

UNION
BUDGET

THE **GST**
INSIDER

BUDGET 2024
KEY HIGHLIGHTS

CA. SAMARPIT SHARMA

»»» PREFACE «««

Welcome to our latest issue of "**The GST Insider**" meticulously compiled by **CA Samarpit Sharma**. As we navigate through the ever-evolving landscape of the Goods and Services Tax (GST), our aim is to bring you the most recent and pertinent updates, including circulars, notifications, press releases, relevant case laws, advance rulings, and other essential documents.

This Newsletter is designed to serve as a comprehensive resource for enhancing your understanding of GST regulations. Each edition is carefully structured to present complex legal content in an accessible and engaging format. Through the use of explanatory visuals and simplified explanations, we strive to make the material not only easier to comprehend but also more interesting to read.

It is important to note that the information provided herein is intended solely for knowledge sharing purposes and should not be utilized as a basis for any form of professional advice. For specific GST-related advice, we recommend consulting with qualified experts.

By integrating visual aids and reformulating the legal text into reader-friendly formats, we hope to enrich your learning experience and keep you updated on significant GST developments. Enjoy the read, and may it spark both your interest and understanding of GST.

Thank you for trusting "The GST Insider" as your go-to source for GST updates. We hope you find this edition both informative and easy to comprehend.

Thank You!



CA. SAMARPIT
SHARMA

AUTHOR



*Turn your setbacks
into comebacks
with unwavering
determination*



>>> NEWSLETTER <<<

THE GST INSIDER



TOP HIGHLIGHTS OF THE FINANCE BUDGET 2024

CHANGE IN SHORT-TERM AND LONG-TERM CAPITAL GAIN TAX RATE AND EXEMPTION LIMIT UNDER SECTION 112A

>>> READ MORE

LTCG rate reduced to 12.5%, Indexation is proposed to be removed for calculation of any long-term capital gains which is presently available for property, gold and other unlisted assets. From now on, the Cost Inflation Index will no longer be relevant.

.... Cont. on Page 8

READ MORE <<<

A new sub-section is proposed to be added to Section 16 of the CGST Act, extending the deadline for claiming ITC on tax invoices or debit notes for the financial years 2017-18, 2018-19, 2019-20, and 2020-21 until November 30, 2021.

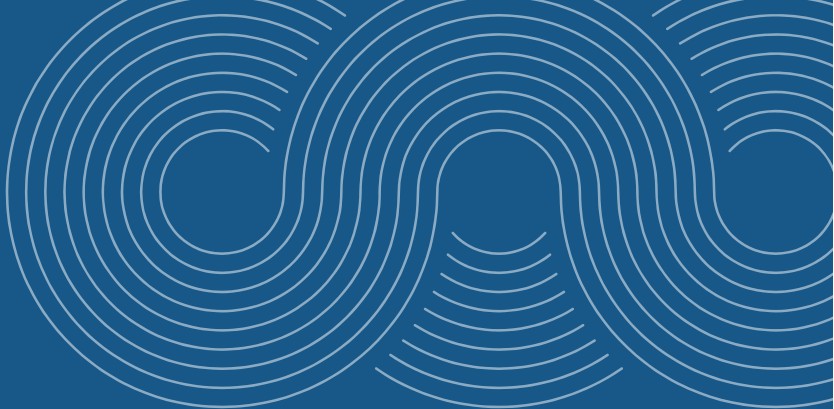
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TIME LIMIT TO CLAIM THE INPUT TAX CREDIT [ITC] EXTENDED IN SPECIAL CIRCUMSTANCES [SECTION 16(5)/ (6) OF CGST ACT]

2024 JULY

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	GSTR 7 (JUNE 2024) GSTR 8 (JUNE 2024)	GSTR 1 (JUNE 2024)	12	GSTR 1 (APR TO JUNE 2024) GSTR 5 & 6 (JUNE 2024)
14	15	16	17	CMO 08 (APR TO JUNE 2024)	19	GSTR 3B (JUNE 2024) GSTR 5A (JUNE 2024)
21	22	23	24	25	26	27
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Direct Tax

HIGHLIGHTS

CA. SAMARPIT SHARMA



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

INCOME TAX RATES

INDIVIDUAL, HUF, AOP, BOI, ARTIFICIAL JURIDICAL PERSON.

