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India Budget 2024

Synopsis of Recent Policy Changes and Proposals for Direct and Indirect Taxes, Impact and Economic Indicators

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Foreword

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Employment, Skilling, MSME and Middle Class

The much-awaited budget places our finance minister in a historic league for maximum consecutive Indian budgets. She also holds the record for longest speech in 2020. This budget deeply leans on the findings of the economic survey. It is more about future intent, though some depicted action for this fiscal year shows the seriousness. It begins with a disclaimer that global uncertainties could prove to be a damper.

The focus castes, or should I say cast, is the Farmer, Poor, Youth and Women. These are set up against a backdrop of nine priorities i.e. Agriculture, Employment, Inclusive Development, Manufacturing and Services, Urban Development, Energy, Infrastructure, Innovation, Research and Development and NexGen Reforms. The future budgets would derive direction from these, but the seeds are being sown here.

Employment, education and skilling have an allocation of ₹1.48 trillion, with various well intended schemes to use this corpus. From these, the internship program for 10 million youth to intern at India's top 500 companies is interesting to note. To defray the cost, the government will provide monetary support and the corporates are to match that, part coming from their CSR outlays. Adds another dimension to their compliance matrix. Agriculture, with a clear focus to enhance productivity through innovative research, gets ₹1.52 trillion. The game plan is to initiate farmers into natural farming, focus on achieving self-sufficiency in pulses and oil seeds production, storage and marketing, imbibing digital technologies, etc. While capital expenditure towards infrastructure has rightly found position of power in the overall allocation, the number itself is fascinating - 11,11,111 crore!

Of particular interest is the critical mineral mission, to push forth domestic production, recycling of critical minerals, and overseas acquisition of critical mineral assets. Our future energy needs, and manufacturing capability rely heavily on such minerals, and this certainly deserves the attention. Tourism continues to get the required focus, with cruise tourism getting special mention and foreign cruise operators offered benefit of presumptive tax. Another dimension to our ever-expanding holiday list!

As expected, the coalition partners of the current government find special mention. Bihar and Andhra Pradesh get generous allocations and infrastructure development support, the key benefit coming as earmarked industrial nodes attached to key industrial corridors.

We are given a future promise to streamline the GST tax structure, while straightaway rationalizing tax withholding rates in direct taxes, reducing tax on foreign companies, abolishing angel tax as well as equalization levy. There are marginal changes to individual tax rates, which mainly support the middle class. The Capital Gains tax rate for listed equities has been increased, though the shift is negligible. Reduction in customs duties on gold and platinum and exemptions to capital goods for solar cells and panel manufacturing will have positive impact.

Furthermore, to send a signal to the foreign investors, safe harbour scope will be expanded to provide tax certainty and reduce potential litigation besides streamlining the transfer pricing assessment procedure. The erstwhile amnesty scheme, namely *Vivaad se Vishwas* Scheme, will be re-introduced to settle disputes / litigation. In similar direction, the statute of limitation in reopening past tax cases is being reduced from current level of 10 to 5 years.

It is interesting to note that India is taking active interest to promote the promising MRO sector in domestic aviation and shipping, by extending the period for export of goods brought in for repair as well as re-import of goods for repairs under warranty.

In closing, while I hope the economy remains robust and grows merrily on, I do commend the government in systematically bringing down the fiscal deficit, aimed at 4.9 per cent for this fiscal year, and targeted under 4.5 per cent next year. They have been at this job for over a decade now, and with the global mood too favoring India, wish them a memorable run in their new term.

Rupee Movement

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Rupee comes from

- 1% Non-Debt Capital Receipts
- 4% Customs
- 5% Union Excise Duties
- 9% Non-Tax Receipts
- 17% Corporation Tax
- 18% Goods & Service Tax and Other Taxes
- 19% Income Tax
- 27% Borrowings & Other Liabilities

Rupee goes to

- 4% Pensions
- 6% Subsidies
- 8% Defence
- 8% Centrally Sponsored Scheme
- 9% Other Expenditure
- 9% Finance Commission & Other Transfers
- 16% Central Sector Scheme
- 19% Interest Payments
- 21% State's Share of Taxes & Duties

Budget Overview

DIRECT TAXES

- Income-tax Act to undergo a comprehensive review
- Angel Tax provisions withdrawn
- Capital gains tax structure simplified
- Dispute resolution scheme reintroduced
- 2 per cent equalisation levy withdrawn

INDIRECT TAXES

- Amnesty provisions introduced
- Demand and recovery provisions streamlined
- Claim of ITC pertaining to specified FYs permitted
- GST Compensation Cess exempted on imports by SEZ units
- Time period extended for re-exportation of specified goods imported for repairs and return

COMMERCE & TRADE

- In focus – Employment & skilling, Human resource and Infrastructure
- Venture capital fund focusing on space sector to be established
- C-PACE to be extended for voluntary closure of LLPs
- EPFO incentives to employers and employees

SOCIAL FOCUS

- Development of roads in Eastern States of India
- Benefits to MSMEs

ECONOMIC INDICATORS

- GDP increases by 8.2 per cent in FY 2023-24
- CPI based headline inflation at 5.4 per cent
- Foreign exchange reserves at US$ 646.42 billion
- Increase in production of core industries including coal, natural gas, refinery products, steel and electricity

Budget Proposals

Direct Taxes & Indirect Taxes

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on July 23, 2024. The direct tax provisions in the Finance Bill, 2024 would ordinarily apply to the Financial Year commencing on April 1, 2024 (Assessment Year 2025-26) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament

Direct Taxes

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INCOME TAX

- The basic tax slabs for individual and HUF remain unchanged in the old regime. Income slabs enhanced under the new regime i.e.

