

Interim Finance Budget 2024

**Proposed Amendments in
INCOME TAX PROVISIONS
effective A.Y. 2025-26 onwards**

FEBRUARY 1, 2024

Lovi Mehrotra & Associates
Chartered Accountants

Withdrawing of Outstanding demands

Government has proposed to withdraw outstanding tax demands as per detailed below:

- Up to Rs. 25,000 pertaining to Financial Year 2009 - 2010 and before.
- Up to Rs. 10,000 pertaining to Financial Year 2010 - 2011 to Financial 2014 – 2015.

Extension of Tax benefits and exemptions by 1 year (from 31.03.2024 to 31.03.2025)

A. Exemption to Specified Fund [Section 10(4D)]

- Section 10(4D) provides exemption to the specified funds with respect to certain specified income. Such exemption will be granted only with respect to income which is attributable to units held by a non-resident or is attributable to the investment division of an offshore banking unit, as the case may be.
- The exemption under Section 10(4D) is also allowed to the Investment division of the offshore banking unit. An investment division of an offshore banking unit shall be treated as a specified fund and eligible for exemption under this provision if it satisfies certain conditions. *One of the conditions is that its operations must be commenced on or before 31-03-2024.*
- This date to commence operations is proposed to be extended from 31-03-2024 to 31-03-2025. *Consequently, the specified income of the Investment division of an offshore banking unit will remain exempt if it initiates operations on or before 31-03-2025.*

B. Exemption to royalty or interest income received by a non-resident from lease of aircraft or a ship [Section 10(4F)]

- Any income of a non-resident by way of royalty or interest on account of leasing of an aircraft or a ship in a previous year to a unit of an International Financial Services Centre as referred to in Section 80LA(1A) shall be exempt from tax provided such unit *has commenced its operations on or before 31-03-2024.*
- This date of commencement of operations is *proposed to be extended from 31-03-2024 to 31-03-2025.*

Extension of Tax benefits and exemptions by 1 year (from 31.03.2024 to 31.03.2025) contd...

C. Extension in the outer date for the incorporation of start-up [Section 80-IAC]

- An eligible start-up can claim a deduction under Section 80-IAC for the profit and gains arising from eligible business. The deduction can be claimed up to 100% of the profits and gains derived in 03 consecutive years out of the 10 assessment years beginning from the year of incorporation.
- One of the conditions to claim deduction under this provision is that eligible Start-up is incorporated on or after 01-04-2016 but before 01-04-2024. *This outer date for the incorporation is proposed to be extended from 31.03.2024 to 31.03.2025.*
- Consequently, the deduction under Section 80-IAC will remain available to a start-up if incorporated on or before 31-03-2025.

D. Exemption to the wholly owned subsidiary of Abhudhabi Investment Authority or Sovereign wealth fund or Pension fund [Section 10(23FE)]

- Income in the nature of dividend, interest or long-term capital gains of a wholly owned subsidiary of the Abu Dhabi Investment Authority, a sovereign wealth fund, or a pension fund shall be exempt from tax. The exemption is allowed on fulfilment of certain conditions.
- The exemption under this provision shall be available if the investment is made between 01-04-2020 and 31-03-2024 in the specified entities. The Finance Bill 2024 proposes an extension of the deadline for making investments from 31-03-2024 to 31-03-2025.

Extension of Tax benefits and exemptions by 1 year (from 31.03.2024 to 31.03.2025) contd...

E. Deduction to Off-shore Banking Units and IFSC [Section 80LA]

- A Schedule Bank, a foreign Bank or a unit of IFSC is eligible to claim a deduction under Section 80LA. In the case of a bank, 100% of the income is deductible for 10 consecutive assessment years. In the case of a unit of an IFSC, 100% of income is deductible for 10 consecutive assessment years out of 15 years.
- Deduction is allowed for the income arising from the transfer of an asset, being an aircraft or a ship, which was leased by a unit of the IFSC from its business for which it has been approved for setting up at such a center in an SEZ.
- However, deduction in respect of this income shall be allowed if the unit has commenced operation on or before 31-03-2024.
- It is proposed that this date to commence operations be extended from 31-03-2024 to 31-03-2025.
- Consequently, deduction can be claimed even if the unit has commenced operations on or before 31-03-2025.

