

I.P. PASRICHA & CO

Chartered Accountants

INTERIM 20 BUDGET 24

REFORM
PERFORM
TRANSFORM

In-Depth Analysis and Strategic Insights



Foreward

The Union Budget for the fiscal year 2024-25, presented by Finance Minister Nirmala Sitharaman, sets a positive tone for the nation as it marks the culmination of a decade of transformative economic policies under the visionary leadership of the Modi government. Emphasizing continuity in fiscal prudence, the Finance Minister outlined a commitment to further reduce the fiscal deficit to 4.5% by 2025-26. In her budget speech, she highlighted the profound structural reforms and pro-people programs that have propelled India's economic growth.

Notably, the Interim Budget maintains the existing tax rates for both direct and indirect taxes, signaling stability and predictability for businesses and individuals. Sitharaman affirmed the government's dedication to the path of fiscal consolidation without proposing any changes in taxation, including import duties. This strategic decision aims to sustain the momentum of economic growth and provide a conducive environment for businesses to thrive.

As the last budget presentation before the upcoming general elections, all eyes are on Finance Minister Nirmala Sitharaman. While this budget serves as an interim measure until the new government is elected in 2024, it reflects a responsible and forward-looking approach to economic governance.

The Budget at a Glance provides a comprehensive overview, showcasing the government's commitment to robust fiscal management. The document highlights key aggregates, including Fiscal Deficit, Revenue Deficit, Effective Revenue Deficit, and Primary Deficit. A significant focus is on capital expenditure, with a notable increase of 17.7% in Effective Capital Expenditure in the Budget Estimate for 2024-25.

The Budget's emphasis on infrastructure development, evident in the 16.9% rise in capital expenditure over the previous year's Revised Estimate, underscores the government's commitment to fostering economic growth. Additionally, the substantial increase in resources transferred to the States reflects a collaborative approach, with 22,22,264 crore allocated in the Budget Estimate for 2024-25, a noteworthy 4,13,848 crore increase over the actuals of FY 2022-23.

In conclusion, the Union Budget 2024 presents a forward-looking vision that builds upon past successes, promoting stability, growth, and inclusivity. The strategic allocation of resources, coupled with the commitment to fiscal discipline, instills confidence in the nation's economic trajectory. As India stands on the cusp of a new electoral cycle, this budget sets the stage for a resilient and prosperous future.

Our Team



CA Inderpal Singh Pasricha

Senior Partner

Union Budget 2024-25 reflects a judicious approach, emphasizing fiscal stability and maintaining existing tax rates. The increased capital expenditure, especially in infrastructure, aligns with expectations for robust economic growth. The commitment to collaborative development through resource transfers to States is promising. Overall, the budget portrays a well-considered strategy for sustained growth and inclusive development, fostering a positive outlook for the nation's economic trajectory.



CA Maneet Pal Singh

Partner

Union Budget 2024-25 showcases a commitment to fiscal discipline and stability by maintaining tax rates. The heightened capital expenditure, particularly in infrastructure, signals a proactive stance for economic advancement. The allocation of substantial resources to States underscores a cooperative effort for comprehensive development. In essence, the budget instills confidence, presenting optimistic prospects for sustained economic growth and prosperity.



RAHUL GULATI



ROHIT KUMAR



TANIYA NAGPAL

T A B L E O F C O N T E N T S

**BIG NUMBERS OUT OF
THIS BUDGET** **05**

**ECONOMIC & SECTOR
ANALYSIS** **16**

DIRECT TAX **22**

**GOODS & SERVICES
TAX** **27**

OUR MEDIA COVERAGE **29**

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BIG NUMBERS OUT OF THIS BUDGET

BIG NUMBERS OUT OF THIS BUDGET



SUMMARY

In summary, the budget reflects a comprehensive approach, balancing fiscal discipline with substantial allocations for critical sectors, setting the stage for inclusive growth and economic resilience.

AT A GLANCE: KEY HIGHLIGHTS OF UNION BUDGET 2024-25



The Union Budget 2024-25 unveils significant fiscal metrics and ambitious targets:

1

Fiscal Deficit Management:

- Fiscal Deficit projected at 5.1% of GDP for FY25.
- Fiscal Deficit for FY24 anticipated to be at 5.8% of GDP.
- Aspiring to reduce fiscal deficit to below 4.5% by FY26.

2

Capital Expenditure Allocations:

- FY25 Capex Outlay set at an impressive 3.4% of GDP.

3

Borrowing Estimates:

- Gross Market Borrowing for FY24 expected to reach Rs 14.1 lakh crore.

4

Tax Reforms:

- Withdrawal of pre-FY10 disputed tax demands, fostering a more transparent tax environment.

5

Energy and Infrastructure Targets:

- Ambitious goal to achieve 100 tonnes of coal gasification capacity by 2030.

6

Housing Development Initiative:

Pledging to construct two crore houses in the next five years, contributing to sustainable urban development.

KEY TAKEAWAYS FROM INTERIM BUDGET 2024



1. Capital Expenditure (Capex) Target:

- FY25 capex target set at Rs 11.1 lakh crore, indicating an impressive 11.1 percent increase.

2. Fiscal Management:

- FY25 fiscal deficit target stands at 5.1 percent of GDP.
- Total receipts for FY25 projected at Rs 38.80 lakh crore.

3. Market Borrowing:

- Gross Government borrowing for FY25 via bonds at Rs 14.1 lakh crore.
- FY25 gross market borrowing pegged at Rs 14.13 lakh crore, with net borrowing at Rs 11.75 lakh crore.
- Notably, the gross borrowing target for the next year is lower than the current year's budget estimate of Rs 15.43 lakh crore.

4. Nominal GDP Growth:

- Assumed Nominal GDP growth at 10.5% for FY25.

5. Income Tax Scenario:

- No proposed changes in taxation; FM emphasizes continuity.
- Section 87A of the Income Tax Act provides rebates for individuals with taxable income up to Rs 7 lakh.



6. Budget Subsidies:

- FY25 major subsidies expected at 1.2% of GDP, down from 1.4% in FY24.
- Revised FY24 food subsidy at Rs 2.12 lakh crore from Rs 1.97 lakh crore.
- FY25 non-debt capital receipts projected at Rs 79,000 crore.

7. Electric Vehicle (EV) Boost:

- Government commitment to enhance the EV ecosystem through support for manufacturing and charging infrastructure.
- Introduction of a new biomanufacturing scheme to promote green growth.

8. Lakhpati Didi Scheme Enhancement:

- The 'Lakhpati Didi' scheme target increased from 2 crore to 3 crore women.

