GOVERNMENT OF INDIA

MEMORANDUM
EXPLAINING THE PROVISIONS
IN
THE FINANCE BILL, 2024

(Clauses referred to are clauses in the Bill)

FINANCE (No. 2) BILL, 2024

PROVISIONS RELATING TO DIRECT TAXES

Introduction

The provisions of Finance (No. 2) Bill, 2024 (hereafter referred to as "the Bill"), relating to direct taxes seek to amend the Income-tax Act, 1961 (hereafter referred to as 'the Act'), to continue reforms in direct tax system through tax reliefs, removing difficulties faced by taxpayers and rationalisation of various provisions. The Bill also seeks to amend the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, Chapter VII of Finance (No. 2) Act, 2004 (‘Securities Trasaction Tax’, STT in short), Chapter VIII of Finance Act, 2016 (‘Equalisation Levy’) and Prohibition of Benami Property Transaction Act, 1988 (‘Benami Act’).

With a view to achieving the above, the various proposals for amendments are organized under the following heads:—

(A) Rates of income-tax;

(B) Measures to promote investment and employment;

(C) Simplification and Rationalisation;

(D) Widening and deepening of tax base and Anti-Avoidance;

(E) Tax administration;

DIRECT TAXES

A. RATES OF INCOME-TAX

I. Rates of income-tax in respect of income liable to tax for the assessment year 2024-25.

In respect of income of all categories of assessees liable to tax for the assessment year 2024-25, the rates of income-tax have either been specified in specific sections of the Act (like section 115BAA or section 115BAB for domestic companies, section 115BAC for individual/HUF/AOP (other than a co-operative society)/BOI/AJP and section 115BAD or section 115BAE for cooperative societies) or have been specified in Part I of the First Schedule to the Bill. There is no change

proposed in tax rates either in these specific sections or in the First Schedule. The rates provided in sections 115BAA or 115BAB or 115BAC or 115BAD or 115BAE of the Act for the assessment year 2024-25 would be same as already enacted. Similarly rates laid down in Part III of the First Schedule to the Finance Act, 2023, for the purposes of computation of "advance tax", deduction of tax at source from "Salaries" and charging of tax payable in certain cases for the assessment year 2024-25 would now become part I of the first schedule. Part III would now apply for the assessment year 2025-26.

(1) Tax rates under section 115BAC—

For assessment year 2024-25, as per the provisions of sub-section (1A) of section 115BAC of the Act, an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2, has to pay tax in respect of the total income at following rates:

Total Income (Rs)	Rate
Up to 3,00,000	Nil
From 3,00,001 to 6,00,000	5%
From 6,00,001 to 9,00,000	10%
From 9,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

2. The above mentioned rates shall apply, unless an option is exercised as per provisions of sub-section (6) of section 115BAC. Thus, rates specified in sub-section (1A) of section 115BAC of the Act are the default rates.

3. In respect of income chargeable to tax under clause (i) of sub-section (1A) of section 115BAC of the Act, the income-tax for the assessment year 2024-25 shall be increased by a surcharge, for the purposes of the Union, computed, in the case of every individual or Hindu undivided family or association of persons, or body of

individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act,-

(i) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(ii) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding one crore rupees but not exceeding two crore rupees, at the rate of 15% of such income-tax;

(iii) having a total income (excluding the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, at the rate of 25% of such income-tax;

(iv) having a total income (including the income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clause (iii) above, at the rate of 15% of such income-tax;

3.1 In case where the provisions of sub-section (1A) of section 115BAC are applicable and the total income includes any income by way of dividend or income under the provisions of section 111A, section 112 and section 112A of the Act, the rate of surcharge on the income-tax in respect of that part of income shall not exceed 15%.

3.2 Further, in the case of an association of persons consisting of only companies as its members, and having its income chargeable to tax under sub-section (1A) of section 115BAC, the rate of surcharge on the income-tax shall not exceed 15%.

3.3 Marginal relief shall be provided in such cases.

Tax rates under Part I of the First Schedule applicable for the assessment year 2024-25

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

Paragraph A of Part-I of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those

mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part I applies) are as under:—

Up to Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

Up to Rs. 3,00,000	Nil.
Rs. 3,00,001 to Rs.5,00,000	5%
Rs. 5,00,001 to Rs.10,00,000	20%
Above Rs. 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Up to Rs. 5,00,000	Nil.
Rs. 5,00,001 to Rs.10,00,000	20%
Above Rs 10,00,000	30%

These rates are the same as those applicable for the assessment year 2023-24.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part I of the First Schedule to the Bill. They remain unchanged at (10% up to Rs. 10,000; 20% between Rs. 10,001 and Rs. 20,000; and 30% in excess of Rs. 20,000).

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part I of the First Schedule to the Bill. They remain unchanged at 30%.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part I of the First Schedule to the Bill and remain unchanged vis-à-vis those for the AY 2023-24. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2021-22 does not exceed four hundred crore rupees and in all other cases the rate of income-tax shall be 30% of the total income.

2. In the case of company other than domestic company, the rates of tax are the same as those specified for the AY 2023-24.

(2) Surcharge on income-tax

The rates of surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2022-23. Further, for person whose income is chargeable to tax under sub-section (1A) of section 115BAC of the Act, the surcharge at the rate of 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees is not applicable. In such cases the surcharge is restricted to 25%.

(3) Marginal Relief—

Marginal relief has also been provided in all cases where surcharge is proposed to be imposed.

(4) Education Cess—

For assessment year 2024-25, "Health and Education Cess" is to be levied at the rate of 4% on the amount of income-tax so computed, inclusive of surcharge wherever applicable, in all cases. No marginal relief shall be available in respect of such cess.

II. Rates for deduction of income-tax at source during the financial year (FY) 2024-25 from certain incomes other than "Salaries".

The rates for deduction of income-tax at source during the FY 2024-25 under the provisions of section 193, 194A, 194B, 194BB, 194D, 194LBA, 194LBB, 194LBC and 195 have been specified in Part II of the First Schedule to the Bill.

2. For sections specifying the rate of deduction of tax at source, the tax shall continue to be deducted as per the provisions of the relevant sections of the Act.

3. It is proposed that for deduction of income-tax at source on other income in case of company which is not a domestic company, rates shall be reduced from 40% to 35%.

4. It is proposed that for deduction of income-tax at source on the incomes in the nature of capital gains for non-residents, the rates shall be as per the Table below:

Sl.No.	**Income**	**For transfers taking place before 23rd day of July, 2024 / Rate of TDS**	**For transfers taking place on or after 23rd day of July, 2024 / Rate of TDS**
(1)	long-term capital gains referred to in section 115E	10%	12.5%

(2)	long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-section (1) of section 112	10%	The clause is not applicable for transfers on or after 23rd July, 2024
(3)	long-term capital gains referred to in section 112A exceeding one lakh twenty five thousand rupees	10%	12.5%
(4)	long-term capital gains [not being long-term capital gains referred to in clauses (33) and (36) of section 10]	20%	12.5%
(5)	short-term capital referred to in section 111A	15%	20%

5. Apart from the above, the rates will remain the same as those specified in Part II of the First Schedule to the Finance Act, 2023, for the purposes of deduction of income-tax at source during the FY 2024-25.

6. The surcharge on the amount of income-tax for the purposes of the Union is the same as that specified for the FY 2023-24.

(2) Education Cess—

"Health and Education Cess" shall continue to be levied at the rate of four per cent. of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

III. Rates for deduction of income-tax at source from "Salaries", computation of "advance tax" and charging of income-tax in special cases during the FY 2024-25 (Assessment Year 2025-26).

The rates for deduction of income-tax at source from "Salaries" or under section 194P of the Act during the FY 2024-25 and also for computation of "advance tax" payable during the said year in the case of all categories of assessees have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for charging income-tax during the FY 2024-25 on current incomes in cases where accelerated assessments have to be made, for instance, provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year, assessment of persons who are likely to transfer property to avoid tax, assessment of bodies formed for a short duration, etc. The salient features of the rates specified in the said Part III are indicated in the following paragraphs-

A. Individual, HUF, association of persons, body of individuals, artificial juridical person.

With effect from assessment year 2025-26, it is proposed that the following rates provided under the proposed clause (ii) of sub-section (1A) of section 115BAC of the Act shall be the rates applicable for determining the income-tax payable in respect of the total income of a person, being an individual or Hindu undivided family or association of persons [other than a co-operative society], or body of individuals, whether incorporated or not, or an artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2:—

Sl. No.	***Total income***	***Rate of tax***
(1)	***(2)***	***(3)***
1.	Upto Rs. 3,00,000	Nil
2.	From Rs. 3,00,001 to Rs. 7,00,000	5%
3.	From Rs. 7,00,001 to Rs. 10,00,000	10%
4.	From Rs. 10,00,001 to Rs. 12,00,000	15%
5.	From Rs. 12,00,001 to Rs. 15,00,000	20%
6.	Above Rs. 15,00,000	30%

2. However, if such person exercises the option under sub-section (6) of section 115BAC of the Act, the rates as provided in Part III of the First Schedule shall be applicable.

3. Paragraph A of Part-III of First Schedule to the Bill provides following rates of income-tax:—

(i) The rates of income-tax in the case of every individual (other than those mentioned in (ii) and (iii) below) or HUF or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Act (not being a case to which any other Paragraph of Part III applies) are as under:—

Upto Rs. 2,50,000	Nil.
Rs. 2,50,001 to Rs.5,00,000	5%
Rs. 5,00,001 to Rs.10,00,000	20%
Above Rs. 10,00,000	30%

(ii) In the case of every individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,—

Upto Rs. 3,00,000	Nil.
Rs. 3,00,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

(iii) in the case of every individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,—

Upto Rs. 5,00,000	Nil.
Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

4. The amount of income-tax computed in accordance with the preceding provisions of this Paragraph (including capital gains under section 111A, 112 and 112A), shall be increased by a surcharge at the rate of,—

(a) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10% of such income-tax;

(b) having a total income (including the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding one crore rupees, at the rate of 15% of such income-tax;

(c) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25% of such income-tax;

(d) having a total income (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees, at the rate of 37% of such income-tax;

(e) having a total income (including the income by way of dividend or income under the provisions of section 111A, 112 and section 112A of the Act) exceeding two crore rupees, but is not covered under clauses (c) and (d), shall be applicable at the rate of 15% of such income-tax.

4.1 Provided that in case where the total income includes any income by way of dividend or income chargeable under section 111A, section 112 and section 112A

of the Act, the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

4.2 Provided further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

4.3 Further, for person whose income is chargeable to tax under sub-section (1A) of section115BAC of the Act, the surcharge at the rate 37% on the income or aggregate of income of such person (excluding the income by way of dividend or income under the provisions of sections 111A, 112 and 112A of the Act) exceeding five crore rupees shall not be applicable. In such cases the surcharge shall be restricted to 25%.

5. Marginal relief is provided in cases of surcharge.

B. Co-operative Societies

In the case of co-operative societies, the rates of income-tax have been specified in Paragraph B of Part III of the First Schedule to the Bill. These rates will continue to be the same as those specified for FY 2023-24. The amount of income-tax shall be increased by a surcharge at the rate of 7% of such income-tax in case the total income of a co-operative society exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% of such income-tax shall continue to be levied in case of a co-operative society having a total income exceeding ten crore rupees.

2. Marginal relief is provided in cases of surcharge.

3. On satisfaction of certain conditions, a co-operative society resident in India shall have the option to pay tax at 22% as per the provisions of section 115BAD. Surcharge would be at 10% on such tax. Further, under section 115BAE of the Act, a manufacturing co-operative society set up on or after 1.4.2023, which commenced manufacturing or production on or before 31.3.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards. Surcharge would be at 10% on such tax.

C. Firms

In the case of firms, the rate of income-tax has been specified in Paragraph C of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for FY 2023-24. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a firm having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

D. Local authorities

The rate of income-tax in the case of every local authority has been specified in Paragraph D of Part III of the First Schedule to the Bill. This rate will continue to be the same as that specified for the FY 2023-24. The amount of income-tax shall be increased by a surcharge at the rate of 12% of such income-tax in case of a local authority having a total income exceeding one crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees shall not exceed the total amount payable as income-tax on a total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

E. Companies

The rates of income-tax in the case of companies have been specified in Paragraph E of Part III of the First Schedule to the Bill. In case of domestic company, the rate of income-tax shall be 25% of the total income, if the total turnover or gross receipts of the previous year 2022-23 does not exceed four hundred crore rupees and where the companies continue in section 115BA regime. In all other cases the rate of income-tax shall be 30% of the total income. However, domestic companies also have an option to opt for taxation under section 115BAA or section 115BAB of the Act on fulfillment of conditions contained therein. The tax rate is 15% in section 115BAB and 22% in section 115BAA. Surcharge is 10% in both cases.

2. In the case of a company other than a domestic company, it is proposed that the rates of tax shall be reduced from 40% to 35%, on income other than income chargeable at special rates, specified in respective sections of Chapter XII of the Act.

3. Surcharge at the rate of 7% shall continue to be levied in case of a domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act), if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 12% shall continue to be levied, if the total income of the domestic company (except those opting for taxation under section 115BAA and section 115BAB of the Act) exceeds ten crore rupees.

4. In case of companies other than domestic companies, the existing surcharge of 2% shall continue to be levied, if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of 5% shall continue to be levied, if the total income of the company other than domestic company exceeds ten crore rupees.

5. It is proposed that the surcharge shall not apply on advance tax / tax computed on income of specified fund (referred to in clause (c) of the Explanation to clause (4D) of section 10) that is chargeable under clause (a) of sub-section (1) of section 115AD of the Act.

6. Marginal relief is provided in surcharge in all cases.

7. In other cases [including sub-section (2A) of section 92CE, 115QA, 115R, 115TA or 115TD], the surcharge shall be levied at the rate of 12%

8. For FY 2024-25, additional surcharge called the “Health and Education Cess on income-tax” shall be levied at the rate of 4% on the amount of tax computed, inclusive of surcharge (wherever applicable), in all cases. No marginal relief shall be available in respect of such cess.

[Clauses 2, 37 & the First Schedule]

Increase in Standard Deduction and deduction from family pension for tax-payers in tax regime

The existing provision of clause (ia) of section 16 of the Act provides that a

deduction of fifty thousand rupees or the amount of the salary, whichever is less, shall be made before computing the income under the head “Salaries”.

2. Further, the existing provision of clause (iia) of section 57 of the Act provides that in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent of such income or fifteen thousand rupees, whichever is less, shall be made before computing the income chargeable under the head "Income from other sources".

3. With the aim of encouraging and incentivizing taxpayers (specially the salaried taxpayers) to shift to the new tax regime, it is proposed to insert a proviso after clause (ia) of section 16 to provide that in a case where income-tax is computed under clause (ii) of sub-section (1A) of section 115BAC of the Act, the provisions of this clause shall have effect as if for the words “fifty thousand rupees”, the words “seventy five thousand rupees” had been substituted.

4. It is also proposed to insert a proviso in clause (iia) of section 57 to provide that in a case where income-tax is computed under clause (ii) of sub-section (1A) of section 115BAC of the Act, the provisions of this clause shall have effect as if for the words “fifteen thousand rupees”, the words “twenty five thousand rupees” had been substituted.

5. These amendments will take effect from the 1st day of April, 2025, and will accordingly apply to assessment year 2025-26 and subsequent assessment years.

[Clauses 10 & 24]

Increase in amount allowed as deduction to non-government employers and their employees for employer contribution to a Pension Scheme referred in section 80CCD

Section 36 of the Act pertains to other deductions allowed while computing the income under the head ‘Profits and gains of business or profession’. Clause (iva) of sub-section (1) of said section states that any sum paid by the assessee as an employer by way of contribution towards a pension scheme, as referred to in section 80CCD of the Act, on account of an employee, to the extent it does not exceed ten per cent of the salary of the employee in the previous year, shall be allowed as a deduction to the employer.

2. It is proposed to amend clause (iva) of sub-section (1) of section 36 of the Act, to increase the amount of employer contribution allowed as deduction to the employer, from the extent of 10% to the extent of 14% of the salary of the employee in the previous year.

3. Section 80CCD deals with deduction in respect of contribution to pension scheme of Central Government. Sub-section (2) of section 80CCD states that any contribution by the Central Government or State Government or any other employer to the account of an employee referred to in sub-section (1), shall be allowed as a deduction as does not exceed —

(a) 14% (where such contribution is made by the Central Government or State Government); and

(b) 10% (where such contribution is made by any other employer)

of the employees' salary in previous year.

4. It is proposed to amend sub-section (2) of section 80CCD of the Act, to provide that where such contribution has been made by any other employer (not being Central Government or State Government), the employee shall be allowed as a deduction an amount not exceeding 14% of the employee's salary. This is being increased only in the case where the employee's salary is chargeable to tax under sub-section (1A) of section 115BAC of the Act.

5. The amendments will take from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

[Clauses 12 & 25]

B. MEASURES TO PROMOTE INVESTMENT AND EMPLOYMENT

Tax incentives to International Financial Services Centre

International Financial Services Centre (IFSC) is a jurisdiction that provides financial services to non-residents and residents, to the extent permissible under the current regulations, in any currency except Indian Rupee. In order to promote the development of world-class financial infrastructure in India, several tax concessions have been provided to units located in IFSC, under the Act, over the past few years.

2. In order to further incentivize operations from IFSC, it is proposed to make the following amendments:

(A) Item (I) of sub-clause (i) of clause (c) of Explanation to clause (4D) of section 10, to be amended to expand the ambit of specified funds which can claim exemption under the said section, to include retail funds and Exchange Traded Funds in IFSC. Specified funds shall now include funds established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate, which have been granted a certificate as a retail scheme or an Exchange Traded Fund and are regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, made under the International Financial Services Centres Authority (IFSCA) Act, 2019 and satisfy such conditions as may be prescribed.

(B) Specified income of Core Settlement Guarantee Funds set up by recognised clearing corporations in IFSC, is proposed to be exempted by amending the definition of “recognised clearing corporation” and “regulations” in the Explanation to the clause (23EE) of section 10 of the Act. The definition of “recognised clearing corporation” shall now include recognised clearing corporation as defined in clause (n) of sub-regulation (1) of regulation 2 of the IFSCA (Market Infrastructure Institutions) Regulations, 2021 made under the IFSCA Act, 2019. The definition of “regulations” shall now include the IFSCA (Market Infrastructure Institutions) Regulations, 2021.

(C) Section 68 of the Act provides that where any sum is found to be credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year.

(i) Finance Act, 2023 amended the provisions of section 68 so as 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 an

assessee shall be treated as explained only if the source of funds is also explained in the hands of the creditor or entry provider. However, this additional onus of proof of satisfactorily explaining the source in the hands of the creditor, would not apply if the creditor is a well regulated entity, i.e., it is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI. Section 68 accordingly makes a reference to the definition of VCF/VCC in the Explanation to clause (23FB) of section 10.

(ii) It is now proposed to extend the relaxation in place for VCFs registered with SEBI, to those VCFs which are regulated by IFSCA. It is therefore, proposed to amend the definition of VCF in the Explanation to clause (23FB) of section 10, to include VCFs in IFSC.

(D) Section 94B of the Act puts in place a restriction on deduction of interest expense in respect of any debt issued by a non-resident, being an associated enterprise of the borrower. It applies to an Indian company, or a permanent establishment of a foreign company in India, who is a borrower. If such person incurs any expenditure by way of interest or of similar nature exceeding one crore rupees which is deductible in computing income chargeable under the head "Profits and gains of business or profession", the interest deductible shall be restricted to the extent of thirty per cent. of its earnings before interest, taxes, depreciation and amortisation so as to avoid thin capitalisation of a corporate entity. At present, the provisions of this section do not apply to Indian companies or permanent establishments of foreign companies which are engaged in the business of banking or insurance or such class of non-banking financial companies as may be notified by the Central Government. It is now proposed that the provisions of this section shall not apply to finance companies, located in IFSC, as defined in clause (e) of sub-regulation (1) of regulation 2 of the IFSCA (Finance Company) Regulations, 2021 made under the IFSCA Act, 2019, which satisfy such conditions and carry on such activities as may be prescribed.

