

# India Budget 2024

Empowering India's economic  
agenda: charting the course  
for tomorrow

Financial Services | Key Proposals



# Agenda



01

Foreword

02

Policy proposals

03

Direct tax proposals

04

Indirect tax proposals



01

Foreword



# Foreword



**Bhavin Shah**  
India Deals Leader  
PwC India

The Indian economy is well-positioned on a strong wicket and stable footing, demonstrating commendable resilience in the face of geopolitical challenges. FDI, the subject of much analysis, has largely held firm. Many private equity investors capitalised on the buoyant equity markets in India, exiting profitably in the past year.

Given this backdrop of growth with a focus on welfare, the challenge was clearly defined for the Finance Minister in her seventh consecutive budget speech. The task was to present a comprehensive and ambitious agenda aimed at inclusive and sustainable growth, enhancing social welfare, promoting innovation and competitiveness and ensuring fiscal prudence and transparency.

Budget 2024 affirms the government's vision of a 'New India', a nation characterized by confidence, prosperity and inclusivity, ready to face the 21st century's challenges and opportunities. The government's commitment to the welfare of key societal groups – women, youth, and farmers, who form the backbone of the Indian economy – remains steadfast. Additionally, the development of infrastructure and a sustainable path to fiscal consolidation and growth continue to be focal points.

Priority continues to be given to boosting the manufacturing and services sectors, the primary engines of growth and employment in the country. Support for MSME remains a key agenda item, as evidenced by the rationalisation of various customs duty tariffs.

The highlight of Budget 2024 is the simplification and rationalization of the income tax regime to attract foreign investors. Key measures, such as the abolition of the 'Angel Tax' and streamlining of the capital gains tax regime signify major steps in the right direction.

With an overarching theme of ease of doing business and promoting infrastructure investment, Budget 2024 delivers the right push at the right time. This approach creates an inviting environment for funds, investors and businesses to come to India and adopt the 'Make in India' initiative.



02

# Policy proposals



# Policy proposals



## Private equity and venture capital

- VCF of INR 10bn to be set up for expanding the space economy
- Rules for FDI and Overseas Investment are proposed to be simplified to facilitate investment and nudge prioritisation
- New provisions to promote opportunities to use INR as a currency for overseas investment are proposed to be introduced
- Appropriate changes to IBC, reforms and strengthening of tribunals and setting up of additional appellate tribunals will be initiated to speed up insolvency resolution; similar steps to be undertaken for debt recovery



## Real estate and infrastructure

- Development of 'plug and play' industrial parks with complete infrastructure in 100 cities in partnership with the private sector
- Twelve industrial parks under National Corridor Development Programme will be sanctioned
- Development of digital public infrastructure applications in the areas of e-commerce, education, health, law and justice, logistics, MSME, services delivery and urban governance
- Private investments in infrastructure to be promoted through viability gap funding and enabling policies and regulations
- Enabling policies and regulations for efficient and transparent rental market
- Encourage states to rationalise stamp duty rates and further reduce such rates for properties purchased by women
- Digitisation of land records in urban areas with geographic information system mapping and establishment of a technology based system for property record administration, updating and tax administration in order to facilitate improving the financial position of urban local bodies

# Policy proposals



## Others

- A comprehensive review of the IT Act to be undertaken within a six month timeframe
- Proposed to introduce efficient and flexible mode for financing leasing of aircrafts and ships, and pooled funds of private equity through a variable capital company structure
- Bring out a financial sector vision and strategy document setting out the next five years agenda for meeting the financing needs of the economy
- An integrated technology platform for improving the outcomes under IBC for achieving consistency, transparency, timely processing and better oversight for all stakeholders
- Centre for Processing Accelerated Corporate Exit will be extended for voluntary closure of LLPs to reduce the closure time





