



Decoding Budget 2024

Tax & Legal Insights

ACUITY **LAW**

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FOREWORD

The Hon'ble Finance Minister has announced the proposals for the Union Budget 2024-25 on July 23, 2024.

The theme for direct taxes in the words of the Hon'ble Finance Minister is "*We will continue our efforts to simplify taxes, improve taxpayer services, provide tax certainty and reduce litigation while enhancing revenues for funding the development and welfare schemes of the government*". With this ambition, it has been proposed that a comprehensive review of the Income-tax Act, 1961 (**IT Act**) is being proposed in the next 6 months.

On the direct tax proposals, reduction in the corporate tax rate on foreign companies, shifting buy back taxation to shareholders, abolition of 2% equalization levy (**EL**) on e-commerce operators, abolition of angel tax, certainly are some measures which will have a benefit on the taxpayer community and send a positive signal to foreign investors. With an intent to simplify capital gains, mixed bag of measures has been proposed where removal of the indexation benefit will turn out to be detrimental to taxpayers, specifically on immovable property related transactions.

On the indirect tax front, the budget proposals have made a sincere attempt to reduce disputes, simplify compliances, rectify industry-wide ambiguities, increase ease of doing business and facilitate trade. There is continued effort to reduce the plethora of notifications which have either become redundant or not compatible with the existing government policies and sector focus. There is also a proposal to relook at the existing customs duty structure in the next 6 months, which we believe is targeted to reduce complexity in customs tariff, eliminate duplicate entries and align the customs tariff to new-age commodities. For GST, apart from various relaxations and clarifications, an amnesty scheme has been proposed to resolve unwanted disputes pertaining to the initial years of implementation. Most of the recommendations by the GST Council have also been accepted and announced in the budget proposals.

All in all, a good budget and the proposals are positive and forward looking.

We at Acuity Law have analyzed a few significant tax proposals in the ensuing paragraphs.

Regards,

Acuity Law

DIRECT TAX

A. Beneficial tax proposals

1. **Reduction in corporate tax rate for foreign companies:** The Finance Bill, 2024 proposes to reduce the corporate tax rate applicable to a foreign company from 40% to 35%. A demand has always been made by the non-resident companies to bring the tax rates in parity with the domestic companies in India. The reduction in the tax rate is a step towards this demand. This measure will benefit foreign companies doing business in India and is certainly a strong message to welcome foreign companies to do business in India.
2. **Abolition of Angel tax:** The Finance Bill, 2024 proposes to abolish angel tax. The Finance Act, 2012 had introduced angel tax provisions, wherein it was provided that 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. This provision was extended to receipt of consideration from a non-resident as well by the Finance Act, 2023.

The Finance Bill, 2024 proposes to sunset the provisions and accordingly provides that it shall not be applicable from AY 2025-26 onwards. A welcome measure to the investment regime.

This provision acted as a deterrent to private limited companies and specifically to the start-up ecosystem. Under this provision, fair market value, basis which the provision would have been made applicable, was to be determined by the taxpayer by choosing a method between net asset value method or discounted cash flow method. The Indian Income-tax Authorities (ITA) have time and again challenged the method opted by the taxpayer as well as the valuation arrived. The abolition of this provision will also certainly reduce litigation to this extent.

3. **Abolition of buyback distribution tax:** The Finance Bill, 2024 proposes to abolish buyback distribution tax with effect from October 1, 2024. Under the IT Act, distribution tax is a common feature, which is applicable on both dividends as well as consideration paid on buyback of shares. The Finance Act, 2020 abolished dividend distribution tax and shifted the burden of taxation on the shareholders. This was a very welcome step, as non-resident shareholders were entitled to seek the benefit, if any, under the relevant double taxation avoidance agreement (DTAA). It has now been decided to abolish the buyback distribution tax and shift the burden of taxation on the shareholders.

However, 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. No deduction for expenses shall be available against such dividend income while determining the income from other sources. 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. Therefore, when the shareholder has any other capital gain from the sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold).

With this proposal, non-residents will be able to claim the benefit of the DTAA, if any, as well as foreign tax credit of the taxes deducted in India.

4. **Abolition of EL at rate of 2% on e-commerce transactions:** EL was introduced by the Finance Act, 2016 on certain specified services such as online advertisement. By the Finance Act, 2020, its scope was extended to e-commerce transactions as well undertaken by non-residents, wherein 2% EL was applicable. Various interpretation challenges were faced by non-residents, due to which this amendment had become an additional compliance for them. The Finance Bill, 2024 has proposed to abolish EL at the rate of 2% on e-commerce transactions.