9. Empowerment of Women:

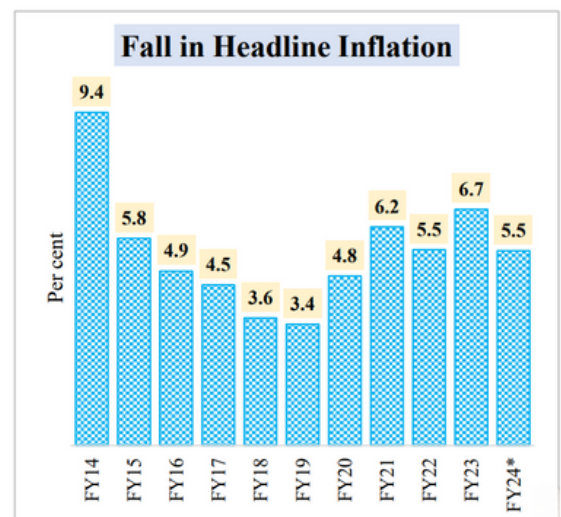
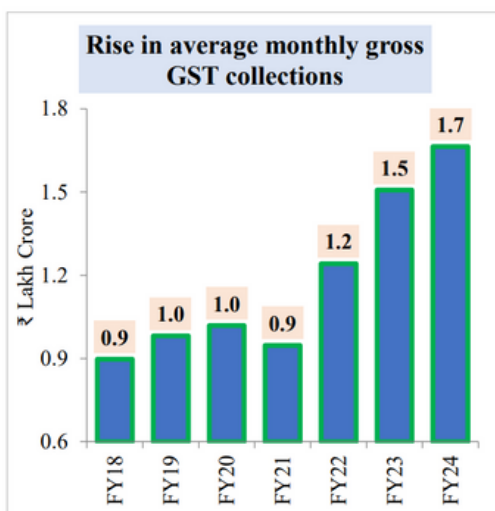
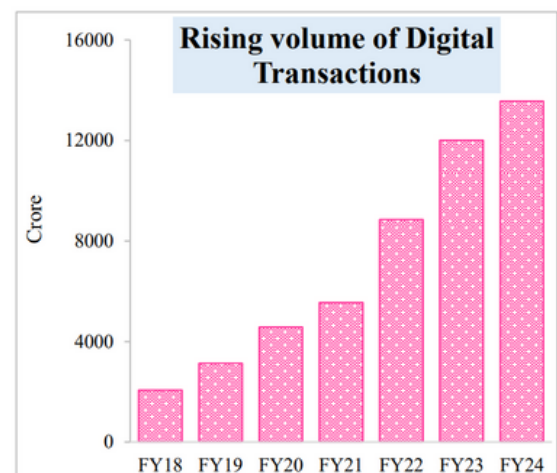
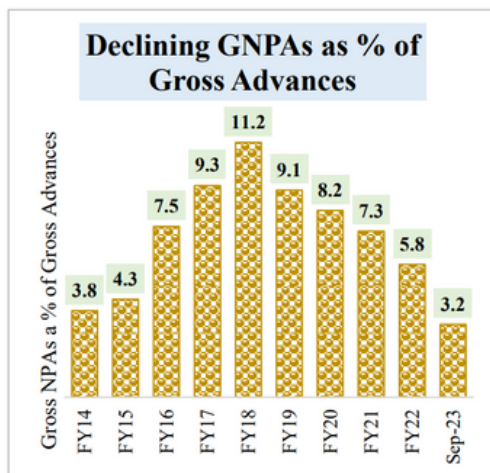
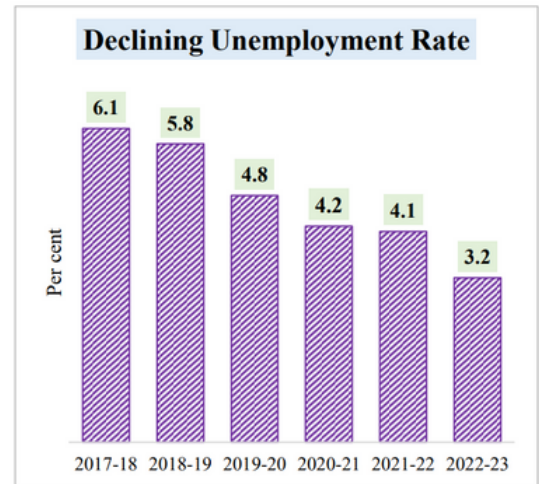
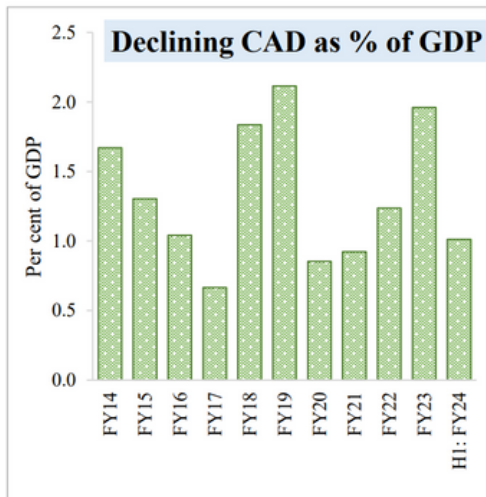
- Empowerment of women through entrepreneurship highlighted, with a 28 percent increase in female enrolment in higher education over the last 10 years.

10. Vande Bharat Initiative:

- Government plans to upgrade 40,000 trains in India to Vande Bharat standards.
- Establishment of three new railway corridors as part of the Vande Bharat push.



RESILIENT PERFORMANCE OF THE INDIAN ECONOMY

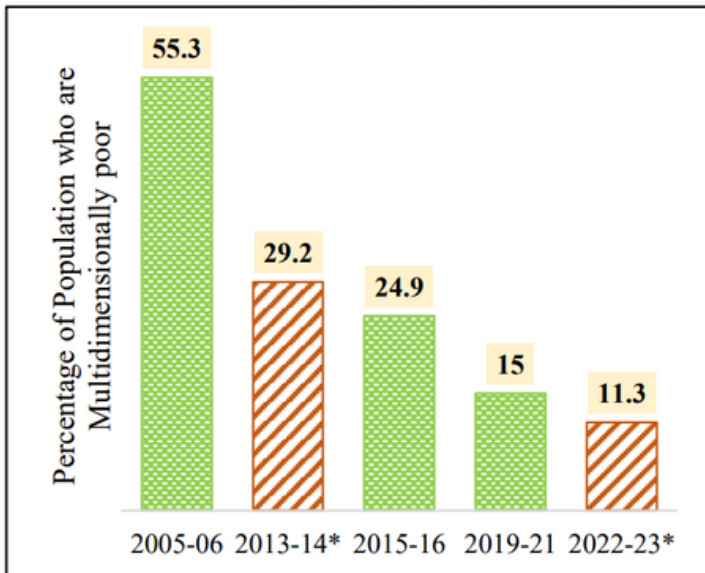


ALL INCLUSIVE WELFARE FOCUS

GARIB KALYAN, DESH KA KALYAN



Decline in Headcount Ratio

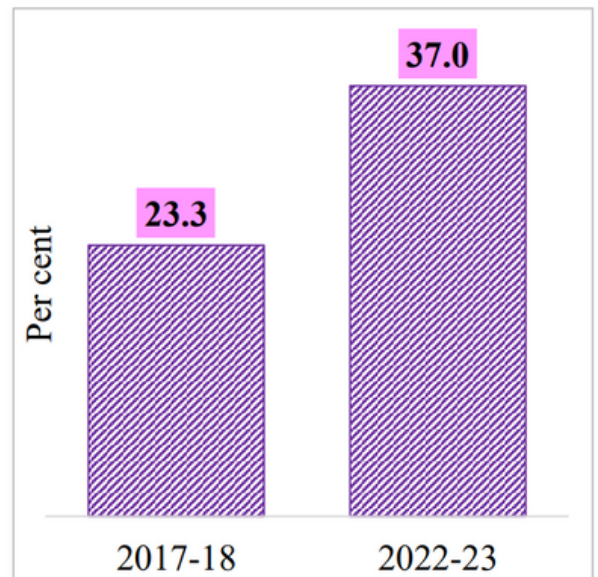


* Projections

NARI SHAKTI



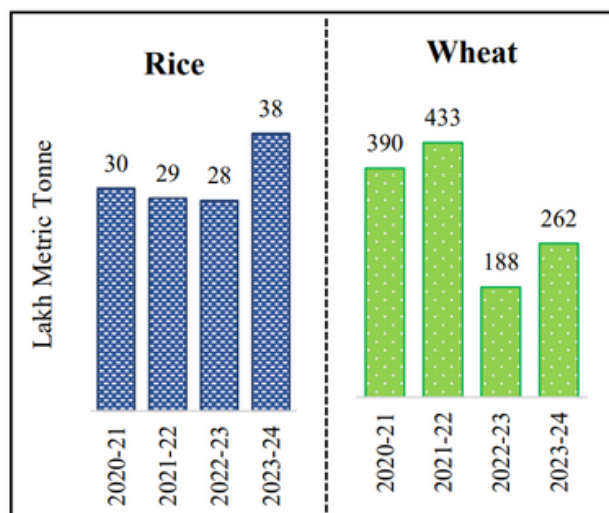
Rise in Female Labour Force Participation Rate