03

# Direct tax proposals





# Direct tax proposals



## Private equity and venture capital - capital gains

- Rationalisation and simplification of capital gains taxation regime proposed on the following lines, from 23 July 2024:
  - Only two holding periods for determining short term (24 months) / long term capital assets (12 months); however period of holding threshold for slump sale continues to be 36 months
  - Uniform tax rate of 12.5% proposed for LTCG on all assets
  - No indexation benefits now available on LTCG (other than LTCG arising on unlisted shares acquired prior to 31 January 2018 and sold as part of OFS)
  - LTCG on sale of shares or debentures of Indian company by NR (wherein STT is not paid) - foreign exchange fluctuation benefit could be availed

Sr. No.	Particulars	Period of holding		Resident		Non-resident	
		Old	New	Old	New	Old	New
<b>A.</b>	<b>Long term capital gains</b>						
1	Unlisted shares	24 months	24 months	20%	12.5%	10%	12.5%
2	Listed shares	12 months	12 months	10%	12.5%	10%	12.5%
3	Listed bonds and debentures*	12 months	12 months	10%	12.5%	10%	12.5%
4	Listed units of REIT / InvIT	36 months	12 months	10%	12.5%	10%	12.5%
<b>B.</b>	<b>Short term capital gains</b>						
1	Equity shares (STT paid)	12 months	12 months	15%	20%	15%	20%
2	Unlisted debentures	36 months	NA - deemed short term	20%	Applicable rates	10%	Applicable rates

\*Consequential amendments to section 115AD is not included in the Finance Bill (No. 2) of 2024

# Direct tax proposals



## Private equity and venture capital - capital gains

- Gains arising on transfer or redemption or maturity of unlisted debentures or bonds on or after 23 July 2024 proposed to be deemed as short-term capital gains, subject to tax at applicable rates
- SWF/ PF qualifying investors not eligible to claim exemption on such gains under section 10(23FE)
- The above provisions were already applicable to units of a Specified Mutual Fund acquired on or after 1 April 2023:
  - Definition of 'Specified Mutual Fund' proposed to be amended from 1 April 2025
  - Specified Mutual Fund means (i) a mutual fund that invests 65% or more of its total proceeds in debt and money market instruments or (ii) a fund that invests 65% or more in units of fund referred to in (i)
  - Debt and money market instrument to include any securities classified or regulated as debt and money market instrument by SEBI
  - Percentage of investment in debt and money market instrument or units of fund shall be computed with reference to the annual average of the daily closing figures
- STT on sale of options in securities proposed to be increased to 0.1% from 0.0625% and on sale of futures in securities proposed to be increased to 0.02% from 0.0125%, from 1 October 2024



# Direct tax proposals



## Private equity and venture capital - buyback of shares

- Gross proceeds received on buyback of shares (undertaken in accordance with provisions of the Companies Act, 2013) proposed to be taxed in the hands of the shareholder as 'deemed dividend' from 1 October 2024
  - Such tax to apply on gross proceeds irrespective of whether the company has accumulated profits or not in its books of accounts
  - No deduction (including cost of shares or any other expenditure) allowed against the deemed dividend income
- Capital loss in the hands of the shareholder to the extent of cost of shares bought back eligible for set off and carry forward by the shareholder against capital gains
  - Period of holding to be considered from date of acquisition/ allotment until date of buyback
- Taxable in hands of shareholders at applicable tax rates; company to withhold taxes at 10% in case of residents and at rates in force for non-residents
- SWF/ PF qualifying investors could be eligible to claim exemption on such dividend income under section 10(23FE)



# Direct tax proposals



## Private equity and venture capital - buyback illustration

Number of shares acquired	100
Total cost of acquisition (INR40 per share)	4,000
<b>FY 2024-2025 (on or after 1 October 2024)</b>	
No. of shares bought back	20
Buyback proceeds (INR60 per share)	1,200
<b>Taxable as deemed dividend</b>	<b>1,200</b>
<b>Capital loss eligible for carried forward (20 shares x INR40)</b>	<b>800</b>
<b>FY 2025-2026</b>	
No. of shares sold	80
Sale consideration (INR70 per share)	5,600
Less: cost of acquisition (80 shares x INR40)	3,200
<b>Capital gains</b>	<b>2,400</b>
Less: set off of brought forward capital loss	800
<b>Net capital gains</b>	<b>1,600</b>



