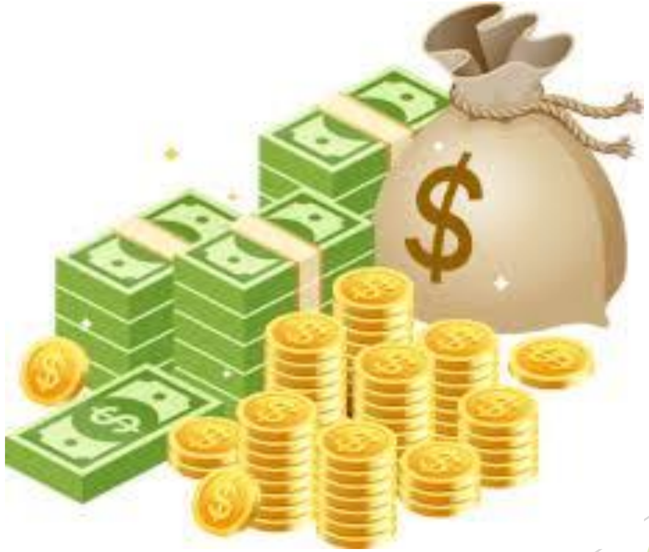
Interim Budget 2024



Macro Fiscal | Key Highlights

- **Growth:** The interim budget has indicated a nominal GDP growth of 10.5%. Combining this with a real growth of 7% (MoF's review of the Indian economy), the underlying assumption for the implicit price deflator (IPD)-based inflation is at 3.3% for FY25.
- **Tax revenues:** Gross tax revenue (GTR) growth is budgeted at 11.5% in FY25 (BE), slightly lower than 12.5% in FY24 (RE). Given the high buoyancy of direct taxes, the actual GTR growth may turn out to be higher than budgeted.
- Any additional revenues over and above the budgeted amounts can then be directed towards augmenting capital expenditure growth.
- **Expenditure priorities:** Revenue expenditure growth has been limited to 3.2% in FY25.
- Capital expenditure growth has been lowered to 16.9% in FY25 (BE) over FY24 (RE) as compared to 28.4% in FY24 (RE) over FY23 Actuals.
- The easing of capex growth may be partially neutralized by the continuation of the interest free loans to states for their capital expenditure.
- **Social sector spending:** Social sector spending on selected 10 major schemes (including MGNREGA, National Health Mission, National Education Mission, Pradhan Mantri Krishi Sinchai Yojna, Pradhan Mantri Awas Yojana) together amount to nearly INR4.3 lakh crore which is 12% of GoI's primary expenditure in FY25 (BE), slightly higher than 11.4% in FY24 (RE).
- **Highest priority to fiscal consolidation:** The fiscal deficit to GDP ratio is budgeted to fall by 70 basis points to 5.1% of GDP in FY25 (BE) from 5.8% in FY24 (BE).
- As GoI's fiscal deficit to GDP falls, both gross and net market borrowings to fall in FY25 (BE) from their FY24 (RE) levels. This would facilitate a lowering of the interest rate, facilitating private investment.
- The budget establishes a healthy balance of pursuing fiscal consolidation while not compromising on growth.

Fiscal deficit consolidation
5.8% (FY24) to 5.1% (FY25) and further to 4.5% (FY26)

Highlights

Strong capex growth
28.4% in FY24 (RE) and 16.9% in FY25 (BE)

Corporate Tax (1/2) | Key Highlights

Extension of sunset date from 31 March 2024 to 31 March 2025 for claim of exemption in respect of specified incomes:

- Date of commencement of operations by Investment Division of Offshore Banking Unit in International Financial Services Centre (IFSC), to claim exemption in respect of specified income attributable to such investment division.
- Date of commencement of operations by a unit in IFSC, for exemption in respect of royalty or interest income of a non-resident received from a unit in IFSC on account of lease of aircraft/ ship.
- Date of commencement of operations by a unit in IFSC, for exemption on gains arising on transfer of aircraft or ship leased by the IFSC unit
- Date of making specified investment by specified funds, for claiming exemption on certain income from such investments.
- Date for incorporation of start-ups, to be eligible for tax holiday.

- The time limit for issuance of notification for faceless proceedings for transfer pricing assessment, faceless proceedings before Dispute Resolution Panel and faceless appeal proceedings before Tribunal is extended from 31 March 2024 to 31 March 2025.
- Withdrawal of tax demands up to 10,000 for tax years 2010-11 to 2014-15 and up to INR 25,000 for prior tax years.

Highlights

Rates for tax collection at source (TCS) has been amended

Codification of announcements made vide press release dated 28 June 2023 for TCS provisions

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Corporate Tax (2/2) | Key Highlights

To codify the announcements made by the Ministry of Finance vide Press Release dated 28 June 2023, the rates for tax collection at source (TCS) has been amended w.e.f. 1 October 2023 in respect
of specified items as follows:

Nature of payment	Rate of TCS applicable
Liberalised Remittance Scheme (LRS) for education financed by loan from qualifying financial institutions	➢ NIL up to INR700,000 ➢ 0.5% above INR700,000
LRS for medical treatment and education (other than financed by loan from qualifying financial institution)	➢ NIL up to INR700,000 ➢ 5% above INR700,000
LRS for other purposes	➢ NIL up to INR700,000 ➢ 20% above INR700,000
Purchase of Overseas Tour Program Package	➢ 5% till INR700,000 ➢ 20% thereafter

Highlights

Rates for tax collection at source (TCS) has been amended

Codification of announcements made vide press release dated 28 June 2023 for TCS provisions

Indirect Tax | Key Highlights

Input Service Distributor

- Input tax credit on services meant for any offices of the same legal entity shall be required to be mandatorily distributed through the Input Service Distributor (ISD) mechanism by the office receiving the invoice.
- Such an office receiving invoices needs to take ISD registration.

Penalty on non-registration of machines: tobacco and tobacco-related products

- Penalty to be levied for failure to register packing machines used in the manufacture of tobacco and tobacco-related products as per the special procedure.
- Further, such machines can be seized and confiscated in certain cases and circumstances.

Highlights

ISD provisions made mandatory

Penalty introduced for non-registration of machines - tobacco tobacco related and products

Thank You!