This proposal is also a step towards India's commitment to implement Pillar 2 considerations of the OECD.

5. **Promotion of domestic cruise ship operations by non-residents:** In order to promote, cruise-shipping industry in India, the Finance Bill, 2024 has proposed to insert a presumptive taxation regime and grant exemption on lease rentals to non-residents.

It has been proposed that a new provision will be inserted in the IT Act whereby twenty per cent of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident cruise-ship operator, on account of the carriage of passengers, will be deemed to be the profits and gains of such cruise-ship operator from this business and taxed accordingly.

As foreign companies will be operating in multi-layered structures, an exemption is also being proposed on the lease rentals received by a foreign company from another non-resident entity, which opts for presumptive taxation under the proposed provision. This exemption is only applicable, if the foreign lessor and the non-resident lessee have the same holding company.

B. Simplification of capital gains provisions

1. Provisions relating to taxation of capital gains have been a set of complex provisions, with varying rates and period of holding. The Finance Bill, 2024 proposes to rationalize and simplify the taxation of capital gains.
 - ***Period of holding:*** It has been proposed that there would only be two period of holdings, 12 months and 24 months, for determining whether the capital gains is short-term capital gains (**STCG**) or long -term capital gains (**LTCG**) and the same shall be applicable to all the asset classes. For all listed securities, the period of holding will be 12 months and for all other assets the period of holding will be 24 months to characterize them as long-term capital asset.
 - ***Rate of taxation – STCG:*** For listed securities, the rate of tax is proposed to be increased from 15% to 20%, thereby increasing the burden of taxation on the investors. For all other assets, applicable tax rates shall be made applicable.
 - ***Rate of taxation – LTCG:*** For all categories of long-term capital assets, listed or unlisted, the rate of tax will be 12.5%. Earlier non-resident taxpayers earning LTCG on sale of unlisted shares were entitled to a reduced tax rate of 10%, without indexation. The increase in the tax rate will be an additional burden on the non-resident taxpayers making investment in Indian unlisted shares. It has also been proposed that LTCG to the extent of INR 125 thousand will not be taxable instead of the earlier limit of INR 1 lakh.
 - ***Removal of indexation benefit:*** Though the rate of tax applicable to long-term capital asset, other than listed securities, has been decreased from 20% to 12.5%, however, correspondingly, indexation benefit has been removed completely on any type of long-term capital asset. This removal may adversely impact those assets such as immovable property, whose value is changed tremendously due to inflation.
 - ***Unlisted debentures and bonds:*** It has been proposed that any gains arising on transfer or redemption, or maturity of unlisted debentures and bonds will always be deemed to be characterized as STCG and taxed accordingly.
2. **Restriction on gifting provisions:** Under the provisions of the IT Act, certain transactions are not subject to capital gains tax. One such transaction is a gift transaction, wherein transfer of a capital asset under a gift is not taxable in the hands of the donor. This provision is proposed to be amended to restrict its applicability only to individuals or a Hindu Undivided Family. The impact of this proposal is that transactions of gift by corporate entities will now be taxable in the hands of such corporate entities, which was not taxable earlier.

C. IFSC Tax measures

1. **Exemption to Income from funds under IFSC:** The Finance Bill, 2024 proposes to expand the ambit of the term “specific funds” for the purpose of exemptions under the IT Act. Specific funds will now include retail funds and exchange traded funds regulated under IFSC (Fund Management) Regulations, 2022.
2. **Relaxation to funds established in IFSC:** Under the provisions of the IT Act, where any sum is found to be credited in the books of a taxpayer and no explanation about the nature and source has been offered by such taxpayer or the explanation offered in the opinion of the tax officer is not satisfactory, then the sum so credited may be charged to income-tax as the income of the taxpayer. The Finance Act, 2023 amended the provisions to provide that the nature and source of any sum, whether in form of loan or borrowing, or any other liability credited in the books of the taxpayer shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider i.e., source of source is also explained.

However, this additional onus of proof of satisfactorily explaining the source of source will not be applicable to a regulated entity such as venture capital fund or venture capital company duly registered with the Indian securities market regulator SEBI.

The Finance Bill, 2024 now proposes to extend the relaxation to the venture capital funds regulated under IFSC as well.

3. **Relaxation to finance company in IFSC:** Under the provisions of the IT Act, thin capitalization rules are in place, wherein a restriction has been placed on the deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower. Presently, the provision is not applicable to banking companies, insurance companies and such non-banking financial companies as may be notified by the Central Government in this regard. The Finance Bill, 2024 proposes that the thin capitalization rules should not be applicable to a finance company located in any IFSC, subject to the satisfaction of the prescribed conditions.