# Direct tax proposals



## Private equity and venture capital - other proposals

- Angel tax i.e., tax on issuance of shares to resident / NR at a price higher than FMV proposed to be abolished from 1 April 2024
- Proposed reduction in tax rate for foreign companies from 40% to 35% from 1 April 2024
- From 1 October 2024, provision relating to TDS on salaries proposed to be rationalised to allow credit of any TDS / TCS available to the employee subject to conditions
- Firm including LLP proposed to be required to withhold tax at 10% (on gross basis) on salary, remuneration, commission, bonus or interest to partner
- Penal provisions under Black Money Act proposed to not apply in case of non-reporting of foreign assets (other than immovable property) with value less than INR2m
  - The definition of 'foreign asset' proposed to be widened to include any asset other than immovable property
- Gift by any person (other than individuals or HUFs) not to be eligible for exemption from capital gains tax
- Equalisation levy of 2% proposed to not be applicable e-commerce supply or services on or after 1 August 2024
- TDS on payment by e-commerce operator to e-commerce participant proposed to be reduced from 1% to 0.1% from 1 April 2024



# Direct tax proposals



## Insurance

- From 1 October 2024, TDS rate on sums paid to a resident under a life insurance policy (including sums paid as bonus) other than sums exempt under section 10(10D) of the IT Act proposed to be reduced to 2% from 5%
- From 1 April 2025, TDS rate\* on insurance commission paid to a resident (other than corporates) for soliciting or procuring insurance business proposed to be reduced to 2% from 5%
- Proposal to amend Rule 2 of the First Schedule of the IT Act pertaining to life insurance companies, whereby any disallowances under section 37 of the IT Act is to be added back while computing the taxable profits



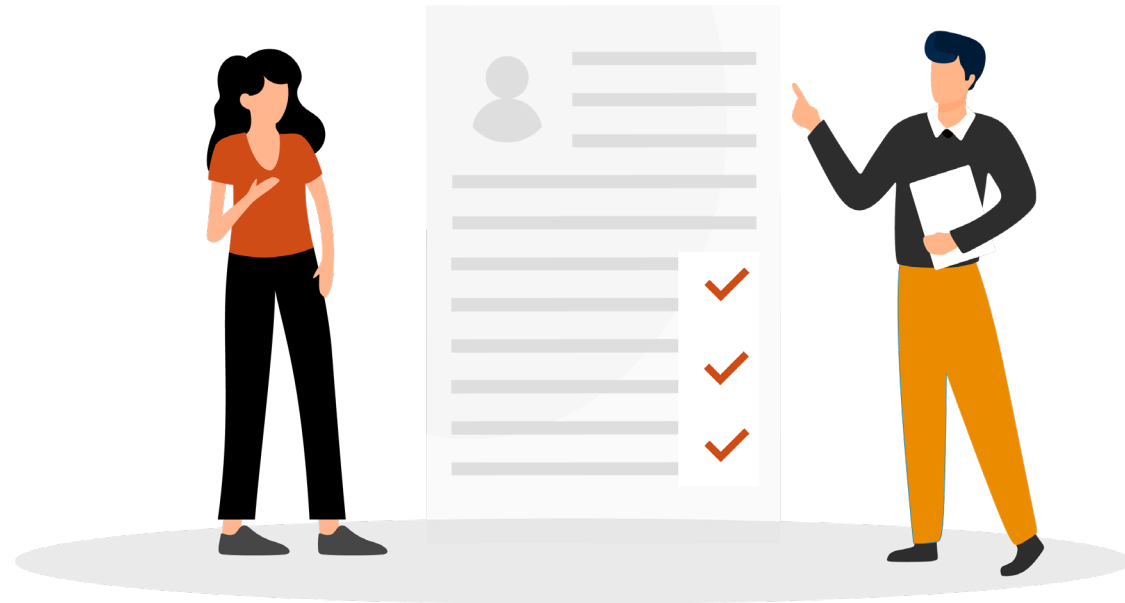
*\*Finance (No. 2) Bill, 2024 does not capture this amendment*