WELFARE OF FARMERS-ANNADATA



Increasing Procurement of Wheat and Rice

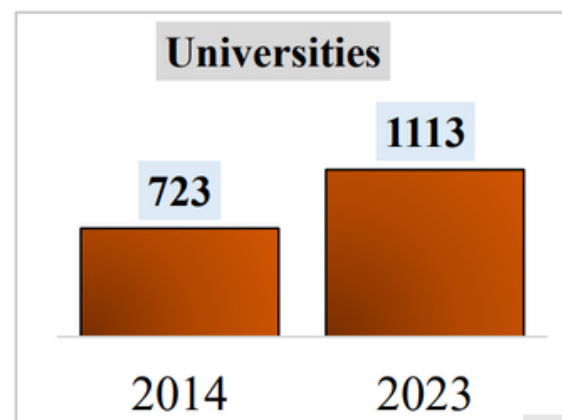
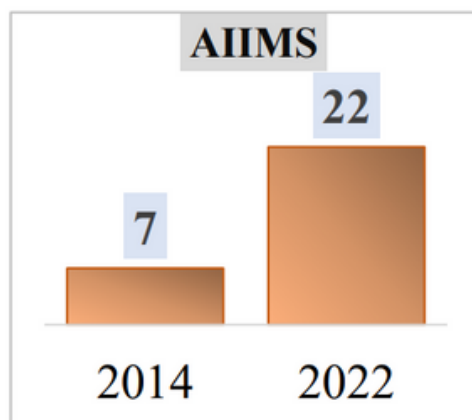
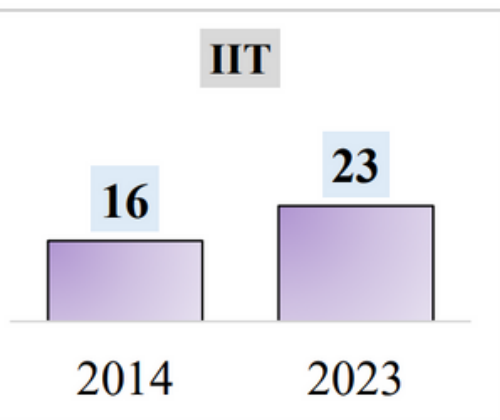
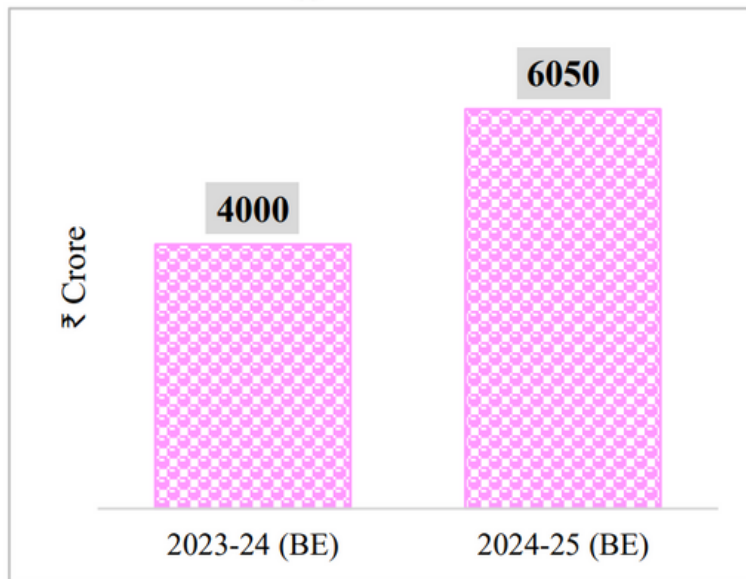


ALL INCLUSIVE WELFARE FOCUS

EMPOWERING THE YOUTH



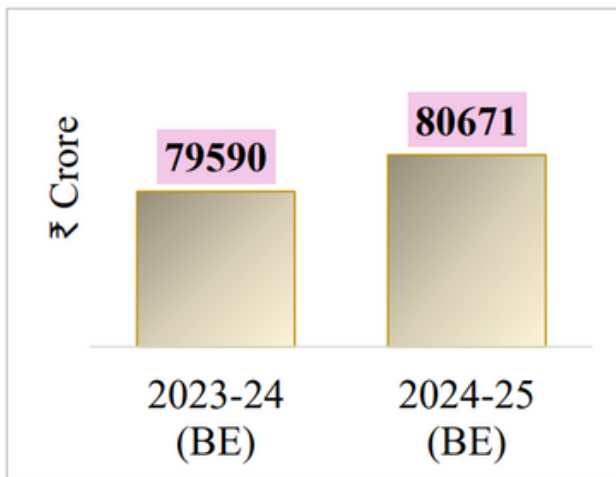
Increase in PM-SHRI Budget Allocation



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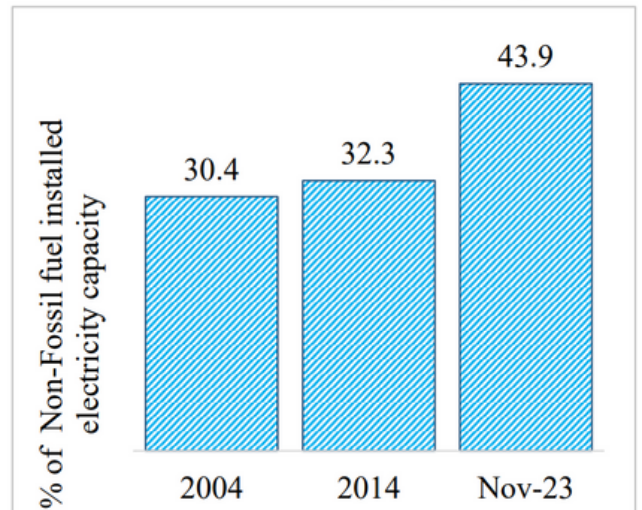
HOUSING

Increased allocation for PMAY



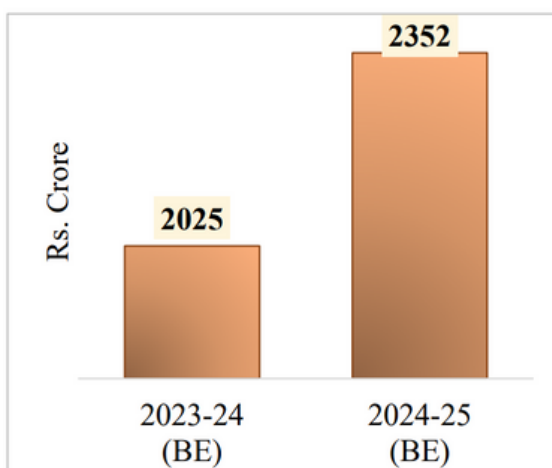
SUSTAINABLE DEVELOPMENT

Per cent increase in Non-Fossil Fuel installed electricity capacity

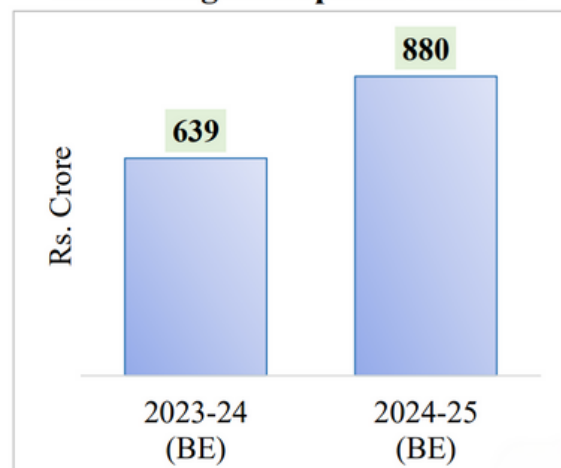


AGRICULTURE AND FOOD PROCESSING

Increased allocation for Blue Revolution



Increased allocation for PM-Formalisation of Micro Food Processing Enterprises scheme

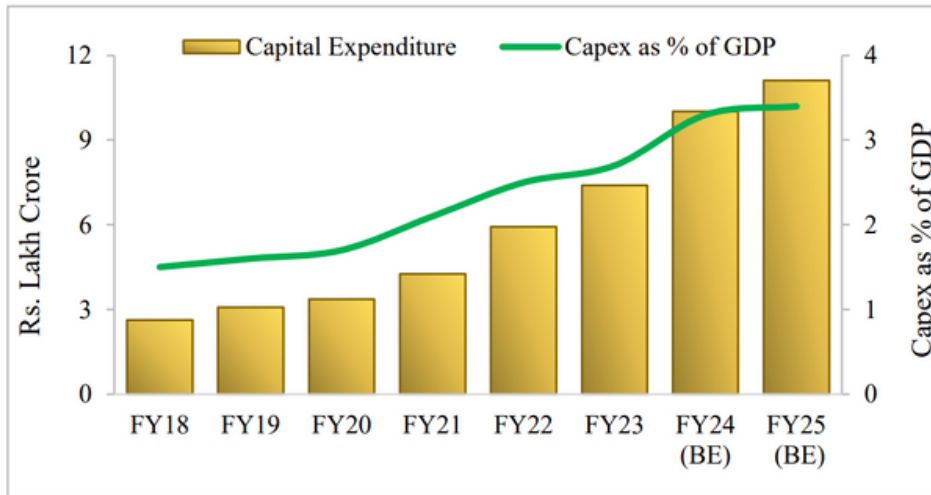


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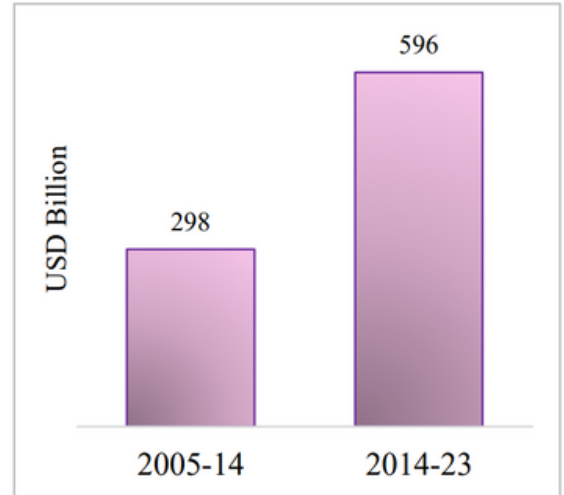


