

BUDGET 2024-25

A Glance on the highlights of Budget 2024-25 based on the Finance Minister's Speech in Parliament on 23rd July 2024



UNION BUDGET 2024

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Table of Contents

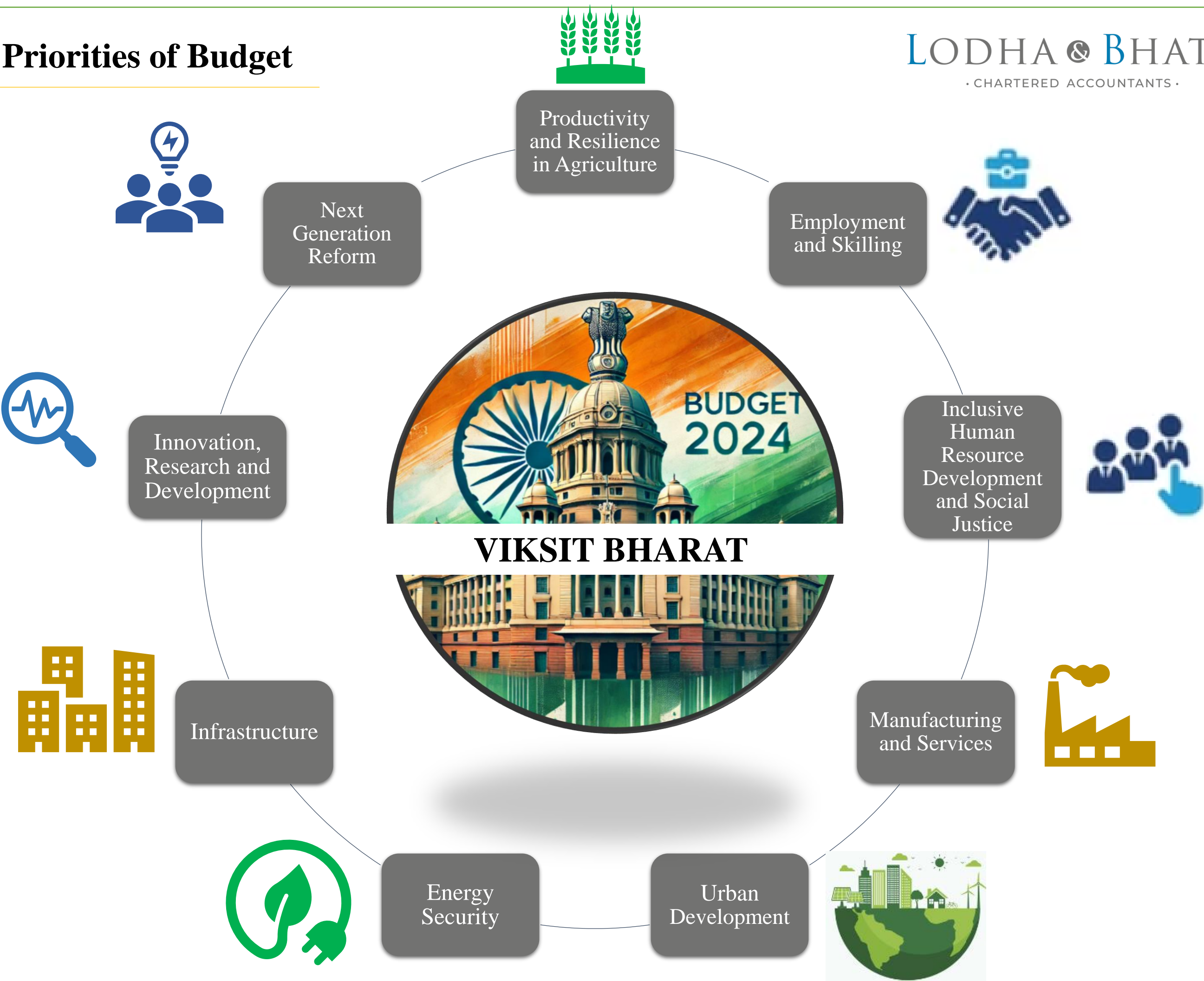
1. [Tax Rates and Taxation of Individuals](#)
2. [Business/Corporate Taxation](#)
3. [Micro Small and Medium Enterprises](#)
4. [Start-ups](#)
5. [Proposal under Indirect Taxes](#)
6. [Reaction on Budget](#)



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BUDGET



Priorities of Budget



Productivity and Resilience in Agriculture

- The Government aims to empower agriculture through innovation and sustainability, focusing on boosting productivity, resilience, and releasing new crop varieties. This commitment strengthens food security, rural economies, and promotes sustainable practices like natural farming, leveraging digital infrastructure and cooperative initiatives.

