Key changes introduced in Finance Bill, 2024

Smt. Nirmala Sitharaman, the Hon'ble Finance Minister presented the Finance Bill, 2024 on 1 February 2024. In line with expectations, being an Interim Budget and a vote-on-account, not many changes were made. Some of the amendments proposed in the Finance Bill, 2024 are summarised below.

Direct Taxes

Tax Rates

No changes have been made to the tax rates.

Withdrawal of outstanding Direct Tax Demand

The Finance Minister, in the Budget speech has announced that outstanding direct tax demand upto INR 25,000 pertaining to AY 2010-11 & before and upto INR 10,000 for AY 2011-12 to AY 2015-16 would be waived by the Income tax department. The Finance Minister has referred to "non-verified", "non-reconciled" or "disputed direct tax demands" in the Budget speech. The details as to how this waiver exercise would be carried out by the Income tax department and the meaning of the various terms used in the Budget speech, will be announced by the CBDT at a later date.

CNK Comments:

When the online tax portal was implemented, the Assessing Officers ('AOs') had uploaded a large number of outstanding tax demands, many of which were incorrect. The incorrect outstanding tax demands uploaded on the system by AOs had been a significant irritant for many taxpayers. No action was being taken by the CPC Bangalore to delete such demands in spite of evidence being furnished to the AOs, on account of the AOs not giving their concurrence in this regard online, as required by the system.

This harassment would be reduced now for many taxpayers, by this one-time waiver. As per the Budget speech, one crore taxpayers would benefit by this waiver. For taxpayers with larger demands, there is no waiver and therefore, there is need to put a system in place to ensure that AOs delete such incorrect demands, and taxpayers are not unnecessarily harassed repeatedly due to such inaction.

The exact nature of disputed demand that would be eligible for the waiver and whether such waiver limit specified above is for the all the AYs together or for each AY has not been clear as of now. We would have to wait for the announcement by the CBDT.

TCS on LRS

The Finance Act, 2023 increased the rate of tax collected at source ('TCS') on Liberalised Remittance Scheme ('LRS') and overseas tour packages from 5% to 20% with effect from 1 July 2023.

Now, the TCS rates have been amended retrospectively from 1 July 2023, with a reduction in the rates in some situations, and have been summarized below:

Particulars	TCS rate till September 30, 2023		TCS rate with effect from October 1, 2023	
	Up to INR 7 Lakh	Above INR 7 Lakh	Up to INR 7 Lakh	Above INR 7 Lakh
Remittance for Education * / Medical	Nil	5%	Nil	5%
Purchases of Overseas tour program package	5%		5%	20%
Remittance for any other purpose (gift or donation, Emigration, Maintenance of close relative abroad, etc.)	Nil	5%	Nil	20%

*Rate is 0.5% in case of LRS for education financed by loan

CNK Comments:

The changes introduced are in line with the CBDT Circular No. 10 of 2023 dated 30 June 2023 and no further changes to the rates as provided in the Circular have been made.

Extension of time limit in certain cases

Section Number	Explanation	New time limit
80-IAC	Any profits and gains earned by eligible start-up, was entitled to deduction of 100% of the profits and gains derived from such business for three consecutive assessment years. Eligible start-up for claiming deduction under section 80IAC was required to be incorporated on or after 1 April 2016 but before 1 April 2024.	Such Eligible start-up can now be incorporated on or before 31 March 2025.
10(4D)	Any income of a specified fund as a result of transfer of capital assets referred to in section 47(viiab) on a recognized stock exchange in IFSC, subject to fulfillment of other specified conditions is exempt. The specified funds are: • Category III Alternative Investment Fund ('AIF') located in any IFSC where all the units (other than held by a sponsor or manager) are held by non-resident, or • Investment division of an offshore banking unit registered as a Category-1 foreign portfolio investor. Investment division of an offshore banking unit for being considered as specified fund was required to commence its operation on or before 31 March 2024.	The time limit for commencing operation has been extended to 31 March 2025.
10(4F)	Any income earned by a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship, paid by a unit of an IFSC, is exempt under section 10(4F). A non-resident for claiming exemption should receive payment from IFSC unit who has commenced its operations on or before the 31 March 2024.	The time limit for IFSC unit to commence operation has been extended to 31 March 2025.
10(23FE)	Any income of a specified person in the nature of dividend, interest, specified sum received by unit holder from business trust or long-term capital gains arising from an investment	The time limit for making investment in debt or share capital or unit has been

