

SPECIAL EDITION

BUDGET

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**ECONOMIC
OUTLOOK**

**INCOME TAX
GST**

Key tax &
Regulatory
proposals

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Economic Outlook

Global economic growth is expected to slow in 2024 due to monetary tightening and fiscal consolidation, but may rebound in 2025 with declining inflation and supportive policies. Crude oil prices are anticipated to ease, and global trade may strengthen, especially in the latter half of 2024. In India, growth in FY25 will rely on government expenditure initially, with potential for private investment pickup later if agricultural output improves. Bond markets could see lower borrowing costs, encouraging private sector investment with reduced fiscal deficit targets and decreased gross borrowings

Indian Economy

In the latest World Economic Outlook, the IMF projects a 3.1% global economic growth for 2024, up by 0.2 percentage points from earlier estimates. However, advanced economies face challenges due to quantitative tightening and persistent inflation. Meanwhile, the World Bank reports sluggish global trade in 2023, with slow recovery in services trade. Although commodity prices weakened, they remained high compared to pre-pandemic levels.

Global Economy

In FY24, India's GDP is estimated to grow by 7.3%, driven by robust government spending, including a significant increase in both Central and State Government capital expenditure. Strong growth was observed in mining, manufacturing, and construction sectors, buoyed by policy reforms and increased demand. Financial, real estate, and professional services sectors are expected to witness robust growth. However, private consumption remains weak at 4.3%, attributed to rural stress, inflation, and income challenges. Private investment and exports also faced challenges due to global economic slowdown and geopolitical uncertainties



KEY TAX & REGULATORY PROPOSALS

Income Tax

- No changes proposed in the tax rates.
- The sunset date of incorporation of new eligible start-ups to claim tax holiday under section 80-IAC of the Income-tax Act, 1961 to be extended by one year, i.e. from 1 April 2024 to 1 April 2025.
- Sunset period for investing in eligible infrastructure entities by notified Sovereign Wealth Fund and provident funds is proposed to be extended by one year to 31 March 2025. All Other conditions remain unchanged.
- The sunset date of incorporation for new manufacturing Company and cooperative societies to claim concessional tax rate has not been extended.
- GIFT and International Financial Services Centre (IFSC).
 - The Finance Minister highlighted that GIFT IFSC and the IFSC Authority are creating a robust gateway for global capital and financial services for the economy.



- The sunset period is proposed to be extended from 31 March 2024 to 31 March 2025 for various businesses to commence their operations in GIFT IFSC:
 - Investment division of an IFSC Banking Unit as a specified fund.
 - Exemption for income on royalty or interest for a non-resident paid by an aircraft or ship leasing unit in IFSC, if such unit commences operations by 31 March 2025.
 - Deduction for income from the transfer of aircraft or ship leased by an IFSC unit if such unit commences operations by 31 March 2025.
 - Exemptions from certain safe harbour conditions applicable to eligible managers in GIFT IFSC where operations commenced prior to 31 March 2024 is not proposed to be extended.
 - The tax collected at source provisions on the Liberalised Remittance Scheme and overseas tour packages through Press Information Bureau Press Release dated 28 June 2023 and Circular No. 10 of 2023 dated 30 June 2023 has now been proposed to be enacted.
 - Timeline to introduce Faceless Scheme in electronic mode is proposed to be extended till 31 March 2025 (from current deadline of 31 March 2024) due to :
 - Reference to transfer pricing officer for determination of arm's length.
 - Issuance of directions by Dispute Resolution Panel.
 - Filing of appeal by Revenue and Income-tax Appellate Tribunal proceedings.
 - Announcement made for waiver of petty, non-verified, non-reconciled or disputed direct tax demands for taxpayers as under.
 - Up to FY 2009-2010, outstanding direct tax demands up to INR25,000 will be withdrawn.
 - For FYs 2010-2011 to 2014-2015, outstanding direct tax Demands up to INR10,000 will be withdrawn.

G S T

ISD PROVISION revamped

– Definition of ISD (section 2) and substantive provisions (section 20) were amended to make the ISD mechanism mandatory. These amendments have been introduced to give effect to the 52nd GST Council meeting recommendations.

– Amendments to be effective from a date to be notified post enactment of the Finance Bill, 2024. It may be noted that the press release for the 52nd GST Council meeting mentioned that the amendments would be made applicable prospectively.

– The new provisions make it clear that common input services liable to reverse charge would also be subject to ISD mechanism.

– Procedural aspects (manner of calculation and distribution etc.) eliminated from the substantive provision. Rules to be prescribed for the procedures to be followed.

- Penalty for non-compliance by manufacturers covered under special procedures

– Recommendations were made at the 50th GST Council meeting regarding special procedure to be followed by manufacturers of tobacco, pan masala, etc. for registration of machines, filing special monthly returns and penal provisions for failure to register or comply.

– While special procedure was earlier notified in January 2024, section 122A has now been proposed to be inserted in the Central Goods and Services Tax Act, 2017 which provides a penalty of INR100,000 for every machine not registered.

- No other substantive tax or rate related changes announced.

