THE INTERIM UNION BUDGET 2024

AN OVERVIEW

A publication by BDO in India

INTERIM BUDGET 2024

The Hon'ble Finance Minister presented the interim Union Budget of 2024 (interim Budget). While presenting the interim Budget, the Hon'ble Finance Minister asserted that the Indian economy has undergone a profound positive transformation in the last decade. The Hon'ble Finance Minister also emphasised that besides delivering on high growth in terms of Gross Domestic Product, the Government is equally focused on a more comprehensive 'GDP', i.e., 'Governance, Development and Performance'. The Hon'ble Finance Minister put focus on four major classes viz. Poor, Women, Youth and Farmer and stated that their needs, aspirations, welfare are the highest priority for the Government.

We are pleased to share a synopsis of the key policy announcements and the tax proposals from this interim Budget.

Key policy announcements

- **Research and innovation for catalysing growth, employment and development**

  A corpus of INR 1,000 bn will be established with 50-year interest free loan to provide long-term financing or refinancing with long tenures and low or nil interest rates. This will encourage the private sector to scale up research and innovation significantly in sunrise domains.

  A new scheme will also be launched for strengthening deep-tech technologies for defence purposes and expediting self-dependency.

- **Promoting foreign investment**

  The FDI inflow during 2014-23 at USD 596 bn was twice the inflow during 2005-14. For encouraging sustained foreign investment, bilateral investment treaties with foreign partners will be negotiated, in the spirit of 'first develop India'.

- **Infrastructure Development**

  Building on the massive increase in the capital expenditure outlay in the past 4 years resulting in a huge multiplier impact on economic growth and employment creation, the outlay for the next year is being increased by 11.1% to INR 11,111 bn constituting 3.4% of GDP.

  Three major economic railway corridor programmes viz. (a) energy, mineral and cement corridors (b) port connectivity corridors, and (c) high traffic density corridors will be implemented to improve logistics efficiency and reduce cost. Further, 40,000 normal rail bogies will be converted to the latest standards to enhance the safety, convenience and comfort of passengers.

- **Green energy and sustainability**

  Towards meeting India's commitment to 'net-zero' by 2070, the following measures will be taken.

  - Viability gap funding for harnessing offshore wind energy potential for the initial capacity of one giga-watt.
  - Coal gasification and liquefaction capacity of 100 MT to be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia.
  - Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.
  - Financial assistance for procurement of biomass aggregation machinery to support collection.

  To promote green growth, a new scheme of bio-manufacturing and bio-foundry will be launched. This will provide environment-friendly alternatives such as biodegradable polymers, bioplastics, biopharmaceuticals and bioagri inputs.

  The e-vehicle ecosystem will be expanded and strengthened by supporting manufacturing and charging infrastructure. Greater adoption of e-buses for public transport networks will be encouraged through payment security mechanisms.

  Through rooftop solarization, 10 million households will be enabled to obtain up to 300 units of free electricity every month.

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- **Development of tourist centres**

  States will be encouraged to take up comprehensive development of iconic tourist centres, branding and marketing them at a global scale. A framework for rating of the centres based on the quality of facilities and services will be established. Long-term interest-free loans will be provided to States for financing such development on a matching basis.

  Projects for port connectivity, tourism infrastructure and amenities will be taken up on islands. This will also help in generating employment.

- **Focus on growth of Micro, Small and Medium Enterprises (MSMEs)**

  Timely and adequate finances, relevant technologies and appropriate training would be provided to the MSMEs to grow and compete globally.

Direct tax proposals

In the interim budget, the Hon'ble Finance Minister has not proposed any changes to the existing tax rates. Hence, the tax rate for the fiscal year 2023-24 would continue during the interim period till the new Government presents its full budget for FY 2023-24 post the general elections that could be held during April / May 2024. The existing tax rates remain unchanged for FY 2024-25. The Hon'ble Finance Minister has proposed a few amendments to provide continuity for few tax benefits and exemptions.