OLD REGIME		NEW REGIME[2]		
INCOME RANGE (₹)	RATE (%)	INCOME RANGE (₹) FROM	INCOME RANGE (₹) TO	RATE (%)
Upto 250,000[1]	Nil	Upto 300,000	Upto 300,000	Nil
250,001-500,000	5	300,001-600,000	300,001-700,000	5
500,001-1,000,000	20	600,001-900,000	700,001-1,000,000[3]	10
		900,001-1,200,000	1,000,001-1,200,000	15
1,000,001 & above[3]	30	1,200,001-1,500,000	1,200,001-1,500,000	20
		1,500,001 & above[4]	1,500,001 & above[4]	30

[1]Exemption limit for individuals reaching 60 and 80 years remains unchanged at ₹300,000 and ₹500,000 respectively

[2]Tax rebate limit for individuals, HUF, association of persons (other than a co-operative society), body of individuals and artificial juridical persons remains unchanged at ₹0.7 million under the new regime

[3]Surcharge remains at 10 per cent on income exceeding ₹5 to 10 million; 15 per cent on income exceeding ₹10 to 20 million; 25 per cent on income exceeding ₹20 to 50 million and 37 per cent on income exceeding ₹50 million.

[4]Surcharge remains capped at 25 per cent under the new regime

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. In case of a co-operative society, surcharge at 7 per cent on income exceeding ₹10 million and at 12 per cent on income exceeding ₹100 million respectively. In all other cases, surcharge at 12 per cent where income exceeds ₹10 million.

- Corporate tax rates remains unchanged for domestic companies. Rate reduced for foreign companies i.e.

COMPANY	RATE (%) FROM	RATE (%) TO
Domestic[1]		
Specific turnover/ gross receipts limit	25[2]	25[2]
Others	30	30
Foreign	40[3]	35[3]

[1]Surcharge remains unchanged at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

[2]The benefit of lower rate of tax is applicable to companies with turnover or gross receipts up to ₹4 billion during financial year 2022-23

[3]Surcharge remains unchanged at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme remains unchanged although time limits not extended i.e.

ENTITY	RATE (%)
Domestic Company and Cooperative Society[1]	
New manufacturing enterprise	15[2]
New manufacturing cooperative society	15[2]
Others	22

[1]Deductions under respective provisions of chapter VI-A restricted for availing concessional tax rate. Surcharge at 10 per cent

[2]Benefit applicable only to companies registered on or after October 1, 2019 and co-operative societies set up on or after April 1, 2023 and commenced manufacturing (including electricity generation) or production on or before March 31, 2024 with certain conditions

SALARY

- Standard deduction enhanced from ₹50,000 to ₹75,000 under the new regime.

INCOME FROM BUSINESS & PROFESSION

- Presumptive tax at 20 per cent to apply on domestic earnings of a non-resident cruise operator. Lease rentals paid to overseas fellow subsidiary by such cruise operator also exempt from tax in India.
- Prescribed limits revised for claim of partner's remuneration in a firm. Minimum threshold enhanced from existing ₹0.15 to 0.3 million.

CAPITAL GAINS

- **Existing scheme of capital gains taxation revamped:**
  - **Uniform holding period to apply across capital assets i.e.**
    - **All listed securities held > 12 months are considered long term.**
    - **All other assets held > 24 months are considered long term.**
  - **Tax rates rationalized across capital asset categories:**
    - **Short Term Capital Gains ('STCG') tax rate on STT paid listed shares & securities increased from 15 to 20 per cent.**

- Long Term Capital Gains ('LTCG') tax rate of 12.5 per cent to apply across asset categories, except unlisted bonds and unlisted debentures which are taxed at the slab rates. Indexation benefit withdrawn except on immoveable properties held prior to April 1, 2001.

- Exemption enhanced to ₹0.125 million for LTCG on STT paid listed shares & securities.

- Where a taxpayer, other than an individual or HUF, transfers capital assets under a gift or will or an irrevocable trust, capital gains exemption is not available on such transfer.

INCOME FROM OTHER SOURCES

- Angel tax provisions, implying tax on capital infusion in excess of fair market value, are withdrawn.
- Share buy-back by an Indian company now taxable in the hands of shareholders as dividend. Accordingly, the company to withhold tax at applicable rates on the buy-back consideration. The cost of shares bought back by the company to remain available with the shareholders as capital loss, eligible for set-off against existing or future capital gains.