- There is no change in slab rate under the old regime of Income Tax Act.
- There are certain changes in slab rates under the new regime (115BAC) as compared to the previous year along with the changes in Rebate & Surcharge.

Total Income	Existing Rates	Proposed Rates
Up to INR 3,00,000	0%	0%
INR 300,001 to INR 600,000	5%	5%
INR 600,001 to INR 700,000 *	10%	5%
INR 700,001 to INR 900,000	10%	10%
INR 900,001 to INR 1,000,000	15%	10%
INR 1,000,001 to INR 1,200,000	15%	15%
INR 1,200,001 to INR 1,500,000	20%	20%
Above INR 1,500,000	30%	30%

* No tax on individual having taxable income upto INR 7,00,000 as result of rebate under section 87A of INR 25,000/-

TAX RATES OF FOREIGN COMPANIES

In the case of a company other than a domestic company, it is proposed that the rates of tax shall be reduced from 40% to 35%, on income other than income chargeable at special rates, specified in respective sections of Chapter XII of the Act.

SALARY

STANDARD DEDUCTION

- **Current Standard Deduction:** Salaried individuals are granted a standard deduction while computing income under the head "Salaries" for an amount equal to INR 50,000 or



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

the amount of salary, whichever is less.

- **Proposed Enhancement:** To encourage and incentivize taxpayers to shift to the new tax regime, it is proposed to **enhance the limit of the standard deduction to INR 75,000 for taxpayers opting for the new tax regime.**
- **Old Tax Regime:** The limit of the standard deduction will remain **INR 50,000 for taxpayers who choose to pay tax under the old tax regime.**

>>> EMPLOYER'S CONTRIBUTION TO NPS

- Currently, individuals can claim deductions for contributions made towards pension schemes notified by the Central Government under section 80CCD of the Act.
- Salaried employees are also eligible for deductions on employer contributions, subject to the following limits:
 - **14% of salary if the employer is the Central Government or any State Government.**
 - **10% of salary for other employers.**

These deductions are allowed under both tax regimes.

- It is proposed to enhance the limit for **other employers to 14% of salary, up from the current limit of 10% of salary,** for those opting for the new tax regime.

>>> FAMILY PENSION

- Currently, an amount equal to one-third of the family pension received or INR 15,000, whichever is lower, is allowed as a deduction from family pension.
- It is proposed to increase this limit from **INR 15,000 to INR 25,000 under the new tax regime.**

>>> CAPITAL GAIN

>>> CHANGE IN HOLDING PERIODS

- It is proposed that there will be only **two holding periods, i.e., 12 months and 24 months,** for determining whether the capital gains are short-term capital gains or long-term capital gains.
- Following are the holding periods for Capital Assets:

Asset	Previous Holding Period	Amended Holding Period
Listed Shares/Securities	12 months	12 months
Unlisted Shares/Securities	24 months	24 months



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

Bonds, Debentures, Gold	36 months	24 months
Immovable Property	24 months	24 months
Units of Business Trust	36 months	12 months

► This amendment will take effect prospectively from 23rd July, 2024.

►► CHANGE IN SHORT-TERM AND LONG-TERM CAPITAL GAIN TAX RATE AND EXEMPTION LIMITS

Particulars	As per Old Provision	As per New Provision
Effective Date	Before 23rd July'24	On or after 23rd July'24
Short-term capital gain under provisions of section 111A of the Act on STT paid equity shares, units of equity-oriented MF's & unit of a business trust	Tax rate was 15%	Tax Rate of 20%
Long term capital gain for STT paid listed equity shares , units of equity-oriented fund and business trust under section 112A	Tax Rate was 10%	Tax Rate of 12.5%
Listed bonds and debentures	Tax rate of 20% without indexation	Tax Rate of 12.5% without indexation
LTCG on Other Non Financial Assets	Tax rate of 20% with indexation	Tax Rate of 12.5% without indexation
Exemption limit under section 112A	Upto Rs. 1,00,000	Upto Rs. 1,25,000
Indexation for calculation of LTCG under second proviso to section 48 (Assets like Property, Gold, etc.)	Indexation allowed, as per the applicable Cost Inflation Index for the respective year.	No Indexation Benefit