INFRASTRUCTURE AND INVESTMENT

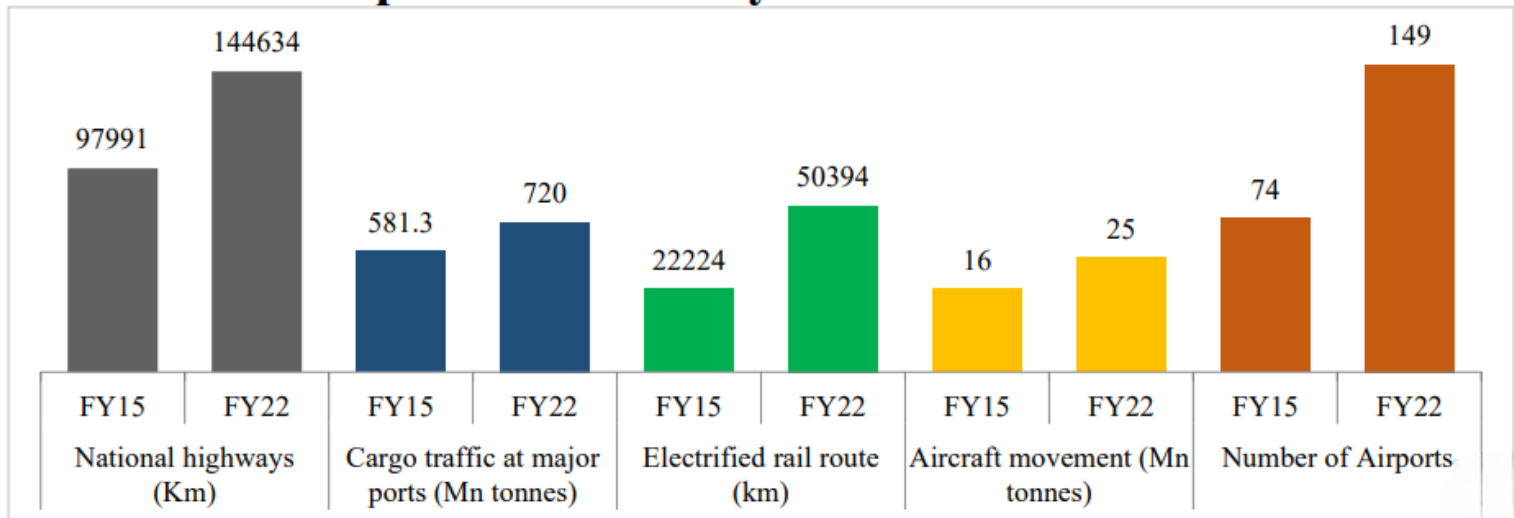
Increase in Capital Expenditure



Doubling of FDI Inflow

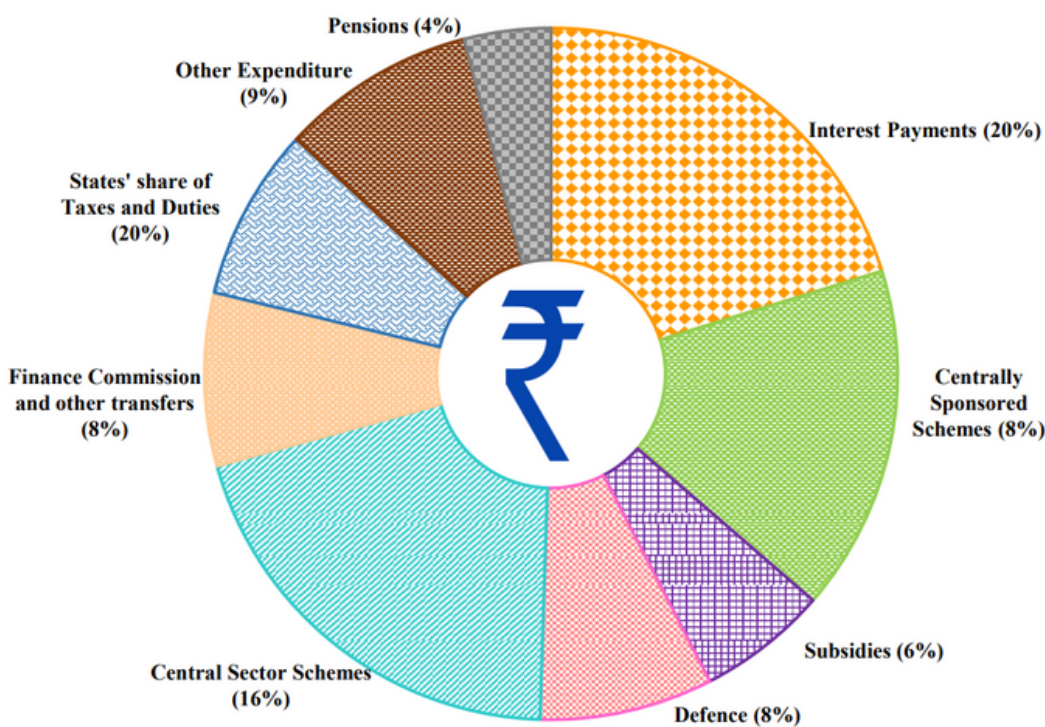
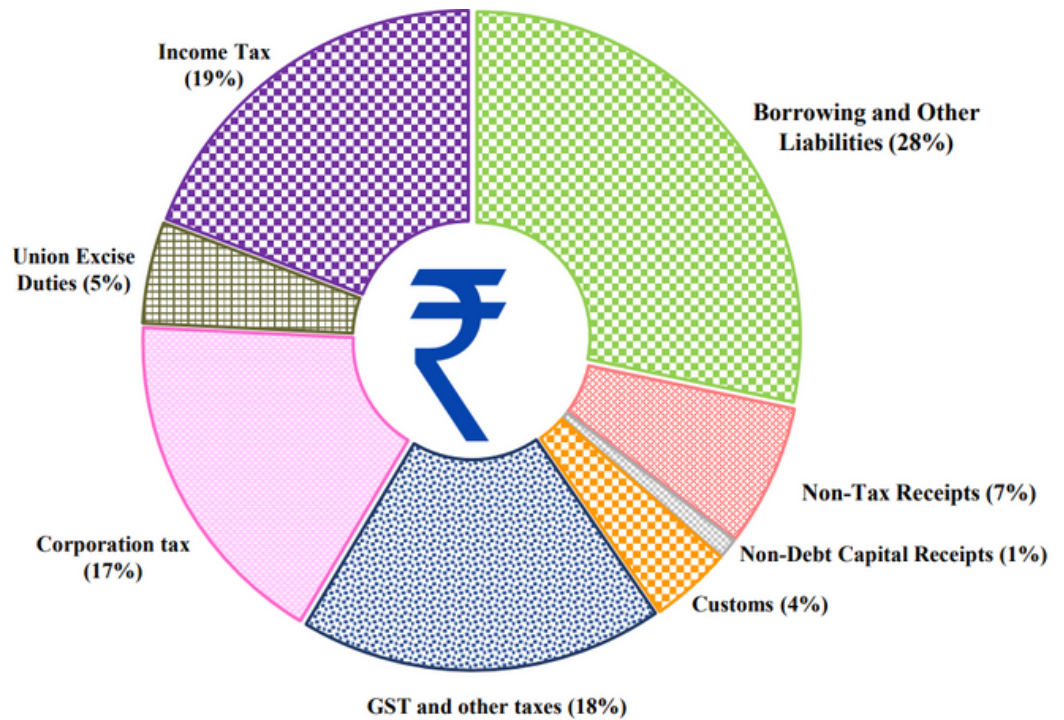