3. These amendments will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to the assessment year 2025-26 and subsequent assessment years.

[Clauses 4 & 28]

Amendment of Section 56 of the Act

Section 56 of the Act is related to Income from other sources.

2. Vide Finance Act, 2012, a new clause (viib) was inserted in sub-section (2) of section 56 to provide 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”.

3. It has been decided by the Government to sun-set the provisions of clause (viib) of sub-section (2) of section 56 of the Act. Consequent to said decision, amendment to clause (viib) of sub-section (2) of section 56 of the Act is being carried out to provide that the provisions of this clause shall not apply from the assessment year 2025-26.

4. This amendment is proposed to be made effective from the 1st day of April, 2025, and shall accordingly apply from assessment year 2025-26.

[Clause 23]

Promotion of domestic cruise ship operations by non-residents

Certain amendments have been proposed to promote the cruise-shipping industry in India. The aim is to make India an attractive cruise tourism destination, to attract global tourists to cruise shipping in India and to popularise cruise shipping with Indian tourists. Participation of international cruise-ship operators in this sector will encourage development of this sector and enable access to international best practices.

2. In order to provide clarity, certainty and simple structure for the business of cruise-shipping, which may be operating as multi-layer entities, the following is

proposed. A presumptive taxation regime is being put in place for a non-resident, engaged in the business of operation of cruise ships, alongwith exemption to income of a foreign company from lease rentals, if such foreign company and the non-resident cruise ship operator have the same holding company.

3. It is, therefore, proposed to insert a new section 44BBC, which deems 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, as profits and gains of such cruise-ship operator from this business. Applicability of this section, will be subject to prescribed conditions.

4. Provisions of section 44B relating to presumptive taxation for shipping business of non-residents, shall therefore, no longer apply to cruise-ship business.

5. Further, the lease rentals paid by a company which opts for presumptive regime under section 44BBC ('the first company'), shall be exempt in the hands of the recipient company, if such company is a foreign company and such recipient company and the first company are subsidiaries of the same holding company. This is proposed to be done by insertion of a new clause (15B) in section 10. Subsidiary company and holding company have been defined in the Explanation to this new clause. This exemption shall be available upto assessment year 2030-31.

6. These amendments will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to the assessment year 2025-26 and subsequent assessment years.

[Clauses 4, 16 & 17]

C. SIMPLIFICATION AND RATIONALISATION

Introduction of block assessment provisions in cases of search under section 132 and requisition under section 132A

Vide Finance Act, 2021 the provisions of section 153A and section 153C of the Act were amended to provide that the said provision shall only apply to search and seizure proceedings under section 132 or requisition under section 132A of the Act initiated on or before 31.03.2021. The separate regime for search assessments

was abolished and such assessments were subsumed into the reassessment provisions. Further, sections 147, 148, 149, 151 and 151A of the Act were also amended to provide that in case of search, survey or requisition initiated or conducted on or after the 1st April, 2021, it shall be deemed that the Assessing Officer (AO) has information which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the three assessment years immediately preceding the assessment year relevant to the previous year in which the search is initiated or requisition is made or any material is seized or requisitioned. Further, if the AO has information which suggests that the income escaping assessment, represented in the form of asset, amounts to or is likely to amount to fifty lakh rupees or more, notice under section 148 can be issued if ten years have not elapsed from the end of the relevant assessment year.

2. Searches conducted by the Income-tax Department are important means for unearthing black money. However, it has been gathered from the field formations that there are multiple problems that are arising under the present scheme of search assessment under section 148 of the Act. The absence of any legal requirement for consolidated assessments in search cases has led to a situation where every year only the time-barring year is reopened in the case of the searched assessee. This results in staggered search assessments for the same search and consequentially, the searched assessee may be engaged in the search assessment process for almost up to ten years. This is time-consuming process which escalates the litigation cost for the taxpayer as well as for the department. For the duration of such period, legal position on an issue may undergo change, leading to different additions in different years, on the same issue. Moreover, since such a long duration is involved, there is a possibility of change of opinion with respect to the line of enquiry. Further, due to such staggered assessments, coordinated investigation is not feasible in search cases.

3. 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 under section 132 or requisition under section 132A has been initiated or made. The main objectives for the introduction of this scheme are early finalization of search assessments, coordinated investigation during search assessments and reduction in multiplicity of proceedings.

3.1 It is proposed to amend the provisions of Chapter XIV-B of the Act, to provide the following for assessment of search cases:

(i) Where on or after the 1st day of September, 2024, a search is initiated under section 132, or books of account, other documents or any assets are requisitioned under section 132A, in the case of any person, the Assessing Officer shall proceed to assess or reassess the total income of such person in accordance with the provisions of the said Chapter.

(ii) The 'block period' shall consist of previous years relevant to six assessment years preceding the previous year in which the search was initiated under section 132 or any requisition was made under section 132A and shall include the period starting from the 1st of April of the previous year in which search was initiated or requisition was made and ending on the date of the execution of the last of the authorisations for such search or date of such requisition.

(iii) Regular assessments for the block period shall abate. There will be one consolidated assessment for the block period. Till block assessment is complete, no further assessment/reassessment proceeding shall take place in respect of the period covered in the block.

(iv) The Assessing Officer shall assess the 'total income' of the assessee, including the undisclosed income which shall include any money, bullion, jewellery or other valuable article or thing or any expenditure or any income based on any entry in the books of account or other documents or transactions, where such money, bullion, jewellery, valuable article, thing, entry in the books of account or other document or transaction represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of this Act, or any expense, deduction or allowance claimed under this Act which is found to be incorrect.

(v) The undisclosed income falling within the block period, forming part of the total income, shall be computed in accordance with the provisions of this Act, on the basis of evidence found as a result of search or survey in consequence of such search or requisition of books of account or other documents and such other materials or information as are either available

with the Assessing Officer or come to his notice by any means during the course of proceedings under the said Chapter.

(vi) The assessment in respect of any other person shall be governed by the provisions of section 158BD, which provides that where the Assessing Officer is satisfied that any undisclosed income belongs to or pertains to or relates to any person, other than the person with respect to whom search was made or whose books of account or other documents or any assets were requisitioned, then, any money, bullion, jewellery or other valuable article or thing, or assets, or expenditure, or books of account, other documents, or any information contained therein, seized or requisitioned shall be handed over to the Assessing Officer having jurisdiction over such other person and that Assessing Officer shall proceed under section 158BC against such other person and the provisions of the said Chapter shall apply accordingly.

(vii) The tax shall be charged at sixty per cent for the block period, as per section 113 of the Act. The proviso to section 113 has been amended to provide that the tax chargeable under this section shall be increased by a surcharge, if any, which may be levied by any Central Act. However, presently, no surcharge is proposed for income chargeable to tax for the block period. No interest under the provisions of section 234A, 234B or 234C or penalty under the provisions of section 270A shall be levied or imposed upon the assessee in respect of the undisclosed income assessed or reassessed for the block period.

(viii) Penalty on the undisclosed income of the block period as determined by the Assessing officer shall be levied at fifty per cent of the tax payable on such income. No such penalty shall be levied if the assessee offers undisclosed income in the return furnished in pursuance of search and pays the tax along with the return.

(ix) The time-limit for completion of block assessment of the searched assessee shall be twelve months from the end of the month in which the last of the authorisations for search under section 132, or requisition under section 132A, was executed or made. The time-limit for completion of block

assessment of any other person shall be twelve months from the end of the month in which the notice under section 158BC in pursuance of section 158BD, was issued to such other person. However, an exclusion of nearly six months shall be available in respect of period from date of search to the date of handing over of seized material to the Assessing Officer.

(x) Where any evidence found as a result of search or requisition relates to any international transaction or specified domestic transaction referred to in section 92CA, pertaining to the period beginning from the 1st day of April of the previous year in which last of the authorisations was executed and ending with the date on which last of the authorisations was executed, such evidence shall not be considered for the purposes of determining the total income of the block period and such income shall be considered in the assessment made under the other provisions of this Act.

(xi) The notice under clause (a) of sub-section (1) of section 158BC requiring the searched assessee to furnish his return of income for the block period, as well as the order of assessment for the block period shall be issued or passed, as the case may be, with the previous approval of the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

(xii) The provisions of section 144C of the Act shall not apply to any proceeding under the said Chapter.

4. This amendment will take effect from the 1st day of September, 2024.

[Clauses 32, 43, 49, 76 & 85]

Rationalisation of provisions relating to assessment and reassessment under the Act

The Finance Act, 2021 amended the procedure for assessment or reassessment of income in the Act with effect from the 1st April, 2021. The said amendment modified, inter alia, section 148, section 149 and also introduced a new section 148A in the Act.

2. The existing provisions of section 148 of the Act provide the procedure for issuance of notice to initiate assessment or reassessment or recomputation under section 147 of the Act. The existing provisions of the said section also provide details of what constitutes 'information' for the purposes of issuance of notice. The said section further provides the instances in which the Assessing Officer (AO) would be deemed to have information in order to initiate the assessment or reassessment proceedings.

3. The existing provisions of section 148A of the Act provide the procedure to be followed by AO before issuance of notice under section 148 of the Act, including conducting inquiry, providing an opportunity of being heard to the assessee, and passing an order prior to reopening of a case. The said section also provides the circumstances in which such procedure does not apply.

4. Further, the existing provisions of section 149 of the Act provide the time limits for issuance of notice under section 148 and computation of the period of limitation under various circumstances. Furthermore, the existing provisions of section 151 of the Act mandates to obtain sanction from the specified authority, for issuance of notice under section 148 or section 148A of the Act.

5. In this regard, multiple suggestions have been received regarding the considerable litigation at various fora arising from the multiple interpretations of the provisions of aforementioned sections. Further, representations have been received to reduce the time-limit for issuance of notice for the relevant assessment year in proceedings of assessment, reassessment or recomputation.

6. Hence, it is proposed to rationalize the aforementioned reassessment provisions. It is expected that the new system would provide ease of doing business to taxpayers as there is a reduction in time limit by which a notice for assessment or reassessment or re-computation can be issued. The salient features of the proposed amendments are as follows:-

(i) It is proposed to substitute section 148 of the Act so as to provide that before making the assessment, reassessment or recomputation under section 147 and subject to the provisions of section 148A, the Assessing Officer shall issue a notice to the assessee, along with a copy of the order passed under sub-section (3) of section 148A determining it to be a fit case, requiring him to

furnish within such period as may be specified, not exceeding a period of three months from the end of the month in which such notice is issued, a return of his income or the income of any other person in respect of whom he is assessable under this Act. Further, it is proposed to provide that no notice under this section shall be issued unless there is information with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment in the case of the assessee for the relevant assessment year.

Any information in the case of the assessee emanating from survey conducted under section 133A, other than under sub-section (2A) of the said section, on or after the 1st day of September, 2024, is proposed to be added to the definition of 'information' with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment.

It is further proposed to provide that where the Assessing Officer has received information under the scheme notified under section 135A, no notice under section 148 shall be issued without prior approval of the specified authority.

(ii) It is further proposed to substitute the section 148A so as to provide that where the Assessing Officer has information which suggests that income chargeable to tax has escaped assessment in the case of an assessee for the relevant assessment year, he shall, before issuing any notice under section 148, provide an opportunity of being heard to such assessee, by serving upon him a notice to show cause as to why a notice under section 148 should not be issued in his case, and such notice shall be accompanied by the information which suggests that income chargeable to tax has escaped assessment in his case for the relevant assessment year. Thereafter, on receipt of notice under sub-section (1), the assessee may furnish his reply, within such time, as may be specified in such notice.

The Assessing Officer shall, on the basis of material available on record and taking into account the reply of the assessee furnished under sub-section (2), if any, pass an order with the prior approval of the specified authority under sub-section (3) of section 148A, determining whether or not it is a fit case to issue notice under section 148.

It is further proposed that the provisions of this section shall not apply in the case of an assessee where the Assessing Officer has received information under the scheme notified under section 135A pertaining to income chargeable to tax escaping assessment for any assessment year in his case.

(iii) The time limitation for issuance of notice under section 148A and section 148 of the Act is proposed to be provided in section 149 of the Act as follows:

- in normal cases, no notice under sections 148A shall be issued if three years have elapsed from the end of the relevant assessment year. Notice beyond the period of three years from the end of the relevant assessment year can be taken only in a few specific cases;
- in normal cases, no notice under section 148 shall be issued if three years and three months have elapsed from the end of the relevant assessment year. Notice beyond the period of three years and three months from the end of the relevant assessment year can be taken only in a few specific cases;
- in specific cases, where as per the information with the Assessing Officer, the income escaping assessment amounts to or is likely to amount to fifty lakh rupees or more, notice under section 148A can be issued beyond the period of three years but not beyond the period of five years from the end of the relevant assessment year;
- in specific cases, where the Assessing Officer has in his possession books of account or other documents or evidence related to any asset or expenditure or transaction or entry (or entries) which reveal that the income chargeable to tax, which has escaped assessment amounts to or is likely to amount to fifty lakh rupees or more, notice under section 148 can be issued beyond the period of three years and three months but not beyond the period of five years and three months from the end of the relevant assessment year.

(iv) It is proposed to substitute the section 151 so as to provide that specified authority for the purposes of sections 148 and 148A shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.

(v) It is proposed to amend the section 152 of the Act so as to provide that where a search has been initiated under section 132 or requisition is made under section 132A or a survey is conducted under section 133A [other than under sub-section (2A)] on or after the 1st day of April, 2021 but before the 1st day of September, 2024, the provisions of section 147 to 151 shall apply as they stood immediately before the commencement of the Finance (No. 2) Act, 2024.

(vi) It is also proposed to amend the section 152 of the Act so as to provide that where a notice under section 148 has been issued or an order under clause (d) of section 148A has been passed, prior to the 1st day of September, 2024, the assessment, reassessment or recomputation in such case shall be governed as per the provisions of sections 147 to 151, as they stood prior to their amendment by Finance (No. 2) Act, 2024.

7. This amendment will take effect from the 1st day of September, 2024.

[Clauses 44, 45, 46 & 47]

Rationalisation of provisions relating to period of limitation for imposing penalties

Section 275 of the Act provides for the period of limitation for imposing penalties. Sub-section (1) of the said section, inter-alia, states that no order imposing a penalty shall be made in a case where the relevant assessment order or other order is the subject-matter of an appeal before the Joint Commissioner (Appeals) or the Commissioner (Appeals) under section 246 or section 246A, respectively, or before the Appellate Tribunal (ITAT) under section 253, after the expiry of the financial year in which the proceedings, in the course of which action for the imposition of penalty has been initiated, are completed, or six months from the end of the month in which the order of the JCIT(A) or the CIT(A) or, as the case may be, the Appellate Tribunal is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, whichever period expires later. Similarly, at three other places in the said section, for the purposes of limitation, the date of receipt of order passed by appellate authority is given as, ‘date of receipt of order in the office of Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner’.

2. Suggestions have been received from the field formations that the reference to the office of Principal Chief Commissioner of Income-tax, Chief Commissioner of Income-tax and Principal Commissioner of Income-tax poses ambiguity for the purposes of calculation of the number of days for imposition of penalties as a consequence of the orders referred to in the said section. Therefore, it is proposed to amend section 275 of the Act to omit the reference to the date of receipt of order by the Principal Chief Commissioner or Chief Commissioner.

3. This amendment will take effect from the 1st day of October, 2024.

[Clause 83]

Amendment in provisions relating to set off and withholding of refunds

Section 245 of the Act relates to set off and withholding of refund in certain cases. The Finance Act, 2023 has integrated section 241A and section 245 (as they existed prior to their amendment) into a single provision of section 245 of the Act. Presently, section 245 of the Act empowers the Assessing Officer (AO) to adjust the refund (or a part of the refund) against any tax demand that is outstanding from the taxpayer. Further, where refund becomes due to a person but the assessment or reassessment proceeding is pending in his case, then, the Assessing Officer may, with the approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax, withhold the refund till the date on which such assessment or reassessment is completed. Moreover, no additional interest on refund under section 244A of the Act is payable to the assessee for the period beginning from the date on which such refund is withheld and ending with the date on which assessment/reassessment is made.

2. Sub-section (2) of section 245 of the Act provides that where a part of the refund is set off under the provisions of sub-section (1), or where no such amount is set off, and refund becomes due to a person and the Assessing Officer having regard to the fact that proceedings for assessment or re-assessment are pending in the case of such person, is of the opinion that the grant of refund is likely to adversely affect the revenue, he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax, withhold the refund up to the date on which such assessment or reassessment is made.

3. From the bare reading of the provision, it is seen that there are two requirements which the Assessing Officer is supposed to fulfill. One is that he should form opinion that the grant of refund is likely to adversely affect the revenue and the second is that he has to record the reasons in writing for withholding the refund. The second condition of recording of reasons takes care of the first condition as even if an opinion is formed, it has been expressed in terms of reasons recorded in writing. Thus, for the phrase "is of the opinion that the grant of refund is likely to adversely affect the revenue", the phrase "he may, for reasons to be recorded in writing and with the previous approval of the Principal Commissioner of Income-tax or Commissioner of Income-tax" is proposed to be retained. Further, the period of withholding the refund 'up to the date of assessment' is inadequate as the demand itself becomes due after thirty days of the date of assessment. Hence, the period of withholding of the refund is proposed to be extended up to sixty days from the date on which such assessment or reassessment is made.

4. Consequential amendment is also required in section 244A of the Act to allow non-payment of additional interest up to the date till which such refund is withheld under the provisions of sub-section (2) of section 245 of the Act.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 72 & 73]

Rationalisation of the time-limit for filing appeals to the Income Tax Appellate Tribunal

Section 253 of the Act lays down the provisions for filing an appeal with the Income Tax Appellate Tribunal (ITAT) against an order passed by the Joint Commissioner of Income-tax (Appeals), Commissioner of Income-tax (Appeals) [CIT(Appeals)], the Principal Chief Commissioner of Income-tax, the Chief Commissioner of Income-tax, the Principal Commissioner of Income-tax, or the Commissioner of Income-tax. The ITAT is the second appellate authority in the income-tax appellate hierarchy.

2. The sub-section (1) of the said section details the types of orders passed under various sections of the Act against which an aggrieved assessee may appeal to the Appellate Tribunal. Clause (a) of the said sub-section provides that any assessee aggrieved by any order passed by a Deputy Commissioner (Appeals) before the 1st day of October, 1998 or, as the case may be, a Commissioner

(Appeals) under section 154, section 250, section 270A, section 271, section 271A, section 271AAB, section 271AAC, section 271AAD, section 271J or section 272A may appeal to the Appellate Tribunal.

2.1 Section 158BFA of the Act is an interest and penalty provision under Chapter XIV-B of the Act for imposition of penalty on undisclosed income for the block period in a case where search has been initiated under section 132 of the Act. However, as the reference to the same has not been inserted in sub-section (1) of section 253 of the Act, an aggrieved assessee cannot appeal against such penalty orders passed by Commissioner (Appeals). Accordingly, it is proposed to amend clause (a) of sub-section (1) of section 253 to include the reference of section 158BFA therein

3. As per the provisions of sub-section (3) of the said section, appeals to the ITAT are to be filed 'within sixty days of the date on which the order sought to be appealed against is communicated to the assessee or to the PCIT/CIT, as the case may be'. Appeals to the ITAT are generated mainly by orders passed by the CIT (Appeals), which is now through ITBA. In the new Faceless Appeal dispensation, the CIT (Appeals) upload the orders on a day-to-day basis rather than the erstwhile practice of sending a monthly/fortnightly 'bunch' of orders to the jurisdictional PCIT. Such an upload amounts to electronic communication to the PCIT. This, in turn, means that the limitation for filing appeal to the ITAT would fall on a daily basis making it difficult for the PCIT and the Assessing Officer to track the same.