DEDUCTIONS

- Employer contribution to a pension scheme under section 80CCD now deductible upto 14 per cent of the employee salary under the new regime.
- Enhanced deduction upto ₹25,000 is available on family pension under the new regime.

TAX WITHOLDING/ TAX COLLECTION

- Effective July 23, 2024, withholding tax rate on capital gains arising to non-residents rationalized i.e.

NATURE OF INCOME	RATE (%)	
	FROM	TO
LTCG by non-resident Indian on asset other than specified asset	10	12.5
LTCG on listed equities	10	12.5
LTCG on assets other than listed shares and units of UTI	20	12.5
STCG on listed equities	15	20

- Tax withholding rate on payments to residents also rationalized i.e.

PARTICULARS	RATE (%)	
	FROM	TO
Payment of › Insurance Commission (other than company) › Life Insurance Policy › Commission or brokerage (including sale of lottery tickets) › Rent and certain other sums by individuals or HUF	5	2
Payment by e-commerce operator to e-commerce participant	1	0.1
Repurchase of units by Mutual Fund or Unit Trust of India	20	Nil

- Withholding tax at 10 per cent on partner salary, remuneration, commission, bonus and interest exceeding ₹20,000.
- Sale of specified luxury goods priced in excess of ₹1 million, to attract tax collection by the seller at 1 per cent.
- No prosecution if the entire TDS/TCS is paid within the due date of filing quarterly returns.
- No person can be held in default for failure to deduct or collect TDS/TCS after expiry of six years from the year of tax payment or two years from the year when correction statement is submitted.
- Correction to the TDS/TCS statements to be made within six years from the end of FY.

VIVAD SE VISHWAS SCHEME, 2024

- A dispute resolution scheme has been introduced for settlement of appeals pending as at July 22, 2024. The manner of settlement and concessions in this scheme are linked to the appeal quantum, period of pendency and the date of settlement by the taxpayer i.e.

Situation of Appeal	Amount payable (% of disputed amount)	
	on or before December 31, 2024	on or after January 1, 2025 but before last date
Where the tax arrears are in respect of quantum appeal by taxpayer		
Appeal post January 31, 2020	100	110
Appeal upto January 31, 2020	110	120
Where the tax arrears are in respect of other matters (interest, penalty or fee)		
Appeal post January 31, 2020	25	30
Appeal upto January 31, 2020	30	35
Where the tax authorities are in appeal/writ/SLP or the issue is covered by a favourable ITAT/HC order in taxpayer's own case, pay 50 per cent of the aforesaid amounts		

ASSESSMENT AND APPELLATE PROCEEDINGS

- Timelines rationalized for issuance of notices under reassessment proceedings:

INCOME ESCAPING ASSESSMENT (₹)		FROM	TO
		END OF RELEVANT AY	
Preliminary Inquiry	<5 million	Before initiating reassessment	3 years
	>5 million		5 years
Reassessment	<5 million	3 years	3 years 3 months
	>5 million	10 years	5 years 3 months

- Where a return is submitted pursuant to a CBDT order condoning the delay, assessment to be concluded within 12 months from the end of FY in which such return is furnished.
- Where a case is set aside by CIT(A), assessment to be concluded within 12 months from the end of FY in which the order is passed by CIT(A).
- In case of block assessments/search proceedings, assessment to be concluded within 1 year from the end of the month of revival or the period specified in block assessments, whichever is later.

PENALTY AND PROSECUTION

- **Delay in submission of the prescribed annual activity statement by a liaison office to attract a penalty of ₹1,000 for each day of default upto a maximum of ₹0.1 million.**
- Inaccurate information or an oversight in submitting the Statement of Financial Transactions to attract penalty of ₹50,000.
- Non-disclosure of overseas movable assets of upto ₹2 million by an ordinary resident in India, not to attract penalty under the Black Money Act.

TAX INCENTIVES – INTERNATIONAL FINANCIAL SERVICES CENTRE

- Tax benefits extended to units in IFSC viz.
  - Specified income of retail funds and Exchange Traded Funds
  - Specified income of Core Settlement Guarantee Funds set up by a recognized clearing corporation located in an IFSCs
  - Relaxation of thin capitalization rule on allowability of interest expense to finance companies
- Venture Capital Funds being regulated entities, not obliged to establish source of funds in the capacity of a creditor.

OTHERS

- Digital Services Tax in the form of 2 per cent Equalization Levy on e-commerce operators stands withdrawn.
- Securities Transaction Tax (STT) enhanced on sale of options from existing 0.0625 per cent to 0.1 per cent and on sale of a futures in securities from 0.0125 per cent to 0.02 per cent.
- **While obtaining a tax clearance certificate on final departure from India, the taxpayer also has to make arrangements for discharge of potential liabilities arising under the Black Money Act.**

Indirect Taxes

CUSTOMS DUTY

Recalibration of Customs Duty and Agriculture Infrastructure & Development Cess ('AIDC') rate structure.