Employment and Skilling

- The Government plans to introduce Employment Linked Incentive to boost job creation and workforce participation which includes incentives for new employees and employers, a major skilling initiative to train many young people, and improved loan options for students, focusing on industry alignment and increasing women's participation in the workforce.

Inclusive Human Resource Development and Social Justice

- The Government is committed to comprehensive development through education, health, and economic support for youth, women and the poor, including new initiatives like the 'Purvodaya' plan for the eastern region, financial support for Andhra Pradesh, expansion of PM Awas Yojana, significant budget allocation for women-led development, tribal upliftment, and new bank branches in the North-East..

Manufacturing and Services

- The Government aims to provide extensive support for MSMEs, including a new credit guarantee scheme for machinery purchase, higher Mudra loan limits, and e-commerce export hubs. It also promotes industrial parks, rental housing for workers, and a Critical Mineral Mission. Additionally, reforms in insolvency resolution, new National Company Law Tribunals, and digital public infrastructure applications aim to improve the business environment and support urban development.

Urban Development

- The urban development plan includes facilitating 'Cities as Growth Hubs' through economic and transit planning, creative city redevelopment, Transit Oriented Development, housing needs under PM Awas Yojana Urban 2.0, efficient rental housing, water supply and waste management projects, developing street markets, and encouraging lower stamp duty rates, especially for women buyers.

Energy Security

- The energy security plan includes the PM Surya Ghar Muft Bijli Yojana for free electricity, promoting pumped storage projects, and R&D for small modular nuclear reactors. It also supports advanced ultra-supercritical thermal power plants, and energy audits for traditional micro and small industries.

Infrastructure

- The Government plans to boost economic growth by increasing infrastructure investment, supporting states with interest-free loans, and encouraging private sector involvement. Additionally, efforts will focus on flood mitigation and developing key tourist destinations.