D. Rationalization of provisions

1. **Re-assessment of income:** The Finance Act, 2021 had revamped the provisions relating to re-assessment of income. However, considerable litigation had arisen on account of the revised provisions. To reduce litigation, the re-assessment provisions have been proposed to be rationalized by the Finance Bill, 2024.

Interestingly, the time limit for initiation of re-assessment proceedings, which was increased by the Finance Act 2021, has now been proposed to be reduced. It has been proposed that in normal cases, a notice for initiation of re-assessment proceedings cannot be issued if 3 years and 3 months have elapsed from the end of the AY, unless the case falls under specific cases. For specific cases, a notice for initiation of re-assessment proceedings cannot be issued if 5 years and 3 months have elapsed from the end of the AY, provided the income which has escaped assessment amounts to or is likely to amount to INR 50 lakhs or more.

2. **Introduction of block assessment on account of search and seizure:** A separate regime for search assessments was abolished and such assessments were subsumed into the reassessment provisions. However, this new mechanism was time consuming process which escalated the litigation cost for the taxpayer as well as for IITA. In order to make the procedure of assessment of search cases cost effective, efficient and meaningful, it is proposed to introduce the scheme of block assessment for the cases in which search, or requisition has been initiated or made.
3. **Time-limit for filing appeals before Income-tax Appellate Tribunal (ITAT):** In order to meet the requirement of faceless assessment and uploading of orders on a daily basis, it has been proposed that the time limit for filing of the appeal before the ITAT will be 2 months from the end of the month in which the order sought to be appealed against has been communicated to the taxpayer or the income-tax officer instead of earlier 60 days.

E. Rationalization of withholding tax provisions:

1. **Withholding tax rates:** The IT Act comprises of various tax withholding provisions with different thresholds and multiple rates between 0.1%, 1%, 2%, 5%, 10%, 20%, 30% and above. To improve ease of doing business and better compliance by taxpayers, withholding tax rates are proposed to be reduced by the Finance Bill, 2024 in certain provisions only, which are as follows:

Particulars	Present withholding tax rate	Proposed withholding tax rate	Effective date
Payment of insurance commission (in case of person other than company)	5%	2%	April 1, 2025
Payment in respect of life insurance policy	5%	2%	October 1, 2024

Commission etc on sale of lottery tickets	5%	2%	October 1, 2024
Payment of commission or brokerage	5%	2%	October 1, 2024
Payment of rent by certain individuals or HUF	5%	2%	October 1, 2024
Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	October 1, 2024
Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	October 1, 2024

2. **Withholding of tax on payment of salary by partnership firm to partners:** Under the provisions of the IT Act, there is no provision for withholding of taxes on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Thus, the Finance Bill, 2024 has proposed to insert a new provision to bring payments such as salary, remuneration, commission, bonus to a partner by a firm, if the aggregate amount is more than Rs 20,000. The rate of withholding of taxes is proposed to be 10%. This provision will be effective from April 1, 2025.
3. **Excluding sums paid towards professional or technical services from payment to contractors:** Certain withholding tax provision has an overlap under the provisions of the IT Act, due to which interpretational challenge has arisen and reduced rate of taxes are being withheld by the payers. Two such provisions pertain to payment towards professional or technical services and payment to contractors. The Finance Bill, 2024 proposes to explicitly state in the definition of “work” that any sum paid towards professional or technical services does not constitute work for the purposes of withholding taxes.
4. **Rationalizing the time limit for deeming a person to be an “assessee in default”:** Failure by a payer to withhold taxes or withholding at a reduced rate of tax can result in such a person being regarded as an “assessee in default”. A time limit of 7 years from the end of the financial year in which the payment has been made has been prescribed within which an order is required to be passed to treat a person as an “assessee in default”. However, this provision is applicable only when a resident payer fails to withhold taxes. In order to rationalize the provisions, it has been proposed that the time limit will be applicable to a non-resident payer as well who fails to withhold taxes. The time limit within which an order can be passed has been reduced from seven years to 6 years.
5. **TDS on immovable property:** Under the provisions of the IT Act, a buyer is required to withhold taxes on payment of consideration for transfer of certain immovable property. However, no taxes are required to be withheld, if the consideration for transfer of immovable property is less than INR 50 lakhs. An interpretation was taken in the case of joint buyers, that the consideration refers to each buyer’s payment and not the total consideration for the property.

Accordingly, it is proposed to amend the provision, to clarify that where there is more than one transferor or transferee, then such consideration shall be aggregate of the amounts paid or payable by all the transferee to the transferors.