HIGHLIGHTS

- Amendments
  - Preferential rate of duty can be claimed based on self-certification instead of 'Certificate of Origin', to align with the new trade agreements.
  - Government to specify certain manufacturing and other operations that will not be permitted, in a warehouse.
  - Central Board of Indirect Taxes and Customs ('CBIC') to notify regulations for simplification of trade procedures to any other person, in addition to importers and exporters.
  - **Time period for re-exportation extended from 6 months to 1 year for specified goods, imported for repairs and return. This period is further extendable by 1 more year for aircraft and vessels imported for Maintenance, Repair, Overhauling ('MRO') operations.**
  - Time period of duty-free re-importation of goods (other than those under export promotion schemes) exported under warranty extended from 3 to 5 years.
- Exemptions
  - Extension of Customs Duty exemption on specified goods.
  - Social Welfare Surcharge exempted in case of specified goods.
  - **GST Compensation Cess exempted on imports by SEZ units or developers for authorized operations. This is effective from July 1, 2017.**

- Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
AQUAFARMING & MARINE EXPORTS			
Prawn, Shrimps and Fish feed	15	↓	5
CRITICAL MINERALS			
Natural Graphite, Quartz (other than natural sands), quartzite	5	↓	2.5
Specified natural sands, alkali or alkaline earth metals, Rare-earth metals, etc.	5	↓	0
TEXTILE AND LEATHER SECTOR			
Methylene Diphenyl Di-isocyanate (MDI) for use in manufacture of Spandex Yarn	7.5	↓	5
Wet white, Crust and finished leather for manufacture of textile or leather garments, footwear or other leather products for export	10	↓	0
Real Down filling material from Duck or Goose for use in the manufacture of textile or leather garments for export	30	↓	10
CANCER DRUGS			
Specified cancer drugs	10	↓	0
PRECIOUS METALS			
Gold / Silver bar, coins of precious metals	15	↓	6
MEDICAL EQUIPMENT			
Specified materials used in manufacture of orthopaedic implants and other artificial body parts	As applicable	↓	0
X-ray tubes and flat panel detectors	15	↓	5/7.5/10
IT AND ELECTRONIC SECTOR			
Cellular mobile phone and Charger/Adapter	20	↓	15
PCBA of specified telecom equipment	10	↑	15

INDUSTRY	RATE (%)		
	From	↑↓	To
RENEWABLE ENERGY SECTOR			
Specified capital goods for use in manufacture of solar cells or solar modules and parts for manufacture of such capital goods	7.5	↓	0
Solar glass for manufacture of solar cells or solar modules	0	↑	10
Tinned copper interconnect for manufacture of solar cells or solar modules	0	↑	5

EXCISE DUTY

- Exemption from Clean Environment Cess on excisable goods in stock as on June 30, 2017, subject to payment of GST Compensation Cess on supply of these goods on or after July 1, 2017.
- Time period extended from 120 to 156 months for submission of final Mega Power Project Certificate.

GOODS AND SERVICES TAX

- Amendments
  - **Amnesty provisions introduced for tax demands relevant to the period upto March 31, 2020 for waiver of interest and penalty.**
  - Authorized representative permitted to appear on behalf of the person to whom summon has been issued.
  - Time of supply, in case of reverse charge mechanism, to be based on raising of self-invoice by the recipient.
  - Input Tax Credit ('ITC') in respect of tax paid against demands involving cases of fraud or wilful-misstatement or suppression of facts, to be permitted wef FY 2024-25.
  - **Demand and recovery provisions streamlined for cases pertaining to unpaid tax, tax short paid, tax erroneously refunded or where ITC has been wrongly availed or utilised.**
  - Reduction in the maximum amount of tax to be deposited, prior to filing appeal before the Appellate Authorities.
  - Penal provisions in respect of e-commerce operators, restricted to operators liable to collect tax at source.
  - Government empowered to:
    - Notify the date beyond which, application for anti-profiteering cannot be filed before the concerned authority.
    - Notify cases or class of cases, to be heard only by the Principal Bench of the GSTAT.
    - Not recover GST, in cases of non-levy or short levy based on general practice.
- Retrospective Amendments
  - **Claim of ITC pertaining to FY 2017-18 through FY 2020-21 permitted, if claimed in any return filed upto November 30, 2021.**
  - Claim of ITC permitted in cases where registration is cancelled and subsequently revoked, if the claim is filed:
    - By November 30 following the FY to which such ITC pertains, or
    - Within 30 days of revocation order, whichever is later.
- Exemptions & Exclusions
  - Un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption, taken out from the purview of GST.
  - Activities not considered as supply under GST:
    - Apportionment of co-insurance premium in co-insurance agreements.
    - Services for which ceding or reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer.

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Commerce & Trade Focus

EMPLOYMENT AND SKILLING

- Employers and employees to get direct incentives at a pre-determined rate for the EPFO contributions done during the first four years.
- **For every additional employee, the government will reimburse employers up to ₹3,000 (US$ 36) per month for a maximum of two years against their EPFO contribution.**
- A government-sponsored fund would guarantee loans up to ₹0.75 million (US$ 9,036) under the revamped Model Skill Loan Scheme.