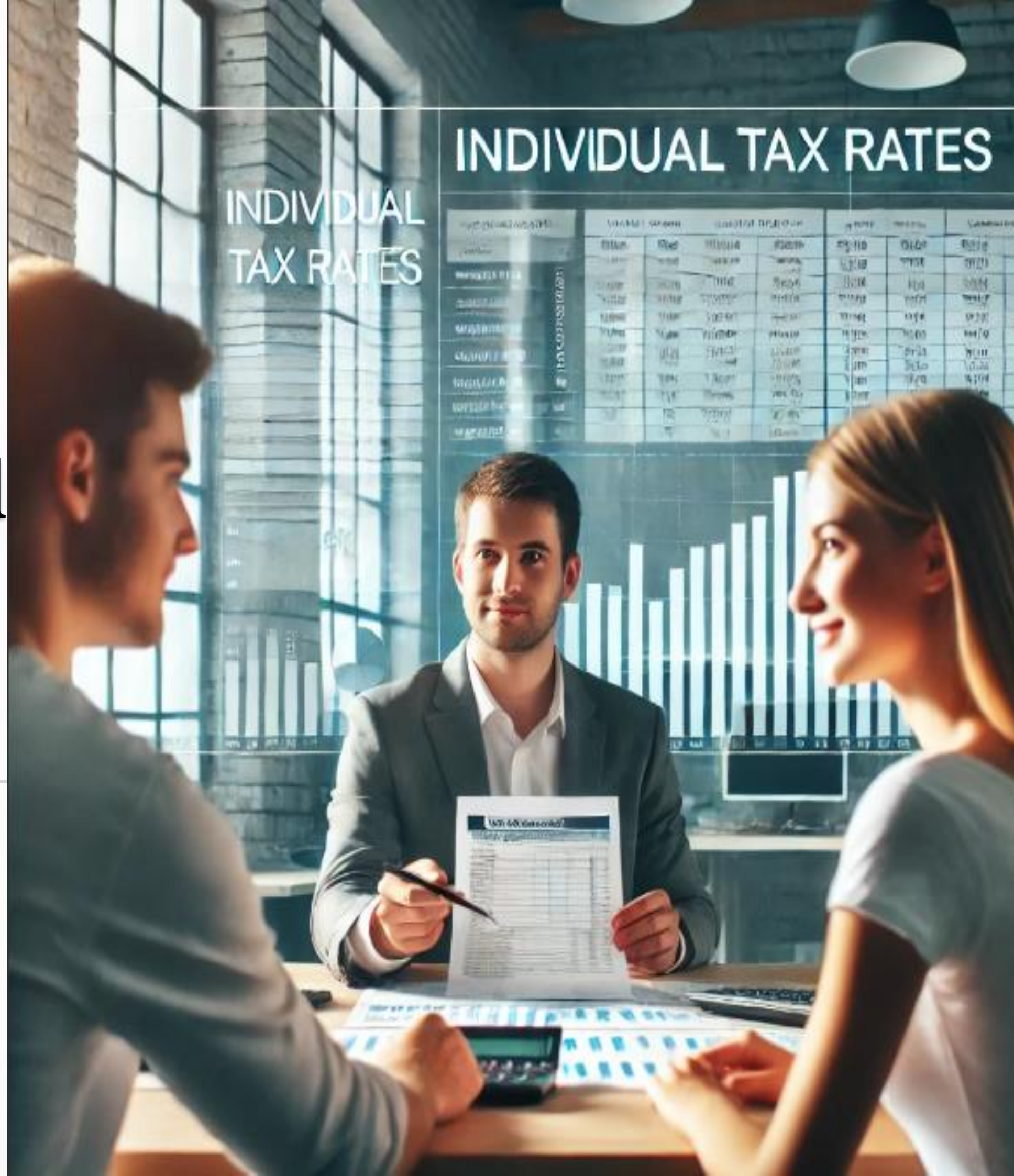
Innovation, Research and Development

- The Government plans to launch the Anusandhan National Research Fund for research and prototype development and to establish a financing mechanism to drive private sector innovation. Additionally, to significantly expand the space economy over the next decade, a venture capital fund will be created.

Next Generation Reforms

- The government plans to formulate a new Economic Policy Framework to guide the next generation of reforms, focusing on improving productivity, efficiency. Key initiatives include land and labour reforms, financial sector strategy, technology adoption, and measures to enhance the ease of doing business and data governance.

Tax Rates and Taxation of Individuals



Tax Rates and Taxation of Individuals

➤ The tax rates for the new regime are as follows:

Net Taxable Income (Rs)	Tax Rate
0 - 3,00,000	NIL
3,00,001 - 7,00,000	5%
7,00,001 - 10,00,000	10%
10,00,001 - 12,00,000	15%
12,00,001 - 15,00,000	20%
Above 15,00,000	30%



➤ The benefit of standard deduction has been increased from Rs. 50,000 to Rs. 75,000 under the new tax regime for FY 2024-25.

➤ This will provide major tax relief to the taxpayers in the new regime. The next slide demonstrates the same with some examples :

Tax Rates and Taxation of Individuals

i. For salaried individual with Income of Rs. 10 lakhs:

Particulars	Old Regime	FY 23-24	FY 24-25
		New Regime	New Regime
Annual Salary Income	10,00,000	10,00,000	10,00,000
Standard Deduction	50,000	50,000	75,000
House Rent Allowance	1,80,000	-	-
Gross Total Income	7,70,000	9,50,000	9,25,000
Deduction under section 80C	1,50,000	-	-
Net Taxable Income	6,20,000	9,50,000	9,25,000
Tax Liability	36,500	52,500	42,500
Surcharge	-	-	-
Health and Education Cess	1,460	2,100	1,700
Total Tax Liability	37,960	54,600	44,200

ii. For salaried individual with Income of Rs. 15 lakhs:

Particulars	Old Regime	FY 23-24	FY 24-25
		New Regime	New Regime
Annual Salary Income	15,00,000	15,00,000	15,00,000
Standard Deduction	50,000	50,000	75,000
House Rent Allowance	3,00,000	-	-
Gross Total Income	11,50,000	14,50,000	14,25,000
Deduction under section 80C	1,50,000	-	-
Net Taxable Income	10,00,000	14,50,000	14,25,000
Tax Liability	1,12,500	1,40,000	1,25,000
Surcharge	-	-	-
Health and Education Cess	4,500	5,600	5,000
Total Tax Liability	1,17,000	1,45,600	1,30,000

iii. For salaried individual with an Income of Rs. 20 lakhs:

Particulars	Old Regime	FY 23-24	FY 24-25
		New Regime	New Regime
Annual Salary Income	20,00,000	20,00,000	20,00,000
Standard Deduction	50,000	50,000	75,000
House Rent Allowance	4,00,000	-	-
Gross Total Income	15,50,000	19,50,000	19,25,000
Deduction under section 80C	1,50,000	-	-
Net Taxable Income	14,00,000	19,50,000	19,25,000
Tax Liability	2,32,500	2,85,000	2,67,500
Surcharge	-	-	-
Health and Education Cess	9,300	11,400	10,700
Total Tax Liability	2,41,800	2,96,400	2,78,200

- The House Rent Allowance has been calculated with the following assumptions:
 - Basic Salary – 50% of Salary Income
 - Rent Paid – 40% of Salary Income
 - HRA Received – 25% of Salary Income
- Only deduction under section 80C has been claimed for the comparative analysis. The Individual can consider other claimable deductions as well only under old regime.

- It is proposed that deduction of Family pension be increased from Rs. 15,000 to Rs. 25,000.
- To encourage more jobs in manufacturing, it is proposed that the government will provide incentive to both new workers and companies for the first four years of their employment.
- Non-reporting of foreign assets up to Rs. 20 lakh is proposed to be de-penalized.
- It is proposed to deduct 10% tax (TDS) on payments made to partners including salary, remuneration, commission, bonus or interest paid to partners, in aggregate exceeding Rs. 20,000 annually.
- It is proposed that credit of TCS paid will be allowed while computing the amount of tax to be deducted on salary income of the employees.
- There is an increase in amount allowed as deduction for employer contribution to a Pension Scheme from 10% to 14% of the salary of the employee.



Business/ Corporate Taxation



- In case of companies other than domestic company, it is proposed that the rate of tax shall be reduced from 40% to 35%.
- It is proposed that the equalisation levy, previously applicable at a rate of 2% on consideration received for e-commerce supply of goods or services, will no longer be enforced.
- The amount paid on buyback is proposed to be classified as a dividend and taxed in the hands of the shareholders.
- 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.
- 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 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.
- 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%.

- 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.
- It is proposed to increase the exemption on long-term capital gains under section 112A for STT-paid equity shares, units of equity-oriented funds, and business trusts from the current value of Rs. 1 lakh to Rs. 1.25 lakh.
- It is proposed to remove the option of indexation for calculating long-term capital gains, aiming to simplify tax computations.
- The government aims to simplify the provisions for reopening and reassessment of tax returns. The time limit for reassessment is proposed to be reduced from ten years to five years. An assessment can be reopened only if the escaped income is Rs. 50 Lakhs or more. In search cases, the time limit is proposed to be reduced from ten years to six years. This change aims to reduce tax uncertainty and disputes.
- For Returns filed after condonation of delay, it is proposed that , the assessment can be made up to 12 months from the end of the financial year in which such return was furnished.
- The proposed amendments, effective October 1, 2024, will phase out the first regime for trust exemptions and align procedures with the second regime under sections 11 to 13 of the Act, ensuring continuity for existing approvals and protection for specified investments.

Micro Small and Medium Enterprises (MSME)



- **A credit guarantee scheme** proposed to support MSMEs in obtaining term loans for machinery and equipment purchases without a collateral or third-party guarantees. Further, separately constituted self-financing guarantee fund will provide, to each applicant, guarantee cover up to Rs. 100 crore, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan balance.
- **Credit support to MSMEs during their stress periods** when the same are classified as 'special mention account' (SMA) due to reasons beyond their control. This support includes guarantees from a government-promoted fund as MSMEs need credit to continue their business and prevent them from slipping into the NPA category.
- The limit for **Mudra loans** will increase to Rs. 20 lakh from the current Rs.10 lakh for entrepreneurs who have successfully repaid previous loans under the 'Tarun' category.