F. Transfer pricing – Determination of arms-length price (ALP) in case of specified domestic transactions

Under the provisions of the IT Act, ALP of an international transaction or a specified domestic transaction (SDT) is determined by a transfer pricing officer (TPO) upon reference. The determination is based on reference by the tax officer and is also based on the audit report filed by the taxpayer which contains the details of all the transactions.

In relation to international transactions, if, during the proceeding before the TPO, an international transaction comes to the notice of the TPO, which has not been referred to him or has not been reported by the taxpayer,

then the TPO can proceed to determine the ALP with respect to that transaction as well. However, similar provision is not available in case of SDT. The Finance Bill, 2024 accordingly proposes to amend the provision to this extent to enable the TPO to deal with SDT which have not been referred to him or in relation to which no filing has been done by the taxpayer.

G. Direct Tax Vivad Se Vishwas Scheme, 2024

With the intention of expeditious disposal of the appeals before the appellate authorities, Direct Tax Vivad Se Vishwas Scheme, 2020 was launched. As the earlier scheme was successful and with mounting pendency of appeals at the appellate forum, it has been proposed that the Direct Tax Vivad Se Vishwas Scheme, 2024 will be launched with the objective of providing a mechanism of settlement of disputes, thereby reducing litigation without much cost to the government treasury. This scheme will give an opportunity to the taxpayer to settle their tax disputes expeditiously. Under this scheme, the taxpayer will be required to pay between 100% - 120% of the disputed tax, as the case may be and will be required to pay interest or penalty in the range of 25% to 35% of the disputed interest or penalty, as the case may be.

H. Others

1. **Increase in working partners' remuneration limit:** Under the provisions of the IT Act, certain amounts are not allowed as a deduction while computing profits. In this regard, any amount of remuneration paid to a partner by a firm in excess of the threshold is disallowed. The Finance Bill, 2024 proposes to increase the limit of remuneration paid to working partners in a partnership firm, which is allowed as a deduction.
2. **Disallowance of settlement amounts:** Under the provisions of the IT Act, expenditure which has been wholly and exclusively incurred for the purposes of business or profession will be allowed as a deduction while computing taxable profits. However, any expenditure which has been incurred for any purpose which is an offence, or which is prohibited by law is not allowed as a deduction. In this regard, the Finance Bill 2024, proposes to clarify that any expenditure incurred by a taxpayer to settle proceedings initiated in relation to a contravention under any law will not be allowed as a deduction.
3. **Revision in securities transaction tax (STT):** The Finance Bill, 2024 proposes to revise the rate of STT on sale of options and futures. It has been proposed that STT on sale of options will be increased from 0.0625% to 0.1% of the option premium, and on the sale of the futures in securities from 0.0125% to 0.02% of the price at which futures are traded.

INDIRECT TAX

A. Goods and Services Tax (GST)

1. **Un-denatured Extra Neutral Alcohol excluded from levy of GST:** Alcoholic beverages intended for human consumption are outside the purview of GST. Un-denatured Extra Neutral Alcohol (ENA) is a primary ingredient for producing alcoholic beverages intended for human consumption, but taxability of this product under GST has been a contentious issue resulting in litigation before various courts. It is now proposed to exclude ENA from the levy of GST, thus putting to rest the ambiguity and protracted litigation.
2. **Power to grant GST exemption on account of prevailing trade practices:** It is proposed to empower the Government to issue GST exemption notifications and regularize the short payment/ non-payment of GST on account of prevailing trade practices. This is in line with the GST Council recommendation, and it is expected that industry-wide disputes/ ambiguities can be resolved through this proposal. Such provisions have also been held constitutionally valid in the context of other indirect tax legislations.
3. **Relaxations in availing Input Tax Credit (ITC) in certain cases:**
 - It is proposed to consider valid the ITC availed on invoices/ debit notes pertaining to FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 and reported in the GST returns filed until 30 November 2021. This is in line with the GST Council recommendation and will resolve a long-standing dispute on this issue. However, taxpayers who had reversed such ITC along with interest and penalty (if any), will not be entitled to any refund.
 - It is proposed to permit availment of ITC pertaining to the period commencing from the date of cancellation of GST registration and ending on the date of the order revoking such cancellation. The due date to avail such ITC is later of the following:

- GST return filed up to 30 November following the financial year to which the invoice/ debit note pertains; or
 - GST return filed within 30 days of the revocation order
- Effective FY 2024-25, there will be no restriction on availment of ITC of tax paid under section 74 (i.e. proceedings pertaining to cases of fraud, suppression, etc). Also, the existing ITC restriction on tax paid on account of seizure/ detention of goods and conveyances has been revoked.
4. **Requirement to file monthly returns:** It is proposed that registered persons who are required to deduct tax at source are required to file monthly returns, whether or not any tax has been deducted during the month. Earlier, the monthly return was required to be filed only for those months in which a deduction was made. This amendment is in line with the recommendations of the GST Council.
 5. **Authorized Representative can appear on behalf of the summoned person:** It is proposed to insert a provision to enable a person summoned to appear either in person or through an Authorized Representative. This is a beneficial provision which should assist even the tax officer, as an Authorized Representative (such as the tax manager, operations head, accounting team, etc.) may be more suitably placed to respond to questions as against the CEO, Director or any other Key Managerial Person. However, it is yet unclear whether appearance through an Authorized Representative is at the discretion of the tax officer or whether the person summoned can *suo moto* avail this relaxation.
 6. **Alignment of timeline related provisions for issuance of notice and demand orders:** A new section is proposed to be introduced to align provisions of issuance of notice and demand orders for both – cases not involving fraud, suppression, etc. (**Case I**) and cases involving fraud suppression, etc (**Case II**). Currently, both these types of cases are dealt with separately, having different timelines for issuance of notice and demand orders. The new section will be applicable from FY 2024-25.

The revised timelines as compared to the existing provisions is as under:

Sr No	Event	New provision	Case I	Case II
1	Issuance of notice	42 months	33 months	54 months
2	Issuance of demand order	54 months + 6 months*	36 months	60 months

*Extendable

Provisions relating to quantum of penalty remain unchanged for both cases; however, the timeline to avail benefit of reduced penalty has been increased to 60 days (from the existing 30 days) which is beneficial for the taxpayer.

7. **Downward revision in quantum of pre-deposit for filing appeals:**

Pursuant to the proposed amendment, the % of pre-deposit for filing appeals will be as under:

Sr No	Forum	Existing	Proposed
1	Appellate Authority	10%	10%
2	Tribunal	20%	10%

There is also a downward revision proposed to the maximum pre-deposit for filing appeals, as under:

Sr No	Forum	Existing (INR Mn)	Proposed (INR Mn)
1	Appellate Authority	250 (CGST) + 250 (SGST)	200 (CGST) + 200 (SGST)
2	Tribunal	500 (CGST) + 500 (SGST)	200 (CGST) + 200 (SGST)

The above proposals will reduce the cash outflow while filing appeals.

8. **Timelines for filing appeal before the GST Appellate Tribunal:** The time limit to file an appeal before the GST Tribunal is 3 months from the date the order is communicated to the taxpayer. *Vide* the Removal of Difficulty Order No 09/2019-Central Tax dated 03 December 2019, certain changes were made to the prescribed timelines, which recently led to certain ambiguities. To address these ambiguities, it is now proposed that the time limit to prefer an appeal before the GST Tribunal will be later of the following:

- 3 months from the date the order is communicated to the taxpayer
- 3 months from a date to be notified by the Government

This proposal should put to rest the debate on timelines to prefer an appeal before the GST Appellate Tribunal, until it starts functioning.

9. **Amnesty scheme for the period 01 July 2017 to 31 March 2020:** In line with the recommendation of GST Council, it is proposed to introduce an Amnesty Scheme (**Scheme**) for the period 01 July 2017 to 31 March 2020. The Scheme provides for waiver of interest and penalty, on payment of the entire tax (in cases not involving fraud, suppression, etc) alleged as not paid or short paid in a show cause notice, statement of demand or order of the Tax Officer and Appellate Authority for the said period. The Scheme is available even to cases involving fraud, suppression, etc which have been subsequently reclassified by the Appellate Authority and Appellate Tribunal as not involving fraud, suppression, etc.

Under the Scheme, all proceedings will be deemed to be completed on satisfaction of all the prescribed conditions and the taxpayer will not be permitted to file any appeals to higher appellate authorities subsequently. The proposal mentions that the due date for payment of tax under the Scheme will be notified separately; the GST Council had recommended 31 March 2025 as the due date. Suitable instructions will be issued in this regard.

- Conditions to avail benefit under the Scheme:
 - 100% tax alleged as short paid or not paid in the prescribed notice, statement or order should be paid by the due date (to be prescribed)
 - Any appeal filed or writ petition should be withdrawn by the due date (to be prescribed)
 - In case of department appeals, differential tax should be paid within 3 months of receiving such order from the Appellate Authority or Appellate Tribunal

This is a welcome provision, given the teething issues experienced by taxpayers in the initial years of GST implementation. The Scheme still has certain ambiguities and various unanswered questions. A suitable clarification is expected.