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

>>> TRANSACTION NOT REGARDED AS TRANSFER

Section	Old Explanation	Amended Explanation
55(2)(ac)	Earlier, for calculation of FMV at the time of acquisition of Shares transferred through Offer for Sale (OFS) that were unlisted at the time of transfer but listed later, there were no explanations for calculation of FMV.	Now, it is proposed to insert a new explanation under explanation (iii) as "AA" which states that for Shares transferred through Offer for Sale (OFS) that were unlisted at the time of transfer but listed later, the FMV for calculating the cost of acquisition should be proportionate to the Cost Inflation Index for the financial year 2017-18. This change will be applied retrospectively from April 1, 2018, affecting the assessment year 2018-19 and onwards.

>>> PROFIT FROM BUSINESS AND PROFESSION

>>> INCREASE IN THRESHOLD LIMIT OF REMUNERATION TO WORKING PARTNERS

- Presently, remuneration to a working partner of the firm, including LLP, is disallowed if it exceeds the aggregate of the following:

On the first INR 3 lakhs of book profit or in case of loss	INR 1.5 lakhs or 90 percent of book profit, whichever is more
On balance of book profit	60 percent of book profit

- It is now proposed to increase the above limit as under:

On the first INR 6 lakhs of book profit or in case of loss	INR 3 lakhs or 90 percent of book profit, whichever is more
On balance of book profit	60 percent of book profit

>>> TAX INCENTIVES TO IFSC

- Presently, income received by a registered Category III Alternative Investment Fund on the transfer of specified capital assets on a recognized stock exchange located in IFSC is exempt from income tax.
- It is now proposed to expand the scope of the specified fund to include registered Retail Funds and Exchange Traded Funds in IFSC regulated under IFSCA (Fund Management) Regulations, 2022.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

>>> PROMOTION OF DOMESTIC CRUISE SHIP OPERATIONS BY NON-RESIDENTS

- Section 44B, which relates to presumptive taxation for the shipping business of non-residents, will no longer apply to the cruise-ship business.
- **A new section 44BBC** is proposed to establish a **presumptive taxation regime for non-resident cruise ship operators**. This regime will **deem 20% of the total amount received or receivable by, or paid or payable to, the non-resident cruise-ship operator for passenger carriage as profits and gains from the cruise-ship business**, subject to prescribed conditions.
- Introduction of a new clause (15B) in Section 10 provides exemption of the income from lease rentals for foreign companies if both the foreign company and the non-resident cruise ship operator are subsidiaries of the same holding company.
- These amendments will be **effective from April 1, 2025**, and will apply from the assessment year 2025-26 onwards.

>>> INCOME FROM OTHER SOURCES

>>> TAXATION ON BUYBACK OF SHARES

- **Current Provision:** Domestic companies are required to pay a buyback tax at 20% on the distributed income from the buyback of shares. Furthermore, any capital gain in the hands of shareholders is exempt from tax.
- **Proposed Change:** It is now proposed that the **amount received on buyback will be taxable as a dividend in the hands of the shareholder**. Additionally, the **cost of shares bought back will be treated as a capital loss in the hands of the shareholder and allowed to be set off**.
- **Effective Date:** This amendment is applicable for buybacks effected on or after **1st October 2024**.