INCLUSIVE DEVELOPMENT & SOCIAL JUSTICE

- A provision of ₹1.52 trillion (US$ 18.31 billion) earmarked for agriculture and allied sectors.
- **₹260 billion (US$ 3.13 billion) assigned for the development of road connectivity projects in Eastern States of India.**
- Power projects to be undertaken at a cost of ₹214 billion (US$ 2.58 billion), which will include the establishment of a new 2400 MW power plant at Pirpainti.
- To increase the availability of banking services, India Post Payment Bank plans to open more than 100 branches in the North east region.
- A budget of ₹2.66 trillion (US$ 32.04 billion) has been set aside for rural infrastructure and development.

MANUFACTURING AND SERVICES

- To enable MSMEs to free up working capital by turning trade receivables into cash, the required onboarding turnover threshold on the TReDS platform of buyers has been lowered from ₹5 billion (US$ 60.24 million) to ₹2.5 billion (US$ 30.12 million).
- **In collaboration with the private sector, government to create fully equipped "plug and play" industrial parks in 100 cities through improved use of town planning schemes.**
- Twelve industrial parks to be approved as part of the National Industrial Corridor Development Program.
- Services of the Centre for Processing Accelerated Corporate Exit ('C-PACE') will be extended for voluntary closure of Limited Liability Partnerships to reduce their closure time.

INFRASTRUCTURE

- A policy will be released to support pumped storage projects for storage of electricity and to enable seamless integration of renewable energy.
- **₹11.11 trillion (US$ 133.87 billion) earmarked for capital expenditure which translates to 3.4 per cent of the GDP.**
- **₹1.5 trillion (US$ 18.07 billion) has been set aside for long-term, interest-free loans to assist the states in their resource allocation.**
- To achieve the goal of expanding the space economy by 5 times in the next 10 years, a venture capital fund with a corpus of ₹10 billion (US$ 120.48 million) to be established.

FISCAL MANAGEMENT

- Total receipts (other than borrowings) for FY 2024-25 are estimated at ₹32.07 trillion (US$ 386.39 billion) while the total expenditure are estimated at ₹48.21 trillion (US$ 580.85 billion).
- Net tax receipts for FY 2024-25 are estimated at ₹25.83 trillion (US$ 311.2 billion).
- **Fiscal deficit for FY 2024-25 is estimated to be 4.9 per cent of GDP.**
- The gross and net market borrowings through dated securities during FY 2024-25 are estimated at ₹14.01 trillion (US$ 168.79 billion) and ₹11.63 trillion (US$ 140.12 billion) respectively.

Impact

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 0.09 per cent lower at 80,429 down by 73.04 points. The National Stock Exchange ('Nifty') fell 0.12 per cent, down by 30.20 points to close at 24,479 points. The Sensex touched an intra-day high of 80,766 and a low of 79,224 while Nifty touched a high of 24,582 and a low of 24,074 during the day.

KEY SECTORS

AGRICULTURE

Enhanced funding and a comprehensive review of agriculture research are expected to boost productivity and develop climate-resilient crop varieties, ensuring long-term sustainability and food security. Initiatives to promote natural farming and establish bio-input resource centres will reduce chemical dependency, improve soil health, and enhance farmers' incomes. Strengthening the production and marketing of pulses and oilseeds aims at achieving self-sufficiency, reducing import dependence, and stabilizing prices.

EMPLOYMENT AND SKILLING

Employment linked incentives encourage formal employment and help first-time employees integrate into the workforce. This can reduce unemployment, especially among youth, and improve the quality of jobs. Upgrading Industrial Training Institutes and introducing new skilling programs will address the skills gap in the workforce, making the youth more employable and industries more competitive leading to higher productivity and innovation.

MSMEs

Credit guarantees, improved credit assessment models and reduced barriers for MSMEs will facilitate easier access to finance and enhanced growth, enabling them to invest in technology and integrate themselves into global supply chains. Establishing export hubs can help MSMEs tap into international markets, boosting exports and foreign exchange earnings. This also supports the Make in India initiative while promoting local craftsmanship and fostering entrepreneurship.

INFRASTRUCTURE

Sustained investment in infrastructure creates a multiplier effect on the economy, stimulating growth in construction, manufacturing, and services sectors. It improves connectivity, reduces logistics costs, and enhances overall economic efficiency. Improved rural connectivity will facilitate better access to markets, healthcare, and education for rural populations, contributing to balanced regional development.

URBAN DEVELOPMENT

Developing cities as growth hubs through better planning and infrastructure will attract investments, reduce urban congestion, and enhance the quality of life. This can lead to more sustainable urbanization and economic diversification. Addressing urban housing needs can reduce slums, improve living conditions, and stimulate the real estate and construction sectors. Affordable housing initiatives can also lead to increased homeownership and financial security for the urban poor.

