KEY HIGHLIGHTS OF FINANCE (No. 2) BILL, 2024

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Source: Finance (No. 2) Bill, 2024

1

Proposed Changes in Tax Rates

Changes in Tax Rates

- No changes are proposed in old tax regime.
- Under the new tax regime as given in Section 115BAC, following tax rates are proposed:

S. No	Income Range	Tax Rate
1)	Up to Rs. 3,00,000	Nil
2)	From Rs. 3,00,001 to Rs. 7,00,000	5%
3)	From Rs. 7,00,001 to Rs. 10,00,000	10%
4)	From Rs. 10,00,001 to Rs. 12,00,000	15%
5)	From Rs. 12,00,001 to Rs. 15,00,000	20%
6)	Above Rs. 15,00,000	30%

- The tax rate for foreign companies is proposed to be reduced from 40% to 35%.

2

Deductions and Exemptions

Deductions and Exemptions

- Section 80G is proposed to be amended to provide deductions for donations to the 'National Sports Development Fund' set up by the Central Government
- The following amendments are proposed for the taxpayers opting for the new tax regime:
  - Standard deduction from salary is proposed to be increased from Rs. 50,000 to Rs. 75,000
  - Deduction from the family pension is proposed to be increased from Rs. 15,000 to Rs. 25,000
  - Deduction under Section 80CCD for employer's contributions to NPS is proposed to be allowed to the employees up to 14% of salary [Consequential amendment is also proposed to Section 36(1)(iva) to allow a deduction to the employers for such contribution.]

3

Business or Profession

Business or Profession

- A new presumptive taxation regime under Section 44BBC is proposed for non-residents operating cruise ships.
- In the case of a foreign company, income from lease rentals is proposed to be exempted under Section 10(15B) if both the foreign company and the cruise ship operator have the same holding company.
- To prevent misuse of deductions of expenses claimed by life insurance businesses, any expenditure not admissible under Section 37 from business profits and gains is proposed to be added back to the profits and gains of the life insurance business.
- Disallowance under Section 37 for the expenditure incurred for any purpose which is an offence or prohibited by law is proposed to include any expenditure incurred to settle proceedings in relation to the contravention under such law, as notified by the Central Government.

Business or Profession

- The limit on remuneration payable by the partnership firm to the partner has been proposed to be increased. As per the revised limit, up to Rs. 6,00,000 of book profit or, in case of a loss, the remuneration to working partners shall be Rs. 3,00,000 or 90% of the book profit, whichever is higher.
- An Explanation is proposed to be inserted into Section 28 to specify that any income from letting out a residential house or part thereof by the owner shall not be chargeable under the head "Profits and gains of business or profession" and shall be chargeable under the head "Income from house property".

4

Capital Gains

Capital Gains

- Section 2(42A) has been proposed to be amended to specify just two holding periods, 12 months and 24 months, for determining whether a capital asset is short-term or long-term. The holding period shall be 12 months for the listed securities, equity-oriented funds, units of business trust & zero-coupon bonds and 24 months for all other assets.
- The rate for short-term capital gains under Section 111A on STT-paid equity shares, units of equity-oriented mutual funds, and units of a business trust is proposed to be increased from 15% to 20%.
- The tax rate on long-term capital gains is proposed to be 12.5% for all categories of assets.
- Indexation available under the *second proviso* to Section 48 is proposed to be removed for computing long-term capital gains.

Capital Gains

- Long-term capital gain from listed equity shares, units of equity-oriented funds, and business trusts are taxable under Section 112A if it exceeds Rs. 1,00,000. This limit is proposed to be increased from Rs. 1,00,000 to Rs. 1,25,000.

- Section 55(2)(ac) is proposed to be amended to substitute the cost of acquisition with the FMV in the case of the specified unlisted equity share transferred in an offer for sale to the public included in an IPO. The FMV would mean an amount which bears to the cost of acquisition the same proportion as CII for the financial year 2017-18 bears to the CII for the first year in which the asset was held by the assessee or for the year beginning on the first day of April 2001, whichever is later.