Improvement in Physical Infrastructure



RUPEE MOVEMENT

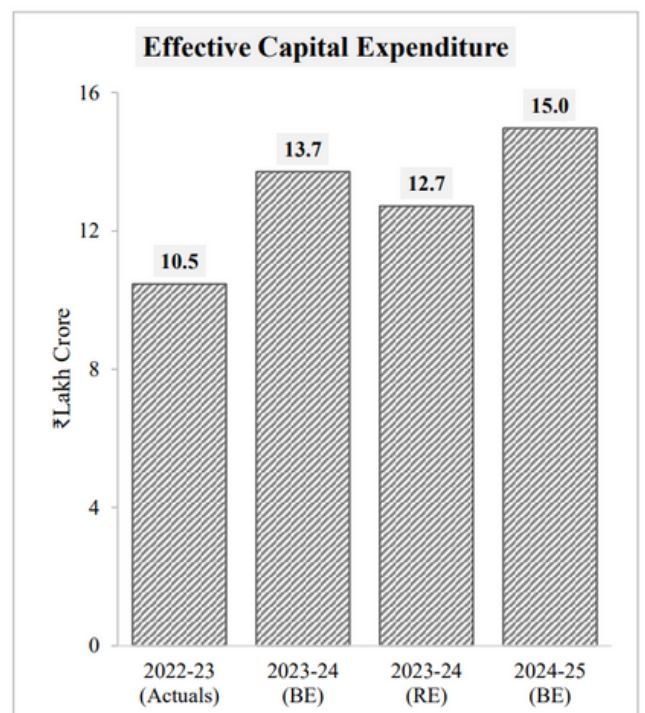
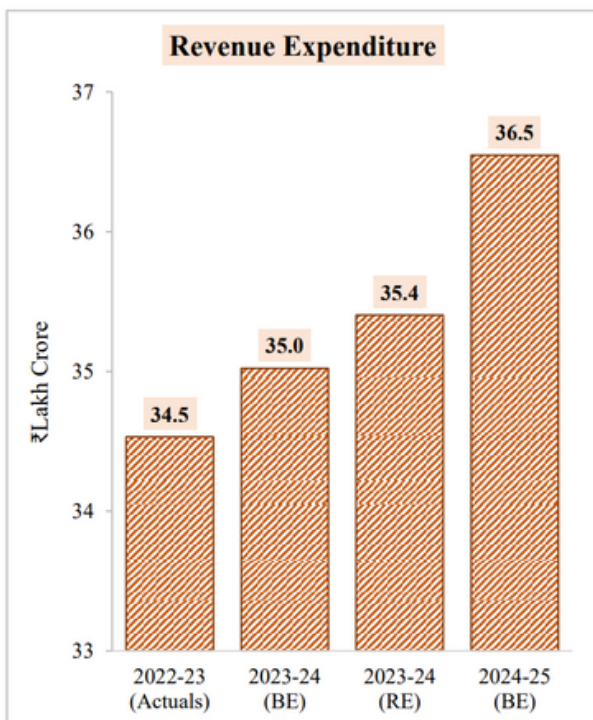
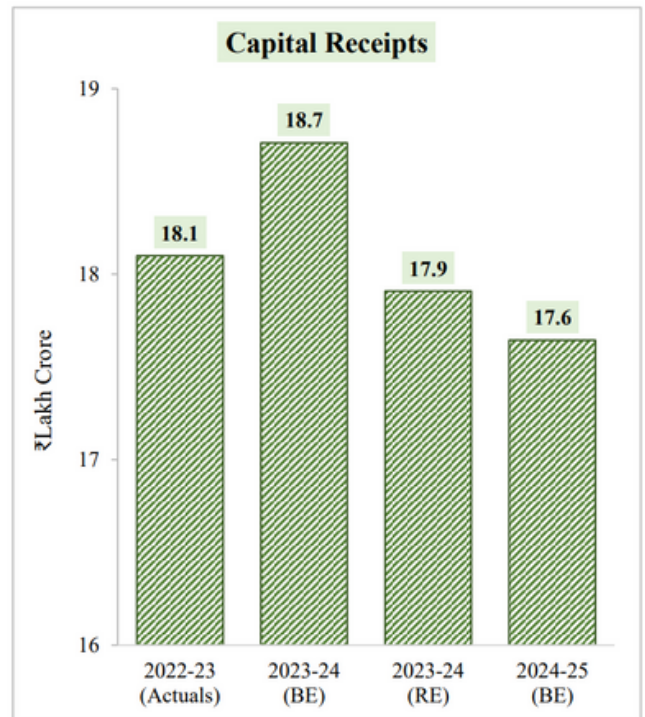
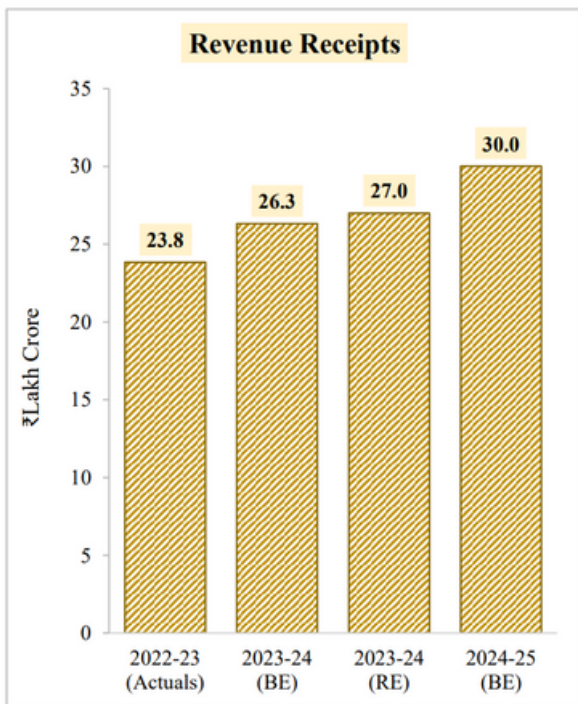
RUPEE COMES FROM



RUPEE GOES TO

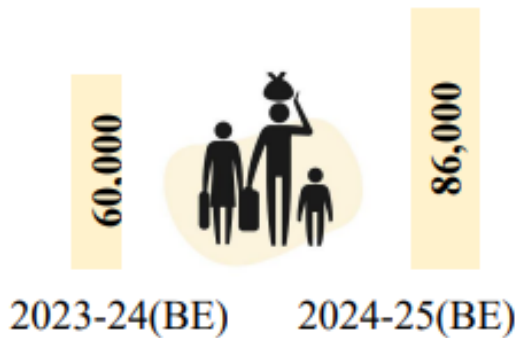
RECEIPTS AND EXPENDITURE (LAKH CRORE)

● BUDGET AT GLANCE

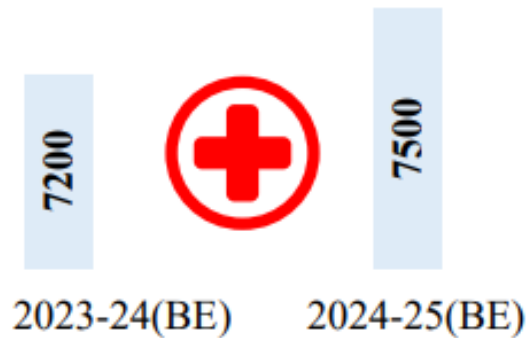


ALLOCATION IN MAJOR SCHEMES (IN CRORES)

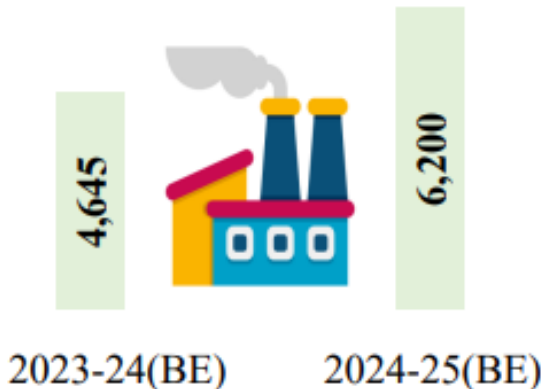
Mahatma Gandhi National Rural Employment Guarantee Scheme



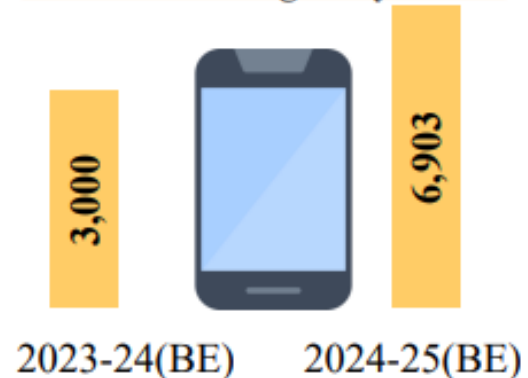
Ayushman Bharat-PMJAY



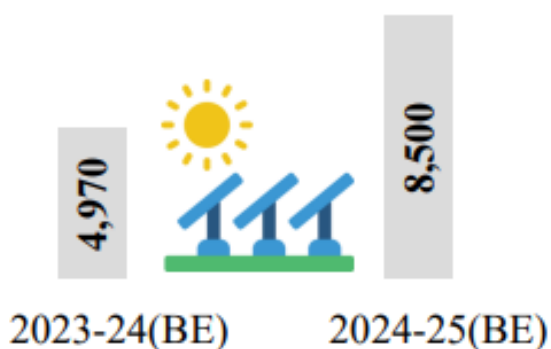
Production Linked Incentive Scheme



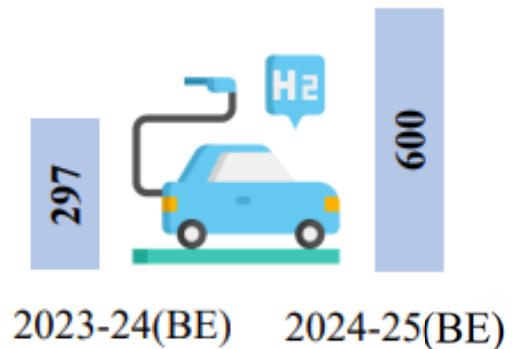
Modified Programme for Development of Semi-conductors and display manufacturing ecosystem