4. In view of the foregoing, it is proposed to amend sub-section (3) of section 253 to provide that the appeal before the ITAT may be filed within two months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner, as the case may be.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 78]

Rationalisation of the provisions of Charitable Trusts and Institutions

I. Merger of trusts under first regime with second regime

The Act puts in place two main regimes for trusts or funds or institutions to claim exemption. The first is contained in the provisions of sub-clause(s) (iv), (v), (vi) or (via) of clause (23C) of section 10. The second is contained in the provisions of

sections 11 to 13 of the Act. The provisions of the respective regimes lay down the procedure for filing application for approval/ registration, the conditions subject to which such approval/ registration shall be granted or can be withdrawn etc.

2. As both the regimes intend to grant similar benefit, the procedure and conditions across the two regimes have been aligned, over the last few years, vide successive Finance Acts.

3. In order to take forward the process of simplification of procedures and to reduce administrative burden, it is proposed that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner.

4. It is, therefore, proposed that:

- Applications seeking approval or provisional approval under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, and filed on or after 1st October, 2024, shall not be considered.
- Applications filed under these sub-clauses before 1st October, 2024, and which are pending would be processed and considered under the extant provisions of the first regime itself.
- Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10, till the validity of the said approval.
- They would be eligible to apply for registration, subsequently, under the second regime. Amendments have accordingly been proposed in section 12A.
- Certain eligible modes of investment, under the first regime (*viz.* those specified in clause (b) of third proviso to clause (23C) of section 10) shall be protected in the second regime, by way of amendment in section 13.

5. These amendments will take effect from the 1st day of October, 2024.

[Clauses 4, 6 & 9]

II. Condonation of delay in filing application for registration by trusts or institutions

A trust or institution desirous of seeking registration under section 12AB is *inter alia* required to apply within timelines specified in clause (ac) of sub-section (1) of section 12A.

2. It has been noted that at times trusts or institutions are unable to file application within specified timelines. In case a trust or institution is unable to apply within time specified, it may become liable to tax on accreted income as per provisions of Chapter XII-EB of the Act. A situation of permanent exit of trust or institution from the exemption regime may also arise.

3. It is proposed that the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

4. These amendments will take effect from the 1st day of October, 2024.

[Clause 6]

III. Rationalisation of timelines for funds or institutions to file applications seeking approval under section 80G

Section 80G of the Act, *inter alia*, provides for the grant of approval to certain funds or institutions for receiving donation. Deduction is available for donations to approved funds or institutions, in the hands of the assessee making such donations.

2. The first proviso to sub-section (5) of section 80G provides timelines for filing application for approval, for funds or institutions referred to in sub-clause (iv) of clause (a) of sub-section (2) of section 80G. The second proviso lays down the procedure for processing the same. It has been noted that at times funds or institutions are unable to file application within specified timelines. A situation of unintended permanent exit of fund or institution from section 80G approval may also arise.

3. It is proposed to amend the first and second provisos to rationalise the timelines for filing applications for approval.

4. These amendments will take effect from the 1st day of October, 2024.

[Clause 26]

IV. Rationalisation of timelines for disposing applications made by trusts or funds or institutions, seeking registration for exemption under section 12AB or approval under section 80G

Applications seeking registration under section 12AB, filed by trusts or institutions, are required to be processed by the Principal Commissioner or

Commissioner within a period of six months from the end of the month in which the application was received.

2. Similarly, the applications of funds or institutions referred to in sub-clause (iv) of clause (a) of sub-section (2) of section 80G, seeking approval are required to be processed by the Principal Commissioner or Commissioner within a period of six months from the end of the month in which the application was received.

3. For better administration and monitoring, it is proposed to rationalise timelines for disposing applications made by trusts or funds or institutions to six months from the end of the quarter in which the application was received.

4. Thus, where provisionally registered/ approved trusts or funds or institutions apply for registration/ approval or where registered/ approved trusts or funds or institutions apply for further registration/ approval under section 12AB or section 80G, as the case may be, the order granting registration/ rejecting application shall be passed before expiry of the period of six months from the end of the quarter in which the application was received.

5. These amendments will take effect from the 1st day of October, 2024.

[Clauses 7 & 26]

V. Merger of trusts under the exemption regime with other trusts

When a trust or institution which is approved / registered under the first or second regime, as the case may be merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.

2. It is proposed that conditions under which the said merger shall not attract provisions of Chapter XII-EB, may be prescribed, to provide greater clarity and certainty to taxpayers. A new section 12AC is proposed to be inserted for this purpose.

3. These amendments will take effect from the 1st day of April, 2025.

[Clause 8]

VI. Inclusion of reference of clause (23EA), clause (23ED) and clause (46B) of section 10 in sub-section (7) of section 11

Sub-section (7) of section 11 of the Act lays down that registration under section 12AB shall become inoperative, if the trust or institution is approved / notified

under clause (23C), (23EC), (46) or (46A) of section 10. Such trust or institution has a one-time option to apply to make its registration under section 12AB operative. Thus, a trust or institution may choose the provisions under which it seeks to claim exemption.

2. It is proposed to amend sub-section (7) of section 11 of the Act to include reference of clause (23EA), clause (23ED) and clause (46B) of section 10 of the Act, to enable trusts under the second regime to claim exemption under the above-noted specific clauses of section 10.

3. These amendments will take effect from the 1st day of April, 2025.

[Clause 5]

Rationalisation and Simplification of taxation of Capital Gains

The taxation of capital gains is proposed to be rationalized and simplified. There are three components to this simplification. Firstly, it is proposed that there will only be two holding periods, 12 months and 24 months, for determining whether the capital gains is short-term capital gains or long term capital gains. For all listed securities, the holding period is proposed to be 12 months and for all other assets, it shall be 24 months. Accordingly, amendment is proposed in clause (42A) of section 2 of the Act. Thus units of listed business trust will now be at par with listed equity shares at 12 months instead of earlier 36 months. The holding period for bonds, debentures, gold will reduce from 36 months to 24 months. For unlisted shares and immovable property it shall remain at 24 months.

2. Secondly, the rate for short-term capital gain under provisions of section 111A of the Act on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust is proposed to be increased to 20% from the present rate of 15% as the present rate is too low and the benefit from such low rate is flowing largely to high net worth individuals. Other short-term capital gains shall continue to be taxed at applicable rate.

2.1 The rate of long-term capital gains under provisions of various sections of the Act is proposed to be 12.5% in respect of all category of assets. This rate earlier was 10% for STT paid listed equity shares, units of equity-oriented fund and business trust under section 112A and for other assets it was 20% with indexation under

section 112. However, an exemption of gains upto 1.25 lakh (aggregate) is proposed for long-term capital gains under section 112A on STT paid equity shares, units of equity oriented fund and business trust, thus, increasing the previously available exemption which was upto 1 lakh of income from long term capital gains on such assets. For bonds and debentures, rate for taxation of long-term capital gains was 20% without indexation. For listed bonds and debentures, the rate shall be reduced to 12.5%. Unlisted debentures and unlisted bonds are of the nature of debt instruments and therefore any capital gains on them should be taxed at applicable rate, whether short-term or long-term. It is proposed accordingly.

2.2 Thus, unlisted debentures and unlisted bonds are proposed to be brought to tax at applicable rates by including them under provisions of section 50AA of the Act. This amendment in section 50AA shall come into effect from the 23rd day of July, 2024.

3. Thirdly, simultaneously with rationalisation of rate to 12.5%, indexation available under second proviso to section 48 is proposed to be removed for calculation of any long-term capital gains which is presently available for property, gold and other unlisted assets. This will ease computation of capital gains for the taxpayer and the tax administration.

4. Parity in taxation between resident and non-resident assesses: To bring parity of taxation between residents and non-residents, corresponding amendments to section 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of long-term capital gains proposed under section 112A and 112 and rates of short term capital gains proposed under section 111A.

5. Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the proposed changes in rates of capital gains tax are being made under section 196B and 196C.

6. These proposals are proposed to be given effect immediately i.e. with effect from the 23rd of July, 2024.

[Clauses 3, 20, 21, 29, 30, 31, 33, 34, 35, 36, 38, 63 & 64]

Amendment to definition of Specified Mutual Fund under section 50AA

The Finance Act, 2023 had introduced special taxation regime of deemed short term capital gains taxation for Market Linked Debentures and Specified Mutual Funds by

way of introduction of section 50AA of the Act. The gains in such cases were to be taxed as Short-term Capital Gain irrespective of period of holding. The requirement of investment of not more than 35% in equity shares has also impacted other funds which are not debt-oriented funds, but invest below 35% in equity shares. Such funds which are adversely impacted include Exchange Traded Funds (ETFs), Gold Mutual Funds and Gold ETFs. In the case of Fund-of-Funds (FoFs) as well, wherein the underlying fund further invests in other instruments, there is ambiguity as to whether they will be considered Specified Mutual Funds as defined in section 50AA. Thus, a need to re-define the term "Specified Mutual Funds" for the purposes of Section 50AA, to provide clarity regarding the proportion of investment being made in terms of debt and money market instruments, and also to clarify the investment requirements in the case of Fund-of-Funds (FoFs) had arisen. Representations from multiple stakeholders were received seeking clarity and revision. It is thus proposed to amend the definition of "Specified Mutual Fund" under clause (ii) of Explanation of section 50AA to provide that a specified mutual fund shall mean a mutual fund:

(a) a Mutual Fund by whatever name called, which invests more than sixty five per cent of its total proceeds in debt and money market instruments; or
(b) a fund which invests sixty five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a).

The above amendment under clause (ii) of Explanation of section 50AA is proposed to be brought into effect from 1st day of April, 2026 and shall be applicable from AY 2026-27 onwards.

[Clause 21]

Rationalisation of Tax Deducted at Source rates

There are various provisions of Tax Deduction at Source (TDS) 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, the TDS rates are proposed to be reduced. However, no change would occur with respect to sections such as TDS on salary, TDS on virtual digital assets, TDS on winnings from lottery etc/ race horses, payment on transfer of immovable property and payments to non-residents, TDS rates for TDS on contracts etc.

2. Rationalisation of TDS rates is proposed as below.

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G – Commission etc on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024

<u>Section 194D - Payment of insurance commission</u>

1. As per provisions of section 194D, any person responsible for paying to a resident any income by way of remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) shall, at the time of credit of such income to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force which is at present 5% (in case of person other than company).

2. It is proposed that TDS under section 194D of the Act (in case of person other than company) be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of April 2025.

Section 194DA - Payment in respect of life insurance policy

As per provisions of section 194DA, any person responsible for paying to a resident any sum under a life insurance policy, including the sum allocated by way of bonus on such policy, other than the amount not includible in the total income under clause (10D) of section 10, shall, at the time of payment thereof, deduct income-tax thereon at the rate of 5% on the amount of income comprised therein.

2. It is proposed that TDS under section 194DA of the Act be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of October 2024.

[Clause 54]

Section 194G – Commission, etc on sale of lottery tickets

As per provisions of section 194G, any person who is responsible for paying, on or after the 1st day of October, 1991 to any person, who is or has been stocking, distributing, purchasing or selling lottery tickets, any income by way of commission, remuneration or prize (by whatever name called) on such tickets in an amount exceeding fifteen thousand rupees shall, at the time of credit of such income to the account of the payee or at the time of payment of such income in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of 5%.

2. It is proposed that TDS under section 194G of the Act be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of October 2024.

[Clause 56]

Section 194H - Payment of commission or brokerage

As per provisions of section 194H, any person, not being an individual or a Hindu undivided family (as specified), who is responsible for paying, on or after the 1st day of June, 2001, to a resident, any income by way of commission (not being

insurance commission referred to in section 194D) or brokerage, shall, at the time of credit of such income to the account of the payee or at the time of payment of such income in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of 5%.

2. It is proposed that TDS under section 194H of the Act be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of October 2024.

[Clause 57]

Section 194-IB - Payment of rent by certain individuals or HUF

As per provisions of section 194-IB, any person, being an individual or a Hindu undivided family (other than those referred to in the second proviso to section 194-I), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of a month during the previous year, shall deduct an amount equal to 5% of such income as income-tax thereon.

2. It is proposed that TDS under section 194-IB of the Act be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of October 2024.

[Clause 59]

Section 194M - Payment of certain sums by certain individuals or Hindu undivided family

Any person, being an individual or a Hindu undivided family (other than those who are required to deduct income-tax as per the provisions of section 194C, section 194H or section 194J) responsible for paying any sum to any resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract, by way of commission (not being insurance commission referred to in section 194D) or brokerage or by way of fees for professional services during the financial year, shall, at the time of credit of such sum or at the time of payment of such sum in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to 5% of such sum as income-tax thereon.

2. It is proposed that TDS under section 194M of the Act be reduced from 5% to 2%.

3. The amendment will take effect from 1st day of October 2024.

[Clause 60]

Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant

Section 194-O of the Act provides that notwithstanding anything to the contrary contained in any of the provisions of Chapter XVII-B, where sale of goods or provision of services of an e-commerce participant is facilitated by an e-commerce operator through its digital or electronic facility or platform (by whatever name called), such e-commerce operator shall, at the time of credit of amount of sale or services or both to the account of an e-commerce participant or at the time of payment thereof to such e-commerce participant by any mode, whichever is earlier, deduct income-tax at the rate of 1% of the gross amount of such sales or services or both.

2. However, representations were received that offline transactions attract a lower TDS rate of 0.1% (under section 194Q relating to TDS on payment of certain sums for purchase of goods) or tax collection at source (TCS) rate of 0.1% [under section 206C(1H) relating to TCS on receipts from sale of goods]. To bring parity between these provisions, reduction of the TDS rate under section 194-O from 1% to 0.1% is proposed.

3. The amendment will take effect from 1st day of October 2024.

[Clause 61]

Section 194F - TDS on payments on repurchase of units by mutual fund or UTI

It is proposed to omit section 194F relating to TDS on payments on repurchase of units by Mutual Fund or UTI which attracts a TDS rate of 20%.

2. The amendment will take effect from 1st day of October 2024.

[Clause 55]

Ease in claiming credit for TCS collected/TDS deducted by salaried employees

Section 192 of the Act provides for deduction of tax at source on salary income.

Further, sub-section (2B) of section 192 of the Act provides for consideration of income under any other head and tax, if any, deducted thereon to be taken into account for the purposes of making the deduction under sub- section (1) of the aforesaid section, subject to certain conditions.

2. Representations have been received that credit of TCS paid should be allowed while computing the amount of tax to be deducted on salary income of the employees as this will help in avoiding cash flow issues for employees. Similarly, all TDS may be taken into account for the purpose of deduction of tax from the salary income of employees. Moreover when the TCS etc is not taken into account, the same is required to be claimed as a refund by the employee which adds to the compliance process.

3. In order to ease compliance, it is proposed that sub-section (2B) of section 192 may be amended to expand the scope of the said sub-section to include any tax deducted or collected under the provisions of Chapter XVII-B or Chapter XVII-BB, as the case may be, to be taken into account for the purposes of making the deduction under sub-section (1) of section 192.

4. The amendments will take effect from the 1st day of October, 2024.

[Clause 50]

Alignment of interest rates for late payment to Government account of TCS

Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Sub-section (7) of the section 206C provides that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of one percent for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was paid.

2. It was noted that the rates of interest applicable for late collection / late deposit of TCS are not in line with provisions of sub-section (1A) of section 201 pertaining to late deduction / deposit of TDS. A higher interest rate of 1.5% is applicable where tax has been deducted but not been deposited to Government

account due to the gravity attached with the failure, as it deprives the deductee of due tax credit and does not reach the Central Government in time. Same difficulty is also faced by the collectee.

3. To align the rate of simple interest charged on failure to pay to Government account after collection of tax it is proposed to amend sub-section (7) of section 206C, to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased from one per cent. to one and one-half per cent. for every month or part thereof on the amount of such tax from the date on which such tax was collected to the date on which such tax is actually paid.

4. The amendment will take effect from the 1st day of April, 2025.

[Clause 70]

Increase in limit of remuneration to working partners of a firm allowed as deduction

Section 40 of the Act provides for amounts that shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". Sub-clause (v) of clause (b) of the said section provides for disallowance of any payment of remuneration to any partner who is working partner which is authorized by and is in accordance with the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as the amount of such payment to all partners during the previous year exceeds the aggregate amount computed as hereunder:

(a)	on the first Rs. 3,00,000 of the book-profit or in case of a loss	Rs. 1,50,000 or at the rate of 90 per cent of the book-profit, whichever is more;
(b)	on the balance of the book-profit	at the rate of 60 per cent :

2. This limit was put in place on the statute w.e.f AY 2010-11. It is now proposed to amend the limit of remuneration to working partners in a partnership firm, which is allowed as deduction. It is proposed that on the first Rs 6,00,000 of the book-profit or in case of a loss, the limit of remuneration is increased to Rs 3,00,000 or at the rate of 90 per cent of the book-profit, whichever is more as follows:

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

3. The amendments to sub-clause (v) of clause (b) of section 40 of the Act will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to assessment year 2025-2026 and subsequent years.

[Clause 14]

Claiming credit for TCS of minor in the hands of parent

Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Representations have been received that there is no provision in the Act for allowing credit of TCS to any other person (eg. parent) other than the collectee.

2. For example, funds remitted under the Liberalized Remittance Scheme of the Reserve Bank of India may have been remitted in the name of minor and accordingly tax would have been collected under sub-section (1G) of section 206C. However, there is no provision for the parent to claim the same in their tax return.

3. It is, therefore, proposed to introduce a provision in section 206C of the Act, to allow the Board to notify the rules for cases where credit of tax collected are given to person other than collectee. However, to ensure that this provision is not misused, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent as under sub-section (1A) of section 64 of the Act which states that in computing the total income of any individual, there shall be included all such income as arises or accrues to his minor child.

4. The amendment will take effect from the 1st day of January, 2025.

[Clause 70]

D. WIDENING AND DEEPENING OF TAX BASE AND ANTI-AVOIDANCE

Tax on distributed income of domestic company for buy-back of shares

Special provisions relating to tax on distributed income of a domestic company from buy-back of shares were introduced by Finance Act, 2013, in line with the then schema of dividend distribution tax. Prior to the amendments made by the Finance Act, 2020, a company had to pay dividend distribution tax (DDT), on the distributed profits by way of dividends in addition to the income-tax chargeable in respect of the total income for any assessment year. DDT was done away with by the Finance Act, 2020.

2. References have been received stating that pay-outs on buy-back of shares should be taxed in hands of recipients, in line with similar regime in place for taxation of dividend.

3. Both dividend as well as buy-back are methods for the company to distribute accumulated reserves and thus ought to be treated similarly. In addition, there is extinguishment of rights for the shareholders who are tendering their shares in the buy-back by domestic company, to the extent of shares bought back by such company from shareholders. The cost of acquisition of such shares also needs to be accounted for in some manner.

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

(i) deeming value of consideration of shares under buy-back (for purposes of computing capital loss) as nil;

(ii) allowing capital loss on buy-back, computed as value of consideration (nil) less cost of acquisition;

(iii) allowing the carry forward of this as capital loss, which may subsequently be set-off against consideration received on sale and thereby reduce the capital gains to this extent.

Example :

100 shares bought in 2020	@Rs. 40/- per share
Total cost of acquisition	Rs. 4000/-
20 shares bought back in 2024	@Rs. 60/- per share
Income taxable as deemed dividend	Rs. 1200/-
Capital loss on such buyback (Rs. 40 *20)	Rs. 800/-
50 Shares sold in 2025	@Rs. 70 per share
Capital Gain (3500 – 2000)	Rs. 1500
Chargeable capital gain after set off	Rs. 700

5. These amendments will take effect from the 1st day of October, 2024, and will accordingly apply to any buy-back of shares that takes place on or after this date.

