



India Union Budget 2024-2025

Point of view

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Telecommunication

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Key announcements for the sector

Direct Tax Proposals

Measures to boost investment

- Comprehensive review of Income-tax expected in a time frame of next six months to achieve the objective of simplifying the existing provisions and providing much needed certainty to the taxpayers.
- Abolition of 'Angel Tax'.

Litigation Management

- Considering the success of 'Direct Tax Vivaad Se Vishwas Act, 2020', new 'Vivad Se Vishwas Scheme, 2024' is proposed to be launched for settling tax disputes pending as on 22 July 2024. *Prima facie*, this scheme appears to be wider in its coverage as compared to the earlier scheme in terms of its coverage (objections filed before Dispute Resolution Panel, Writ Petitions, Special Leave Petitions and Revision proceedings appear to have been included within the ambit of the scheme). However, further clarity on a host of aspects related to the scheme will be available once the notifications/ guidelines are issued by the CBDT.
- Monetary limits for filing direct taxes, excise and service tax related appeals by Tax Authorities before Tax Tribunals, High Courts and Supreme Court increased to INR 60 lakh, INR 2 crore and INR 5 crore respectively.
- Maximum time limit for issue of notice for initiating reassessment proceedings reduced from ten years to five years and three months.
- Concept of block assessment re-introduced in search cases to cover a period of six preceding assessment years. Penalty of 50% of tax payable on undisclosed income if assessee fails to offer such income in the return of income filed pursuant to search.
- No prosecution for delay in deposit of TDS / TCS if the sum is deposited on or before the due date of filing such return for the respective quarter.
- Opportunity to withdraw cases transferred from Authority for Advance Rulings to Board for Advance Rulings by 31 October 2024.
- Time limit to file appeal before Income Tax Appellate Tribunal has been extended from 60 days of receipt of order to two months from the end of the month in which order is received.

Rationalisation measures

- Headline corporate tax rate for foreign companies proposed to be reduced from 40 per cent to 35 per cent
- With a view to simplify and rationalise capital gain taxes, following changes have been proposed:
 - For classifying capital gains as short-term or long term, it is proposed that there will only be two holding periods i.e., for all listed securities 12 months and for all other assets 24 months
 - Short term gains on listed shares, equity mutual funds and units of business trust to be taxed at 20 per cent instead of 15 per cent
 - Long term gains on listed shares, equity mutual funds, units of business trust and listed bonds and debentures to be taxed at 12.5 per cent instead of 10 per cent
 - Exemption limit for long term capital gain on listed shares, equity mutual funds and units of business trust increased to INR 1.25 lakhs from INR 1 lakh
 - 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 proposed
 - Indexation benefit to determine gains from transfer of long-term capital asset proposed to be discontinued.
- Any sum paid by a domestic company for purchase of its own shares (i.e. buy-back of shares) to be treated as dividend in the hands of shareholders and charged to income-tax at applicable rates. Cost of acquisition of such shares to be available for set off as capital loss against any future capital gains on such share.
- Time limit of 6 years from the end of relevant Financial Year is proposed for TDS/ TCS proceedings for both resident and non-resident.
- Rationalisation of TDS and TCS provisions
 - Reduction of TDS rate to 2% in cases where the current TDS rate is 5%
 - Reduction of TDS rate to 0.1% from current 1% in case of payment by e-commerce operator to e-commerce participants
 - Scope of TDS/ TCS certificate expanded to cover purchase of goods
 - Credit of TCS (on payment under Liberalised Remittance Scheme or otherwise) proposed to be allowed in determining TDS on salaries
 - Purchase of luxury goods (to be notified) exceeding INR 1 Mn proposed to be brought under the ambit of TCS.

Indirect Tax Proposals

Goods and Services Tax ('GST')

- Provisions incorporated for providing amnesty from payment of interest and penalty for period from FY 2017-18 to FY 2019-20. The benefit of amnesty is available only for cases where notice under Section 73 has been issued. Further, no refund of interest and penalty shall be provided where the same has already been paid by the taxpayer.
- Common time limit introduced for issuance of notices and orders from FY 2024-25 onwards (irrespective of whether involving fraud, suppression, etc.). This time limit is proposed to be forty

two months from the date of annual return for issuance of notice and twelve months from the date of issuance of notice for passing of order (further extendible by six months).

Customs

- Proposal to change the rate of BCD (increased from 10 to 15 per cent) on Printed Circuit Board Assembly (PCBA) of specified telecom equipment (HSN 8517 7910). For instance, base station, optical transport equipment, IP radios, etc.
- Proposal to change the rate of BCD (decreased from 20 to 15 per cent) on Cellular Mobile Phone (HSN 8517 1300, 8517 1400), Printed Circuit Board Assembly (PCBA) of cellular mobile phone (HSN 8517 7910) and charger/ adapter of cellular mobile phone (HSN 8504 40).
- Proposal to withdraw BCD exemption with effect from 30 September 2024 on goods specified in List 16 (including parts for manufacture), other than those falling under tariff items 8517 61 00, 8517 62 90, 8517 69 90, required for basic telephone service, cellular mobile telephone service, internet service or closed user's group 64 KBPS domestic data network via INSAT satellite system service.

Implications for the sector

Digital Leap

- The development of industrial parks in or near 100 cities, along with the sanctioning of 12 parks under the National Industrial Corridor Development Program, promises to enhance infrastructure and boost industrial activities across the nation, further amplifying India's global competitiveness.
- The emphasis on economy digitalisation and ease of doing business by accelerated adoption and use of technology is a forward-looking approach that can significantly streamline operations and attract investments.
- Data governance, collection, processing, and management will be revolutionised, by harnessing sectoral databases and technology tools, stimulating informed decision-making, better policy-making and streamlined resource allocation.

Tax measures to facilitate 'ease of doing business'

- Considering the extent of litigation plaguing the Telecom sector, the introduction of Vivad se Vishwas Scheme is a welcome move. As was the case with its earlier avatar, it is expected to play a key role in clearing the backlog of litigation which has piled up. *Prima facie*, the scheme appears to be having a wider scope this time as it is being extended to cases pending before the Dispute Resolution Panel, Writs, Special Leave Petitions and Revision Applications before Commissioners. The detailed guidelines are awaited, and they will provide further clarity on this scheme.
- Rationalisation of TDS rates is also expected to iron out ambiguities prevailing in their interpretations which resulted in litigation.
- While the GST council in its 53rd meeting announced the amnesty scheme for FY 2017-18, FY 2018-19 and FY 2019-20, in the budget specific provisions have been introduced providing mechanics to implement those provisions. The scheme is likely to settle many pending cases where the notices were issued (not on account of fraud, suppression and misstatement).

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