10. **Relaxation in availment of transitional credit by an Input Service Distributor (ISD):** Distribution of ISD credit in the GST regime, which was transitioned from the erstwhile indirect tax regime (i.e. prior to July 1, 2017) was a matter of dispute with significant credits blocked for the last 7 years. The dispute arose on account of the wordings which said – “*an ISD shall be eligible for distribution as credit under GST even if the invoices are received on or after 01.07.2017*”. Given these wordings, distribution of credits for invoices received prior to 01 July 2017 were being denied. This anomaly is now sought to be rectified with suitable amendments retrospectively from 01 July 2017. This proposal is in line with the recommendation of the GST Council and is a welcome relief.

11. **Revision to Anti-Profitteering provisions:**

- A sunset date is proposed for Anti-Profitteering related applications, that will be announced through a suitable notification based on the recommendation of GST Council. Post such date, no applications will be accepted by the Anti-Profitteering Authorities for examining any cases.
- It is proposed to entrust the Appellate Tribunal with powers to adjudicate/ examine the pending Anti-profitteering cases. Also, these cases will be handled only by the Principal Bench of the Appellate Tribunal.

12. **Addition to Schedule III – activities not qualifying as supply of goods or services:** The following activities will not be treated as ‘supply of services’ or ‘supply of goods’:

- Apportionment of co-insurance premium by the lead insurer to the co-insurer for insurance services supplied jointly. This is subject to the condition that the entire GST has been paid by the lead insurer on the entire premium.
- Ceding commission or reinsurance commission deducted from reinsurance premium paid by the insurer to re-insurer. This is subject to the condition that the entire GST has been paid by the re-insurer on the entire reinsurance premium.

B. Customs Duty

1. **Simplifying documentary proof for ‘Country of Origin’ criteria:** The requirement to furnish a ‘Certificate of Origin’ for claiming a Preferential Rate of Duty has been relaxed and it is proposed to substitute this term with ‘Proof of Origin’. This proposal is in line with the recent Trade Agreements signed by Government of India, which allow submission of a self-certification/ self-declaration as a proof towards fulfilment of ‘Country of Origin’ criteria and other requirements. This proposal will help simplify the process and reduce timelines for clearance of goods under the preferential trade agreements.
2. **Manufacturing and Other Operations in a Warehouse Regulations (MOOWR) Scheme:** It is proposed to empower the Government to exclude certain classes of goods from availing benefits under the MOOWR Scheme. Recently, the Delhi High Court had struck down an instruction from the Central Board of Indirect Taxes and Customs which restricted use of MOOWR Scheme by solar power generating plants. With this proposal, the Government will have requisite powers under the Customs Act, 1962 to restrict certain classes of goods from availing benefits under the MOOWR Scheme.
3. **Exemption from GST Compensation Cess to goods imported in a Special Economic Zone (SEZ):** In a much-needed clarity, retrospective amendment has been proposed to Notification No 27/2024-Cus dated 12 July 2024, which exempts all goods from GST Compensation Cess when imported by a SEZ Unit/ developer for authorized operations. This exemption is now proposed to be made retrospectively available from 01 July 2017 which is a welcome relief for SEZ Unit/ developer, especially after an unfavorable ruling by the Andhra Pradesh High Court.
4. **Relaxation in timelines for duty free re-import and re-export of specified goods:**
 - Aircrafts and vessels (of foreign origin) imported into India for Maintenance, Repair and Overhauling can now be re-exported up to a period of 1 year (extendable by another 1 year). Currently, the timeline for re-export is 6 months (extendable by another 6 months).
 - Goods (other than those under export promotion schemes) exported from India under warranty can now be re-imported duty free into India within 5 years (earlier 3 years), further extendable by another 2 years.

5. **Review of existing conditional exemptions/ concessional duty rates:** A comprehensive review of 188 conditional exemptions/ concessional duty rates has been undertaken. This comprises of 150 entries from Notification No 50/2017-Cus dated 30 June 2017 and another 38 other exemption notifications. Outcome of this review is as under:

Sr No	Number of exemptions/ concessional rates	Impact
1	38	To lapse on the original expiry date i.e. 30 September 2024
2	126	To be continued up to 31 March 2026
3	30	To be continued up to 31 March 2029

6. **Key changes in customs duty tariff (indicative list):**

- Increase in tariff rates (effective 24 July 2024):