[Clauses 3, 4, 18, 24, 39 & 52]

Revision of rates of securities transaction tax by amendment to the Finance (No.2) Act, 2004

Levy of Securities Transaction Tax (hereafter referred to as STT) on transaction in specified securities was introduced vide Finance (No.2) Act, 2004. As per the provisions of the STT, recognized stock exchanges, mutual funds (having equity oriented scheme), insurance company or lead merchant banker appointed by the company in respect of an initial public offer or an initial offer are liable to collect the tax on specified securities and pay the same to the credit of the Central Government within seven days from the end of the month in which STT is collected. After its introduction in 2004, the rates of STT have been revised from time to time.

2. Presently, the rate of levy of STT on sale of an option in securities is 0.0625 per cent of the option premium, while the rate of levy of STT on sale of a future in securities is 0.0125 per cent of the price at which such “futures” are traded. The rate of levy of STT on delivery trades in equity shares is 0.1 per cent on both purchase and sale transactions, while in the case of sale of an option in securities where option is exercised, the rate of levy is 0.125% of the intrinsic price (i.e the difference between the settlement price and the strike price) and is payable by the purchaser.

3. There has been an exponential growth of derivative (future and option) markets in recent times and trading in such derivatives accounts for a large proportion of trading in stock exchanges. In view of this exponential growth of the derivative markets, it is proposed to increase the said rates of securities transaction tax on sale of an option in securities from 0.0625 per cent to 0.1 per cent of the option premium, and on sale of a futures in securities from 0.0125 per cent to 0.02 per cent of the price at which such “futures” are traded.

4. This amendment is proposed to be made effective from the 1st day of October, 2024.

[Clause 155]

Reporting of income from letting out of house property under ‘Income from House Property’

Section 28 of the Act specifies kinds of income that shall be chargeable to income-tax under the head ‘Profits and gains of business or profession’.

2. It has been observed that some taxpayers are reporting their rental income generated by letting out of the house property, under the head ‘Profits and gains of business or profession’ in place of the head ‘Income from house property’. Accordingly, they are reducing their tax liability substantially by showing house property income under the wrong head of income.

3. In view of the same, it is proposed to amend the section 28 of the Act so as to clarify that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head “Profits and gains of business or profession” and shall be chargeable under the head “Income from house property”.

4. This amendment will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to assessment year 2025-26 and subsequent assessment years.

[Clause 11]

Amendment of section 47

Section 47 of the Act provides exclusion to certain transactions not regarded as transfer for the purposes of chargeability under 'Capital Gains' under section 45.

2. Clause (iii) of section 47 provides that nothing contained in section 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. The first proviso to the said clause makes an exception to the clause in respect of specified ESOPs.

3. With the insertion of section 50D in the Act in the Finance Act, 2012, providing for taking fair market value as full value of consideration in cases where the consideration received or accruing as a result of the transfer of a capital asset is not ascertainable or cannot be determined, and section 50CA vide Finance Act, 2017, providing for taking fair market value as full value of consideration in case of unquoted shares where the consideration received or accruing is less than the fair market value of such share, the Revenue has aimed at bolstering the anti-avoidance machinery provisions of the Act to eliminate avoidance of Capital Gains tax. However, in multiple cases, taxpayers have argued before judicial fora that transaction of gift of shares by company is still not liable to capital gains tax, in view of the provisions of section 47(iii) of the Act. The matter thus remains a litigated issue leading to:

a) tax avoidance and
b) erosion of Indian tax base.

4. Further, a gift is given out of natural love and affection and accordingly it is proposed to substitute clause (iii) of section 47 and its proviso, to provide that nothing contained in section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a Hindu undivided family.

5. This amendment is proposed to be made effective from the 1st day of April, 2025 and will accordingly apply to assessment year 2025-26 and subsequent assessment years.

[Clause 19]

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

Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm. Hence, it is proposed that a new TDS section 194T may be inserted to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS for aggregate amounts more than Rs 20,000 in the financial year. Applicable TDS rate will be 10%.

2. The provisions of section 194T of the Act will take effect from the 1st day of April, 2025.

[Clause 62]

TCS under sub-section (1F) of section 206C on notified goods

The existing provisions of section 206C of the Act provide, *inter alia*, for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc. Sub-section (1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent. of the sale consideration as income-tax.

2. It has been seen that there has been an increase in expenditure on luxury goods by high net worth persons. For proper tracking of such expenses and in order to widen and deepen the tax net, it is proposed to amend sub-section (1F) of section 206C to also levy TCS on any other goods of value exceeding ten lakh rupees, as may be notified by the Central Government in this behalf. Such goods would be in the nature of luxury goods.

3. The amendment will take effect from the 1st day of January, 2025.

[Clause 70]

Amendment of provisions of TDS on sale of immovable property

Section 194-IA of the Act provides for deduction of tax on payment of consideration for transfer of certain immovable property other than agricultural land.

2. Sub-section (1) of the said section provides that any person responsible for paying to a resident any sum by way of consideration for transfer of any immovable property shall, at the time of credit or payment of such sum to the resident, deduct an amount equal to one per cent. of such sum or the stamp duty value of such property, whichever is higher, as income-tax thereon. Sub-section (2) of the said section provides that no deduction of tax shall be made where the consideration for the transfer of an immovable property and the stamp duty value of such property, are both less than fifty lakh rupees.

3. It has been observed that some taxpayers are interpreting that the consideration being paid or credited refers to each individual buyer's payment rather than the total consideration paid for the immovable property.

4. Hence if the buyer is paying less than Rs. 50 lakh, no tax is being deducted, even if the value of the immovable property and stamp duty value exceeds Rs. 50 lakh. This is against the intention of legislature.

5. Accordingly, it is proposed to amend sub-section (2) of section 194-IA of the Act to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

6. The amendments will take effect from the 1st day of October, 2024.

[Clause 58]

Tax Deduction at source on Floating Rate Savings (Taxable) Bonds (FRSB) 2020

Section 193 of the Act provides for deduction of tax at source on payment of any income to a resident by way of interest on securities.

2. The Government has introduced Floating Rate Savings (Taxable) Bonds (FRSB) 2020. The provisions of section 193 of the Act are proposed to be amended to allow for deduction of tax at source at the time of payment of interest exceeding ten thousand rupees on —

I. the Floating Rate Savings Bonds (FRSB) 2020 (Taxable) and

II. any security of the Central Government or State Government, as the Central Government may, by notification in the Official Gazette, specify in this behalf.

3. The amendments will take effect from the 1st day of October, 2024.

[Clause 51]

Preventing misuse of deductions of expenses claimed by life insurance business

Section 44 of the Act provides for computing of profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by a co-operative society, to be in accordance with First Schedule of the Act, notwithstanding other specific provisions of the Act.

2. Rule 2 of the First Schedule, applicable for Life insurance business, states that the profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938, in respect of the last inter-valuation period ending before the commencement of the assessment year and excluding from it such surplus or deficit included therein which was made in any earlier inter-valuation period.

3. It has been noticed that there have been instances where non-business expenses have been claimed by life insurance companies and there is no provision to add back these to the income of such companies. In order to ensure that provisions are not misused to claim deduction for expenses which are otherwise not admissible under the provisions of section 37 of the Act, it is proposed to amend Rule 2 of the First Schedule of the Act to provide that any expenditure which is not admissible under the provisions of section 37 in computing the profits and gains of a business shall be included to (i.e. added back to) the profits and gains of the life insurance business.

4. The amendment will take effect from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

[Clause 87]

Inclusion of taxes withheld outside India for purposes of calculating total income

Section 198 of the Act provides that all sums deducted (tax deducted), in accordance with the provisions of Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received.

2. It was seen that some assessees are not including taxes withheld outside India for the purposes of calculating their total income which was leading to under reporting of total income as only their net income was being offered for taxation. However they were claiming credit for the taxes withheld abroad resulting in double deduction on account of income not being included in total income but credit for foreign taxes withheld was being taken.

3. In order to address this issue, it is proposed to amend section 198, to provide that all sums deducted in accordance with the provisions of Chapter XVII-B and income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, are for the purpose of computing the income of the assessee, deemed to be income received.

4. The amendment will take effect from the 1st day of April, 2025.

[Clause 66]

Excluding sums paid under section 194J from section 194C (Payments to Contractors)

Section 194C of the Act provides for TDS on payments to contractors at the rate of 1% when the payment is being made or credit is being given to an individual or HUF and 2% in other cases. Section 194J of the Act relates to TDS on fees for professional or technical services wherein the applicable TDS rates are 2% or 10% depending on the nature of payment being made.

2. Clause (iv) of the Explanation of section 194C defines “work” to specify which all activities would attract TDS under section 194C. However, there is no explicit exclusion of assessees who are required to deduct tax under section 194J from requirement or ability to deduct tax under section 194C of the Act. Therefore

some deductors are deducting tax under section 194C of the Act when in fact they should be deducting tax under section 194J of the Act.

3. In view of the above, it is proposed to explicitly state that any sum referred to in sub-section (1) of section 194J does not constitute “work” for the purposes of TDS under section 194C.

4. The amendment will take effect from 1st day of October 2024.

[Clause 53]

Disallowance of settlement amounts being paid to settle contraventions

Section 37 of the Act provides for allowability of expenditure laid out or expended wholly and exclusively for the purpose of business or profession.

2. Explanation 1 of sub-section (1) of section 37 provides that any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure.

3. Explanation 3 of sub-section (1) of section 37 clarifies that the expression “expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law”, referred to in Explanation 1, includes expenditure incurred for any purpose which is an offence or is prohibited by, any law enacted in or outside India; or is incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline under the law governing the conduct of such person; or is incurred to compound an offence under any law for the time being in force in or outside India.

4. Settlement amounts are incurred due to an infraction of law and relate to contraventions etc and, therefore, should not be allowed as business expenses.

5. Accordingly, it is proposed to amend the Explanation 3 to sub-section (1) of section 37 of the Act to clarify that "expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law" under Explanation 1 shall

include any expenditure incurred by an assessee to settle proceedings initiated in relation to a contravention under any law for the time being in force, as may be notified by the Central Government in the Official Gazette in this behalf.

6. The amendment is proposed to be made effective from the 1st day of April, 2025 and will accordingly apply from assessment year 2025-2026 onwards.

[Clause 13]

Amendment of Section 55 of the Act

Prior to Finance Act, 2018, section 10(38) of the Income Tax Act, 1961 (the Act) provided for exemption in respect of gains arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust where the transaction is subject to Securities Transaction Tax (STT). Finance Act, 2018 withdrew the exemption on long-term capital gains from the transfer of equity shares if STT is paid on both acquisition and transfer.

2. With the withdrawal of the exemption, a specific provision in the form of section 112A of the Act was inserted to tax long-term capital gains on transfer of equity shares on which STT is paid at the time of acquisition and transfer. Simultaneously, clause (ac) of sub-section (2) of section 55 of the Act was inserted to provide a special mechanism for computation of cost of acquisition in respect of assets covered under section 112A of the Act and acquired prior to 01 February 2018.

3. The cost of acquisition under clause (ac) of sub-section (2) of section 55 of the Act, for an asset referred to in section 112A is to be determined as per the following formula:

Higher of (a) and (b), where:

(a) Actual cost of acquisition

(b) lower of:

(i) Fair Market Value (FMV) of shares as of 31st January 2018; and

(ii) Full value of Consideration received upon sale.

4. Further, sub-clause (iii) of clause (a) of the Explanation to clause (ac) of sub-section (2) of section 55 of the Act provides for the 'fair market value' where the capital asset is an equity share in a company which is not listed on a recognised stock exchange as on the 31st day of January, 2018 but listed on such exchange on the date of transfer, or listed on a recognised stock exchange on the date of transfer and which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47. In such cases, "fair market value" means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later. The Explanation thus envisages defining the Fair Market Value of shares which are listed at the time of transfer.

5. Thereafter, as provided by sub-section (4) of Section 112A of the Act, the Central Government notified some cases of acquisitions to be given the benefits of section 112A where STT could not have been paid at the time of acquisition. Due to the notification, the condition of payment of STT was relaxed for transactions of acquisition which are not chargeable to STT other than some exceptional situations defined. As a consequence, the payment of STT at the acquisition is not required for unlisted equity shares.

6. Due to this relaxation, a lacuna has arisen in computation of cost of acquisition under clause (ac) of sub-section (2) of section 55 of the Act in the case of equity shares transferred under Offer-For-Sale (OFS) as part of Initial Public Offering (IPO) process where STT is paid at the time of transfer. Since the condition of STT payment at the time of acquisition is relaxed through the aforementioned Notification, it becomes an asset referred to under section 112A. Hence, for determination of cost of acquisition under clause (ac) of sub-section (2) of section 55 of the Act, the computation of FMV as on 31 January 2018 as per the Explanation is required. However, the equity shares at the time of OFS are unlisted on the date of transfer, since the listing happens a few days after the transfer, and therefore some taxpayers are taking the plea that the computation of FMV is not covered on a literal reading of the Explanation to clause (ac) of sub-section (2) of section 55.

7. It has come to light in survey operations that, taxpayers in some cases are not paying capital gains tax on transfer of shares acquired through Offer for Sale (OFS) route citing the absence of an express provision for determination of the FMV of such equity shares since they were still unlisted on the date of transfer even though STT has been paid on transfer and thus, Cost of Acquisition is indeterminable, and Capital Gains is not chargeable.

8. It is therefore proposed to amend sub-clause (iii) of clause (a) of the Explanation to clause (ac) of sub-section (2) of section 55 of the Act, to specifically provide that in a case where the capital asset is an equity share in a company which is not listed on a recognised stock exchange as on the 31st day of January, 2018, or which became the property of the assessee in consideration of share which is not listed on such exchange as on the 31st day of January, 2018 by way of transaction not regarded as transfer under section 47, but listed on such exchange subsequent to the date of transfer, where such transfer is in respect of sale of unlisted equity shares under an offer for sale to the public included in an initial public offer, "fair market value" would mean an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the financial year 2017-18 bears to the Cost Inflation Index for the first year in which the asset was held by the assessee or for the year beginning on the first day of April, 2001, whichever is later.

9. This amendment is proposed to be deemed to have been inserted with effect from the 1st day of April, 2018 and shall accordingly apply retrospectively from assessment year 2018-19 onwards.

[Clause 22]

E. TAX ADMINISTRATION

Direct Tax Vivad se Vishwas Scheme, 2024

The Income-tax Act, 1961 provides for a mechanism of filing of appeals against orders passed under the proceedings of the Act, both by the taxpayer and the Department before respective appellate fora, such as Joint Commissioner of Income-tax (Appeals), Commissioner of Income-tax (Appeals), the Income-Tax Appellate Tribunal, High Courts and Hon'ble Supreme Court. It has been the endeavour of the Central Board of Direct Taxes to provide expeditious disposal of appeals by appellate authorities under its administrative control. One such measure

was the Direct Tax Vivaad Se Vishwas Act, 2020 launched for appeals pending as on 31.01.2020. The Scheme got a very encouraging response from the taxpayers and also resulted in garnering substantial revenue for the Government.

2. The pendency of litigation at various levels has been on the rise due to larger number of cases going for appeal than the number of disposals. Keeping in view the success of the previous Vivaad Se Vishwas Act, 2020 and the mounting pendency of appeals at CIT(A) level, introduction of a Direct Tax Vivad se Vishwas Scheme, 2024 is proposed with the objective of providing a mechanism of settlement of disputed issues, thereby reducing litigation without much cost to the exchequer.

3. It is proposed that this Scheme shall come into force from the date to be notified by the Central Government. The last date for the Scheme is also proposed to be notified.

[Clauses 88 to 99]

Amendment of provisions related to Equalisation Levy

Chapter VIII of the Finance Act, 2016 related to equalisation levy was amended by Finance Act, 2020 to provide for imposition of equalization levy (EL) of two per cent on the amount of consideration received/ receivable by an e-commerce operator from e-commerce supply or services. An "e-commerce operator" means a non-resident who owns, operates or manages digital or electronic facility or platform for online sale of goods or online provision of services or both. The levy is imposed on the amount of consideration received or receivable from–

(i) online sale of goods owned by the e-commerce operator; or

(ii) online provision of services provided by the e-commerce operator; or

(iii) online sale of goods or provision of services or both, facilitated by the e-commerce operator; or

(iv) any combination of the above-mentioned activities.

2. However, the levy is not applicable where the e-commerce operator has a permanent establishment (PE) in India, and the e-commerce supplies or services are effectively connected with such PE. The levy is applicable on consideration

received or receivable by the e-commerce operator from e-commerce supply or services made or provided or facilitated by it–

(i) to a person resident in India;

(ii) to a non-resident from–

(a) sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through an IP address located in India; and

(b) sale of data, collected from a person who is resident in India or from a person who uses an IP address located in India; and

(iii) to a person who buys goods or services, or both, using an IP address located in India.

3. Some stakeholders have raised concerns that the scope of 2% equalisation levy is ambiguous and as a result it leads to compliance burden. In view of this it is proposed that this equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1st day of August, 2024. Any service which was liable to equalisation levy was exempt in sub-section (50) of section 10 subject to certain conditions. Consequently as the 2% levy is being made inapplicable, it is proposed that income arising from e-commerce supply or services made or provided or facilitated on or after the 1st day of April, 2020 but before the 1st day of August, 2024 only, shall fall in the ambit of clause (50) of section 10 of the Act.

These amendments will take effect from the 1st day of August, 2024.

[Clauses 4 & 157]

Amendments in section 42 and 43 of the Black Money Act, 2015 relating to penalty for failure to disclose foreign income and asset in the ITR

Section 42 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the Black Money Act) provides for penalty for failure to furnish details of foreign income and assets in the return of income. The said section

is applicable in respect of an assessee being a resident other than not ordinarily resident in India who has failed to furnish the return of income when such assessee is having any asset, or is a beneficiary of an asset located outside India or is having any income from a source located outside India. Similarly, section 43 of the Black Money Act provides for penalty for failure to furnish in return of income, an information or furnish inaccurate particulars about an asset (including financial interest in any entity) located outside India. The said section is applicable when the assessee being a resident other than not ordinarily resident in India has failed to furnish the details of any asset located outside India, held by him as a beneficial owner or otherwise, or in respect of which he was a beneficiary, or relating to any income from a source located outside India.

2. In view of the above, every resident and ordinarily resident, while filing the return of income, shall disclose all foreign assets (including investment in shares and securities) and income from such foreign assets in the Income Tax Return. Failure to furnish the ITR in relation to foreign income and asset or to report such foreign income and assets located outside India in the ITR may attract a penalty under section 42 or 43 of the Black Money Act, of an amount of ten lakh rupees regardless of the value of asset located outside India.

3. Further, provisos to the aforementioned sections of the Black Money Act state that the provisions of these sections shall not apply in respect of an asset, being one or more bank accounts having an aggregate balance which does not exceed a value equivalent to five hundred thousand rupees at any time during the previous year. Suggestions have been received from various stakeholders that the threshold limit of five lakh rupees is very low which results in many penalties where the asset value itself is less than the penalty amount.

4. It is proposed to amend the provisos to sections 42 and 43 of the Black Money Act to provide that the provisions of the said sections shall not apply in respect of an asset or assets (other than immovable property) where the aggregate value of such asset or assets does not exceed twenty lakh rupees.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 156]

Amendments proposed in section 276B of the Act for rationalisation of provisions

Section 276B of the Act provides for prosecution in case of failure to pay tax to the credit of Central Government under Chapter XII-D or XVII-B. The provisions of the said section state that, inter-alia, if a person fails to pay to the credit of the Central Government, the tax deducted at source by him as required by or under the provisions of Chapter XVII-B, he shall be punishable with rigorous imprisonment for a term which shall not be less than three months but which may extend to seven years and with fine.

2. It is proposed to amend section 276B of the Act to provide for exemption from prosecution to a person covered under clause (a) of the said section, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before the time prescribed for filing the statement of such quarter under sub-section (3) of section 200 of the Act.

3. This amendment will take effect from the 1st day of October, 2024.

[Clause 84]

Reducing time limitation for orders deeming any person to be assessee in default

Section 201 and section 206C of the Act provides for the consequences when a person does not deduct/ collect, or does not pay, or after so deducting/ collecting fails to pay, the whole or any part of the tax, as required by or under the Act.