- **New assessment model for MSME** credit proposes Public sector banks to build their in-house capability to assess MSMEs for credit, based on the scoring of digital footprints of MSMEs in the economy, instead of relying on external assessment. This is expected to be a significant improvement over the traditional assessment of credit eligibility based only on asset or turnover criteria, including MSMEs without a formal accounting system.
- For facilitating MSMEs to access their working capital by converting their trade receivables into cash, it is proposed to lower the turnover threshold for mandatory onboarding on the TReDS Platform from Rs. 500 crore to Rs. 250 crore.
- **SIDBI** will open new branches to expand its reach to serve all major MSME clusters within 3 years and provide direct credit to them, with the opening of 24 such branches this year.
- Financial assistance will be provided to establish 50 multi-product food irradiation units within the MSME sector. Additionally, support will be extended to facilitate the establishment of 100 food quality and safety testing laboratories accredited with NABL.
- **E-Commerce Export Hubs** will be established through public-private partnership (PPP) to assist MSMEs and traditional artisans in accessing international markets to sell their products.

Start-ups



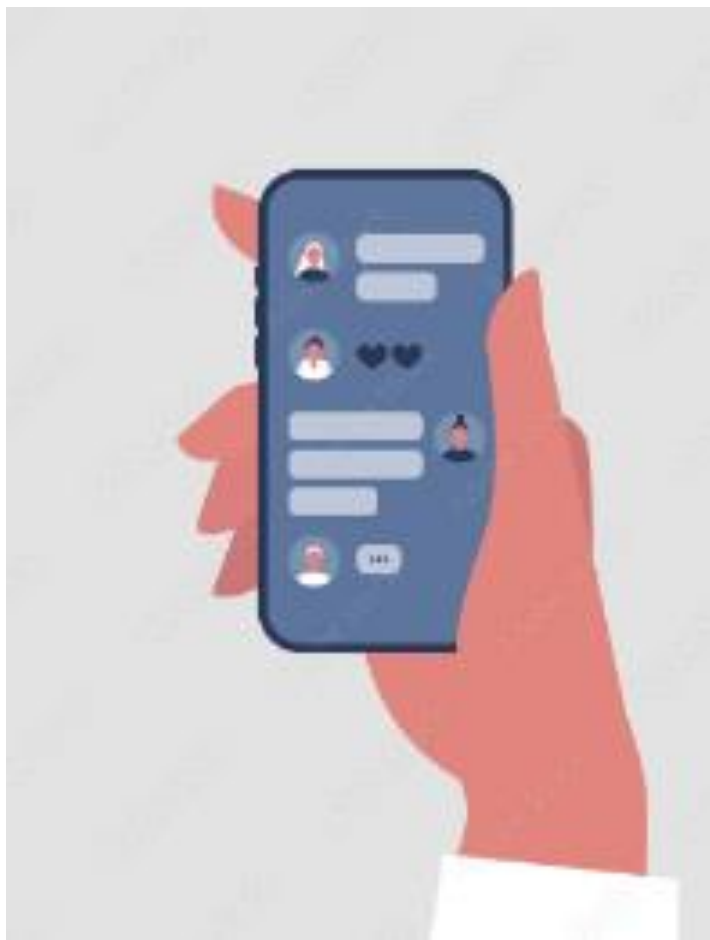
- After a long-standing battle against the taxation of premium issued on the issue of shares, the so-called Angel tax as per Section 56(2)(viib) of the Income Tax law has been abolished.
- It is worth noting that the scope of this section was increased in Budget 2023 to include non-residents.
- Its abolition brings much-needed relief, especially to start-ups in India.
- Although there will be litigation on this until 31 March 2024, start-ups need not worry about capital raised starting 1 April 2024.