- Unlisted debentures and unlisted bonds are proposed to be taxed at applicable rates under Section 50AA.

Capital Gains

- Section 50AA is a special tax regime for Market Linked Debentures and Specified Mutual Funds. This provision is proposed to be amended to specify that ‘only mutual funds that invest more than 65% of their total proceeds in debt and money market instruments or funds that invest in 65% or more in such mutual funds’ are to be covered under Section 50AA.
- Section 47(iii) is proposed to be amended to specify that the transfer of a capital asset under a gift or will, or by an irrevocable trust, by an individual or HUF will not be considered a transfer. Thus, gifts made by a company are subject to capital gains tax.

Capital Gains

- The amount received on the buy-back of shares is proposed to be taxed in the hands of the recipient shareholder under section 2(22)(f). However, the cost of acquisition of such shares will be treated as a capital loss, which shall be allowed to be set off or carried forward against any other capital gains as per the extant provisions.

5

Charitable & Religious Trusts

Charitable & Religious Trusts

- Approval-based exemption for charitable trusts under Section 10(23C) is proposed to be merged with the exemption scheme under Sections 11 to 13.
- The Principal Commissioner/Commissioner is proposed to be empowered to condone delays in filing registration applications by trusts or institutions for reasonable causes.
- Timelines for disposing of applications filed by charitable trusts for the renewal of regular registration or the conversion of provisional registration to regular registration are proposed to be extended to six months from the end of the quarter in which the application was received by the PCIT/CIT.

Charitable & Religious Trusts

- A new Section 12AC is proposed to be inserted to facilitate the merger of approved/registered charitable trusts with other trusts or institutions with similar objectives without imposing the exit tax.
- Section 11(7) is proposed to be amended to include references to clause (23EA), clause (23ED), and clause (46B) of Section 10. This will enable trusts registered under Section 12AB to claim exemptions under specified clauses of Section 10.

6

Assessment & Appeals

Assessment & Appeals

- A new block assessment scheme is proposed for search and requisition cases. The 'block period' is proposed to include the year when the search or requisition was initiated and the six assessment years before that year. Several other amendments are also proposed to make the procedure of assessment of search cases cost-effective, efficient and meaningful.
- Section 148A is proposed to be amended to allow reopening of assessment after 3 years but before 5 years only if the escaped income is Rs. 50 lakh or more.
- A limitation period has been proposed to be introduced for the completion of the assessment of returns filed pursuant to an order under Section 119(2)(b). The limitation period shall be 12 months from the end of the financial year in which such return is furnished.
- A reference to Section 250 is proposed to be inserted in Section 153(3) to provide the time limit for disposal of cases that are set aside by the Commissioner (Appeals).

Assessment & Appeals

- The time limit for filing an appeal to the ITAT under Section 253 is proposed to changed. The appeal before the ITAT may be filed within two months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner, as the case may be.
- Reference of Section 158BFA is proposed to be inserted in Section 253 to enable an aggrieved assessee to file an appeal to ITAT against penalty orders passed by the Commissioner (Appeals).
- Section 151 is proposed to be substituted to provide that the specified authority for sections 148 and 148A shall be the Additional Commissioner or Additional Director or the Joint Commissioner or the Joint Director.
- The Direct Tax Vivad Se Vishwas Scheme, 2024, is proposed to offer a settlement mechanism for disputed issues.

7

TDS/TCS

TDS/TCS

- A new Section 194T has been proposed to deduct 10% tax from salary, remuneration, interest, bonus, or commission paid or payable by the firm to the partners. TDS liability shall arise if the total sum paid or payable exceeds Rs. 20,000 in a financial year.
- In the case of multiple transferors or transferees in the transfer of immovable property, the threshold for tax deduction under Section 194-IA is proposed to be the total sum paid or payable by all transferees to all transferors.
- TDS under Section 193 is proposed to apply while paying interest exceeding Rs. 10,000 on Floating Rate Savings Bonds (FRSB) 2020 and any securities notified by the government.
- The 5% TDS rate under Section 194DA, Section 194G, Section 194H, Section 194-IB, and Section 194M is proposed to be reduced to 2%.
- Any sum referred to in Section 194J(1) is proposed not to be treated as "work" for the purposes of TDS under Section 194C.

