

**Budget Circular**  
Finance (No. 2) Bill, 2024

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CHARTERED ACCOUNTANTS

## DIRECT TAX

The Hon'ble Finance Minister has presented The Finance (No. 2) Bill, 2022 on 23.07.2024. The broad proposals are set out as below:

▪ **Rates of Income tax – For AY 2025-26**

There is no change in the rate of Corporate Income-Tax for domestic companies. However, Corporate Income-Tax for Foreign Companies has been reduced to 35%.

There is no change in the rate of Personal Income-Tax under the Old Tax Regime.

However, the following slab structure has been proposed for Personal Income-Tax under the New Tax Regime which are as follows:

Upto Rs. 3,00,000	-	Nil
From Rs. 3,00,001 to Rs. 7,00,000	-	5%
From Rs. 7,00,001 to Rs. 10,00,000	-	10%
From Rs. 10,00,001 to Rs. 12,00,000	-	15%
From Rs. 12,00,001 to Rs. 15,00,000	-	20%
Above Rs. 15,00,000	-	30%

Further a deduction of Rs. 75,000 under Section 16(ia) shall be available under the New Tax Regime in case of Salaried employees only. However, the deduction of Rs. 50,000 under Section 16(ia) will continue under the Old Tax Regime.

Further in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent of such income or Rs. 25,000, whichever is less shall be available under the New Tax Regime. The restriction of deduction upto Rs. 15,000 shall continue under the Old Tax Regime.

▪ **Section 56(2)(viib) – Taxability of issue of shares at premium exceeding FMV to end**

It is proposed to amend section 56(2)(viib) to provide that the provisions “*where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares, if the consideration received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares exceeding such fair market value shall be chargeable to income tax under the head “Income from other sources”*” shall no longer apply from AY 2025-26 onwards.

▪ **Changes under Capital Gain**

The following changes to the taxation of capital gain has been proposed:

- All listed securities shall be classified as long term if held for more than 12 months and for all other assets the holding period shall be 24 months for classification as long term.
- Rate of tax for Short Term Capital Gains under Section 111A has been increased from 15% to 20%.
- Increase in exemption amount of long term capital gains under Section 112A to Rs. 1,25,000.
- Rate of tax for long term capital under Section 112A has been increased from 10% to 12.50%.
- Rate of tax for long term capital gain of listed bonds and debentures has been reduced from 20% to 12.50%.
- Further rate of tax for long term capital gains for any other assets has been reduced to 12.50%.
- Indexation benefit available for computation of long term capital gains has now been removed.
- Unlisted bond and unlisted debentures will now be taxable as short term capital asset irrespective of the holding period and will now be taxable at the applicable rate.
- These provisions have come into effect on and from 23<sup>rd</sup> July 2024 and accordingly any transfer carried out on or after 23<sup>rd</sup> July 2024 shall be subject to the above mentioned new provisions.

▪ **Taxation of Buyback of shares**

The buyback of shares shall no longer be taxable in the hands of the company buying back its own shares.

It is proposed that the sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable rates.

Further no deduction for expenses shall be available against such dividend income while determining the income from other sources.

Furthermore, the cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished at a deemed value of consideration being Nil.

These provisions will apply in respect of buyback of shares that take place on or after 1<sup>st</sup> day of October 2024.

▪ **Reporting of income from letting out of house property under 'Income from House Property'**

It is being clarified by way of amendment that any income from letting out of a residential house or a part of the house 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".

▪ **Search Assessments – Introduction of Chapter XIV-B**

This Chapter shall apply for the cases where the search is initiated on or after the 1<sup>st</sup> day of September 2024.

Some of the key provisions of the new chapter is as follows:

- “block period” means the period comprising previous years relevant to six assessment years preceding the previous year in which the search was initiated under section 132 or any requisition was made under section 132A
- As per the provision of Section 158BA - The assessment or reassessment or recomputation under the provisions of this Act (other than this Chapter), if any, pertaining to any assessment year falling in the block period, pending on the date of initiation of the search under section 132, or making of requisition under section 132A, as the case may be, shall abate and shall be deemed to have abated on the date of initiation of search or making of requisition.
- There will be one consolidated assessment for the block period.
- The total income relating to the block period shall be charged to tax, at the rate specified in section 113, as income of the block period irrespective of the previous year or years to which such income relates.
- No interest under the provisions of section 234A, 234B or 234C or penalty under the provisions of section 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.
- Penalty on the undisclosed income of the block period as determined by the Assessing officer shall be levied at fifty per cent of the tax payable on such income. No such penalty shall be levied if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return. Further interest at the rate of 1.50% for every month or part of the month shall be payable by the assessee if it fails to file the return of total income in the time as specified in the notice under Section 158BC(1)(a).