>>> MISCELLANEOUS

>>> ABOLITION OF ANGEL TAX

- **Current Provision:** Presently, **consideration received by a closely held company for the issue of shares** (other than amounts received by venture capital undertakings from venture capital funds/companies, specified funds, or category I and II AIFs, and start-ups registered with DPIIT) **in excess of fair market value is taxable as 'income from other sources'**.
- **Proposed Change:** It is proposed to **sunset** the above provision effective from **AY 2025-26**.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

>>> VIVAD SE VISHWAS SCHEME, 2024

In 2020, the government introduced the "Direct Tax Vivad Se Vishwas Act, 2020" to reduce litigation in direct taxes, which received encouraging responses from taxpayers.

It is now proposed to bring a similar scheme, "**Direct Tax Vivad Se Vishwas Scheme, 2024**," to **reduce pending litigations at various appellate forums, i.e., CIT(A), DRP ITAT, High Court, and Supreme Court.**

The Central Government shall notify the date when the scheme will come into force and the last date for application.

>>> AMENDMENTS IN RESPECT OF TRUSTS

Section	Existing Provision	Proposed Provision
80G	Following names of trust or institution has been mentioned u/s 80G. National Sports Fund.	Following names of trust or institution have been substituted u/s 80G. National Sports Fund to National Sports Development Fund w.e.f. AY 2025-26.
Proviso 1 & 2 to 80(5)	It provides timelines for filing application for approval , for funds or institutions referred to in sub-clause (iv) of clause (a) of sub-section (2) of section 80G and lays down the procedure for processing the same.	Now, the provisos are amended to rationalize the timelines for filing applications for approval. These amendments will take effect from the 1st day of October, 2024.
80G & 12AB	Time limit of approval or rejection of application seeking registration from Principal Commissioner or Commissioner u/s 12AB or 80G was 6 months from the end of month in which application was received.	Time limit of approval or rejection of application seeking registration from Principal Commissioner or Commissioner u/s 12AB or 80G is 6 months from the end of quarter in which application is received.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

Section	Existing Provision	Proposed Provision
12A	Currently, trusts or institutions must apply for registration under section 12AB within specified timelines as per clause (ac) of sub-section (1) of section 12A. Failure to do so may result in tax liability on accreted income under Chapter XII-EB and potential permanent exit from the exemption regime.	It is proposed that the Principal Commissioner or Commissioner be empowered to condone delays in filing such applications if reasonable cause is demonstrated. This would allow late applications to be treated as filed within the specified time, mitigating unintended tax consequences and ensuring continuity of exemption status for trusts or institutions. These amendments are scheduled to come into effect from October 1, 2024.
12AC	Currently, trust or institution which is approved / registered under the first or second regime, as the case may be merges with another approved / registered entity under either regime, it may attract the provisions of Chapter XII-EB, relating to tax on accreted income in certain circumstances.	Now, a new Section 12AC is inserted where certain conditions are proposed under which provisions of Chapter XII-EB will not be applicable: <u>Conditions mentioned in Section 12AC:</u> <ul style="list-style-type: none">• Both the trusts/institutions have same or similar objects.• Both the trusts/institutions are registered under section 12AA or 12AB or under sub-clause (iv)/(v)/(vi)/(via) of clause 23C of Section 10.• The said merger fulfills such conditions as notified by the government in near future.
11(7)	Registration under section 12AB shall become inoperative, if the trust or institution is approved / notified under clause (23C), (23EC), (46) or (46A) of section 10.	Now it is proposed to include clause (23EA), clause (23ED) and clause (46B) of section 10 of the Act in the said subsection 7 of section 11. These amendments will take effect from the 1st day of April, 2025.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

Section	Existing Provision	Proposed Provision
10(23C)	<p>The Act describes the trusts and institutions into two regimes as follows:</p> <ul style="list-style-type: none"> • Regime 1: Any fund or institution or trust or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv) or sub-clause (v) or sub-clause (vi) of clause (23C) of section 10. • Regime 2: trusts registered under section 12AA/12AB. 	<p>Now, it is proposed that the first regime be sunset and trusts, funds or institutions be transited to the second regime in a gradual manner. In simple words, Section 10(23C) (iv)/(v)/(vi)/(via) will become inoperative from 1st October 2024. It is further proposed that:</p> <ul style="list-style-type: none"> • Applications seeking approval u/s 10(23C) shall not be considered if filed after 1st October 2024. • Applications filed u/s 10(23C) shall be considered under the same if filed before 1st October 2024, but only till the validity of the said approval. • Approved Trust, funds or institutions would continue to get the benefits of exemptions till the validity of the said approval. • Subsequent registration after expiry will only be valid if applied under second regime as proposed. • Certain eligible modes of investment, under the first regime shall be protected under second regime.