Sr No	HSN	Commodity	Duty	
			From	To
1	3920, 3921	Poly vinyl chloride (PVC) flex films (also known as PVC flex banners or PVC flex sheets)	10%	25%
2	6601 10 00	Garden umbrellas	20%	20% or INR 60 per piece, whichever is higher
3	9802 00 00	Laboratory Chemicals	10%	150%

- Modification to customs tariff (effective 01 October 2024):

Sr No	HSN	Commodity	Duty	New Entry or Modification
1	2710 19 33	Blended Aviation turbine fuel	5%	New Entry
2	2906 11 10	Natural Menthol	7.5%	Modification
3	3818 00 10	Undiffused Silicon wafers	Free	Modification
4	3920 10 93	Armour for ballistic protection	25%	New Entry
5	6506 10 20	Headgear for ballistic protection	10%	New Entry
6	7308 10 10	Portable bridge	15%	Modification
7	8443 99 51	Cartridges or toners, with print head assembly	10%	Modification

- Changes to customs duty rates:

Sr No	HSN	Commodity	Duty	
			From	To
1	1504 20	Fish lipid oil for use in manufacture of aquatic feed	15%	Nil
2	1518	Algal oil for use in manufacture of aquatic feed	15%	Nil
3	2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	5%	Nil
4	2309 90 90	Single cell protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing	15%	5%
5	2309 90 31	Prawn and Shrimps feed	15%	5%
6	2309 90 39	Fish feed	15%	5%
7	2603 00 00	Copper ores and concentrates	2.5%	Nil
8	7108	Gold bar	15%	6%
9	7108	Gold dore	14.35%	5.35%
10	7106	Silver bar	15%	6%
11	7106	Silver dore	14.35%	5.35%
12	7118	Coins of precious metals	15%	6%
13	8517 13 00, 8517 14 00	Cellular mobile phone	20%	15%
14	8504 40	Charger/Adapter of cellular mobile phone	20%	15%
15	8517 79 10	Printed circuit board assembly (PCBA) of cellular mobile phone	20%	15%
16	8517 79 10	Printed circuit board assembly (PCBA) for base station and other telecom equipment	10%	15%
17	Any Chapter	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods (List 41 of Notn 50/2017)	7.5%	Nil
18	30	<u>Cancer Drugs</u>	10%	Nil

		(i) Trastuzumab Deruxtecan (ii) Osimertinib (iii) Durvalumab		
19	9022 30 00	X-ray tubes for use in manufacturing of X-ray machines for medical, surgical, dental or veterinary use	15%	5%

- Exemptions (from Notification No 50/2017) extended up to 31 March 2026:

Sr No	Sr No of the Notification	HSN	Commodity
1	80A	1518	Algal oil for manufacturing of aquatic feed
2	133	26	Gold ores and concentrates
3	155	2711	Liquefied petroleum gases (LPG) received from unit in SEZ and returned by the DTA unit to the SEZ unit
4	164	2716 00 00	Electrical energy supplied from SEZ unit to DTA unit by power plants of 1000 MW or above
5	165	2716 00 00	Electrical energy supplied from SEZ to DTA from power plants of less than 1000 MW
6	260	39, 72 and 81	Goods for the manufacture of specified orthopedic implants
7	290	47	Wood pulp for manufacture of newsprint, paper or paperboard
8	292	4707	Goods imported for manufacture of paper, paperboard, newsprint
9	293A	48	Newsprint and uncoated paper imported for printing of newsprint
10	403	Any chapter	Parts and raw materials for offshore oil exploration
11	404	27, 29, 31, 38, 39, 73, 82, 84, 85, 87, 89 or 90	Specified items including capital goods and raw materials for offshore oil exploration
12	426	Any Chapter	Specified goods for the manufacture of semiconductor devices, memory card, IC, solar cell
13	435	Any Chapter	Capital goods for printing industry

14	471	Any Chapter	All parts for use in the manufacture of LED Lights
15	476	Any Chapter	Television equipment, cameras etc for taking films, imported by foreign film unit or television team
16	504	Any Chapter	Parts and Components for digital still image video camera
17	509	Any Chapter	Parts, components and accessories for manufacture of digital video recorder
18	512	Any Chapter	Specified parts, components and for use in manufacture of Lithium-ion battery and battery pack
19	512A	Any Chapter	Inputs, parts or sub parts for use in the manufacturing of printed circuit board assembly
20	527	8507 60 00	Lithium-ion cell use in manufacture of battery or battery pack
21	527A	8507 60 00	Lithium-ion cell use in manufacture of battery or battery pack of cellular mobile
22	527B	8507 60 00	Lithium-ion cell use in manufacture of battery or battery pack of EV
23	535	Any Chapter	Raw materials for manufacture of aircraft and parts of aircraft
24	551	8901	Cruise ships, Excursion ships
25	581	Any Chapter	Portable X ray machine / system
26	591	9503 00 91	Parts of electronic toy