ENERGY

Promoting rooftop solar installations will reduce dependency on fossil fuels, lower electricity bills for households, and contribute to India's renewable energy targets. This can also create jobs in the renewable energy sector. Developing Advanced Ultra Super Critical technology can improve thermal power plant efficiency, reducing emissions and operational costs. This supports cleaner energy production and energy security.

FINANCIAL SECTOR

Digitalizing taxpayer services and reducing litigation will improve the ease of doing business, increasing compliance and expanding the tax base. This can lead to higher revenue collection and better public services. Higher unified capital gains tax may discourage frequent trading, promoting longer-term investments and potentially stabilising market volatility. Financial institutions may need to redesign investment products and advisory services to align with the new tax regime, wherein investors might shift their portfolios towards assets with favourable long term tax treatment.

Recent Policy Changes

CORPORATE LAW

- From April 01, 2023, audit trail requirements applicable to all class of companies including Section 8 companies and foreign companies.
- **Private companies must issue and facilitate the dematerialization of their securities. Deadlines are set for obtaining International Securities Identification Numbers (ISINs) and ensuring all transactions post-compliance are in dematerialized form.**
- Direct listing of equity shares of Indian companies on international exchanges located in GIFT-IFSC permitted.
- **New requirements for reporting and maintenance of beneficial interest of Partners in LLPs.**
- Provisions of Employees' Pension Scheme, 1995 made effective under Code on Social Security, 2020.
- Provisions permitting companies to conduct Annual General Meetings and Extraordinary General Meetings through video conferencing or other audio-visual means extended till September 30, 2024.

SPACE SECTOR LIBERALISATION

- Significant amendments made to Foreign Direct Investment ('FDI') in Space Sector:
  - **100 per cent FDI allowed through the automatic route for manufacturing components and systems/sub-systems for satellites, ground segment, and user segment.**
  - Up to 74 per cent FDI allowed through the automatic route for satellites manufacturing & operation, satellite data products, and ground segment and user segment. Beyond 74 per cent, these activities require government approval.
  - Up to 49 per cent FDI allowed through the automatic route for launch vehicles and associated systems/sub-systems, and creation of spaceports. Beyond 49 per cent, these activities require government approval.

DIRECT TAX

- Employer to treat new tax regime as default option unless specified otherwise by employee.
- Non-resident entities in India can now register on the e-filing portal without the requirement of PAN using OTP verification. This will allow them to electronically file Form 10F, provided they are otherwise not required to obtain PAN and meet all other requirements to avail treaty benefit.
- **CBDT amended safe harbour rules by widening the definition of intra-group loan. The definition now includes loans to Associated Enterprises and removes the condition for loans to be sourced in Indian Rupee.**

INDIRECT TAX

- The threshold limit for coverage under e-invoicing provisions has been reduced from ₹100 to ₹50 million.
- **Input tax credit not available for CSR related goods and services**

DATA PROTECTION

- The Digital Personal Data Protection Act, 2023 enacted to regulate processing of personal data and protection of individual's privacy rights:
  - Applicability extended to both domestic and foreign entities dealing with personal data of individuals in India.
  - Explicit consent required from individuals for data processing, with an inherent right to withdraw consent.
  - Requirement of additional protections and strict implementation for sensitive data related financial information, health and biometric information.
  - Data Protection Board to be established to oversee compliance and handle grievances.
  - Significant penalties for non-compliance.
  - Guidelines introduced for cross border data transfer.

MISCELLANEOUS

- The tenure of Production Linked Incentive ('PLI') scheme for automobile and auto component industry was extended by one year, now covering five consecutive financial years starting from FY 2023-24.
- **Scheme for Manufacturing of Electric Cars (SMEC) approved which offers concessional import duties to automakers establishing new greenfield EV manufacturing facilities.**
- Trade and Economic Partnership Agreement signed with the European Free Trade Association with a commitment to invest US$ 100 billion in India over the next 15 years.

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FOREIGN TRADE

(April 2024–April 2025)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	**Main Exports to**	**Share (%)**	**Main Imports from**	**Share (%)**
1	USA	18.88	China	14.03
2	UAE	7.65	Russia	10.68
3	Netherlands	7.02	UAE	7.37
4	UK	3.59	USA	6.02
5	Singapore	3.45	Iraq	5.35
6	China	3.41	Saudi Arabia	4.82
7	Saudi Arabia	2.77	Indonesia	3.69
8	France	2.26	Switzerland	3.21
9	Germany	2.19	South Korea	2.89
10	Malaysia	2.12	Singapore	2.76