# Direct tax proposals



## Real estate and infrastructure

- Holding period for listed units of REITs/ InvITs to qualify as 'long-term capital assets' proposed to be reduced to 12 months from 36 months
- Tax rate for LTCG on listed units of REIT / InvITs proposed to be increased to 12.5% from existing 10%
- Income from letting out of a residential property proposed to be chargeable under the head 'Income from House Property'
- In case of one or more transferor or transferee of any immovable property, the threshold of INR5m for applicability of TDS to be considered on aggregate basis



# Direct tax proposals



## International Financial Services Centre

- Retail funds and ETF to qualify as 'Specified Funds' on par with Category III AIF (with NR investors) in IFSC
- Exemption from surcharge rate on dividend and interest income proposed to be extended to all Specified Funds irrespective of legal form
- Thin capitalisation rules proposed to not apply to specified finance companies in IFSC fulfilling prescribed conditions
- VCFs regulated by IFSCA are proposed to be accorded tax pass through status
- Exemption from applicability of unexplained cash credits proposed to be extended to VCFs regulated by IFSCA (earlier exemption was only for VCF regulated by SEBI)
- Income of 'Core Settlement Guarantee Fund' set up by IFSC clearing corporation proposed to be exempt





# Direct tax proposals



## Litigation

### Proposed rationalisation of reassessment provisions

- Time-limit to issue SCN before commencing reassessment proceedings introduced:
  - Three years from the end of the relevant AY;
  - Five years from the end of the relevant AY, if the income exceeds INR5m
- SCN not mandated where information is received under faceless collection of information schemes
- Time-limit to issue notice for commencement of reassessment proceedings amended:
  - Three years and three months from the end of the relevant AY;
  - Five years and three months from the end of the relevant AY, if the income exceeds INR5m subject to certain conditions



### Proposed changes to TDS proceedings

- Limitation period for proceedings for failure to deduct tax from any person (including non-residents) prescribed as (a) six years (earlier seven years) from end of FY; or (b) two years from the end of the FY in which the correction statement is delivered, whichever is later; similar provisions inserted for TCS as well
- TDS/ TCS return cannot be revised after expiry of six years from end of FY in which the original return was filed, no time limit earlier
- No prosecution for delay in deposit of TDS, if payment is made by TDS return due date of the relevant quarter

# Direct tax proposals



## Litigation

### Vivad se Vishwas 2024

- Disputes pending before all appellate fora as on 22 July 2024 proposed to be covered
- Waiver of interest, penalty and prosecution
- Early bird incentive for payment of disputed amount by 31 December 2024. In case of settlement of Revenue's appeal, 50% of the disputed amount to be paid
- Exceptions to the Scheme inter alia include, search cases, prosecution initiated, cases involving undisclosed assets/source outside India, assessment/ reassessment made based on exchange of information, etc.

### Other proposals

- No prosecution for delay in deposit of TDS, if payment is made by TDS return due date of the relevant quarter