▪ **Disallowance of settlement amounts paid to settle proceedings**

It is proposed to amend provisions of Section 37 so as to widen the definition of “*expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law*” to include “*any amounts paid to settle proceedings initiated in relation to contravention under such law*”. This provision will be applicable in relation to AY 2025-26 and onwards.

▪ **Reduction of time limit in cases of reassessment under Section 148**

It is proposed to reduce the time limit for issue of notice under section 148A to a period not later than 5 years from the end of relevant assessment year in cases where income escaped amounts to Rs. 50 lakhs or more. This provision will apply for notices issued on or after 1<sup>st</sup> day of September 2024.

▪ **Revision of TDS Rates**

Section	Present TDS Rate	Proposed TDS Rate	With Effect from
194D – Payment of insurance commission	5%	2%	01.04.2025
194DA – Payment in respect of life insurance policy	5%	2%	01.10.2024
194G – Commission etc on sale of lottery tickets	5%	2%	01.10.2024
194H – Payment of commission or brokerage	5%	2%	01.10.2024
194IB – Payment of rent by certain individuals or HUF	5%	2%	01.10.2024
194M – Payment of certain sums by certain individuals or HUF	5%	2%	01.10.2024
194O – Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	01.10.2024
194F – payments on account of repurchase of units by Mutual Fund or Unit Trust of India		Nil	01.10.2024

▪ **TDS on Sale of Immovable Property**

It is proposed to amend sub-section (2) of section 194-IA of the Act to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property. This will be with effect from 1<sup>st</sup> day of October 2024.

▪ **TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners**

It is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%. The provisions of section 194T of the Act will take effect from the 1st day of April, 2025.

▪ **Restriction in time limit to file correction statement in respect of TDS/ TCS statements**

No correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in sub-section (3) of section 200 and statement referred to in the proviso to sub-section (3) of section 206C are respectively delivered.

▪ **Increase in limit of remuneration to working partners to be allowed as deduction**

The following is proposed for computing the limit of remuneration to working partners of a firm to be allowed as deduction:

(a)	on the first Rs. 6,00,000 of the book-profit or in case of a loss	Rs. 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more;
(b)	on the balance of the book-profit	at the rate of 60 per cent :

This will be with effect from 01.04.2025 and will be applicable in relation to AY 2025-26 and onwards

▪ **Increase in STT on F&O**

It is proposed to increase the STT to 0.1% in case of sale of option in securities and to 0.02% in case of sale of futures in securities. These provisions will be with effect from 1<sup>st</sup> day of October 2024.

▪ **Power of Commissioner (Appeals) in cases of best judgment assessment**

It is proposed that in cases where assessment order was passed as best judgment assessment case under Section 144, then the Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the AO for making a fresh assessment.

This amendment will take effect from the 1st day of October, 2024. It will be applicable to appellate orders passed by the Commissioner (Appeals) on or after 01.10.2024.

▪ **Rationalisation of Time Limit for filing of appeal to ITAT**

It is proposed that 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. This amendment will take effect from the 1st day of October, 2024.

▪ **Direct Tax Vivad se Vishwas Scheme, 2024**

The Finance Minister has once again proposed to launch an amnesty scheme DTVSV, 2024 under Income Tax for all disputed appeal matters in order to provide relief to the assessee.

The new appellants after the 31<sup>st</sup> day of January 2020, the assessee has been directed to pay 100% of the disputed tax demand within 31st December 2024 or 110% of the disputed tax demand after the said date in order to benefit under the scheme.

Further for appellants prior to 31<sup>st</sup> day of January 2020 still litigating at the same appellant forum, the assessee has been directed to pay 110% of the disputed tax demand within 31st December 2024 or 120% of the disputed tax demand after the said date in order to benefit under the scheme.

## **GOODS & SERVICES TAX**

- **Restriction on application of Section 73 – Determination of tax in cases other than fraud or any wil-ful misstatement or suppression of facts**  
Section 73 is being amended to restrict the applicability of the said section for determination of tax pertaining to the period upto Financial Year 2023-24.
  
- **Restriction on application of Section 74 – Determination of tax in cases pertaining to fraud or any wil-ful misstatement or suppression of facts**  
Section 74 is being amended to restrict the applicability of the said section for determination of tax pertaining to the period upto Financial Year 2023-24.
  
- **Insertion of Section 74A – Determination of tax in cases pertaining to tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason**  
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 for any reason pertaining to the Financial Year 2024-25 onwards. It also provides for the same limitation period for issuing demand notices and orders in respect of demands from the Financial Year 2024-25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not, while keeping a higher penalty, for cases involving fraud, wilful misstatement, or suppression of facts.
  
- **Reduction of maximum amount of pre-deposit for filing appeal before the Appellate Authority**  
Sub-section (6) of section 107 of the CGST Act is being amended, so as to reduce the maximum amount of pre-deposit for filing appeal before the Appellate Authority from rupees twenty five crores to rupees twenty crores in central tax.

**THANK YOU**

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