Solar Power (Grid)



National Green Hydrogen Mission



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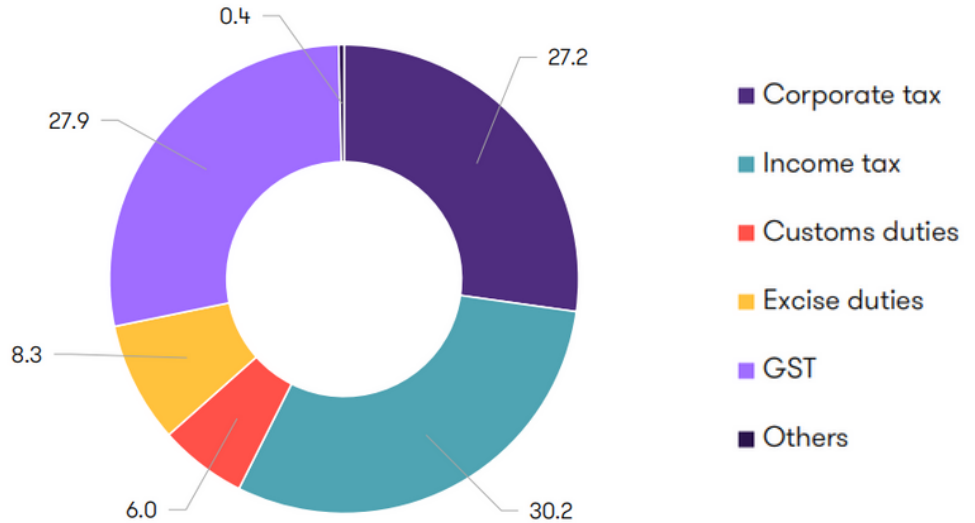
ECONOMIC & SECTOR ANALYSIS

ECONOMIC ANALYSIS

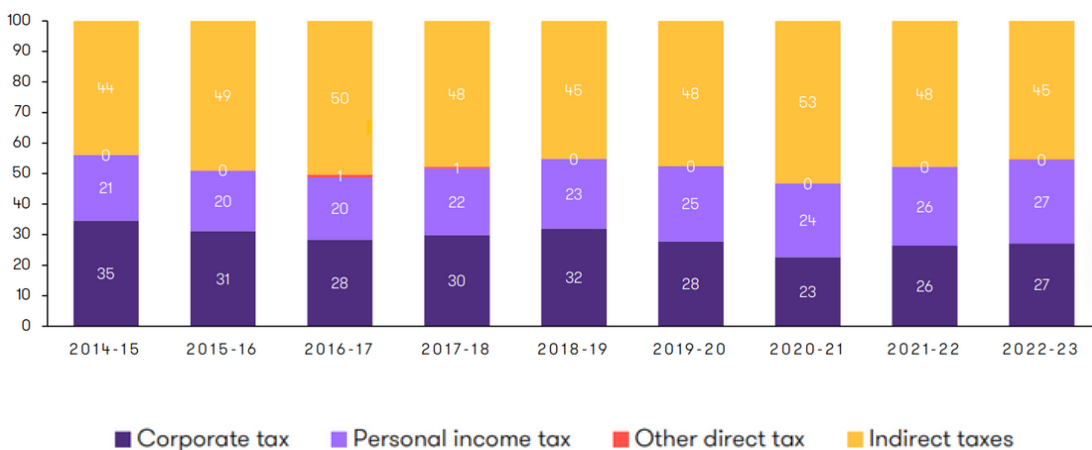
- Capital expenditure is being increased by 11.1% to Rs. 11.11 lakh crore, about 3.4% of the GDP.
- Total expenditure is estimated at Rs. 47.66 lakh crore and total receipts are estimated at Rs. 30.80 lakh crore in FY'25.
- Effective Capital Expenditure is estimated at Rs. 14.96 lakh crore in FY'25, showing an increase of 17.7% over revised estimates of FY'24.
- The tax receipts are estimated at Rs. 26.02 lakh crore in FY'25.
- Revised estimated of total expenditure is estimated at Rs. 44.90 lakh crore and receipts are estimated at Rs. 27.56 lakh crore in FY'24.
- The revenue receipts at Rs. 30.03 lakh crore are expected to be higher than the Budget Estimate for FY'24, reflecting strong growth momentum and formalization in the economy.
- The government aims for a fiscal deficit of 5.1% of GDP in FY'25, advancing its fiscal consolidation efforts.
- Revised estimated fiscal deficit is 5.8% of GDP in FY'24.
- The gross and net market borrowings through dated securities during FY'25 are estimated at Rs. 14.13 and Rs. 11.75 lakh crore respectively.
- Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up. This is aimed at generating double exports to Rs. 1 lakh crore and 55 lakh employment opportunities in near future.
- Corpus of Rs. 1 lakh crore will be established with fifty-year interest free loan.
- The scheme of fifty-year interest free loan for capital expenditure to states will be continued this year with total outlay of Rs. 1.3 lakh crore.
- The FDI inflow is USD 596 billion from 2014-23, doubling the inflow from 2005-14. Promote ongoing foreign investment, government is negotiating bilateral investment treaties with foreign partners, in the spirit of 'first develop India'.
- Guided by the principle 'Reform, Perform, and Transform', the Government will take up next generation reforms, and build consensus with the states and stakeholders for effective implementation.

PROJECTED & COMPOSITION TAX REVENUE

PROJECTED TAX REVENUE



- It is estimated that in FY 2024-25, GST would account for 27.9% of total major tax revenues - higher than last year.
- The collections from corporate taxes would be at 27.2% of the gross tax revenues.
- Income taxes would contribute about 30.2% of the total gross tax revenues



COMPOSITION OF TAX REVENUE

- In India, the share of corporate tax has declined, and the share of personal income tax has increased over the years.
- The share of indirect tax has remained stable.
- Overall, the share of direct taxes is more than the share of indirect taxes.

SECTORAL ANALYSIS

HEALTH

- Encourage Cervical Cancer Vaccination for girls (9-14 years).
- Aim is to establish more medical colleges by utilizing existing hospital infrastructures across various departments.
- Accelerate “Saksham Anganwadi and Poshan 2.0” for better nutrition deliver and childhood care and development.
- U-WIN platform for immunization efforts of Mission Indradhanush to be rolled out.
- Healthcare cover under Ayushman Bharat scheme to be extended to all ASHA workers, Anganwadi Workers and helpers.



DEFENCE, INFRASTRUCTURE AND TRANSPORTATION

- New scheme will be rolled out for strengthening deep-tech technologies for defence purposes and expediting ‘Atmanirbharta’.
- Government will focus on making the eastern region and its people a strong force for India's growth.
- Construction of two crore additional houses in the next five years will be done to meet the growing demand from increased family numbers.
- 40,000 normal rail bogies will be converted to the Vande Bharat standards to enhance safety, convenience and comfort of passengers.
- Expansion of existing airports and comprehensive development of new airports under UDAN scheme, around 517 new routes to be launched carrying 1.3 crore passengers. Indian airlines have actively ordered more than 1000 new aircraft.



- Promotion of Urban transformation via Metro Rail and NaMo Bharat. Expansion of these systems will be supported in large cities focusing on transit-oriented development.
- A scheme will be introduced to help deserving sections of the middle class “living in rented houses, or slums, or chawls and unauthorized colonies” to buy or build their own houses.
- Implementation of 3 major economic railway corridor programmes under the PM Gati Shakti to improve logistics efficiency and reduce cost.

SECTORAL ANALYSIS

AGRICULTURE AND FOOD PROCESSING

- Application of Nano-DAP to be expanded in all agro-climatic zones.
- Atmanirbhar Oilseeds Abhiyaan-Strategy to be formulated to achieve atmanirbharta for oilseeds.
- A comprehensive programme for supporting dairy farmers will be formulated.
- Implementation of Pradhan Mantri Matsya Sampada Yojana to be stepped up to enhance aquaculture productivity, double exports and generate more employment opportunities.
- 5 Integrated Aqua parks to be set up.
- New scheme of bio manufacturing and bio-foundry will be launched to support environment friendly alternatives.
- Government will promote private and public investment in post-harvest activities.
- 1361 markets linked via e-National Agriculture Market benefitting 1.8 crore farmers, facilitating trades worth ₹3 lakh crore."
- New scheme for restoration and adaptation measures, and coastal aquaculture and mariculture with integrated and multi-sectoral approach will be launched with an aim to promote climate resilient activities for Blue Economy 2.0.