2. As per sub-section (3) of section 201 of the Act, there is a time limit of seven years for order made under sub-section (1) of section 201 of the Act deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax where the payee is a person resident in India. However, there is no time limit when there has been a failure to deduct the whole or any part of the tax from a non-resident. This creates uncertainty in the case of non-residents.

3. Similarly for TCS, sub-section (6A) of section 206C of the Act provides the consequences when a person does not collect the whole or part of the tax or after collecting fails to pay the tax as required by or under this Act, he shall be deemed to be an assessee in default.

4. It is proposed to amend sub-section (3) of section 201 and insert new sub-section (7A) in section 206C of the Act to provide that no order shall be made deeming any person to be assessee in default for failure to deduct/ collect the whole or any part of the tax from any person, at any time after the expiry of six years from the end of the financial year in which payment is made or credit is given or tax was collectible or two years from the end of the financial year in which the correction statement is delivered, whichever is later.

5. The amendments will take effect from the 1st day of April, 2025.

[Clauses 69 & 70]

Widening ambit of section 200A of the Act for processing of statements other than those filed by deductor

Section 200A of the Act provides for the manner in which statement of tax deduction at source or a correction statement made by a person deducting any sum under section 200 shall be processed.

2. There are statements, such as Form No. 26QF which is filed by an Exchange wherein the deductee is filing details of the tax. It is proposed to widen the ambit of section 200A of the Act to state that in respect of statements which have been made by any other person, not being a deductor, the Board may make a scheme for processing of such statements

3. The amendment will take effect from the 1st day of April, 2025.

[Clause 68]

Extending the scope for lower deduction / collection certificate of tax at source

Section 197 of the Act provides that payments on which tax is required to be deducted under certain sections of Chapter XVII-B, are eligible for certificate for deduction at lower rate. Further, sub-section (9) of section 206C of the Act provides that sums on which tax is required to be collected under sub-section (1) or sub-section (1C), are eligible for collection of tax at lower rate.

2. Section 194Q of the Act, requires every person being a buyer, who pays to a resident, being the seller, for the purchase of any goods of the value or aggregate of

value exceeding fifty lakh rupees in any previous year, to deduct tax at the rate of 0.1% of such sum exceeding fifty lakh rupees.

3. Further, sub-section (1H) of section 206C of the Act, requires every person being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees in any previous year, other than exceptions given therein, to collect tax at the rate of 0.1% of such consideration exceeding fifty lakh rupees.

4. Representations have been received that there are instances where the taxpayers are incurring losses and due to tax deducted under section 194Q of the Act, their funds are getting blocked. Moreover the tax deducted has to be refunded in such cases. It is also stated that there is additional compliance as a seller liable for TCS needs to also verify whether the buyer has deducted tax or not.

5. Therefore, to facilitate ease of doing business and to provide an option to seek a lower deduction certificate so as to reduce compliance burden on the assessee, it is proposed:

a) to amend sub-section (1) of section 197 to bring section 194Q in its ambit
b) to amend sub-section (9) of the section 206C to bring sub-section (1H) of section 206C in its ambit.

6. The amendments will take effect from the 1st day of October, 2024.

[Clauses 65 & 70]

Notification of certain persons or class of persons as exempt from TCS

Section 206C of the Act provides for the collection of tax at source on business of trading in alcoholic liquor, forest produce, scrap etc.

2. Representations have been received that there can be entities whose income is exempt from taxation and are not required to furnish returns of income. However, they face difficulty as tax is being collected on transactions carried out by them. They state that there is no provision in the Act for them to be exempted from the TCS provisions.

3. It is therefore proposed to provide that no collection of tax shall be made or that collection of tax shall be made at such lower rate in respect of specified transaction, from such person or class of persons, including institution, association or body or class of institutions, associations or bodies, as may be notified by the Central Government in the Official Gazette, in this behalf.

4. The amendment will take effect from 1st day of October 2024.

[Clause 70]

Time limit to file correction statement in respect of TDS/ TCS statements

Section 200 of the Act lists the duty of the person deducting tax under the provisions of Chapter XVII-B. Sub-section (3) of this section requires that a deductor after paying the tax deducted to the credit of the Central Government, shall prepare statements detailing the TDS deducted and furnish it within the prescribed time to the prescribed authority. The proviso to section 200 states that a person may also deliver to the prescribed authority a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under this sub-section in such form and verified in such manner as may be specified by the authority.

2. Section 206C of the Act provides for the collection of tax at source (TCS) on business of trading in alcoholic liquor, forest produce, scrap etc. Proviso to sub-section (3) of section 206C of the Act requires that a person collecting tax after paying the tax collected to the credit of the Central Government, furnish statements detailing the TCS collected within the prescribed time. Sub-section (3B) of the said section requires that the person collecting tax may also deliver to the prescribed authority, a correction statement for rectification of any mistake or to add, delete or update the information furnished in the statement delivered under the proviso to sub-section (3) in such form and verified in such manner, as may be specified by the authority.

3. While there is a time limit for furnishing statements detailing the TDS/TCS, however, there is no time limit for furnishing correction statements. Hence such statements may be revised multiple times indefinitely and thus these provisions may be misused causing difficulty to deductees / collectees. Accordingly, in order to put

certainty and finality on the filing process of TDS and TCS statements, it is proposed to amend section 200 and sub-section (3B) of section 206C to provide that no correction statement shall be delivered after the expiry of six years from the end of the financial year in which the statement referred to in sub-section (3) of section 200 and statement referred to in the proviso to sub-section (3) of section 206C are respectively delivered.

4. The amendments will take effect from the 1st day of April, 2025.

[Clauses 67 & 70]

Penalty for failure to furnish statements

Section 271H of the Act inter alia relates to penalty for failure to file Tax Deducted at Source (TDS) or Tax Collected at Source (TCS) returns/ statements within the due date. Sub-section (3) of section 271H of the Act states that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, the person has filed the TDS/TCS statement before the expiry of period of one year from the time prescribed for furnishing such statement.

2. While earlier the due date to file a belated return by the assessee was one year from the end of the assessment year, the time limit presently is 31st December of the same assessment year. Deductees/ collectees face great inconvenience if the TDS/TCS statements by deductors/ collectors are not furnished in time leading to mismatch in TDS/TCS during processing of income tax returns and raising of infructuous demands.

3. To ensure better compliance, it is proposed to amend sub-section (3) of section 271H to provide that no penalty shall be levied if the person proves that after paying TDS/ TCS along with fees and interest to the credit of the Central Government, he has filed the TDS/TCS statement before the expiry of period of one month from the time prescribed for furnishing such statement.

4. This amendment will take effect from the 1st day of April, 2025.

[Clause 81]

Submission of statement by liaison office of non-resident in India

A non-resident having a liaison office in India, is required to prepare and deliver a statement in respect of its activities in a financial year to the Assessing Officer within sixty days from the end of such financial year under section 285 of the Act. It is proposed that the period within which such statement is to be filed, be henceforth prescribed under the Rules.

2. Further, in order to ensure better compliance in this respect, it is proposed that failure to furnish statement may attract a penalty of one thousand rupees for every day for which the failure continues, if the period of failure does not exceed three months; and one lakh rupees in any other case. A new section 271GC is proposed to be inserted in this regard.

3. However, this penalty shall not be leviable if the assessee proves that there was reasonable cause for the said failure. It is proposed to amend section 273B to provide for this.

4. These amendments will take effect from the 1st day of April, 2025.

[Clauses 80, 82 & 86]

Determination of Arms Length Price in respect of specified domestic transactions in proceedings before Transfer Pricing Officer

Section 92CA of the Act provides that the Assessing Officer, if he considers it necessary or expedient to do so, may with the previous approval of Principal Commissioner or the Commissioner, refer the matter of determination of Arm's Length Price (ALP) in respect of an international transaction or specified domestic transaction (SDT) to the Transfer Pricing Officer (TPO). Once reference is made to the TPO, TPO is competent to exercise all powers that are available to the Assessing Officer under sub-section (3) of Section 92C for determination of ALP and consequent adjustment. Further, under section 92E of the Act, there is a reporting requirement on the taxpayer and the taxpayer is under obligation to file an audit report in the prescribed form before the Assessing Officer (AO) containing details of all international transactions or SDT undertaken by the taxpayer during the year.

2. This audit report is the primary document with the AO, which contains the details of international transactions and/or SDT undertaken by the taxpayer. If the

assessee does not report such a transaction in the report furnished under section 92E then the Assessing Officer would normally not be aware of such an International Transaction/SDT so as to make a reference to the TPO.

3. The section, provides that if, during the course of proceeding before him, an international transaction comes to the notice of the TPO, which has not been referred to him by the AO, the TPO can proceed to determine the ALP in its respect as well. It also provides for computation of ALP by the TPO, of those international transactions, details of which have not been furnished in the audit report referred to above. These provisions are in place in sub-section (2A) and (2B) of the section 92CA.

4. However, at present, the above noted provisions of sub-section (2A) and (2B) of section 92CA do not extend to SDTs. It is proposed to amend sub-sections (2A) and (2B) of section 92CA to enable the TPO to deal with SDTs which have not been referred to him by the AO and/or in whose respect audit report under section 92CE has not been filed.

5. These amendments will take effect from the 1st day of April, 2025 and will, accordingly, apply in relation to the assessment year 2025-26 and subsequent assessment years.

[Clause 27]

Discontinuation of the provisions allowing quoting of Aadhaar Enrolment ID in place of Aadhaar number

The existing provisions of section 139AA of the Act mandate, inter-alia, that every person who is eligible to obtain Aadhaar number shall, on or after the 1st day of July, 2017, quote Aadhaar number—

(i) in the application form for allotment of Permanent Account Number (PAN);

(ii) in the return of income.

2. Further, said section also provides that where the person does not possess the Aadhaar Number, the Enrolment ID of Aadhaar application form issued to him at the time of enrolment shall be quoted in the application for permanent account number or in the return of income furnished by him.

3. The said provisions allowing the quoting of Aadhaar Enrolment ID in application form for allotment of PAN or in the return of income, was introduced in 2017. Since then, as per data available in public domain, coverage of Aadhaar number has been increasing, and has encompassed majority of the population in India. Hence, it is imperative to discontinue the option of quoting of the Enrolment ID of Aadhaar application form, as any allotment of PAN against the Enrolment ID may lead to duplication and misuse of PAN.

4. Therefore, it is proposed that proviso to sub-section (1) of section 139AA shall not apply from the 1st day of October, 2024. It is further proposed that every person who has been allotted permanent account number on the basis of Enrolment ID of Aadhaar application form, shall intimate his Aadhaar number on or before a notified date.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 42]

Amendments in sections 245Q and 245R related to Advance Rulings

Vide Finance Act, 2021, amendments were made to the provisions of Chapter XIX-B of the Act dealing with Advance Rulings. The Finance Act, 2021 provided that the Authority for Advance Rulings shall cease to operate with effect from such date, as may be notified by the Central Government in the Official Gazette. Later, the Central Government, vide Notification S.O. 3562(E), dated 01.09.2021, notified September 01, 2021 as the date with effect from which the Authority for Advance Rulings (AAR) shall cease to operate. Sections 245N to 245W of the Chapter provide for the power the Central Government to constitute a Board for Advance Rulings (BAR), the procedure to be followed by such Board, powers of the Authority etc.

2. Sub-section (3) of section 245Q of the Act provides that an applicant may withdraw an application within thirty days from the date on which such application is made. After AAR was made ineffective, certain applications which were filed before the erstwhile AAR, in which no order under sub-section (2) of section 245R had been passed, were transferred to the newly constituted BAR under sub-section (4) of

section 245Q. In case of all those pending applications transferred to the BAR, the period of thirty days has already elapsed.

3. However, representations have been received by the BAR, from many of the applicants pointing out that their applications are still pending for disposal, and that these applications were filed before AAR to get certainty on taxability of the transactions with an intent to get a ruling from a quasi-judicial forum in a time-bound manner. However, due to various reasons like change in constitution of BAR forum, non-binding nature of the ruling (as it is made appealable to High Court), substantial passage of time, and other commercial reasons, these applicants wish to withdraw their applications.

4. In view of the foregoing, it is proposed to amend section 245Q to allow application for withdrawal by the 31st of October, 2024 for the transferred applications before BAR (from AAR) in cases where order under sub-section (2) of section 245R has not been passed. It is further proposed to provide that on receipt of an application under the proviso to sub-section (4) of section 245Q, the Board for Advance Rulings may, by an order, reject the application referred to in sub-section (1) thereof as withdrawn on or before the 31st day of December, 2024.

5. This amendment will take effect from the 1st day of October, 2024.

[Clauses 74 & 75]

Powers of the Commissioner (Appeals)

The existing provisions of section 251 of the Act specify the powers of the Joint Commissioner (Appeals) or the Commissioner (Appeals). Further, sub-section (1) of the said section provides that Commissioner (Appeals) shall have, inter-alia, the following powers in disposing of an appeal:

(a) He may confirm, reduce, enhance or annul the assessment, in the case of an appeal against an order of assessment.

(b) He may confirm, cancel, or vary to enhance or reduce, the penalty order, in the case of an appeal against an order imposing a penalty.

2. Further, sub-section (4) of section 250 of the Act prescribes that Commissioner (Appeals) may seek the report from the Assessing Officer after making further inquiry, before disposing any appeal.

3. It has been found that in the best judgement cases, taxpayers remain non-responsive to the letters or notices issued by the Faceless Assessing Officer. However, they directly file the appeal to Commissioner (Appeals) against the relevant assessment order.

4. Considering the huge pendency of appeals and disputed tax demands at the Commissioner (Appeals) stage, it is proposed that the cases where assessment order was passed as best judgement case under section 144 of the Act, Commissioner (Appeals) shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment. Further, it is proposed to make consequential amendment in section 153(3) of the Act in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).

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

[Clause 77]

Amendment of section 271FAA to comply with the Automatic Exchange of Information (AEOI) framework

The existing provisions of the sub-section (1) of section 271FAA of the Act inter-alia, provide that if a person referred to in sub-section (1) of section 285BA of the Act, who is required to furnish a statement under that section, provides inaccurate information in the statement, and where (a) the inaccuracy is due to a failure to comply with the due diligence requirement prescribed under sub-section (7) of section 285BA or is deliberate on the part of that person; or (b) the person knows of the inaccuracy at the time of furnishing the statement of financial transaction or reportable account, but does not inform the prescribed income-tax authority or such other authority or agency; or (c) the person discovers the inaccuracy after the statement of financial transaction or reportable account is furnished and fails to inform and furnish correct information within the time specified under sub-section (6) of section 285BA, then, the prescribed income-tax authority under sub-section (1) of section 285BA may direct that such person shall pay, by way of penalty, a sum of fifty thousand rupees.

2. The provisions of section 271FAA apply in case the specified person furnishes inaccurate statement of the financial transactions / reportable account as prescribed under section 285BA of the Act. While reviewing India's CRS legislative framework under the Automatic Exchange of Information (AEOI) framework, the Global Forum on Transparency and Exchange of Information for Tax purposes has formed a view that the penal sanction available under the said section for inaccuracies would not automatically extend to all cases where due diligence was not correctly done if the information did not lead to incorrect reporting.

3. In view of the foregoing, it is proposed to make the following amendments in section 271FAA to clarify that penalty under the said section shall be attracted in any of the following circumstances–

(i) furnishing inaccurate information in the statement shall be liable;

(ii) failure to comply with due diligence requirement in the statement;

4. Further, in section 273B, it is proposed to add the reference of section 271FAA in order to provide that no penalty shall be imposable for any failure referred to in the said section, if the assessee proves that there was reasonable cause for such failure.

5. This amendment will take effect from the 1st day of October, 2024.

[Clauses 79 & 82]

Amendment to include the reference of Black Money Act, 2015 for the purposes of obtaining a tax clearance certificate

The existing provisions of sub-section (1A) of section 230 of Act specify that, inter-alia, no person who is domiciled in India, shall leave India, unless he obtains a certificate from the income-tax authorities stating that he has no liabilities under Income-tax Act, 1961, or the Wealth-tax Act, 1957 (27 of 1957), or the Gift-tax Act, 1958 (18 of 1958), or the Expenditure-tax Act, 1987 (35 of 1987), or he makes satisfactory arrangements for the payment of all or any of such taxes which are or may become payable by that person. Such certificate is required to be obtained where circumstances exist which, in the opinion of an income-tax authority render it necessary for such person to obtain the same.

2. The proviso to the said sub-section further mandates that no income-tax authority shall make it necessary for any person who is domiciled in India to obtain the said certificate unless he records the reasons therefor and obtains the prior approval of the Principal Chief Commissioner or Chief Commissioner of Income-tax.

3. In this regard, it was observed that most of the liabilities arising under the Acts administered by the Central Board of Direct Taxes (CBDT) have been covered in the sub-section (1A) of section 230 of the Act, for the purpose of obtaining a tax clearance certificate, except the liabilities arising under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (22 of 2015).

4. In view of the same, it is proposed to insert the reference of liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the sub-section (1A) of the section 230 of the Act, for the purposes of obtaining a tax clearance certificate.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 71]

Rationalisation of provisions related to time-limit for completion of assessment, reassessment and recomputation

The existing provisions of section 153 of the Act specify the various time-limits for completion of assessment, reassessment and recomputation under various provisions of the Act. In this regard, representation has been received regarding procedural difficulties in implementation of the provisions of the said section. Considering the same, following changes have been proposed for amendment in section 153 of the Act:-

(i) Sub-section (1) of said section provides, inter-alia, that assessment under section 143 or section 144 shall be completed within twelve months from the end of the assessment year in which the income was first assessable. In this regard, it is proposed to insert a new sub-section (1B) so that order of assessment of cases where return of income is furnished in consequence of an order under section 119(2)(b) may be completed within twelve months from the end of the financial year in which such return is furnished.

(ii) Sub-section (3) of the said section provides the time-limit for passing the fresh assessment order in pursuance of an order under section 254 or section 263 or section 264 setting aside or cancelling an assessment. The said sub-section provides that such fresh assessment order shall be passed at any time before the expiry of twelve months from the end of the financial year in which the order under section 250 or section 254 is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner, as the case may be. In this regard, it is proposed to insert the reference of section 250 in this sub-section in order to provide the time-limit for disposal of cases which are proposed to be set aside by the Commissioner (Appeals).

(iii) Further, sub-section (8) of the said section provides that order of assessment or reassessment relating to any assessment year, which stands revived under sub-section (2) of section 153A, shall be made within a period of one year from the end of the month of such revival or within the period specified in the said section or sub-section (1) of section 153B, whichever is later. In this regard, it is proposed to amend sub-section (8) of the said section to provide the timeline for passing of order in the case of revived assessment or re-assessment proceedings as a consequence of annulment of block assessments under Chapter XIV-B of the Act.

(iv) Clause (xii) of Explanation 1 of the said section provides, that the period (not exceeding one hundred and eighty days) commencing from date of initiation of search and ending on the date on which the books of account/documents/seized materials are handed over to the Assessing Officer is excluded while computing the period of limitation. In this regard, it is proposed to amend the provision of Explanation 1(xii) of the said section by inserting a 6th proviso so as to provide that the date of limitation in such cases falls at the end of the month, after taking into account the exclusion provided in the Explanation.

2. Further, the existing provisions of the section 139 prescribe, inter-alia, that every person, being a company or a firm, or being a person other than a company or

a firm whose total income exceeds the maximum amount which is not chargeable to income-tax, shall, furnish a return of his income. In this regard, consequential amendment is proposed in the said section to provide that where any return of income is furnished in pursuance of an order under clause (b) of sub-section (2) of section 119, the provisions of this section 139 shall apply.

3. These amendments will take effect from the 1st day of October, 2024.

[Clause 41 & 48]

Amendment of Section 80G

The provisions of sub-section (1) of section 80G provide that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of the section, the sums as specified in sub-section (2) of the same section.