>>> AMENDMENTS IN TRANSFER PRICING PROVISIONS

Determination of **Arm's Length Price** in respect of **specified domestic transactions** in proceedings before Transfer Pricing Officer

Section	Old Provision	Amended Provision
92CA(2A) & 92CA(2B)	<p>Allows the Transfer Pricing Officer (TPO) to determine the Arm's Length Price (ALP) for international transactions not referred by the Assessing Officer (AO) or not reported in audit under section 92E.</p>	<p>Effective from April 1, 2025, extend TPO's authority to include specified domestic transactions (SDTs) not referred by AO or not reported in audit under section 92E, enhancing scrutiny and compliance from assessment year 2025-26 onwards.</p>



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

»»» TAX DEDUCTED AT SOURCE (TDS) / TAX COLLECTED AT SOURCE (TCS)

»»» RATIONALIZATION OF RATES FOR TAX DEDUCTED AT SOURCE

TDS on following payments	Present TDS Rate	Proposed new TDS Rate	With effect from
I. To Residents			
Insurance commission (in case of person other than company)	5%	2%	1st April 2024
In respect of maturity of certain life insurance policy	5%	2%	1st October 2024
Commission etc., on sale of lottery tickets	5%	2%	1st October 2024
Commission or brokerage	5%	2%	1st October 2024
Rent by certain individuals or HUF (for residential purpose)	5%	2%	1st October 2024
To contractors/professionals by individuals or HUF in excess of INR 50 Lakhs	5%	2%	1st October 2024
To e-commerce participant by e-commerce operator	1%	0.1%	1st October 2024
To partner in respect of salary, remuneration, commission, bonus or interest exceeding INR 20,000 by firm	-	10%	1st April 2025
Payment of buy back proceeds	-	10%	1st October 2024
Repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1st October 2024



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

II. To Non - Residents			
Payment in respect of Long Term Capital Gains to Offshore fund	10%	12.5%	23rd July 2024
Payment in respect of Long Term Capital Gains from transfer of Bonds or GDR purchased in Foreign Currency	10%	12.5%	23rd July 2024

>>> OTHER TDS/TCS PROPOSALS

- **Correction Statements:** Correction statements for TDS/TCS **can be filed up to six years from the end of the financial year** in which statements were required to be filed, as against no time limit prescribed at present.
- **Time Limit for Passing Order:**
 - **Non-deduction of TDS:** **Reduced to six years from the end of the financial year** in which payment/credit is made, as against the present seven years. This applies to any taxpayer, including non-residents.
 - **Non-collection of TCS:** **Shall be the later of six years from the end of the financial year in which tax was collectible, or two years from the end of the financial year in which the correction statement is filed.**
- **Expanding Scope of TDS:** The scope of TDS on interest payment is extended to Floating Rate Savings Bonds, 2020 (Taxable) and other securities as specified by the Central Government. Effective from 1st October 2024.
- **TDS on Employee Salary:** **TCS of employees to be considered while calculating TDS on salary by the employer. Effective from 1st October 2024.**
- **Exclusion of Professional Fees:** Payments qualifying as fees for professional or technical services are excluded from the definition of "work" while making payments to contractors. Effective from 1st October 2024.
- **Threshold Limit Clarification:** When determining the threshold limit of **INR 50 Lakhs in respect of TDS on the purchase of immovable property, the aggregate consideration of payments made by all transferees to the transferor(s) is to be considered. Effective from 1st October 2024.**
- **Lower Deduction Certificate:** Receipts from the sale of goods on which TDS/TCS is applicable at 0.1% are included for applying for a lower deduction certificate. Effective from 1st October 2024.
- **Luxury Goods Under TCS:** Coverage is extended to **certain luxury goods, in addition to motor car exceeding INR 10 Lakh, under the ambit of TCS. Effective**



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

from 1st January 2025. (Goods to be specified)

- **Interest on Delayed TCS Payment:** The interest rate on the delay in payment of TCS collected to the credit of the government is **increased from 1% to 1.5%**.
- **Income Received Outside India:** Income on which tax is paid outside India, by way of withholding, in respect of which credit is allowed against the tax payable in India, is now proposed to be considered as "income received."

