce, ultimately contributing to India's economic growth and development.

Manufacturing — Positive

Budget Proposal

- A new credit guarantee scheme will be introduced to facilitate term loans for MSMEs, covering up to ₹100 crore for each applicant. This self-financing guarantee fund aims to mitigate credit risks, allowing MSMEs to secure loans without collateral or third-party guarantees
- The government will set up e-commerce export hubs in partnership with the private sector, enabling MSMEs and traditional artisans to access international markets more effectively
- Increasing the limit for Mudra loans from ₹ 10 Lakh to ₹ 20 Lakh and ensuring the continuity of bank credit to MSMEs during periods of financial stress, enhancing stability for these enterprises
- In-house capabilities will be set up by public sector banks to assess MSME's for credit based on scoring of digital footprints of MSMEs in the economy
- Facilitate development of investment-ready "plug and play" industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector, 12 parks under the National Industrial Corridor Development Programme also will be sanctioned.
- Ownership, leasing and flagging reforms will be implemented to improve the share of the Indian shipping industry and generate more employment.

Impact

- The focus on skill development and credit support for MSMEs will empower small and medium enterprises to enhance their competitiveness and contribute to the overall growth of the sector.
- The new assessment system will be a significant improvement over the traditional assessment of credit eligibility which was based only on asset or turnover criteria and would involve MSMEs without formal accounting system as well.
- Overall, the initiatives to develop industrial parks and reform the shipping sector are well-aligned with the government's vision of making India a global manufacturing and trade hub.

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