Proposals under Indirect Tax



- Focus on the reduced tax burden on common man by reducing the customs duty and tax compliance burden for trade and Industry.
- In order to boost the solar energy transition, proposal for Exemption of capital goods for use in the manufacture of solar cells and panels within country.
- Proposal for the reduction in the Customs duty on import of mobile phones and related parts from 20% to 15%.



- Proposed GST rates seek to ensure uniformity, while customs duty rationalization aims to boost domestic manufacturing under the 'Make in India' initiative.
- Section 54 of CGST Act and Section 16 of IGST Act are being amended to prohibit refund of unutilized input tax credit or integrated tax on zero-rated supply of goods, which are subjected to export duty.
- 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.



Sector Specific Customs Duty Proposals

Comprehensive review of the rate structure for ease of trade, removal of duty inversion and reduction of disputes

Changes in Custom Duty

Beneficiaries

Fully exempt 3 more cancer medicines from custom duties

Affordable medicines

Reduce BCD to 15% on Mobile phone, Mobile PCBA and charger

Mobile industry

Reduce custom duty on gold and silver to 6% and platinum to 6.4%

Domestic value addition

Reduce BCD on shrimp and fish feed to 5%

Enhance competitiveness in marine exports

Exempted more capital goods for manufacturing of solar cells & panels

Support energy transition

What's Cheaper ? What's Costlier ?



Items that became Cheaper

- Mobiles, chargers and accessories.
- Gold, silver and platinum.
- Cancer treatment medicines.
- Leather goods.
- X-ray machines for medical, surgical, dental or veterinary.

Items that became Costlier

- Specified telecom equipments.
- Plastic products.
- Laboratory chemicals.
- Other roasted nuts and seeds, including such arecanuts.

Reaction on Budget



Radhika Gupta, MD and CEO of Edelweiss Mutual Fund went on to express that the proposed budget has been positive for economy as whole with positive impact towards labour intensive sector and steady capex expenditures. She further remarked “ Net- Net :9/10. Focus on building and investing in India for the long term. The market will (and has) quickly moved past capital gains to focus on growth and earnings.”

N Chandrababu Naidu, Chief Minister of Andhra Pradesh, expressed gratitude for “ recognizing the needs of our state and focusing on a capital, Polavaram, Industrial Nodes and development of backward areas in AP.” He also described the budget as “ Progressive and confidence-boosting.”

Nithin Kamath, Founder and CEO of Zerodha ,highlighted their recent success by stating “ We collected about Rs. 1500 crore of STT last year. If the volumes don't drop, this will increase to about Rs.2500 crores at the new rates.” Discussing both STT and capital gains, he also observed , “ If the idea was to cool down the activity in the markets, this might be doing just the trick.”

P. Chidambaram, present Member of Parliament (Ex- Union Minister of Finance for four terms) remarked, “ I was pleased to hear that the FM will abolish the Angel Tax. Congress has pleaded for the abolition for many years and most recently in the Congress Manifesto on pages 31.”

Karthik Srinivasan, Chief Business Officer, HDB Financial Services, Mumbai : “By facilitating the working capital needs, setting up food irradiation units and quality testing labs, and establishing e-commerce export hubs, the government is laying a robust foundation for MSMEs to thrive. These measures will empower small and medium enterprises to grow, compete globally, and drive economic growth.”

“The introduction of a comprehensive credit guarantee scheme, coupled with significant provisions for long-term interest-free loans to states, underscores a commitment to fostering an aspirational India.”

Amarendu Prakash, Chairman, Steel Authority Of India, New Delhi:

“The government's retaining the capex for infrastructure on the lines of interim budget reinforces the strong fiscal support for the infrastructure sector. The focus on urban housing, enhancement of rural infrastructure, further improvement in road connectivity and development of various corridors is expected to boost domestic steel consumption.”

Shripal Shah, MD & CEO , Kotak Securities, Mumbai:

"The increase in the tax rate on long-term capital gains and short-term capital gains on equity, along with the increase in securities transaction tax (STT) on futures and options, are aimed at moderating currently heightened activity levels and fostering a more sustainable pace of growth in the stock market."

"We anticipate a small period of adjustment as the market adapts to these new tax measures, but this will ultimately contribute to a sustainable investment landscape with balanced and orderly growth of the capital market."

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THANK YOU

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