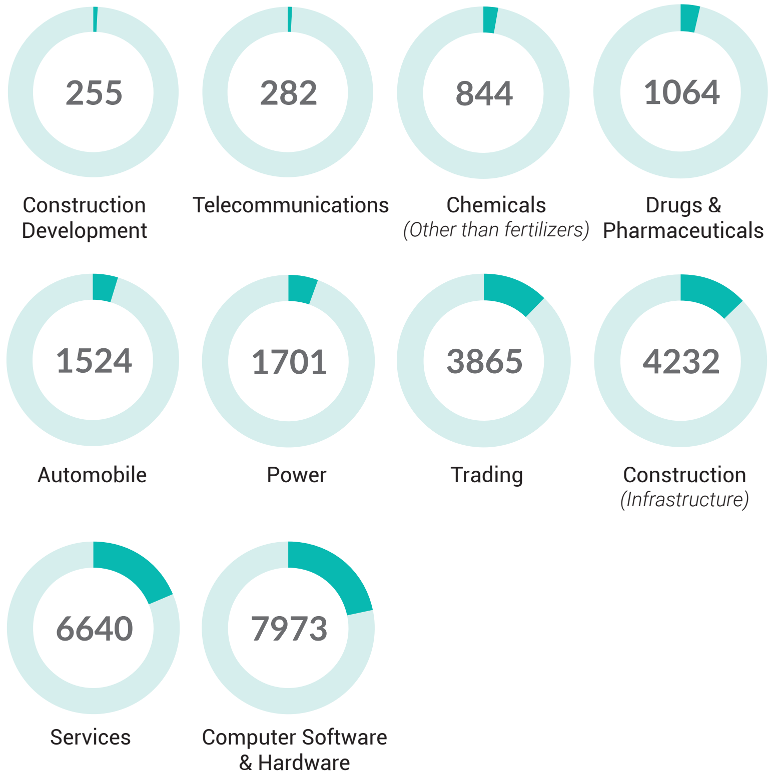
FOREIGN DIRECT INVESTMENT

(US$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	**Country**	**2021-22 (Apr - Mar)**	**2022-23 (Apr - Mar)**	**2023-24 (Apr - Mar)**	**Cumulative Inflows (Apr 2000 - Mar 2024)**	**% to total Inflows**
1	Mauritius	9,392	6,134	7,970	171,847	25
2	Singapore	15,878	17,203	11,774	159,943	24
3	USA	10,549	6,044	4,998	65,194	10
4	Netherlands	4,620	6,044	4,924	48,683	7
5	Japan	1,494	1,798	3,177	41,918	6
6	UK	1,657	1,738	1,216	35,091	5
7	UAE	1,032	3,353	2,924	18,502	3
8	Cayman Islands	3,818	772	342	15,266	2
9	Germany	728	547	505	14,643	2
10	Cyprus	233	1,277	806	13,450	2

SECTORAL COMPOSITION OF FDI

(Apr'23 - Mar'24) (US$ million)



Economic Indicators

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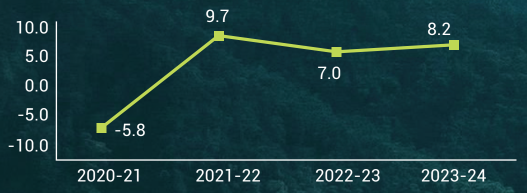
GROSS DOMESTIC PRODUCT ('GDP')

GDP growth for the FY 2023-24 is estimated at 8.2 per cent compared to 7 per cent in the FY 2022-23.

Overall GDP growth (%)



Figures for FY 2022-23 are first revised estimates
Figures for FY 2023-24 are provisional estimates

INFLATION

Headline inflation based on Consumer Price Index ('CPI') decreased from 6.7 per cent in the FY 2022-23 to 5.4 per cent in FY 2023-24.

Retail Headline Inflation (%)

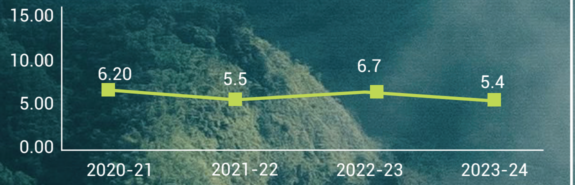
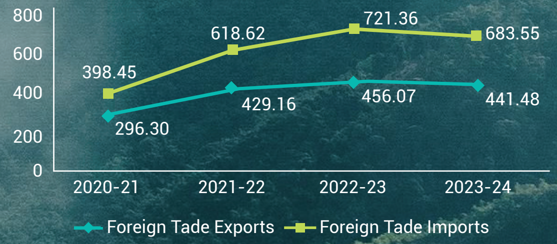


Figure for FY 2023-24 is for the period April – March

FOREIGN TRADE

Exports for FY 2023-24 were US$ 441.48 billion registering a marginal decrease of 3.2 per cent compared to previous year. Imports for FY 2023-24 stood at US$ 683.55 billion registering a decrease of 5.24 per cent compared to previous year.

Exports and Imports (US$ billion)



Figures for FY 2023-24 are preliminary estimates

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves increased by US$ 68 billion as of March 2024 compared to previous year. India's foreign exchange reserves continue to be comfortably placed at US$ 646.4 billion.

Foreign Exchange Reserves *(US$ billion)*

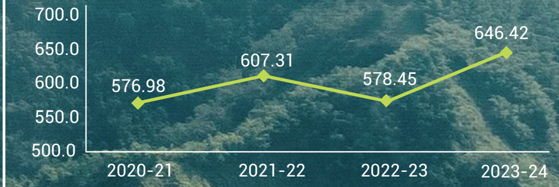


Figure for FY 2023-24 is for end of March 2024.

