

Summary of Key Budget Proposals – Direct & Indirect Taxes

Direct Taxes

1. There is no change in the tax rates (*including corporate-tax rates*).
2. Extension of timeline from 31 March 2024 to 31 March 2025 for issuance of notification by Central Government for implementing the following:
 - Faceless transfer pricing assessment proceedings
 - Faceless proceedings before the Dispute Resolution Panel ('DRP')
 - Online filing of appeals before Income tax Appellate Tribunal ('ITAT'), with dynamic jurisdiction
 - Faceless proceedings before ITAT
3. Outstanding direct tax demands up to INR 25,000 pertaining to financial years ('FY') till FY 2009-10 and demands up to INR 10,000 pertaining to FY 2010-11 till FY 2014-15 are proposed to be withdrawn. However, the fine print with respect to this proposal is still awaited. The eligibility and conditions for withdrawal of the demand would have to be evaluated once the relevant circular/notification is issued.
4. Timeline for incorporation of eligible start-ups for availing benefits under section 80-IAC has been extended from 31 March 2024 to 31 March 2025.
5. Deduction in respect of income arising to an International Financial Services Centre ('IFSC') unit from transfer of aircrafts/ships under section 80LA, has been extended to such units which commence operations by 31 March 2025. Earlier the above deduction was available to units commencing operations by 31 March 2024.
6. Interest and royalty income arising to a non-resident on account of lease of an aircraft or a ship to an IFSC unit is exempt from tax, if such IFSC unit commences its operations on or before March 31, 2025. Earlier the above exemption was available if such units commenced operations by 31 March 2024.
7. The period of investment in India in respect of exemption to Sovereign Wealth Funds and Pension Funds on their specified incomes from investments in specified infrastructure activities has been extended from 31 March 2024 to 31 March 2025.
8. The CBDT Circular no. 10 of 2023, issued on 30 June 2023 in relation to collection of TCS on remittances made towards Overseas Tour Package and Liberalized Remittances Scheme has been codified in the Act.

Indirect Taxes

A. Goods and Service Tax

Input Service Distributor (ISD)

ISD provisions have been made mandatory basis the decisions taken in the 50th and 52nd GST Council meetings in 2023. Vide section 11 of Finance Bill 2024, Section 2(61) of Central Goods and Service Tax Act, 2017 ('CGST Act') and Section 20 of CGST Act have been amended/ substituted to include the following aspects:

(a) **Compulsory ISD registration for distribution of common credit:** Registration under Section 24 of CGST Act for office of supplier receiving tax service invoices for and on behalf of distinct persons has now been made mandatory.

(b) **ISD to be able to distribute credits pertains to services liable to tax under RCM:** The definition of "ISD" as per Section 2(61) has been amended to include reverse charge invoices in its ambit. Parallely, section 20(2) of CGST Act has also been aligned to include distribution of credits on which taxes are paid under reverse charge mechanism.

(c) **Manner of distribution:** The meaning of relevant date, distribution of credit to made in the same month, calculation of credit distribution and overall manner removed from the section 20 of CGST Act and are expected to be provided in CGST Rules now.

The provisions of ISD will be effective from the date as may be notified.

B. Customs

In a bid to facilitate international trade, numerous efforts were highlighted which resulted in decline in import release time by 47% to 71 hours at Inland Container Depots (ICDs), by 28 % to 44 hours at air cargo complexes and by 27% to 85 hours at sea ports, over the last four years since 2019.