# 04

## Indirect tax proposals

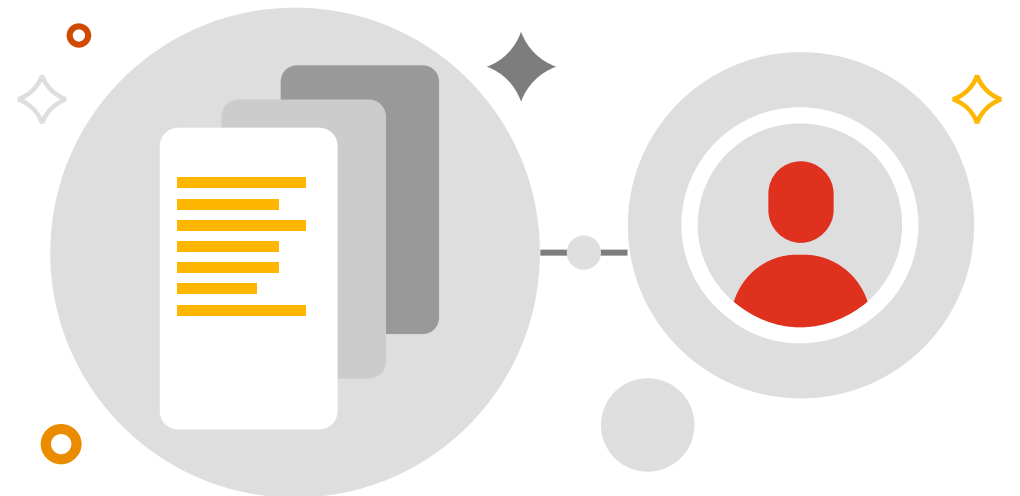


# Indirect tax proposals



## Goods and Services Tax

- Co-insurance premium received by coinsurer proposed to be considered as no supply, subject to tax being paid by the Lead Insurer
- Re-insurance ceding commission received by a reinsurer proposed to be considered as no supply, subject to GST being paid on gross re-insurance premium
- Maximum time limit for all kind of cases for issuing demand notices proposed to be consolidated to 42 months; further time limit of 12 months from the date of demand notice provided to pass a demand order
- Amnesty scheme proposed for 100% waiver of interest and penalty, subject to 100% of the tax payment as demanded under SCN/ demand order for FY 2017-2018 to FY 2019-2020 (pertaining to non-fraud cases)



# Glossary



Abbreviation	Particulars
<b>AIF</b>	Alternative Investment Fund
<b>AOP</b>	Association of Persons
<b>AY</b>	Assessment Year
<b>Bn</b>	Billion
<b>ETF</b>	Exchange Traded Fund
<b>FDI</b>	Foreign Direct Investment
<b>FMV</b>	Fair Market Value
<b>FY</b>	Financial Year
<b>GST</b>	Goods and Services Tax
<b>HUF</b>	Hindu Undivided Family
<b>IBC</b>	Insolvency and Bankruptcy Code, 2016

Abbreviation	Particulars
<b>IFSC</b>	International Financial Services Centre
<b>IFSCA</b>	International Financial Services Centre Authority
<b>INR</b>	Indian National Rupee
<b>InvIT</b>	Infrastructure Investment Trust
<b>IT Act</b>	Income-tax Act, 1961
<b>LLP</b>	Limited Liability Partnership
<b>LTCG</b>	Long Term Capital Gains
<b>m</b>	Million
<b>MSME</b>	Micro, Small & Medium Enterprises
<b>NA</b>	Not applicable
<b>NR</b>	Non-resident

Abbreviation	Particulars
<b>OFS</b>	Offer for Sale
<b>PF</b>	Pension Fund
<b>RE</b>	Real Estate
<b>REIT</b>	Real Estate Investment Trust
<b>SCN</b>	Show Cause Notice
<b>SEBI</b>	Securities and Exchange Board of India
<b>STT</b>	Securities Transaction Tax
<b>SWF</b>	Sovereign Wealth Fund
<b>TCS</b>	Tax Collected at Source
<b>TDS</b>	Tax Deducted at Source
<b>VCF</b>	Venture Capital Fund

# About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with over 360,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

© 2024 PwC. All rights reserved.

**pwc.in**

Data Classification: DC0 (Public)

In this document, PwC refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2024 PricewaterhouseCoopers Private Limited. All rights reserved.

PR/July 2024 - M&C