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INFRASTRUCTURE

CORE INDUSTRIES

Coal production during April 2024 to May 2025 grew by 8.9 per cent over the corresponding period of the previous year. Production of natural gas, petroleum refinery products, steel and electricity increased, while there was a decline in production of cement and fertilizers.

Growth in Core Industries (%)

SECTOR	2021-22	2022-23	2023-24*	APRIL TO MAY	
				2023-24	2024-25*
Coal	8.5	14.8	11.8	8.2	8.9
Crude Oil	-2.6	-1.7	0.6	-2.7	0.2
Natural Gas	19.2	1.6	6.1	-1.6	8.0
Refinery Products	8.9	4.8	3.6	0.7	2.2
Fertilizers	0.7	11.3	3.7	15.7	-1.2
Steel	16.9	9.3	12.4	14.2	8.2
Cement	20.8	8.7	8.9	14.1	-0.6
Electricity	8	8.9	7.1	-0.1	11.6
Overall Index	**10.4**	**7.8**	**7.6**	**4.9**	**6.5**

**Figure for FY 2023-24 and April 2024 to May 2025 are Provisional*

POWER

Total power generation registered an increase of 7.02 per cent during April 2023 to March 2024 compared to corresponding period of the previous year April 2022 to March 2023. Power from renewable sources (RES including SHP) grew by 10.86 per cent.

(billion. units)

POWER SOURCE	APRIL TO MARCH		
	2022-23	2023-24	GROWTH %
Thermal	1206.15	1326.09	9.94
Nuclear	45.83	47.88	4.48
Hydro (Large)	162.05	133.97	-17.33
RES including SHP	203.37	225.46	10.86
Bhutan Import	6.76	4.71	-30.39
Total Power Generation	**1624.16**	**1738.10**	**7.02**

TELECOMMUNICATIONS

The overall tele-density (number of telephones per 100 population) increased from 75.2 per cent in March 2014 to 85.7 per cent in March 2024. The number of wireless telephone connections stood at 116.5 million (as of March 2024). Internet subscribers jumped from 251 million in March 2014 to 954 million in March 2024, of whom 914 million are accessing the internet via wireless phones. Internet density also increased to 68.2 per cent in March 2024 due to substantial decline in data cost. India's international rank in mobile broadband speed has improved from 118 in 2022 to 15 in March 2024.

RAILWAYS

Indian Railways ('IR') with over 68,584 route kms and 1.25 million employees is the fourth largest network in the world under a single management. Capital expenditure has increased to ₹2.62 trillion (US$ 31.57 billion) in FY 2023-24 which accounts for a 77 per cent increase over the past 5 years. IR achieved its highest-ever production for both locomotives and wagons in FY 2023-24.

Passenger traffic originating in IR was 6.73 billion in FY 2023-24, increasing by about 5.2 per cent compared to the previous year. IR carried 1.59 billion tonnes of revenue-earning freight in FY 2023-24 showing an increase of 5.3 per cent over the previous year. The freight loadings of the railways achieved CAGR of 7.1 per cent from FY 2019-20 to FY 2023-24.

ROADS

The capital investment by the Government and private sector rose from 0.4 per cent in FY 2014-15 to about 1.0 per cent of GDP in FY 2023-24, which stands at around ₹3.01 trillion (US$ 36.27 billion). The sector has attracted its highest-ever private investment in FY 2023-24 as the private sector capitalises on a conducive policy environment. The Government has also achieved its highest-ever asset monetisation revenues of ₹ 403.14 billion (US$ 4.86 billion) in FY 2023-24. There has been a significant progress in the development of national highways, increasing by 1.6 times from FY 2013-14 to FY 2023-2024. The average pace of national highways construction increased by 3 times from 11.7 km per day in FY 2013-14 to 34 km per day in FY 2023-24.

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Important Filing dates for the Year 2024-25

(The dates may be revised as per the notification by the regulators)

TAX

Regulatory Matter	Due Date
Corporate Tax Return	October 31st/ November 30th
Tax Audit Report	September 30th/ October 31st
Transfer Pricing Report	October 31st
TDS/TCS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Periodical Returns	
- Turnover > ₹50 million	Monthly
- Turnover ≤ ₹50 million	Quarterly/Monthly
GST Annual Return (GSTR-9)	
- Turnover > ₹20 million	Annually
GST Reconciliation statement and self certification by management (GSTR-9C)	
- Turnover > ₹50 million	Annually

COMPLIANCE

Regulatory Matter	Due Date
Deposit of TDS	7th of every month
Deposit of GST	
- Turnover > ₹50 million	20th of every month
- Turnover ≤ ₹50 million	20th/ 22nd/ 24th of every month/ Quarter*

Differs according to State

CORPORATE LAW

Regulatory Matter	Due Date
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Annual Accounts with the ROC	Within 30 days from conclusion of AGM

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