2. The existing provision of sub-clause (iiihg) of clause (a) of sub-section (2) of Section 80G of the Act provides that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, any sums paid by the assessee in the previous year as donations to the National Sports Fund to be set up by the Central Government.

3. The Government had set up the aforesaid fund by the name National Sports Development Fund w.e.f 12.11.1998. Therefore, it is proposed to amend sub-clause (iiihg) of clause (a) of sub-section (2) of Section 80G of the Act to provide that in computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, any sums paid by the assessee in the previous year as donations to the National Sports Development Fund set up by the Central Government.

4. This amendment will take effect from the 1st day of April, 2025 and will accordingly apply to assessment year 2025-26 and subsequent assessment years.

[Clause 26]

Removing reference to National Housing Board in Section 43D of the Act

Section 43D of the Act provides for special provision in case of income of public financial institutions, public companies involved in housing finance, scheduled banks, co-operative banks other than primary agricultural credit societies, primary co-operative agricultural and rural development banks, State financial corporations, State industrial investment corporations and notified non-banking financial companies.

2. Clause (b) of section 43D of the Act states that in the case of a public company involved in housing finance, the income by way of interest in relation to such categories of bad or doubtful debts as may be prescribed having regard to the guidelines issued by the National Housing Bank (NHB) in relation to such debts shall be chargeable to tax in the previous year in which it is credited by the public company to its profit and loss account for that year or, as the case may be, in which it is actually received by that company, whichever is earlier. Explanation to the said section also contains references to NHB.

3. However, the Finance (No. 2) Act, 2019 (23 of 2019) has amended the National Housing Bank Act, 1987, conferring powers for regulation of Housing Finance Companies (HFCs) with Reserve Bank of India (RBI). Consequently, HFCs have come under the purview of the RBI as a category of Non-Banking Financial Companies (NBFCs). In the Act, separate provisions already exist in section 43D with respect to NBFCs.

4. Hence, it is proposed to remove reference to National Housing Bank by omitting clause (b) of section 43D of the Act and clause (a) and (b) of Explanation to section 43D of the Act.

5. The amendment will take effect from the 1st day of April, 2025 and shall accordingly apply in relation to assessment year 2025-2026 and subsequent assessment years.

[Clause 15]

Adjusting liability under Black Money Act, 2015 against seized assets

Section 132B of the Act in its existing form provides that any existing liability under the Income-tax Act, 1961, the Wealth-tax Act, 1957(27 of 1957), the

Expenditure-tax Act, 1987 (35 of 1987), the Gift-tax Act, 1958 (18 of 1958) and the Interest-tax Act, 1974 (45 of 1974), and the amount of liability determined on completion of the assessment or reassessment in consequence of search or requisition, may be recovered from the taxpayer out of the seized assets under section 132 or requisitioned under section 132.

2. Further, Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 provides for taxation of undisclosed foreign income and undisclosed foreign assets. After the introduction of the said Act, such undisclosed foreign income and value of undisclosed foreign asset is taxed under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in place of the Income-tax Act, 1961.

3. In this regard, it has been observed that most of the liabilities arising under the Acts administered by the Central Board of Direct Taxes (CBDT) have been covered in section 132B of the Act, for the purpose of extinguishment of liability by recovery out of the seized assets, except the liabilities arising under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

4. In view of the above, it is proposed to insert the reference of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the section 132B of the Income-tax Act, 1961 so as to recover the existing liabilities under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, out of seized assets.

5. This amendment will take effect from the 1st day of October, 2024.

[Clause 40]

Amendments to the Prohibition of Benami Property Transactions Act, 1988

(A) Amendment of Section 24 of the Prohibition of Benami Property Transactions Act, 1988

Section 24 of the Prohibition of Benami Property Transactions (PBPT) Act, 1988 relates to notice and attachment of property involved in Benami transaction.

2. The existing provisions of sub-section (3) of the said section 24 of PBPT Act do not provide for any time limit for a benamidar to furnish a reply to the notice

issued under sub-section (1) or beneficial owner to file submissions on copy of said notice given to him under sub-section (2).

3. It is proposed to insert sub-section (2A) to provide a maximum time limit of three months from the end of the month in which notice is issued under sub-section (1) for the benamidar or the beneficial owner to file their explanations or submissions.

4. The existing provisions of sub-section (3) and sub-section (4) of the said section provide for a time limit of 90 days from the last day of the month in which notice under sub-section (1) is issued for the Initiating Officer to provisionally attach the property or to pass an order for continuing the provisional attachment or revoking the provisional attachment or deciding not to attach the property, as the case may be.

5. It is proposed to amend the said sub-section (3) and sub-section (4) of section 24 of the PBPT Act to increase the said period to four months from the end of the month in which notice under sub-section (1) of the said section is issued.

6. The existing provisions of sub-section (5) of said section 24 allow for a time period of fifteen days from the date of attachment order to the Initiating Officer to draw up a statement of the case and refer it to the Adjudicating Authority.

7. It is proposed to amend the said sub-section to increase the said period to one month from the end of the month in which the order under sub-clause (i) of clause (a), or under sub-clause (i) of clause (b) of sub-section (4) of the said section 24 of the PBPT Act, 1988, has been passed.

8. These amendments will take effect from the 1st day of October, 2024.

[Clause 154]

(B) Insertion of Section 55A in the Prohibition of Benami Property Transactions Act, 1988

As per section 53(2) of the Prohibition of Benami Property Transactions Act (PBPT) Act, 1988, the offence of benami transaction is punishable with a penalty of rigorous imprisonment for minimum one year to maximum seven years along with fine extending to 25% of the fair market value of the benami property. This penalty is the same for a benamidar or a beneficial owner or any person who abets or induces any person to enter into a benami transaction. Due to same quantum of penalty &

prosecution as is imposable in the case of beneficial owner and abettor, benamidars do not come forward to give evidence against the beneficial owner.

2. Further, many benamidars being of poor means and illiterate, imposing on them the same penalty as the beneficial owner of such a benami transaction could be disproportionate in nature. Alternatively, if such benamidars were to become approvers, it would help in gathering clinching evidence and details about benami properties and result in convictions of the beneficial owners, thus strengthening the regime.

3. Furthermore, various other laws of the land provided for a tender of pardon/immunity from prosecution/ reduced penalty in cases where the witness assists in the due process of law.

4. It is thus proposed to insert a new section 55A in the PBPT Act, 1988, to provide that the Initiating Officer may, with a view to obtaining the evidence of the benamidar or any other person as referred to in section 53, other than the beneficial owner, tender to such person immunity from penalty for any offence under section 53, with the previous sanction of the competent authority as referred to in section 55, on condition of his making a full and true disclosure of the whole circumstances relating to the benami transaction. A tender of immunity made to, and accepted by, the person concerned, shall, to the extent to which the immunity extends, render him immune from prosecution for any offence in respect of which the tender was made and from the imposition of any penalty under section 53 of the Act.

5. Further, it is also proposed to provide that if it appears to the Initiating Officer that any person to whom immunity has been tendered under this section has not complied with the condition on which the tender was made or is wilfully concealing anything or is giving false evidence, the Initiating Officer may record a finding to that effect, and thereupon, with the previous sanction of the competent authority as referred to in section 55, the immunity shall be deemed to have been withdrawn, and any such person may be tried for the offence in respect of which the tender of immunity was made or for any other offence of which he appears to have been guilty in connection with the same matter and shall also become liable to the imposition of any penalty under this Act to which he would have otherwise been liable.

6. This amendment will take effect from the 1st day of October, 2024.

[Clause 154]

In case of divergence of interpretation, the English text shall prevail.

CUSTOMS

Note:

(a) "Basic Customs Duty (BCD)" means the customs duty levied under the Customs Act, 1962.

(b) "Agriculture Infrastructure and Development Cess (AIDC)" means a duty of customs that is levied under Section 124 of the Finance Act, 2021.

(c) "Road and Infrastructure Cess (RIC)" means an additional duty of customs that is levied under Section 111 of the Finance Act, 2018.

(d) "Health Cess" means a duty of customs that is levied under Section 141 of the Finance Act, 2020.

(e) "Social Welfare Surcharge (SWS)" means a duty of customs that is levied under Section 110 of the Finance Act, 2018.

(f) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance (No. 2) Bill, 2024.

(g) Amendments carried out through the Finance (No. 2) Bill, 2024, will come into effect on the date of its enactment, unless otherwise specified.

I. AMENDMENTS TO THE CUSTOMS ACT, 1962

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
	These changes will come into effect from the date of enactment of the Finance (No. 2) Bill, 2024	
1.	Section 28 DA is being amended to enable the acceptance of different types of proof of origin provided in trade agreements in order to align the said section with new trade agreements, which provide for self-certification.	[100]
2.	A proviso to sub-section (1) of Section 65 is being inserted to empower the Central Government to specify certain manufacturing and other operations	[101]

	in relation to a class of goods that shall not be permitted in a warehouse.	
3.	Section 143AA of the Customs Act is being amended by substituting the expression “a class of importers or exporters” with “a class of importers or exporters or any other persons” for the purpose of facilitating trade.	[102]
4.	Clause (m) of subsection (2) of section 157 of the Customs Act is being amended by substituting the expression “a class of importers or exporters” with “a class of importers or exporters or any other persons”	[103]

II. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975

S. No.	Amendment to section	Clause of the Finance (No. 2) Bill, 2024
1.	Section 6 of the Customs Tariff Act, 1975 which provided for levy of protective duties in certain cases by the Central Government on the recommendations of the Tariff Commission is being omitted, as the Tariff Commission has been wound up by resolution dated 1st June 2022 by the Government of India. This change will come into effect from the date of enactment of the Finance (No. 2) Bill, 2024	[106]

III. AMENDMENTS TO THE FIRST SCHEDULE TO THE CUSTOMS TARIFF ACT, 1975

A.	**Increase in Tariff rate (to be effective from 24.07.2024) * [Clause [107(a)] of the Finance (No. 2) Bill, 2024**] read with Third Schedule. ***Will come into effect immediately through a declaration under the Provisional Collection of Taxes Act,2023*	**Rate of Duty**

S. No.	Heading, sub-heading, tariff item	Commodity	From	To
		Plastics		
1.	3920, 3921	Poly vinyl chloride (PVC) flex films (also known as PVC flex banners or PVC flex sheets) {The currently applicable BCD on all other goods falling under heading 3920 and 3921 shall be maintained by suitable amendment in the relevant notification(s)}	10%	25%
		Consumer goods		
2.	6601 10 00	Garden umbrellas	20%	20% or Rs. 60 per piece, whichever is higher
		Chemicals		
3.	9802 00 00	Laboratory chemicals (Heading 9802 covers all chemicals, organic or inorganic, whether or not chemically defined, imported in packings not exceeding 500 gms or 500 millilitres and which can be identified with reference to the purity, markings or other features to show them to be meant for use solely as laboratory chemicals)	10%	150%

B.	Tariff rate changes (without change in effective rate of duty) to be effective from 01.10.2024 [Clause [107(b)] of the Finance (No. 2) Bill, 2024] **Note**: The currently applicable rate of Basic Customs Duty on these commodities shall be maintained by suitable amendment in the relevant notification(s).		Rate of Duty	
S. No.	**Heading, sub-heading tariff item**	**Commodity**	**From**	**To**
1.	2008 19 20	Other roasted nuts and seeds, including such arecanuts	30%	150%
2.	2008 19 30	Other nuts, otherwise prepared or preserved, including such arecanuts	30%	150%

C	Amendment in tariff entries	Clause of the Finance (No. 2) Bill, 2024
1.	The First Schedule to the Customs Tariff Act, 1975 is also being amended to modify the tariff entries with effect from 1st October, 2024.	[107(b)] *read with Fourth Schedule*

IV. OTHER PROPOSALS INVOLVING CHANGES IN BASIC CUSTOMS DUTY RATES IN NOTIFICATIONS

A.	Changes in Basic Customs Duty (to be effective from 24.07.2024)		Rates of Duty	
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
I.		**Agricultural Products**		
1.	1207 99 90	Shea nuts	30%	15%
II.		**Aquafarming & Marine Exports**		
1.	0306 36	Live SPF Vannamei shrimp (*Litopenaeus vannamei*) broodstock	10%	5%

2.	0306 36	Live Black tiger shrimp (*Penaeus monodon*) broodstock	10%	5%
3.	0306 36 60	Artemia	5%	Nil
4.	0511 91 40	Artemia cysts	5%	Nil
5.	0308 90 00	SPF Polychaete worms	30%	5%
6.	1504 20	Fish lipid oil for use in manufacture of aquatic feed	15%	Nil
7.	1504 20	Crude fish oil for use in manufacture of aquatic feed	30%	Nil
8.	1518	Algal Oil for use in manufacture of aquatic feed	15%	Nil
9.	2102 20 00	Algal Prime (flour) for use in manufacture of aquatic feed	15%	Nil
10.	2309 90 90	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	5%	Nil
11.	2301 10 90	Insect meal for use in Research & Development purposes in aquatic feed manufacturing	15%	5%
12.	2309 90 90	Single Cell Protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing	15%	5%
13.	2301 20	Krill Meal for use in manufacture of aquatic feed	5%	Nil
14.	1901	Pre-dust breaded powder for use in processing of sea-food	30%	Nil
15.	2309 90 31	Prawn and shrimps feed	15%	5%
16.	2309 90 39	Fish feed	15%	5%
III.		**Critical Minerals**		
1.	2504	Natural Graphite	5%	2.5%
2.	2505	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of The Customs tariff Act, 1975	5%	Nil
3.	2506	Quartz (other than natural sands); quartzite, whether or not roughly	5%	2.5%

		trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape		
4.	2530 90 91	Strontium sulphate (natural ore)	5%	Nil
5.	2603 00 00	Copper ores and concentrates	2.5%	Nil
6.	2605 00 00	Cobalt ores and concentrates	2.5%	Nil
7.	2609 00 00	Tin ores and Concentrates	2.5%	Nil
8.	2611 00 00	Tungsten Ores and Concentrates	2.5%	Nil
9.	2613	Molybdenum ores and concentrates	2.5%	Nil
10.	2615 10 00	Zirconium ores and concentrates	2.5%	Nil
11.	2615 90	Hafnium Ores and concentrates	2.5%	Nil
12.	2615 90 10	Vanadium ores and concentrates	2.5%	Nil
13.	2615 90 20	Niobium or tantalum ores and concentrates	2.5%	Nil
14.	2617	Antimony Ores and Concentrates	2.5%	Nil
15.	2804 50 20	Tellurium	5%	Nil
16.	2804 61 00	Silicon, containing by weight not less than 99.99% of silicon	5%	Nil
17.	2804 69 00	Other silicon	5%	Nil
18.	2804 90 00	Selenium	5%	Nil
19.	2805 30 00	Alkali or alkaline earth metals**,** Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	5%	Nil
20.	2811 22 00	Silicon dioxide	7.5%	2.5%
21.	2815 20 00	Potassium hydroxide	7.5%	Nil
22.	2816 40 00	Oxides, hydroxides and peroxides, of strontium or barium	7.5%	Nil
23.	2822 00 10	Cobalt oxides	7.5%	Nil
24.	2822 00 20	Cobalt hydroxides	7.5%	Nil
25.	2822 00 30	Commercial cobalt oxides	7.5%	Nil
26.	2825 20 00	Lithium oxide and hydroxide	7.5%	Nil
27.	2825 30	Vanadium oxides and hydroxides	2.5%/7.5%	Nil

28.	2825 60 10	Germanium oxides	7.5%	Nil
29.	2825 70	Molybdenum oxides and hydroxides	7.5%	Nil
30.	2825 80 00	Antimony oxides	7.5%	Nil
31.	2825 90 20	Cadmium oxides	7.5%	Nil
32.	2827 35 00	Chlorides of Nickel	7.5%	Nil
33.	2827 39 30	Strontium chloride	7.5%	Nil
34.	2833 24 00	Sulphates of Nickel	7.5%	Nil
35.	2834 21 00	Nitrates of potassium	7.5%	Nil
36.	2836 91 00	Lithium carbonates	7.5%	Nil
37.	2836 92 00	Strontium carbonates	7.5%	Nil
38.	2841 90 00	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium	7.5%	Nil
39.	2846	Compounds, inorganic or organic of rare earth metals	7.5%	Nil
40.	2918 15 30	Bismuth citrate	7.5%	Nil
41.	3801	Artificial Graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures	7.5%	2.5%
42.	8001	Unwrought Tin	5%	Nil
43.	8101 94 00	Unwrought tungsten, including bars and rods obtained simply by sintering	5%	Nil
44.	8102 94 00	Unwrought molybdenum, including bars and rods obtained simply by sintering	5%	Nil
45.	8103 20	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	5%	Nil
46.	8105 20 20	Cobalt, unwrought	5%	Nil
47.	8106 10 10	Bismuth, unwrought	2.5%	Nil
48.	8109 21 00	Unwrought zirconium**,** powders, Containing less than 1 part hafnium to 500 parts zirconium by weight	10%	Nil
49.	8110 10 00	Unwrought antimony**,** powders	2.5%	Nil
50.	8112 12 00	Beryllium unwrought**,** powders	5%	Nil

51.	8112 31	Hafnium unwrought**,** waste and scrap**,** powders	10%	Nil
52.	8112 41 10	Rhenium unwrought	10%	Nil
53.	8112 69 10	Cadmium unwrought**,** powders	5%	Nil
54.	8112 69 20	Cadmium, wrought	5%	Nil
55.	8112 92 00	Unwrought; waste and scrap; powder of, - (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium	5%	Nil
IV.		**Steel Sector**		
1.	7202 60 00	Ferro Nickel	2.5%	Nil
2.	7204	Ferrous Scrap	Nil (till 30.09.2024)	Nil (till 31.03.2026)
3.	7225	Certain specified raw materials for manufacture of CRGO steel	Nil (till 30.09.2024)	Nil (till 31.03.2026)
V.		**Copper**		
1.	7402 00 10	Blister Copper	5%	Nil
VI.		**Chemicals and Plastics**		
1.	3102 30 00	Ammonium Nitrate, whether or not in aqueous solution	7.5%	10%
2.	3920 (other than 3920 99 99) or 3921	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	25% (with effect from 24.07.2024)	10%
3.	3920 99 99	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	25% (with effect from 24.07.2024)	15%
VII.		**Textile and Leather Sector**		
1.	2929 10 90	Methylene Diphenyl Di-isocyanate (MDI) for use in the manufacture of Spandex Yarn	7.5%	5% *Subject to IGCR conditions*
2.	41	Wet white, Crust and finished	10%	Nil

		leather for manufacture of textile or leather garments, leather /synthetic footwear or other leather products, for export		*Items under Sl. No. 257B and 257C of Notification 50/2017 - Customs, dated 30.06.2017*
3.	38,48 or any other Chapter	Certain additional accessories and embellishments for manufacture of textile or leather garments, leather/synthetic footwear or other leather products, for export	As applicable	Nil *Items under Sl. No. 257B and 257C of Notification 50/2017 - Customs, dated 30.06.2017*
4.	0505 10	Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export	30%	10%
VIII.		**Cancer Drugs**		
1.	30	(i) Trastuzumab Deruxtecan, (ii) Osimertinib, (iii) Durvalumab	10%	Nil
IX.		**Precious Metals**		
1.	7108	Gold bar	15%	6%
2.	7108	Gold dore	14.35%	5.35%
3.	7106	Silver bar	15%	6%
4.	7106	Silver dore	14.35%	5.35%

5.	7110	Platinum, Palladium, Osmium, Ruthenium, Iridium	15.4%	6.4%
6.	7118	Coins of precious metals	15%	6%
7.	7113	Gold/Silver findings	15%	6%
8.	71	Platinum and Palladium used in the manufacture of noble metal solutions, noble metal compounds and catalytic convertors	7.5%	5%
9.	84	Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	7.5%	5%
X.		**Medical Equipment**		
1.	39	All types of polyethylene for use in manufacture of orthopaedic implants falling under sub-heading 9021 10	As applicable	Nil
2.	39, 72, 81	Special grade stainless steel, Titanium alloys, Cobalt-chrome alloys, and All types of polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39	As applicable	Nil
3.	9022 30 00	X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	15%	5% (till 31st March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)
4.	9022 90 90	Flat panel detectors (including scintillators) for use in	15%	5% (till 31st

		manufacture of X-ray machines for medical, surgical, dental or veterinary use		March 2025) 7.5% (w.e.f 1st April, 2025 to 31st March, 2026) 10% (w.e.f 1st April, 2026)
XI.		**IT and Electronics Sector**		
1.	8517 13 00, 8517 14 00	Cellular mobile phone	20%	15%
2.	8504 40	Charger/Adapter of cellular mobile phone	20%	15%
3.	8517 79 10	Printed Circuit Board Assembly (PCBA) of cellular mobile phone	20%	15%
4.	28, 29, 38	Specified parts for use in manufacture of connectors	5%/7.5%	Nil
5.	74	Oxygen Free Copper for use in manufacture of Resistors	5%	Nil
6.	40	Specified die-cut parts for use in manufacture of cellular mobile phones	As applicable	Nil
7.	40, 70, 76	Specified mechanics for use in manufacture of cellular mobile phones	As applicable	Nil
8.	8517 79 10	Printed Circuit Board Assembly (PCBA) of specified telecom equipment	10%	15%
XII.		**Renewable Energy Sector**		
1.	84, 85, or any other chapter	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods	7.5%	Nil
2.	7007	Solar glass for manufacture of solar cells or solar modules	Nil	10% (w.e.f. 1.10.2024)

3.	74	Tinned copper interconnect for manufacture of solar cells or solar modules	Nil	5%(w.e.f 1.10.2024)
XIII.		**Shipping**		
1.	Any Chapter	Components and consumables for use in manufacture of specified vessels	As applicable	Nil
2.	Any Chapter	Technical documentation and spare parts for construction of warships	As applicable	Nil
XIV.		**Capital goods**		
1.	Any Chapter	Goods under S. No. 404 of Notification No. 50/2017 Customs, used for petroleum exploration operations	As applicable	Nil

B.	**Changes in Export Duty (To be effective from 24.7.2024)** Effective export duty on raw skins, hides & leather is being simplified and rationalized. The changes are as follows -		**Rate of Duty**	
S. No.	**Chapter or Heading**	**Commodity**	**From**	**To**
1.	4101 to 4103	Raw Hides & skins, all sorts (other than buffalo)	40%	40%
2.	4101	Raw Hides & skins of buffalo	30%	30%
3.	4104 to 4106	Tanned or crust hides of skins, whether or not split, but not further prepared	40	20%
4.	4104 to 4106	E.I. tanned leather	Nil	Nil
5.	41	Finished leather as defined by DGFT finished leather norms	Nil	Nil
6.	4301	Raw fur skins	60%/10%	40%
7.	4302	Tanned or dressed furskin	60%	20%

V. <u>OTHER MISCELLANEOUS AMENDMENTS</u>

A. Validation of notifications

These changes will come into effect **from date of enactment of** the Finance (No. 2) Bill, 2024.