Extension in the time limit to issue directions by CBDT for implementing Faceless Regime

[Section 92CA, Section 144C, Section 253 and Section 255]

- The Central Government has undertaken several measures to make the proceedings under the Act electronic by eliminating the personal interface between the taxpayer and the department to the extent technologically feasible and providing for optimal utilization of resources and a team-based assessment with dynamic jurisdiction.
- To implement the faceless regime in the above-mentioned provisions, it was provided that the CBDT will issue directions up to 31-03-2024.
- The Finance Bill 2024 has proposed to amend the provisions to extend the date for issuing directions for Sections 92CA, 144C, 253 and 255 from 31-03-2024 to 31-03-2025.

TCS provisions proposed to be amended to align with the Circular No. 10 dated 30.06.2023

The Government vide circular no. 10/2023 dated 30.06.2023 amended TCS provisions applicable to foreign remittances. The amended provisions by this circular are applicable from 1.10.2023.

In the Interim Budget 2024 the amendments by this circular are proposed to be incorporated in the Income Tax Act under Section 206(1G).

Amendments brought about by the aforementioned circular now proposed to be incorporated in the Income Tax Act, are as under:

Nature of Payment	Earlier rate before Circular (up to 30.09.2023)	Amended rate after Circular (from 01.10.2023)
LRS for education, financed by loan from financial institution	Nil up to Rs. 7 Lac & 0.5% above Rs. 7 Lac	Nil up to Rs. 7 Lakh & 0.5% above Rs. 7 Lakh
LRS for Medical treatment/ education (other than financed by loan	Nil up to Rs. 7 Lac & 5% above Rs. 7 Lac	Nil up to Rs. 7 Lakh & 5% above Rs. 7 Lakh
LRS for other purposes	Nil up to Rs. 7 Lac & 5% above Rs. 7 Lac	Nil up to Rs 7 lakh & 20% above Rs 7 lakh
Purchase of Overseas tour program package	5% (without threshold)	5% till Rs 7 lakh & 20% thereafter

Interim Finance Budget 2024

**Proposed Amendments in
GOODS & SERVICE TAX PROVISIONS
effective A.Y. 2025-26 onwards**

FEBRUARY 1, 2024

Lovi Mehrotra & Associates
Chartered Accountants

Input Service Distributor (ISD) Mechanism

- Under the existing provisions of GST Law, distribution of input tax credit (ITC) of common input services obtained from third parties, to **distinct persons** through the Input Services Distributor (ISD) mechanism is not compulsory.
- **Distinct Persons** are the branches of the Same Legal entity registered under the Same PAN in different locations.
- Now it is proposed to make distribution of ITC through ISD Mechanism Compulsory.
- The Definition of ISD has been amended to make ***ISD registration compulsory if the office of the supplier of goods or services receives tax invoices towards receipt of input services for or on behalf of distinct persons.***
- Above provisions are applicable only towards receipt of input services **and not goods.**

Penalty for Non Registration of Machines used in Manufacture of Tobacco, Pan Masala and Other Similar Items.

- CBIC vide Notification No. 4/2024 dated 05.01.2024 has prescribed the process of Registration of Machines by Manufacturers of Tobacco, Pan Masala and Other similar items as mentioned in the Schedule to the Notification.
- Now, the Government has introduced section 122A which prescribed Penalty of Rs. 1 Lakh for every Machine which is not registered.
- In addition, Every Non registered machine shall be liable for seizure and confiscation provided that such machines will not be confiscated where:
 - The Penalty imposed is paid **and**
 - Registration of such machine is done with in 3 days of receipt of communication of the penalty order.



Thank You

**For any clarifications on this presentation
please write to a.kumar@lma.co.in**

Lovi Mehrotra & Associates, Chartered Accountants
21-22, Krishna Nagar, Safdarjung Enclave, New Delhi –
110029