India Interim Budget 2024

Tax Flash News

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Tax Collection at Source (TCS)

The Finance Bill, 2024, has proposed the following changes in the TCS regime for remittances under the Liberalised Remittance Scheme (LRS) and payments for overseas tour program package:

Reduction in TCS rates for remittances/payments less than INR7 lakh with retrospective effect from 01 July 2023

- Remittances under LRS, other than for education and medical treatment – TCS rate reduced from 20 per cent to nil
- Payments for overseas tour program package – TCS rate reduced from 20 per cent to 5 per cent.

20 per cent TCS rate for remittances/payments in excess of INR7 lakh made effective from 01 October 2023 for:[1]

- Remittances under LRS, other than for education and medical treatment
- Payments for overseas tour program package.

Extension of sunset dates

Sunset date for certain tax benefits to start-ups, investments made by sovereign wealth funds/pension funds, some International Financial Services Centre (IFSC) units is proposed to be extended from 31 March 2024 to 31 March 2025.

However, sunset date of 31 March 2024 applicable for claim of concessional tax rate by a new domestic manufacturing company has not been extended.

Further, certain conditions for claiming exemption from establishing business connection in India/residency test were relaxed for fund managers in IFSC, who commence their operations on or before 31 March 2024. This deadline has not been extended.

Extension of deadline for introducing faceless schemes

Further, the deadline for the Central Government to issue directions for introduction of faceless schemes for transfer pricing matters, international taxation matters before the Dispute Resolution Panel and appeals before tax tribunals has been extended from 31 March 2024 to 31 March 2025.

1. Extension was given in the press release dated 28 June 2023 / Circular no. 10 dated 30 June 2023 issued by the CBDT. It is now proposed to be codified in the law

Indirect tax

Goods and Services Tax

Distribution of input tax credit (ITC) made mandatory through Input Service Distributor (ISD) mechanism

- The definition of ISD is proposed to be amended to mean an office which receives tax invoices for or on behalf of distinct persons and is liable to distribute the input tax credit in respect of such invoices
- It is proposed to cover invoices for input services including those for services liable to tax under domestic reverse charge
- An office receiving invoices for services for or on behalf of a distinct persons will be required to be registered as an ISD
- The manner of distribution of credit by an ISD will be prescribed through the rules
- The credit will be distributed by way of issue of a document containing the amount of input tax credit.

Introduction of penalty for not following special procedures

- Penalty provisions are proposed to be introduced for failure to register certain machines used in manufacture of specified goods (such as tobacco, pan-masala, hookah, khaini, snuff, etc.) as per special procedure
- Key provisions proposed to be introduced:
  - Penalty of INR1 lakh per machine for non-registration
  - Unregistered machines liable for seizure and confiscation
  - Confiscation not applicable if penalty is paid and registration is completed within 3 days from receipt of order of penalty.

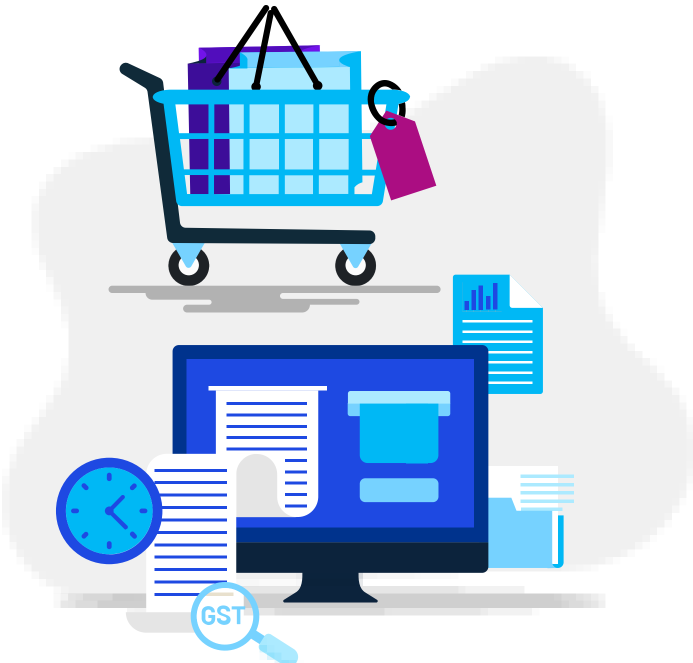
*Above changes to take effect from the date to be notified

Customs

- No changes have been introduced under Customs Act as well as Customs Tariff
- However, it is worth highlighting that immediately prior to the issuance of this Interim Budget, the government issued certain notifications effectuating rate rationalisation for telecom sector and extension of validity of specific exemptions/exemption notification(s) from 31 March 2024 to 30 September 2024
- The aforementioned amendments have an impact on value chain for various sectors such as mobile phones, electronics, power, pharmaceuticals etc. which reflects the government's focus on the creation of deeper value addition in India
- Furthermore, CBIC aims to foster greater transparency with increase in non-tariff measures including provision of centralised repository and centralised control number.

Production Linked Incentive (PLI)

- Year-wise budget outlay estimates for certain PLI schemes have been revised for FY 2023-24
- Annual budget outlay estimates (for FY 2024-25) provided as follows:
  - Pharmaceutical PLI: INR2,143 crore
  - MeitY PLI: INR6,200 crore
  - Automobile PLI: INR3,500 crore
  - Food Processing PLI: INR1,444 crore.
- It was also expected that Central Government may introduce PLI schemes in certain additional sectors such as leather, furniture, toys, jewellery, etc. However, no announcements have been made in this regard.



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