GREEN ENERGY

- Rooftop solarisation will be facilitated to 1 crore households for obtain up to 300 units of free electricity per month.
- Adoption of e-buses for public transport network
- Strengthening e-vehicle ecosystem by supporting manufacturing and charging.
- Setting up of coal gasification and liquefaction capacity of 100 MT by 2030 with an aim to reduce the import of natural gases, methanol and ammonia.
- Financial assistance will be provided for procurement of biomass aggregation machinery to support collection.
- Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic use will be mandated.
- Viability gap funding will be provided to harness offshore wind energy potential for an initial capacity of one giga-watt

SECTORAL ANALYSIS

START UP

- Timeline for eligible start up for claiming the tax benefit extended to 31.03.2025.

TOURISM

- States are encouraged to develop iconic tourist centres, fostering local entrepreneurship and attracting business for enhanced economic opportunities.
- Long-term interest free loans to be provided to States to encourage development.
- To address the emerging fervour for domestic tourism, projects for port connectivity, tourism infrastructure, and amenities will be taken up in islands, including Lakshadweep.
- Emphasis on job creation and entrepreneurship in tourism sector.



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DIRECT TAX

HIGHLIGHTS OF DIRECT TAX IN PAST 10 YEARS



Direct tax collections gone up by three times and the income tax return filers have inflated to more than 2.4 times in past 10 years.



The assessee having income up to 7 Lakhs will have no tax liability as compared to 2 lakhs in financial year 2013-14.



The threshold limit for presumptive taxation for retail business and for professionals has increased from 2 cr. to Rs.3 cr. and from 50 lakhs to 75 lakhs respectively.



Implication of Faceless Assessments, not only act as aid to assessee's, also reducing the burden of IT department, resulting in efficiency, transparency and accountability.



Ease of filing ITRs through prefilling of return data, new form 26AS.



Standard time to processing of ITRs reduced from 93 days to merely 10 days in past 10 years, resulting in fast processing of refunds.

HIGHLIGHTS OF AMENDMENTS

- Manner of Taxability of Agricultural Income (commonly known as partial integration) defined u/s 2(13)(c) of the finance Act 2023, is proposed to be made applicable where New Tax regime covered u/s 115BAC(1A) is opted and manner of taxability of Agricultural Income has proposed to be amended to cover the calculation of tax payable as per new tax regime covered u/s 115BAC(1A), where new regime is opted.
- Applicability of Surcharge on income chargeable to tax under Section 115 BBJ i.e. Tax on winnings from online games.
- Surcharge not applicable on Income chargeable to tax u/s 115AD in case of Specified fund covered u/s 10(4D) (c)
- Eligibility for 25% tax rate in case of Domestic company, whose turnover/gross receipts does not exceed 400 Crores in PY 2021-22.
- Deduction of TDS on income by way of winnings from online games on NET winnings defined under rule 133 of Income tax Act, 1961.
- Changes in Surcharge on Income tax deducted at source in case of an association of persons consisting of only companies as its members.

S. NO.	INCOME/AGGREGATE INCOME PAID OR LIKELY TO BE PAID	EXISTING RATE	PROPOSED RATE
I	₹ 50,00,001 to ₹ 1,00,00,000	10%	10%
II	₹ 1,00,00,001 to ₹ 2,00,00,000	15%	15%
III	₹ 2,00,00,001 to ₹ 5,00,00,000	25% (subject to maximum of 15% in case of capital gain u/s 111A, 112 & 112A)	15%
IV	More than ₹ 5,00,00,000	37% (subject to maximum of 15% in case of capital gain u/s 111A, 112 & 112A)	15%

- Waive off outstanding disputed tax demand to un-clog recovery benefiting 10 million assesses

S. NO.	PERIOD	DEMAND AMOUNT WAIVED OFF (IN INR)
1.	From 1962 to FY 2009-10	25000/-
2.	From FY 2010-11 to FY 2014-15	10000/-

- Extension of certain tax benefits to start-ups, investments made by sovereign wealth or pension funds and on certain income of some IFSC units from 31.03.2024 to 31.03.2025.
- For tech-savvy youth, this will be a golden era 1-lakh crore corpus will be made available with 50 year interest free thereby fulfilling the saying of Atal Bihari Vajpayee

DIRECT TAX PROPOSALS

S. NO.	DESCRIPTION	EXISTING PROVISION	PROPOSED CHANGES
1.	Extension of sunset clause for profit-linked deduction on transfer of an aircraft or a ship in IFSC	100% profit-linked deduction (for 10 consecutive years) is available to IFSC unit on income earned from the transfer of asset being aircraft or a ship, provided such IFSC unit commences its operations on or before 31 March 2024.	In order to continue with the said incentive, it is proposed to extend the sunset clause from 31 March 2024 to 31 March 2025.
2.	Extension of the sunset clause for incorporation of eligible start-up	Eligible start-ups can avail 100% deduction for any profits and gains derived from eligible business for three consecutive assessment years while computing total income subject to the conditions prescribed therein. Such eligible start-ups are required to be incorporated on or after 01 April 2016 but before the 01 April 2024.	In order to continue with the said incentive, it is proposed to extend the sunset clause from 01 April 2024 to 01 April 2025.
3.	Extension of sunset clause for investments by ADIA, SWF and Pension Fund	Exemption in respect of interest, dividend and long-term capital gain and other specified income from its investments in Indian infrastructure sector, if such investments are made on or before 31 March 2024.	In order to continue with the said tax incentive, it is proposed to extend the sunset clause from 31 March 2024 to 31 March 2025.
4.	Extension of sunset clause for IBU in IFSC	Currently, tax exemption is available to an IBU in IFSC which has a FPI Cat 1 license for income earned from transfer of specified capital asset and business profits, provided the investment division of an IBU in IFSC has commenced its operations on or before 31 March 2024.	In order to continue with the said tax incentive, it is proposed to extend the sunset clause from 31 March 2024 to 31 March 2025.
5.	Extension of the sunset clause for exemption of royalty or interest income from aircraft/ship leasing in IFSC	Currently, tax exemption is available to non-residents for royalty or interest income earned from an IFSC unit on account of lease of aircraft/ship, provided such IFSC unit commences its operations on or before 31 March 2024.	In order to continue with the said tax incentive, it is proposed to extend the sunset clause from 31 March 2024 to 31 March 2025.

TAX COLLECTION AT SOURCE ON LRS

The rates for TCS on LRS were specified by the Finance Act 2023. Thereafter, there was a revision in the rates through a circular issued in June 2023. The Budget proposes to incorporate the revised TCS rates on LRS vide the Finance Act, 2024. The applicable rates are detailed below:

S. No.	Particulars	TCS rate till 30 September 2023	TCS rate from 1 October 2023 (as per Circular No 10 of 2023)	Proposed to be legislated by the Finance Bill, 2024 (No change from Circular)
1.	Education, where source of funds is through loan obtained from specified financial institution	0.5% if aggregate remittance exceeds INR 7,00,000	0.5% if aggregate remittance exceeds INR 7,00,000	No proposed changes
2.	Education or medical treatment	5% if aggregate remittance exceeds INR 7,00,000	5% if aggregate remittance exceeds INR 7,00,000	5% if aggregate remittance exceeds INR 7,00,000 w.e.f. 01 July 2023
3.	LRS for other purposes	5% if aggregate remittance exceeds INR 7,00,000	20% if aggregate remittance exceeds INR 7,00,000	Nil up to INR 7,00,000 and 20% thereafter w.e.f. 01 October 2023
4.	Overseas tour package	5% without any threshold limit	5% up to INR 7,00,000 and 20% thereafter	5% up to INR 7,00,000 and 20% thereafter w.e.f. 01 October 2023

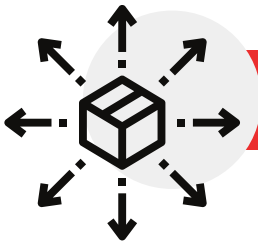
It is proposed that the TCS rates for transactions from 1 July 2023 till 30 September 2023 will be governed by the provisions as it stood on 1 April 2023.

E R



GOODS & SERVICES TAX

GOODS & SERVICES TAX PROPOSALS



WIDENING INPUT SERVICE DISTRIBUTOR SCOPE

- The GST council had recommended making the ISD procedure mandatory with prospective effect.
- Amendments have been proposed to widen the scope and modify the manner of distributing credit to different GSTINs within the same entity.
- ISD registration will now enable distribution of input credit even for transactions taxable under the reverse charge mechanism.



INTRODUCTION OF NEW PENAL PROVISIONS

- Penalty of 1,00,000 is proposed to address non-compliance with specified procedure for registration of machines used in the manufacture of specified goods, like pan masala and other tobacco products.



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Business Standard

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MUMBAI | THURSDAY, 1 FEBRUARY 2024

Business Standard

DECODING BUDGET DOCUMENTS

Tax hikes, relief: How to zero in on changes that affect you

HIRSHI SARKAR

Finance Minister Nirmala Sitharaman will present the Union Budget 2024-25 today, February 1. It will be an interim budget; the full budget for this financial year will be presented by the new government formed after the general election.