	made by it in India, whether in the form of debt or share capital or unit, subject to certain other conditions is exempt if the investment is made on or after the 1 April 2020 but on or before the 31 March 2024.	extended to 31 March 2025.
80LA	Any income of an IFSC unit arising from the transfer of an asset being an aircraft or a ship from leasing activities was eligible for deduction under section 80LA(1A). IFSC unit claiming deduction under section 80LA(1A) was required to commence its operations on or before the 31 March 2024.	The time limit for commencing operation has been extended to 31 March 2025.
92CA, 144C, 253 and 255	The Central Government was empowered to make a scheme under sections 92CA, 144C, 253 and 255 by issue of notification in the Official Gazette. Power granted to the Central Government in section 92CA deals with determination of Arm's length price, section 114C deals with insurance of directions by DRP and sections 253 and 255 deals with appeal to the appellate tribunal as well as disposal of appeal by the appellate tribunal. In all the above sections, the Central Government was required to notify the Scheme on or before 31 March 2024.	The time limit for the Central Government to give such directions has been extended to 31 March 2025.

Other CNK observations:

No extension of time limit specified in section 115BAB and section 115BAE:
Section 115BAB grants concessional tax rate for income earned by new manufacturing domestic companies and section 115BAE grants similar concessional tax rate for new manufacturing co-operative societies. To claim benefits under both the sections, the manufacturing or production was required to be commenced on or before 31 March 2024.

The said date has not been extended.

In view of the fact that the last date to commence manufacturing or production has not been extended, companies/ societies desiring to claim concessional tax rate has to ensure that the manufacturing or production by them commences before 31 March 2024.

Indirect Taxes

Tax Rates

No changes have been made to the GST rates.

Amendments related to Input Service Distributor

The proposed amendments pertain to the definition of Input Service Distributor (ISD) and the manner of distribution of credits. These amendments align with the recommendations made during the 50th and 52nd GST Council meetings. It is stipulated that the ISD procedure under the Central Goods and Services Tax Act, 2017 ("CGST Act") should be made mandatory prospectively for the distribution of Input Tax Credit (ITC) concerning input services procured by the Head Office (HO) from a third party but attributable to both HO and Branch Office (BO) or exclusively to one or more BOs. Additionally, the proposed amendment includes the provision for ISD to distribute ITC in respect of services on which tax is liable to be paid under the reverse charge mechanism.

CNK Comments:

These changes reflect a proactive approach to streamline the ISD process and ensure a more comprehensive distribution of Input Tax Credit, further enhancing the efficiency of GST compliance for businesses.

New Penalty Provision

Section 122A, is proposed to be introduced, focusing on penalizing the failure to register specific machines employed in the production of goods in accordance with the specialized procedure outlined under Section 148 of the CGST Act. This provision primarily targets industries involved in the manufacture of goods such as tobacco, pan-masala, and similar items.

Under the newly proposed Section 122A, a penalty of Rs. 1 lakh per unregistered machine is slated to be imposed. This is in addition to the existing penalties outlined in Chapter XV of the CGST Act. Furthermore, the legislation will empower authorities to confiscate unregistered machines.

CNK Comments:

Notification No. 4/2024-Central Tax, issued on 5 January 2024 (effective from 1 April 2024), introduces a special procedure for registered entities in specified manufacturing sectors.

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