• Exemptions extended up to 31 March 2029:

Sr No	Notification No	Sr No of the Notification	HSN	Commodity
1	50/2017	549	Any Chapter	Capital goods, raw materials and spares for repairs of ocean-going vessels
2	50/2017	577	Any Chapter	Life-saving medical equipment for personal use
3	50/2017	607A	9804	Lifesaving drugs / medicines for personal use
4	50/2017	612	Any Chapter	Specified raw materials for sports goods
5	80/1970			Goods supplied freely under warranty as replacement for defective ones in lieu of earlier imported goods

6	153/1994			Articles for foreign origin imported for repair and return, theatrical equipment and costumes, mountaineering expedition equipment, photographic, filming recording etc
7	32/2017			Imports of artwork and antique books
8	25/1999			Capital goods/machinery used by the IT/Electronics industry, subject to actual user condition

- Exemption (from Notification No 50/2017) to lapse (on 30 September 2024):

Sr No	Sr No of the Notification	HSN	Commodity
1	340	70	Solar tempered glass or solar tempered (anti reflective coated) glass for use in manufacture of solar cells/ panels/ modules
2	495	8507	Batteries for electrically operated vehicles, including two and three wheeled electric motor vehicles
3	497	8504	Active energy controller (AEC) for use in manufacture of renewable power system (RPS) inverters
4	568	Any Chapter	Parts and components of manufacture of blood pressure monitors and blood glucose monitoring system (Glucometers)

OTHER LEGAL AND TAX ANNOUNCEMENTS

1. **Increase in monetary limits for appeals in tax disputes:** Earlier the monetary limits for appeals to ITAT, High Court and Supreme Court were set at INR 50 lakhs, INR 1 crore and INR 2 crore respectively. Now, the government is proposing to raise the monetary limits for filing appeals related to direct taxes, excise and service tax in Tax Tribunal, High Courts and Supreme Court to INR 60 lakhs, INR 2 crore and INR 5 crore, respectively.
2. **IBC reforms:** An “integrated technology platform” will be set up for improving the outcomes under the Insolvency and Bankruptcy Code, 2016 (IBC). The IBC has resolved more than 1,000 companies, resulting in direct recovery of over INR 3.3 lakh crore to creditors. Further, an announcement of new National Company Law Tribunal (NCLT) benches to deal exclusively with company law matters is a huge relief to corporate litigators, who have been saying for years that the NCLT’s focus on the IBC has hampered corporate litigation before the tribunal. Additionally, it has been announced that the services of Centre for Processing Accelerated Corporate Exit will be extended for voluntary closure of limited liability partnerships.
3. **Strengthening debt recovery tribunals:** It is also proposed that steps for reforming and strengthening debt recovery tribunals will be taken and additional tribunals will be established to speed up the recovery.
4. **Employment linked incentives:** It is proposed that the government will implement 3 schemes for ‘Employment Linked Incentive’, as part of the Prime Minister’s package. These will be based on enrolment in the Employees’ Provident Fund Organization, and focus on recognition of first-time employees, and support to employees and employers.

5. **Foreign direct investment:** The rules and regulations for foreign direct investment and overseas investments will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization, and (3) promote opportunities for using Indian Rupee as a currency for overseas investments.
6. **Housing finance company:** As housing finance companies are now under the purview of the Reserve Bank of India as a category of 'Non-Banking Financial Companies', it is proposed to remove reference to National Housing Board in section 43D of the Income-tax Act, 1961.
7. **Taxonomy for climate finance:** The government will develop a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation. This will support achievement of the country's climate commitments and green transition.
8. **Introduction of variable capital company:** With the intent to attract overseas investment, the government will seek the required legislative approval for providing an efficient and flexible mode for financing leasing of aircrafts and ships, and pooled funds of private equity through a 'variable company structure'. Earlier, variable capital structures have been adopted by countries like Singapore and Mauritius, which enabled them to become a hub for international fund management.
9. **Safe harbour rules:** With a view to reduce litigation and provide certainty in international taxation and expand the scope of safe harbour rules, it is proposed to streamline the transfer pricing assessment procedure.
10. **Stamp duty:** States which continue to charge high stamp duty will be encouraged to moderate the rates for all, and also consider further lowering duties for properties purchased by women. This reform will be made an essential component of urban development schemes and purchase of property in the name of women.

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