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
1.	Notification No. 37/2023- Customs dated 10.5.23 is being validated for the period from 1st April, 2023 up to and inclusive of 10th May, 2023 to provide exemption from basic customs duty and AIDC on imports of crude soyabean oil and crude sunflower seed oil subject to availability of unutilized quota in TRQ authorization for FY 2022-23 allotted by DGFT and Bill of lading issued on or before 31st March, 2023.	[105]
2.	Based on the recommendation of the GST Council in its 53rd meeting, GST Compensation Cess is being exempted with effect from 1st July, 2017 on imports in SEZ by SEZ units or developers for authorized operations.	[104]

B. Amendment of Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995

The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 have been amended to insert a provision for New Shipper Review. This will be effective from 24.7.2024.

C. Other notification changes

These changes will be effective from 24.7.2024

S. No.	Notification No.	Subject
1.	38/2024-Customs dated 23.07.2024	Currently, articles of foreign origin can be imported into India for repairs subject to their re-exportation within six months extendable to 1 year. The duration for export in the case of aircraft and vessels imported for maintenance, repair and overhauling has been increased from 6 months to 1 year, further extendable by 1 year.

2.	39/2024-Customs dated 23.07.2024	The time-period of duty-free re-import of goods (other than those under export promotion schemes) exported out from India under warranty has been increased from 3 years to 5 years, further extendable by 2 years.
3.	31/2024-Customs dated 23.07.2024	The India-UAE CEPA Tariff notification is being amended as consequential changes in duty rates on precious metals.

VI. Review of Customs duty Exemptions

A. Review of conditional exemption rates of BCD prescribed in Notification no. 50/2017-Customs dated 30.6.2017:

(i) The BCD exemption for the goods covered under following serial numbers of the notification are being extended upto 31st March, 2026 unless specified otherwise.

S. No.	S N of 50/17-Cus	Brief Description
1.	17	Specified Planting materials, namely, oilseeds, seeds of vegetables, tubers, etc.
2.	80A	Algal oil for manufacturing of aquatic feed
3.	90	Lactose for use in manufacture of homeopathic medicines
4.	104	Specified goods used in processing of sea-food
5.	133	Gold ores and concentrates
6.	139	Bunker Fuels namely: (i). IFO 180 CST; (ii). IFO 380 CST; (iii). VLSFO (CTH 27)
7.	150	Naphtha for manufacture of Fertilisers (*scope of exemption is being reduced only to Naphtha*)
8.	155	Liquefied petroleum gases (LPG) received from unit in SEZ and returned by the DTA unit to the SEZ unit
9.	164	Electrical energy supplied from SEZ unit to DTA
10.	165	Electrical energy supplied from SEZ to DTA
11.	172	Specified goods used in manufacture of silicon wafers or solar wafers, for manufacture of solar cell or module
12.	183	Medical use fission Molybdenum-99 (Mo-99) for use in manufacture of radio pharmaceuticals
13.	184	Pharmaceutical Reference Standard
14.	188	Goods for manufacture of ELISA Kits
15.	191	Maltol for manufacture of deferiprone
16.	204	Anthraquinone or 2-Ethyl Anthraquinone for use in manufacture of Hydrogen peroxide

17.	237	Specified material for manufacture of EVA (Ethylene Vinyl Acetate) sheets or backsheet, which are used in the manufacture of solar photovoltaic cells or modules *(Scope of materials which can be imported is being increased*)
18.	253	Specified Goods for manufacture of Brushless Direct Current (BLDC) motors
19.	257	Tags, labels, stickers, belts, buttons, hangers or printed bags, imported by bonafide exporters
20.	257A	Specified goods used in manufacture of handicraft items for export when imported by bonafide exporter
21.	257B	Specified goods used in manufacture of textile or leather garments for export when imported by bonafide exporter
22.	257C	Specified goods used in manufacture of leather or synthetic footwear or other leather products for export when imported by bonafide exporter
23.	258	Security fibre, threads, Paper based Taggant, M-feature for use in manufacture of security paper by Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Pvt Ltd, Mysore.
24.	259	Raw materials for manufacture of security fibre and security thread for supply to Security Paper Mill, Hoshangabad and Bank Note Paper Mill India Pvt. Ltd, Mysore for use in manufacture of security paper
25.	260	Goods for the manufacture of specified orthopedic implants (902110)
26.	261	Raw material for manufacture of Copper-T Contraceptive (i) Alatheon (ii) Copper Wire
27.	265	Capacitor grades polypropylene granules for manufacture of Capacitor grade plastic
28.	269	Super absorbent polymer for manufacture of adult diapers and specified goods
29.	271	Polytetrametylene ether glycol, (PT MEG) for use in manufacture of spandex yarn
30.	276	Ethylene- propylene- non-conjugated diene rubber (EPDM) for manufacture of insulated wire and cables
31.	279	New or retreated Pneumatic tyres of rubber for use in servicing, repair of maintenance of aircrafts used for operating scheduled air transport service or scheduled air cargo service etc

32.	280	New or retreated Pneumatic tyres of rubber for use in servicing, repair or maintenance of aircraft imported or procured by Aero Club of India/ for flying training purpose/ operating non-scheduled (passenger or charter) services/ AAI for flight calibration purpose
33.	290	Wood pulp for manufacture of newsprint, paper or paperboard
34.	292	Goods imported for manufacture of paper, paper boards, newsprint
35.	293A	Newsprint and uncoated paper imported for printing of newsprint
36.	296A	Lightweight coated paper imported by actual users for printing of magazines
37.	326	Hydrophilic /Hydrophobic Non- Woven, imported for use in the manufacture of Adult Diapers
38.	329	Pile fabrics for the manufacture of toys
39.	333	Moulds, tools and dies, for the manufacture of parts of electronic components or electronic equipment
40.	334	(i) Graphite Felt or Graphite pack for growing silicon ingots (ii) Thin Steel wire used in wire saw for slicing of silicon wafers
41.	345A	Simply Sawn Diamonds
42.	364A	Spent catalyst or ash containing precious metals
43.	368	Ferrous Scrap
44.	374	Magnesium Oxide (MgO) coated cold rolled steel coils for use in manufacture of cold rolled grain oriented (CRGO) steel
45.	375	Specified items for manufacture of cold rolled grain-oriented steel (CRGO) steel
46.	378	Metal parts for manufacture of electrical insulators falling under heading 8546
47.	379	Pipes and tubes for use in manufacture of boilers
48.	380	Forged steel rings for manufacture of special bearings for use in wind operated electricity generators
49.	381	Flat copper wire for use in the manufacture of photo voltaic ribbon for manufacture of solar photovoltaic cell or modules
50.	392	Dies for drawing metal, where imported after repairs from abroad
51.	403	Parts and raw materials for offshore oil exploration
52.	404	Specified items including capital goods and raw materials for off shore oil exploration

53.	415	Parts for manufacture of catalytic convertors
54.	415A	Platinum or Palladium for manufacture of Noble Metal Compounds & Noble Metal Solutions
55.	416	Ceria zirconia compounds for use in the manufacture of washcoat for catalytic converters
56.	417	Cerium compounds for use in the manufacture of washcoat for catalytic converters
57.	418	Zeolite for use in the manufacture of washcoat for catalytic converters
58.	422	Machinery, electrical equipment for use in semiconductor wafer and LCD
59.	423	Machinery, electrical equipment for use in marking and packaging of semiconductor chips
60.	426	Specified goods for the manufacture of semiconductor devices, memory card, IC, solar cell
61.	435	Capital goods for printing industry
62.	442	Bushings made of Platinum and Rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India
63.	446	Parts and components for manufacture of tunnel boring machines
64.	451	Evacuated tubes with three layers of solar selective coating for use in manufacture of solar water heater
65.	462	Ball screws for use in the manufacture of CNC Lathes
66.	463	Linear Motion Guides for use in the manufacture of CNC Lathes
67.	464	CNC Systems for use in the manufacture of CNC Lathes
68.	464A	Goods for manufacture of plastic processing machineries
69.	467	Parts and components of cash dispenser or automatic bank note dispenser
70.	468	Parts for manufacture of Micro ATM, Fingerprint reader/scanner, Iris scanner, Miniaturised POS (*Scope of exemption is being limited to import of raw materials only)*
71.	471	All parts for use in the manufacture of LED lights
72.	472	All inputs for use in the manufacture of LED driver or MCPCB for LED lights
73.	476	Television equipment, cameras etc for taking films, imported by a foreign film unit or television team
74.	477	Filming equipment of foreign origin if imported into India after having been exported therefrom.
75.	480	Goods imported for being tested in specified test centers

76.	489B	Goods for manufacturing of Microphones
77.	504	Parts and Components of Digital Still Image Video Cameras
78.	509	Parts, components and accessories for manufacture of Digital Video Recorder
79.	510	Parts, components and accessories for use in manufacture of reception apparatus for television
80.	511	Parts, components and accessories for manufacture of CCTV Camera
81.	512	Specified Parts, components and for use in manufacture of Lithium-ion battery and battery pack
82.	512A	Inputs, parts or sub-parts for use in the manufacturing of Printed Circuit Board Assembly
83.	515A	Open Cell for manufacture of TV Panel
84.	516	The following goods for use in the manufacture of Liquid Crystal Display (LCD) /LED TV Panel
85.	517	Magnetrons for manufacture of domestic microwave ovens
86.	519	Raw materials or parts for use in manufacture of e-Readers
87.	523A	Parts, sub-parts, inputs or raw material for use in manufacture of Lithium-ion cells
88.	527	Lithium-ion cell use in manufacture of battery or battery pack
89.	527A	Lithium-Ion Cell for use in manufacture of battery or battery pack of cellular mobile
90.	527B	Lithium-Ion Cell manufacture of battery or battery pack of EV
91.	534	Parts of gliders or simulators of aircrafts (excluding rubber tyres and tubes of gliders)
92.	535	Raw materials for manufacture of aircraft and parts of aircraft
93.	535A	Parts of aircraft for manufacture of aircraft or for manufacture of parts of aircraft by PSU under Min of Defence
94.	536	Parts, testing equipment, tools and tool-kits for maintenance, repair, and overhauling of aircraft, components or parts of aircrafts
95.	537	All goods of Heading 8802 (except 88026000-spacecraft)
96.	538	Components or parts, including engines, of aircraft of heading 8802
97.	539	(a) Satellites and payloads; (b) Ground equipment brought for testing of (a)

98.	539A	Scientific and technical instruments etc for launch vehicles and satellites
99.	540	Specified goods imported by scheduled air transporter
100.	542	Specified goods imported by Aero Club, Flying Training Institutes
101.	543	Specified goods imported by non-scheduled air transporter
102.	544	Parts (other than rubber tubes), of aircraft of heading 8802
103.	546	Parts (other than rubber tubes), of aircraft of heading 8802
104.	548	Barges or pontoons imported along with ships
105.	551	Cruise ships, Excursion ships
106.	553	Fishing vessels, Tugs and Pusher crafts, light vessels excluding vessels and floating structure imported for break up
107.	555	Vessels like warships, lifeboats excluding vessels and floating structure imported for break up
108.	567	Stainless steel tube and wire, for manufacture of Coronary stents /artificial valve
109.	569	Parts required for manufacture of Ostomy products
110.	570	Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof
111.	575	Specified Hospital Equipment for use in specified hospitals
112.	578A	Raw materials, for the manufacture of Cochlear Implants
113.	580	X-Ray Baggage Inspection Systems and parts thereof
114.	581	Portable X-ray machine / system
115.	583	Parts and cases of braille watches, for the manufacture of Braille watches
116.	591	Parts of electronic toys
117.	593	Parts of video games for the manufacture of video games

Note: *Description of entries is indicative. Notification may be referred to for complete description*.

(ii) The BCD exemption for the goods covered under following serial numbers of the notification no 50/2017-Customs is being extended upto 31st March 2029.

S. No.	S. No. of 50/2017-Cus	Brief Description
1.	212A	Medicines/drugs/vaccines supplied free by United Nations International Children's Emergency Fund (UNICEF), Red Cross etc
2.	213	Drugs and materials
3.	428	Specified goods imported by accredited press cameraman

S. No.	S. No. of 50/2017-Cus	Brief Description
4.	429	Specified goods, imported by accredited journalist
5.	549	Capital goods, raw materials and spares for repairs of ocean-going vessels
6.	550	Spare parts and consumables for repairs of ocean going vessels registered in India.
7.	577	Lifesaving medical equipment for personal use
8.	607	Life Saving drugs like Keytruda etc
9.	607A	Lifesaving drugs/medicines for personal use
10.	611	Archaeological artefacts for exhibition in a museum
11.	612	Specified raw material for sports goods

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

B. Review of exemptions prescribed by other notifications:

(a) The BCD exemption for the goods covered under the following notifications are being extended upto 31st March, 2026.

S. No.	Notification No.	Brief Description
1.	30/2017-Customs dated 30 June 2017	Exemption to motion picture, music, gaming software for use in gaming console printed or recorded on media
2.	05/2017-Customs dated 2 February 2017	Exemption to machinery, components for setting up fuel cell based on waste to energy
3.	113/2003-Customs dated 22 July 2003	Exemption to castor oil cake and castor de-oiled cake manufactured from indigenous castor oil seeds on indigenous plant and machinery by unit in SEZ and brought to DTA
4.	81/2005-Customs dated 8 September 2005	Exemption to machinery/components for initial setting up of non-conventional power generation plants
5.	26/2011-Customs dated 1 March 2011	Exemption to work of art, antiques in museum or art gallery
6.	248/1976-Customs dated 2 August 1976	Exemption to precious stones imported by posts on 'approval or return' basis
7.	24/2001-Customs dated 1st March 2001	Exemption to copper cathodes, wire bars and wire rods produced out of copper reverts

8.	25/2001-Customs dated 1st March 2001	Exemption on gold and silver produced out of copper anode slime which were exported out of India for toll smelting and processing
9.	32/1997-Customs dated 1st April 1997	Exemption to goods imported for execution of an export order for jobbing

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(b) The BCD exemption for the goods covered under the following notifications are being extended upto 31st March, 2029.

S. No.	Notification No.	Brief Description
1.	16/1965-Customs dated 23 January 1965	Exemption to goods exported to foreign countries for display in show-rooms of Govt of India
2.	80/1970-Customs 29 August 1970	Goods supplied freely under warranty as replacement for defective ones in lieu of earlier imported goods.
3.	207/89-Customs dated 17 July 1989	Foodstuffs and provisions (excluding fruit products, tobacco, alcohol) by foreigners
4.	147/94-Customs dated 13 July 1994	Firearms and ammunition when imported for use by a renowned shooter
5.	148/94-Customs dated 13 July 1994	Specified gifts; goods gifted free under a bilateral agreement; goods imported by Indian Red cross Society, goods for the purposes of relief and rehabilitation
6.	152/94-Customs dated 13 July 1994	Appliance/aids for blind/handicapped imported by institution for blind & deaf; and other specified teaching aids imported by Govt Universities
7.	153/94-Customs dated 13 July 1994	Articles for foreign origin imported for repair and return, theatrical equipment and costumes, mountaineering expedition equipment, photographic, filming recording etc
8.	134/94-Customs dated 22 June 1994	Specified capital goods, and other ancillary items imported for repairs
9.	39/96-Customs dated 23 July 1996	Specified imports relating to Defence, internal security forces and Air Force.
10.	50/96-Customs dated 23 July 1996	Specified equipment, instruments, raw materials, components, pilot plant and computer software when imported for publicly funded R & D projects
11.	51/96-Customs	Scientific and technical instruments, apparatus,

S. No.	Notification No.	Brief Description
	dated 23 July 1996	equipment, accessories etc when imported by publicly funded research institution
12.	25/1998-Customs dated 2 June 1998	Capital goods/machinery/ measuring instruments for manufacture of semiconductor wafers.
13.	23/2016-Customs dated 1 March 2016	Parts of aircraft when imported into India under the Standard Exchange Scheme
14.	32/2017-Customs dated 30 June 2017	Imports of artwork and antique books
15.	37/2017-Customs dated 30 June 2017	Imports in relation to defense and international security forces including medals, decorations, personal effects of Defense Personnel, bonafide gifts from foreign donors, stores and goods for trials, demonstration
16.	16/2017-Customs dated 20 April, 2017	Specified medicines from whole of the duty of customs, when imported for supply under Specified Patient Assistance Programme
17.	25/1999-Customs dated 28 February 1999	Capital goods/machinery used by the IT/Electronics industry, subject to actual user condition.
18.	25/2002-Customs dated 1 March 2002	Specified raw materials, inputs and parts for use in manufacture of specified electronic items
19.	35/2017-Customs dated 30th June 2017	Aviation Turbine Fuel in the tanks of the aircrafts of an Indian Airline or of the Indian Air Force

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

(c) The end dates prescribed are being removed in the following notifications:

S. No.	Notification No.	Brief Description
1.	49/2017-Customs dated 30 June 2017	Exemption to special Additional Duty on specified goods of fourth schedule to Central Excise Act
2.	52/2017-Customs dated 30 June 2017	Effective rate of Additional duty for goods under Chapter 27
3.	29/2017-Customs dated 30 June 2017	Exemption to specimen, models, wall pictures and diagrams for instructional purposes
4.	46/1974-Customs dated 25 May 1974	Pedagogic material for educational or vocational training courses

Note: *Description of entries is indicative. Notification may be referred to for complete description.*

VII. CUSTOMS DUTY EXEMPTIONS / CONCESSIONS BEING ALLOWED TO LAPSE

Certain BCD exemptions entries under S No. 50/2017-Customs dated 30.6.2017 and other notifications are being allowed to lapse with effect from 30.9.2024.