Extension of timelines for certain tax relaxations

- The investment division of the offshore banking unit in the International Financial Services Centre (IFSC) which is granted a Category 1 Foreign Portfolio Investor license is entitled to tax exemption on certain income under section 10(4D) of the Income-tax Act, 1961 (IT Act) subject to certain conditions. One of the conditions being that their operations are commenced before 31 March 2024. It is proposed to extend this time limit to 31 March 2025.
- Income of a non-resident in the nature of royalty or interest on account of the lease of an aircraft or a ship which is paid by the Unit of an IFSC is exempt under section 10(4F) of the IT Act if the said unit has commenced operations on or before 31 March 2024. It is proposed to extend this time limit to 31 March 2025.
- Wholly owned subsidiary of Abu Dhabi Investment Authority, Sovereign Wealth Fund (fulfilling specified conditions) and pension funds (fulfilling specified conditions) are exempted from tax if the income is in the nature of dividend, interest or long-term capital gains arising from investments made by it in India. One of the conditions for claiming this exemption is that the investment should have been made between fiscal year (FY) 2020-21 and 2023-24. It is proposed to extend this time limit to 31 March 2025.
- Profits and gains derived by an eligible start-up from an eligible business are allowed a deduction of 100% for 3 consecutive years out of 10 years. The current provisions require the start-up to be incorporated before 1 April 2024. It is proposed to extend this time limit to 1 April 2025.
- An IFSC unit is entitled to a deduction of 100% for 10 consecutive years out of the 15 years in respect of income from the transfer of an asset being an aircraft or a ship. This exemption is available if such IFSC unit has commenced operations on or before 31 March 2024. It is proposed to extend this time limit to 31 March 2025.

- **Tax Collection at Source**

  An amendment is proposed to bring the rate for Tax Collected at Source (TCS) in respect of the following transaction to be in line with the Press Release issued on 28 June 2023 and Circular No. 10 of 2023 issued by the Central Board of Direct Taxes. The TCS rates post-proposed amendment is tabulated hereunder:

Purpose of remittance	Upto INR 7 lakhs	Above INR 7 lakhs
Education	NIL	5%
Education Loan Repayment (80E)	NIL	0.5%
Medical Treatment	NIL	5%
LRS (Other than above)	NIL	20%
Payment to Tour operator for Foreign Travel	5%	20%

- **Administrative measures**

  Up to 31 March 2024, the Central Government has powers to give direction to proceedings by the following authorities, with an aim to impart greater efficiency, transparency and accountability:

  - Transfer Pricing Officer
  - Dispute Resolution Panel
  - Income Tax Appellate Tribunal

  It is now proposed to extend this time limit to 31 March 2025. Hence, effectively the Central Government would have the powers to give direction up to 31 March 2025.

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- **Withdrawal of outstanding demands**

  It is proposed to withdraw outstanding direct tax demands up to INR 25,000 pertaining to the period up to FY 2009-10 and up to INR 10,000 for FY 2010-11 to 2014-15.

Indirect tax proposals

- **Input Service Distributor (ISD):**
  - In line with the recommendations made in the 50th GST Council meeting held on 11 July 2023, the ISD mechanism is to be made mandatory.
  - The procedural mechanism for distribution to be included in CGST Rules.
- **Imposition of penalty for non-compliance with the special procedure relating to registration of machines (under Section 148 of the CGST Act):**
  - A special procedure for registration of machines by manufacturers of certain pan masala/tobacco products has been issued, to be made effective from 1 April 2024.
  - Non-registration of such machines to attract -
    - Penalty equal to INR 0.1mn for every unregistered machine
    - Seizure and confiscation.

    However, the machine will not be confiscated in the following circumstances:
    - Penalty imposed as above is paid; and
    - Machine is registered as per the special procedure within 3 days of the receipt of the order imposing the penalty.

The Hon'ble Finance Minister concluded her interim budget presentation with a positive outlook, signalling the Government's determination to continue fostering inclusive growth and development.

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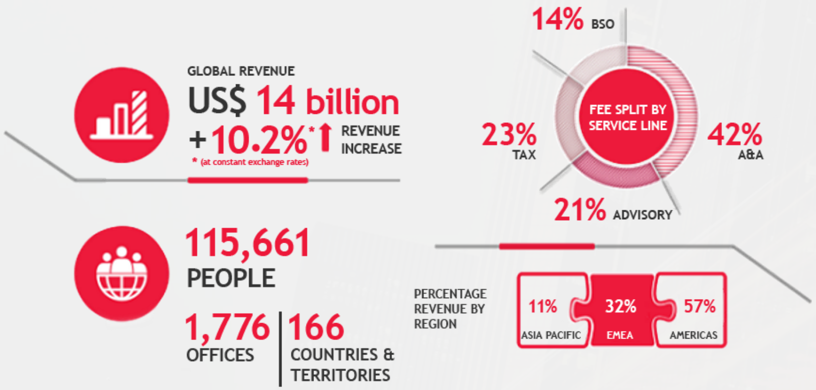

*Note: Financial results are as of 30 September 2023

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