The Union Budget offers an account of the government's finances. It provides a statement of the estimated revenue and expenses for the upcoming year. It includes the actual financial data for the preceding year and an estimate for the forthcoming year, along with tax proposals. The Budget is divided into a revenue budget and a capital budget.

The speech: The finance minister's speech is divided into Part A and Part B. Part A summarizes the state of the economy and also provides an estimate for the coming fiscal year. Maneet Pal Singh, partner, I.P. Pasricha & Co, says, "Part B highlights the government's tax proposals for the next financial year and has a direct bearing on citizens' personal finances. It should be read with the Finance Bill, which contains the legal provisions."

Memorandum: The memorandum explains the rationale for various fiscal decisions contained in the Finance Bill. These could include modifications to taxes. It also clarifies the implications of various proposals on various stakeholders.

The memorandum also has information on the items whose consequences duty or other tax rates have changed. These changes could impact the cost of goods or services you purchase.

Finance Bill: It contains the proposals to amend taxes or existing tax structure (if needed) and provides the legal backing for them. After receiving approval from the Lok Sabha, it becomes the Finance Act. One must in particular look at the tax tables in the finance bill.

MUST-KNOW TERMS FOR TAXPAYERS

BASIC EXEMPTION LIMIT: It sets a non-taxable income ceiling, benefiting low-income earners especially. Income surpassing this limit is taxable.

SURCHARGE AND CESS: These are extra taxes; surcharge is for higher incomes, while cess, applied universally, funds public services.

DEDUCTION VERSUS EXEMPTION: Deductions, like those on life insurance premiums and investments in fixed deposit, lower taxable income, whereas exemptions—such as agricultural income—are not taxed. Key distinction: deductions reduce taxable income, but exempt incomes don't count towards total income.

WITHHOLDING RATE: Also called Tax Deducted at Source (TDS), it is the tax collected by payers before making payout; it is claimable by recipients during tax filing.

Railway Budget: The Railway budget has been merged with the general budget. People can find information on this portion on changes in passenger and freight fares, new trains and routes introduced, and so on. Next, let us turn to what different categories of people should watch out for.

Individual investors: With more cash to invest in equities, mutual funds, or government bonds.

Senior citizens: Seniors will find the section that covers direct taxes most relevant. Ritika Nayyar, partner, Singhania & Co, says, "It will help them track changes in personal income tax rates, changes in tax slabs, or any benefit extended to them, either in terms of an increase in tax deductions helping them save more on taxes, exemptions from some harsh provisions or compliance, etc., thereby providing them with more ease and flexibility at their age."

Seniors should watch out for tax concessions extended to the National Pension System (NPS). Rajarishi Dasgupta, executive director and national head of Tax, AQUILA, says, "The Pension Fund Regulatory and Development Authority (PFDA) is pushing for parity with the Employees' Provident Fund Office (EPFO) regarding taxation on employer contributions."

Consumers and homemakers: Consumers could be offered some sweeteners. Singh says, "Part B might include initiatives to control inflation, regulate prices of essential goods, or introduce consumer-friendly policies." Anant Singh Ubeja, senior associate, SKV Law Offices, says, "Homemakers may find information on subsidies, income-tax implications, and initiatives supporting women's economic empowerment."



SPEEDING UP REFUNDS

Small, disputed direct tax demands to be withdrawn

11 million tax disputes worth ₹3,500 crore to be resolved

INDIAN EXPRESS

New Delhi, February 1

The interim Budget on Thursday proposed to withdraw the disputed direct tax demands of about 11 million tax disputes worth ₹3,500 crore to be resolved.

"Many such demands go back to 1962. They continue to remain on the books, causing anxiety to honest taxpayers, and hindering refunds of subsequent years," said Finance Minister Nirmala Sitharaman in her Budget speech.

The ITD proposed to withdraw outstanding direct tax demands of up to ₹25,000 for the period up to FY19 and up to ₹50,000 for FY20 to FY23.

In an answer to a query by a Business Standard journalist at the post Budget press conference, Sanjay Mathuria, revenue secretary, quantified the revenue the government will forgo due to this measure. "The total number of small tax demands is about 248 crore. Of these, about 21 crore demands are valued at less than ₹25,000. Of these, 21 crore demands, about 16 lakh demands, are for FY 2000-01 and another 53 lakh are for FY 2000-18 to FY 2018-19. Altogether, there are 11 crore small demands with a total amount of less than ₹3,500 crore."

According to Cyril Shroff, managing partner, Cyril Amarchand Mangaldas, "The withdrawal of older disputed tax demands affords clarity to the taxpayer. Their procedural changes will streamline the tax regime and have a multipoint impact."

Memorial for senior citizens: At the beginning of this financial year, the tax department had taken steps to address unremitted tax issues by sending notices to taxpayers regarding outstanding demands.

"These demands, though minor in monetary value, dated back over 10 years, and affected a considerable number of taxpayers," said Ankit Jain, partner at law firm J&K Associates.

The age of these demands posed a stark challenge. With time, many records and pieces of evidence, which could have facilitated their resolution, had been erased. "These demands became a source of considerable anxiety and stress, particularly for senior citizens, who found themselves ill-equipped to deal with them," he added.

For the government, too, the resources expended on collecting these demands exceeded the revenues earned.

Types of demands: Small tax demands get generated due to a variety of reasons.



TCS RATES ON REMITTANCES

Proposed remittance	Threshold for tax collection of tax	Tax rate (as % of amount of the threshold)
For education of loan obtained from a financial institution	₹7 lakh	5
For education (other than above)	₹7 lakh	5
Medical treatment	₹7 lakh	5
UK for any other purpose	₹7 lakh	20
Safe of overseas tour programme package	₹7 lakh	5
Spanning	₹7 lakh	20

Note: Threshold specified for each tax category is not applicable for certain payments made between 1st July, 2012, to 31st March, 2014, as mentioned in section 207A. For details, please refer to the Finance Bill 2012.

"There could be in the calculation of interest done, advance tax payments, TDS (Tax Deducted at Source) payments, self-assessment taxes. Variations could arise due to differences in rates, number of days, some error in picking a number, even error of judgment in allowing or disallowing expenses. Such errors could be differences in the amount and the department," said Ritika Nayyar, partner, Singhania & Co.

Nirmala Sitharaman, vice-president, research and advisory, Taxmann, informed that the proposal pertains not only to income-tax demands but also to demands related to wealth tax, gift tax, estate duty, and banking cash transaction tax.

Relief for taxpayers: "This measure will speed relief for many. It will clean up the government's books and also prevent unnecessary harassment to the taxpayer caused due to having to justify old demands," said Jain.

Added Nayyar, "It should facilitate the quick processing of refunds in subsequent years. Litigation for tax demands will also be reduced."

Maneet Pal Singh, partner at IP Pasricha & Co, however, views the consequent productivity in the tax regime as a positive. "It is a likelihood that the subsequent governments may gradually maintain a status quo in the fiscal budgetary framework," he added.

Two regime dilemma: Clarity on agri income

Shrpa Singh

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If you're an individual taxpayer or Hindu Undivided Family (HUF) with agricultural income, the interim budget has clarified the treatment of agricultural income while computing taxes under the new tax regime.

The method used to compute tax on income of taxpayers with agri income has been included in Finance Bill 2024.

"The budget 2024 proposes to explicitly include the computation mechanism used when an individual taxpayer or HUF has agricultural income for the purpose of the optional tax regime as well," said Vishwas Panjari, partner, Nangia Andersen LLP.

The Income Tax Act exempts agricultural income from tax. However, taxpayers with agricultural income over ₹5,000 who have other incomes also have to consider the agricultural income to determine which tax slab is applicable. But, agricultural income is not taxed. There's a three-step method to calculate tax in such cases. The taxpayer has to first add all the incomes and calculate total tax liability

on it. In the second step, they should calculate tax on the sum of basic exemption limit and agricultural income as per applicable income tax rates. Third, deduct the tax calculated in the second step from the total tax liability determined in the first step.

To explain with an example, say you have business income of ₹8 lakh and agriculture income of ₹2.5 lakh. Your tax slab is 30% and tax liability on sum of both income is ₹1.25 lakh. Next, tax on the sum of ₹2.5 lakh (exemption limit) and agricultural income of ₹2.5 lakh is ₹12,500. Since agricultural income is exempt from tax, the total tax you pay is ₹1.13 lakh (₹1.25 lakh-₹12,500).

"While this position has been there from the genesis, it was not specifically enunciated in "new" optional tax regime which was originally introduced in the year 2020 for individuals/HUF. This is more of a clarificatory amendment and should be viewed as such as this brings parity between the regimes," said Panjari.

Maneet Pal Singh, partner, I.P. Pasricha & Co, said the inclusion of agriculture income in total income without taxing it serves several purposes.

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