(a) The following entries of notification no. 50/2017-Customs dated 30.6.2017 are being allowed to lapse with effect from 30.9.2024:

S. No.	S N of 50/2017-Customs	Description
1.	478	Wireless apparatus, accessories and parts as specified in List 29 imported by a licensed amateur radio operator
2.	353	Foreign currency coins when imported into India by a Scheduled Bank
3.	387	Zinc metal recovered by toll smelting or toll processing from zinc concentrates exported from India for such processes
4.	441	Spinnerettes made inter alia of Gold, Platinum and Rhodium or any one or more of these metals, when imported in exchange of worn-out or damaged spinnerettes exported out of India
5.	238	Organic/inorganic Coating material for manufacture of electrical steel
6.	254	Catalyst for manufacture of cast components of Wind Operated Electricity Generator
7.	255	Resin for manufacture of cast components of Wind Operated Electricity Generator
8.	277A	Calendared plastic sheet for manufacturing of Smart Card under chapter heading 8523
9.	339	Concessional rate on import of Toughened glass with low iron content and transmissivity of minimum 91% and above, for use in manufacture of solar thermal collectors or heaters
10.	421	Specified goods required for basic telephone service, cellular mobile telephone service, internet service or closed users' group 64 KBPS domestic data network via INSAT satellite system service and parts, for manufacture of the goods
11.	479	Mono or Bi polar Membrane electrolysers and parts thereof including secondary brine purification components, jumper switches, filtering elements for hydrogen filters for caustic soda or potash units; Membrane and parts thereof or other parts for caustic soda or potash units;
12.	475	Specified goods including scramblers, descramblers, encoders, decoders, jammers, network firewalls, network sniffers, scanners

		and monitoring systems, probes for data monitoring and SMS/MMS monitoring systems
13.	482	Newspaper page transmission and reception facsimile system or equipment; and Telephoto transmission and reception system or equipment
14.	495	Batteries for electrically operated vehicles, including two and three wheeled electric motor vehicles.
15.	497	Active Energy Controller (AEC) for use in manufacture of Renewable Power System (RPS) inverters
16.	579	Survey (DGPS) instruments, 3D modeling software for ore body simulation cum mine planning and exploration (geophysics and geochemistry) equipment required for surveying and prospecting of minerals
17.	419	Aluminium Oxide for manufacture of washcoat of catalytic converter
18.	420	Clay 2 powder for use in ceramic substrate for catalytic convertor
19.	340	Solar tempered glass or solar tempered (anti-reflective coated) glass for use in manufacture of solar cells/panels/modules
20.	565	Specified goods for use in the manufacture of Flexible Medical Video Endoscope [heading 9018]
21.	566	Specific input goods for manufacture of syringes, needles, catheters and cannulae
22.	568	Parts and components for manufacture of blood pressure monitors and blood glucose monitoring system (Glucometers**)**

Note: Description of entries is indicative. Notification may be referred to for complete description.

(b) The following notifications are being allowed to lapse with effect from 30.9.2024:

S. No	**Notification No.**	**Description**
1.	97/99-Customs dated 21 July 1999	Exempts BCD and additional duty under Sections 3(1), 3(3) and 3(5) on standard gold bars imported by a RBI authorised bank
2.	30/2004-Customs dated 28 January 2004	Provides full exemption from BCD to second-hand computers/accessories and peripherals received as donation by schools, charitable institutions.
3.	102/2007-Customs dated 14 September 2017	Provides exemption from Special Additional Duty (SAD) levied vide section 3(5) of CTA on to all goods imported for subsequent sale when IGST, CGST, SGST or UTGST paid by importer.

4.	45/2005-Customs dated 16 May 2005	Provides exemption from Special Additional Duty levied under Section 3(5) of CTA on goods cleared from SEZ to DTA.
5.	151/94-Customs dated 13 July 1994	Provides exemption to imports of duty-paid fuel and lubricating oil on aircrafts taken during the outward flight; goods imports by United Arab Airlines; aircraft engines, spares imported by Indian Airlines and Air India International. *Re-import entries will operate from re-import notification 45/2017-Cus*
6.	26-Customs dated 19th February 1962	Provides exemption from import duty under the Sea Customs Act on catering cabin equipment, food and drink on re-importation by aircrafts of the Indian Airlines Corporation from foreign flights

Note: Description of entries is indicative. Notification may be referred to for complete description.

VIII. SOCIAL WELFARE SURCHARGE (SWS)

A.	**AMENDMENT TO NOTIFICATION NO. 11/2018 – CUSTOMS, DATED 02.02.2018 (w.e.f. 24.07.2024)**
S. No.	**Description**
	Following goods are being exempted from levy of Social Welfare Surcharge
1.	Natural Graphite
2.	Natural sands
3.	Quartz (other than natural sands); quartzite
4.	Strontium sulphate (natural ore)
5.	Copper ores and concentrates
6.	Cobalt ores and concentrates
7.	Tin ores and Concentrates
8.	Tungsten Ores and Concentrates
9.	Molybdenum ores and concentrates
10.	Zirconium ores and concentrates
11.	Hafnium Ores and concentrates
12.	Vanadium ores and concentrates

13.	Niobium or tantalum ores and concentrates
14.	Antimony Ores and Concentrates
15.	Tellurium
16.	Silicon, containing by weight not less than 99.99% of silicon
17.	Other silicon
18.	Selenium
19.	Alkali or alkaline earth metals, Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed
20.	Silicon dioxide
21.	Potassium hydroxide
22.	Oxides, hydroxides and peroxides, of strontium or barium
23.	Cobalt oxides
24.	Cobalt hydroxides
25.	Commercial cobalt oxides
26.	Lithium oxide and hydroxide
27.	Vanadium oxides and hydroxides
28.	Germanium oxides
29.	Molybdenum oxides and hydroxides
30.	Antimony Oxides
31.	Cadmium oxide
32.	Chlorides of Nickel
33.	Strontium chloride
34.	Sulphates of Nickel
35.	Nitrates of potassium
36.	Lithium carbonates
37.	Strontium carbonate
38.	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium
39.	Compounds, inorganic or organic of rare earth metals
40.	Bismuth citrate

41.	Artificial Graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-manufactures
42.	Unwrought Tin
43.	Unwrought tungsten, including bars and rods obtained simply by sintering
44.	Unwrought molybdenum, including bars and rods obtained simply by sintering
45.	Unwrought tantalum, including bars and rods obtained simply by sintering, powders
46.	Cobalt, unwrought
47.	Bismuth, unwrought
48.	Unwrought zirconium, powders, Containing less than 1 part hafnium to 500 parts zirconium by weight
49.	Unwrought antimony, powders
50.	Beryllium unwrought, powders
51.	Hafnium unwrought, waste and scrap, powders
52.	Rhenium unwrought
53.	Cadmium unwrought, Powders
54.	Cadmium, wrought
55.	Unwrought; Waste and scrap; powders of :- (i) Gallium (ii) Germanium (iii) Indium (iv) Niobium (v) Vanadium

IX. AGRICULTURE INFRASTRUCTURE AND DEVELOPMENT CESS (AIDC)

Notification No. 11/2021 – Customs, dated 01.02.2021 is being amended to revise the AIDC rates on the following goods (w.e.f. 24.07.2024):				
	AIDC rate changes (with changes to the effective rate of Customs Duty)		**Rate**	
S. No.	**Chapter, Heading, sub-heading, tariff item**	**Commodity**	**From**	**To**
1.	7108	Gold bar	5%	1%
2.	7108	Gold dore	4.35%	0.35%
3.	7106	Silver bar	5%	1%
4.	7106	Silver dore	4.35%	0.35%
5.	7110	Platinum, Palladium, Osmium, Ruthenium, Iridium	5.4%	1.4%
6.	7118	Coins of precious metals	5%	1%
7.	7113	Gold/Silver findings	5%	1%

EXCISE

Note:

(a) “Basic Excise Duty” means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.

(b) “NCCD” means National Calamity Contingent Duty levied under Finance Act, 2001, as a duty of excise on specified goods at rates specified in Seventh Schedule to Finance Act, 2001

(c) Clause Nos. in square brackets [ ] indicate the relevant clause of the Finance (No. 2) Bill, 2024.

(d) Amendments carried out through the Finance (No. 2) Bill, 2024 come into effect on the date of its enactment, unless otherwise specified.

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
	Amendment of Central Excise Notification [*The changes will come into effect from date of enactment of the Finance (No. 2) Bill 2024]*	
1.	Notification No 12/2012-Central Excise dated 17.3.2012 is being amended to extend the time period for submission of the final Mega Power Project certificate from 120 months to 156 months.	[108] *Read with Fifth Schedule*
	Exemption from Clean Environment Cess [*The changes will come into effect from date of enactment of the Finance (No. 2) Bill 2024].*	
2.	The Clean Environment Cess, levied and collected as a duty of excise, is being exempted on excisable goods lying in stock as on 30th June, 2017 subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 1st July, 2017.	[109]

GOODS AND SERVICE TAX

Note: (a) CGST Act means Central Goods and Services Tax Act, 2017

(b) IGST Act means Integrated Goods and Services Tax Act, 2017

(c) UTGST Act means Union Territory Goods and Services Tax Act, 2017

(d) Cess Act means Goods and Services Tax (Compensation to States) Act, 2017

Unless specified otherwise, amendments proposed in the Finance (No. 2) Bill, 2024, vide clause 110 to 153 will come into effect from a date when the same will be notified concurrently, as far as possible, with the corresponding amendments to the similar Acts passed by the States & Union territories with legislature.

I. AMENDMENTS IN THE CGST ACT, 2017:

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
1.	Section 9 is being amended to take Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption out of purview of central tax. Similar amendments are also proposed in IGST Act and UTGST Act.	[110]
2.	Sub-section (5) of section 10 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said sub-section.	[111]
3.	Section 11A is being inserted to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade. Similar power is being proposed in IGST Act, UTGST Act and GST (Compensation to States) Act.	[112]
4.	Amendment is proposed in sub section (3) of Section 13 of CGST Act to provide for time of supply of services where the invoice is required to be issued by the recipient of services in cases of reverse charge supplies.	[113]

5.	Sub-section (5) is being inserted in section 16 of the CGST Act, so as to carve out an exception to the existing sub-section (4) and to provide that in respect of an invoice or debit note under the said sub-section, for the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the 30th day of November, 2021. Sub-section (6) is being inserted in the said section so as to allow the availment of input tax credit in respect of an invoice or debit note in a return filed for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, filed within thirty days of the date of order of revocation of cancellation of registration, subject to the condition that the time-limit for availment of credit in respect of the said invoice or debit note should not have already expired under sub-section (4) of the said section on the date of order of cancellation of registration. The aforesaid amendments are made effective from the 1st day of July, 2017. Further, where the tax has been paid or the input tax credit has been reversed, no refund of the same shall be admissible.	[114]
6.	Sub-section (5) of section 17 of the CGST Act is being amended, so as to restrict the non-availability of input tax credit in respect of tax paid under section 74 of the said Act only for demands upto Financial Year 2023-24. It also removes reference to sections 129 and 130 in the said sub-section.	[115]
7.	Section 21 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[116]
8.	A new proviso in sub-section (2) of section 30 of the CGST Act is being inserted, so as to provide for an enabling clause to prescribe conditions and restrictions for revocation of cancellation of registration.	[117]
9.	Clause (f) of sub-section (3) of section 31 of the CGST Act is being amended, so as to incorporate an enabling provision for prescribing the time period for issuance of invoice by the recipient in case of reverse charge mechanism supplies.	[118]

	Explanation in sub-section (3) of the said section is also inserted so as to specify that a supplier registered solely for the purposes of tax deduction at source under section 51 of the said Act shall not be considered as a registered person for the purpose of clause (f) of sub-section (3) of section 31 of the said Act.	
10.	Sub-section (6) of section 35 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[119]
11.	Sub-section (3) of section 39 of the CGST Act is being substituted, so as to mandate the electronic furnishing of return for each month by the registered person required to deduct tax at source, irrespective of whether any deduction has been made in the said month or not. It also empowers the Government to prescribe by rules, the form, manner and the time within which such return shall be filed.	[120]
12.	Sub-section (8) of section 49 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[121]
13.	Sub-section (1) of section 50 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[122]
14.	Sub-section (7) of section 51 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[123]
15.	Sub-section (3) is being amended and a new sub-section (15) is being inserted in section 54 of the CGST Act, so as to provide that no refund of unutilised input tax credit or integrated tax shall be allowed in cases of zero rated supply of goods where such goods are subjected to export duty.	[124]
16.	Sub-section (3) of section 61 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[125]
17.	Sub-section (1) of section 62 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[126]
18.	Section 63 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[127]

19.	Sub-section (2) of section 64 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[128]
20.	Sub-section (7) of section 65 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[129]
21.	Sub-section (6) of section 66 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[130]
22.	Sub-section (1A) is being inserted in section 70 of the CGST Act, to enable an authorised representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.	[131]
23.	Sub-section (12) is being inserted in section 73 of the CGST Act, so as to restrict the applicability of the said section for determination of tax pertaining to the period upto Financial Year 2023-24.	[132]
24.	Sub-section (12) is being inserted in section 74 of the CGST Act, so as to restrict the applicability of the said section for determination of tax pertaining to the period upto Financial Year 2023-24.	[133]
25.	Section 74A is being inserted in the CGST Act, so as to provide for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to the Financial Year 2024-25 onwards. It also provides for the same limitation period for issuing demand notices and orders in respect of demands from the Financial Year 2024-25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not, while keeping a higher penalty, for cases involving fraud, wilful misstatement, or suppression of facts.	[134]
26.	Sub-section (2A) is being inserted in section 75 in the CGST Act, so as to provide for redetermination of penalty demanded in a notice invoking penal provisions under clause (ii) of sub-section (5) of the proposed section 74A of the said Act to re-determine the penalty as per clause (i) of the sub-section (5) of the said section, in cases where the charges of fraud, wilful misstatement, or suppression of facts are not established.	[135]

	It also amend section 75 of the said Act, so as to incorporate a reference to the sub-sections (2) and (7) of section 74A or the sub-sections thereof, in the relevant sub-sections of this section.	
27.	Sub-section (1) of section 104 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[136]
28.	Sub-section (6) of section 107 of the CGST Act is being amended, so as to reduce the maximum amount of pre-deposit for filing appeal before the Appellate Authority from rupees twenty five crores to rupees twenty crores in central tax. It also amends sub-section (11) of the said section, so as to incorporate a reference to the proposed new section 74A in the said section.	[137]
29.	Section 109 of the CGST Act is being amended, so as to empower the Government to notify types of cases that shall be heard only by the Principal Bench of the Appellate Tribunal.	[138]
30.	Sub-sections (1) and (3) of section 112 of the CGST Act are being amended, so as to empower the Government to notify the date for filing appeal before the Appellate Tribunal and provide a revised time limit for filing appeals or application before the Appellate Tribunal. The said amendment is made effective from the 1st day of August, 2024. Sub-section (6) of the said section is also being amended so as to enable the Appellate Tribunal to admit appeals filed by the department within three months after the expiry of the specified time limit of six months. Sub-section (8) of the said section is also being amended so as to reduce the maximum amount of pre-deposit for filing appeals before the Appellate Tribunal from the existing twenty percent to ten percent of the tax in dispute and also reduce the maximum amount payable as pre-deposit from rupees fifty crores to rupees twenty crores in central tax.	[139]
31.	Sub-section (1B) of section 122 of the CGST Act is being amended, so as to restrict the applicability of the said sub-section to electronic commerce operators, who are required to collect tax at source under section 52 of the said Act. The said amendment is made effective from the 1st	[140]

	day of October, 2023 when the said sub-section had come into force.	
32.	Section 127 of the CGST Act is being amended, so as to incorporate a reference to the proposed new section 74A in the said section.	[141]
33.	Section 128A in the CGST Act is being inserted, to provide for a conditional waiver of interest and penalty in respect of demand notices issued under section 73 of the said Act for the Financial Years 2017-18, 2018-19 and 2019-20, except the demands notices in respect of erroneous refund. In cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.	[142]
34.	Sub-section (7) of section 140 of the CGST Act is being amended, so as to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by an Input Services Distributor prior to the appointed day, for which invoices were also received prior to the appointed date. The said amendment is made effective from 1st day of July, 2017.	[143]
35.	Proviso and Explanation is being inserted in sub-section (2) of section 171 of the CGST Act, so as to empower the Government to notify the date from which the Authority under the said section will not accept any application for anti-profiteering cases. Explanation in the sub-section (3A) of the said section is being inserted, so as to include the reference of Appellate Tribunal in the Authority under the said section so that the Appellate Tribunal may be notified by the Government to act as an Authority under the said section.	[144]
36.	Paragraph 8 is being inserted in Schedule III to the CGST Act, so as to provide that the activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.	[145]

	Paragraph 9 is being inserted in Schedule III to the CGST Act, so as to provide that the services by the insurer to the re-insurer, for which the ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that tax liability on the gross reinsurance premium inclusive of reinsurance commission or the ceding commission is paid by the reinsurer.	
37.	No refund shall be made of all the tax paid or the input tax credit reversed, which would not have been so paid, or not reversed had the said clause 114 been in force at all material times.	[146]

II. AMENDMENTS IN THE IGST ACT, 2017:

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
1.	Sub-section (1) in Section 5 in the IGST Act is being amended, so as to not levy integrated tax on Extra Neutral Alcohol used for manufacture of alcoholic liquor for human consumption.	[147]
2.	Section 6A is being inserted in the IGST Act, so as to empower the Government to regularize non – levy or short levy of integrated tax where it is found that such non levy or short levy was a result of general practice.	[148]
3.	Sub-section (4) in Section 16 in the IGST Act is being amended, so as to provide for notification of class of persons who may make zero rated supplies of goods or services or both or class of goods or services which may be supplied on zero rated basis, and refund of integrated tax in respect of which can be claimed, in accordance with the provisions of Section 54 of the Central Goods and Services Tax Act, subject to such conditions, safeguards and procedures as may be prescribed. Sub-section (5) is being inserted in the said Section to provide that no refund of unutilized input tax credit or of integrated tax paid on account of zero-rated supply of goods shall be allowed in cases where the zero-rated supply of goods is subjected to export duty.	[149]
4.	Section 20 in the IGST Act is being amended, so as to reduce the maximum amount of pre-deposit	[150]

	payable for filing appeal before appellate authority from rupees fifty crores to rupees forty crores of integrated tax. Further, it proposes to reduce the maximum amount payable as pre-deposit for filing appeal before the Appellate Tribunal from rupees hundred crores to rupees forty crores of integrated tax.	

III. AMENDMENTS IN THE UTGST ACT, 2017:

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
1.	Sub-section (1) in Section 7 in the UTGST Act is being amended, so as to not levy union territory tax on Extra Neutral Alcohol used for manufacture of alcoholic liquor for human consumption.	[151]
2.	Section 8A in the UTGST Act is being inserted, so as to empower the Government to regularize non –levy or short levy of union territory tax where it is found that such non levy or short levy was a result of general practice.	[152]

IV. AMENDMENTS IN THE GST (Compensation to States) Act, 2017:

S. No.	Amendment	Clause of the Finance (No. 2) Bill, 2024
1.	Section 8A is being inserted in the GST (Compensation to States) Act, so as to empower the Government to regularize non –levy or short levy of cess where it is found that such non levy or short levy was a result of general practice.	[153]

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