TDS/TCS

- Section 198 is proposed to be amended to clarify that the income tax paid outside India, for which an assessee is allowed a credit against the tax payable under the Act, is deemed to be income taxable in India.
- No prosecution under Section 276B is proposed, if the deductor has deposited TDS before the due date prescribed for filing the TDS statement of the quarter.
- Tax deducted under Section 194Q and tax collected at source under Section 206C(1H) are proposed to be covered under the scope for lower deduction/collection certificate of tax at source.
- A limitation period is proposed for filing the TDS/TCS correction statement. It cannot be filled beyond six years from the end of the financial year in which the original statements under Section 200 and Section 206C were filed.

TDS/TCS

- The TDS rate under Section 194-O on payment by e-commerce operators to e-commerce participants is proposed to be reduced from 1% to 0.1%.
- TDS under Section 194F from payments on account of repurchase of units by Mutual Fund or Unit Trust of India is proposed to be omitted.
- It is proposed that no order shall be issued treating a person as an assessee-in-default for failing to deduct or collect tax after six years from the end of the financial year of payment or credit, or two years from the end of the financial year when the correction statement is delivered, whichever is later.
- Section 200A is proposed to be amended to provide that in respect of TDS statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements.

TDS/TCS

- Credit of TCS of the minor is proposed to be allowed where the income of the minor is being clubbed with the parent under Section 64(1A).
- TCS credit is proposed to be allowed for the calculation of tax to be deducted from salary.
- It is proposed that tax collection shall be at a lower rate or not collected at all for specified transactions from persons or entities notified by the Central Government in the Official Gazette.
- The interest rate where TCS has been collected but not deposited to the credit of the Central Government is proposed to increase from 1% to 1.5%.
- TCS under Section 206C(1F) is proposed to be collected on sales of notified luxury goods where the value exceeds Rs. 10 lakh.

8

Penalties

Penalties

- A penalty under Section 271FAA is proposed to apply if a person referred under Section 285BA(1) furnishes inaccurate information or fails to comply with due diligence.
- Section 271H is proposed to be amended not to impose any penalty, if the person proves that, after paying TDS/TCS with fees and interest, the statement was filed within one month of the due date.

9
Miscellaneous

Miscellaneous

- Angel tax under Section 56(2)(viib) is proposed to be abolished from the assessment year 2025-26.
- It is proposed that everyone allotted a Permanent Account Number based on their Aadhaar Enrolment ID must provide their Aadhaar number by a notified date.
- The provision allowing the quoting of an Aadhaar Enrolment ID in place of an Aadhaar number is proposed to be discontinued.
- The provisions of Section 139 are proposed to apply to the returns of income furnished under section 119(2)(b).
- The equalisation levy at the rate of 2% is proposed to be withdrawn in respect of the consideration received or receivable for e-commerce supply or services on or after 01-08-2024.

Miscellaneous

- It is proposed that the provisions of the Dispute Resolution Panel (DRP) shall not apply to assessment proceedings in search cases.
- Section 245Q is proposed to be amended to allow the withdrawal of applications by October 31, 2024, for transferred cases before the Board for Advance Rulings (BAR) from the Authority for Advance Rulings (AAR) where no order under Section 245R(2) has been passed. Upon receipt of a withdrawal request, the Board for Advance Rulings may reject the application as withdrawn by December 31, 2024.
- It is proposed that the STT rates on the sale of an option in securities be increased from 0.0625% to 0.1% and on the sale of futures in securities be increased from 0.0125% to 0.02.

Miscellaneous

- Section 230(1A) specifies that no person domiciled in India shall leave India unless he obtains a certificate from the income-tax authorities stating that he has no liabilities under the Income-tax Act, 1961. The scope of this provision is proposed to be extended so that no liability should be outstanding from such a person leaving India under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- The threshold limit of foreign assets (other than immovable property) for reporting in Schedule FA of the Income Tax Return has been increased from Rs. 5 lakh to Rs. 20 lakh.

Thank You