

# TT Alert

February 2024

## BUDGET 2024

### FINANCE BILL 2024 - KEY PROPOSALS

- The finance minister Nirmala Sitharaman unveiled the Interim Budget 2024 on 1st February 2024 and proposed no major changes in the Income tax law including no change in the tax rate for Direct and Indirect taxes. However, sunset dates under various provisions have been extended by a year.
- The key proposition in the Finance Bill 2024 ("FB24") is presented hereunder:

Amendment in Section	Particulars	Existing Provisions of the ITA	Amendment Proposed in the FB24
S.10(4D)	Income of an investment division of Offshore Banking Unit ("OBU")	Income of an investment division of OBU is exempt provided such unit is set-up in an International Financial Services Centres ("IFSC") and has commenced its operations on or before 31st March 2024, subject to satisfaction of certain other conditions	The sunset clause for commencement of operations by OBU in IFSC has been extended to 31st March 2025
S.10(4D)	Income of a specified fund being an investment division of OBU	Income of a specified fund being investment division of OBU is exempt provided such fund has commenced its operations on or before 31st March 2024 and subject to satisfaction of certain other conditions	The sunset clause for commencement of operations by specified fund has been extended to 31st March 2025

Amendment in Section	Particulars	Existing Provisions of the ITA	Amendment Proposed in the FB24
S.10(4F)	<b>Income of a non-resident arising from leasing of an aircraft or ships to a unit of IFSC</b>	Income of a non-resident by way of royalty or interest, on account of leasing of an aircraft or a ship, paid by a unit of IFSC is exempt provided such unit has commenced its operations on or before 31st March 2024	The sunset clause for commencement of operations by a unit of IFSC has been extended to 31st March 2025
S.10(23FE)	<b>Income of wholly owned subsidiary of Abu Dhabi Investment Authority, eligible Sovereign Wealth Fund or Pension Fund ("Specified Person")</b>	Investment Income of a Specified Person is exempt provided the investment is made between 1st April 2020 and 31st March 2024 and satisfaction of certain other conditions	The sunset clause for making investments has been extended to 31st March 2025
S.80-IAC	<b>Deduction to eligible start-up</b>	The eligible start-up can claim 100% deduction of profits and gains derived from business for a period of 3 consecutive years out of 10 years from the year in which such eligible start-up is incorporated. One of the conditions is that the eligible start-up has been incorporated on or after 1st April 2016 but before 1st April 2024	The date of incorporation for eligible start-up has been extended to 31st March 2025
S.80LA	<b>Income of IFSC unit engaged in leasing of aircraft or ship</b>	Unit of IFSC can claim 100% deduction of income arising from transfer of an aircraft or ship, for 10 consecutive years out of 15 years. However, such deduction is allowed only if the unit has commenced operations on or before 31st March 2024	The period of commencement of operations by such IFSC unit has been extended to 31st March 2025
S.92CA	<b>Transfer Pricing Assessment</b>	The time line for issuing directions to implement faceless transfer pricing assessment was to be notified on or before 31st March 2024	The said time line has been extended to 31st March 2025
S.144C	<b>Dispute Resolution Panel ("DRP")</b>	The time line for issuing directions to implement faceless proceedings by DRP was to be notified on or before 31st March 2024	The said time line has been extended to 31st March 2025
S.253 and S.255	<b>Appeal to Appellate Tribunal ("ITAT")</b>	The time line for issuing directions to implement faceless appeal procedure and disposal of such appeal by ITAT was to be notified on or before 31st March 2024	The said time line has been extended to 31st March 2025

- Further, the finance minister in her speech has proposed that outstanding tax demand up to INR 25,000 for period till FY 2009-10 and up to INR 10,000 for FY 2010-11 to FY 2014-15 shall stand withdrawn and waived. It is important to note that the proposed relief does not form part of the finance bill and clarifications in this regard is awaited.

- The FB24 also has amended the TCS rates provided under S.206C(1G) of the ITA on remittance under Liberalised Remittance Scheme (“LRS”) and overseas tour program package, tabulated as under:

Sr. No.	Nature of transaction (Type of remittance)	Provisions applicable till 30th September 2023		Provisions applicable w.e.f. 1st October 2023	
		Threshold	TCS rate	Threshold	TCS rate
1	LRS for the purpose of educational loan obtained from specified financial institution mentioned under S.80E	Upto INR 7 lakhs p.a.	Nil	Upto INR 7 lakhs p.a.	Nil
		Above INR 7 lakhs p.a.	0.50%	Above INR 7 lakhs p.a.	0.50%
2	LRS for the purpose of education and for medical treatment (other than mentioned in Sr. No. 1 above)	Upto INR 7 lakhs p.a.	Nil	Upto INR 7 lakhs p.a.	Nil
		Above INR 7 lakhs p.a.	5%	Above INR 7 lakhs p.a.	5%
3	Any other LRS remittance (other than mentioned in Sr. No. 1 and 2 above)	Upto INR 7 lakhs p.a.	Nil	Upto INR 7 lakhs p.a.	Nil
		Above INR 7 lakhs p.a.	5%	Above INR 7 lakhs p.a.	20%
4	Purchase of overseas tour program package	No threshold	5%	Upto INR 7 lakhs p.a.	5%
				Above INR 7 lakhs p.a.	20%

## RBSA Comments

The key focus areas of Budget 2024 were Inclusive Development and Growth, Social Justice, Governance, Development and Performance, Economic Management, Vision for ‘Viksit Bharat’ and Infrastructure Development. However, this being an interim budget, no major reforms have been proposed which is in line with the expectations as general elections are scheduled to be held in April-May 2024. The full budget is expected to be presented in July 2024 and one will have to wait for the proposal that will be incorporated in the final budget.

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