ASSESSMENT AND APPEAL

REASSESSMENT PROCEEDINGS

- The Finance Act, 2021, significantly changed the procedure for assessing income tax on unreported income. From **1st September 2024**, key changes include:
- **No higher authority approval needed to issue notice under section 148**, except for information from faceless collection schemes.
- Special provisions for search case assessments; reference to information leading to search for reassessment will be removed.
- **For income escaping assessment \leq INR 5,000,000, the time limit to issue notice under section 148 is reduced to 3 years and 3 months from the relevant assessment year. If $>$ INR 5,000,000, the time limit is 5 years and 3 months.**
- Additional powers granted to higher authorities for issuing or passing orders.
- Existing provisions apply to cases before 1st September 2024; notices issued under section 148 before this date follow section 148A(d).

INTRODUCTION OF BLOCK ASSESSMENT

Reintroduced block assessment for search cases to simplify procedures:

- **"Block Period" covers six assessment years before the search year.**
- **Consolidated order** for the entire block period.
- **Includes undisclosed income** such as money, bullion, jewelry, valuable items, and unaccounted entries.
- **60% tax on undisclosed income, with a 50% penalty**, unless disclosed in returns and tax paid.
- **12 months to complete block assessment** from the search authorization date.
- Applicable for searches conducted **after 1st September 2024**.
- **Appeals** against block assessment can be filed **before CIT(A)** for orders by AO in search cases initiated on/after 1st September 2024.

TIME LIMIT TO FILE APPEAL

- **Extended to two months from the end of the month when the order is received.**
- Effective from 1st October 2024.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

>>> AUTHORITY FOR ADVANCE RULINGS

- Replaced AAR with BAR from 1st September 2024.
- Applications can be withdrawn before 31st October 2024; BAR to dispose by 31st December 2024.
- Effective 1st October 2024.

>>> RATIONALIZATION OF PROVISIONS OF BLACK MONEY ACT

>>> PENALTY FOR NON-DISCLOSURE OF FOREIGN ASSETS

- Presently, a taxpayer, being a resident and ordinarily resident, is **liable for a penalty of INR 10 lakhs** for failure to furnish a return or failure to disclose in the return furnished, details of foreign assets held by him. An exception is however provided for failure to report bank accounts having an aggregate balance not exceeding INR 5 lakhs.
- In a relief to taxpayers who failed to report details of low value foreign assets, it is proposed to carve out an exception from the levy of such penalty for failure to report foreign assets (other than immovable property) where aggregate value of such assets does not exceed INR 20 lakhs

>>> TAX CLEARANCE CERTIFICATE

- Presently, a person domiciled in India **cannot leave India unless he obtains a Tax Clearance Certificate for liabilities under the Income Tax Act or Wealth Tax Act or Gift Tax Act or Expenditure Tax Act.**
- It is proposed to expand the scope of the Tax Clearance Certificate to cover liabilities under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- This amendment is effective **from 1st October 2024.**

>>> SEIZED AND REQUISITIONED ASSETS

- Currently, any assets seized during the course of a search or otherwise requisitioned by the Assessing Officer have to be utilized against the existing liability under the Income Tax Act or any of the following laws:
 - Wealth Tax Act, 1957;
 - Expenditure Tax Act, 1987;
 - Gift Tax Act, 1958; and
 - Interest Tax Act, 1974.
- It is proposed to extend the scope of such seized and requisitioned assets to utilize them against any existing liability under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- This amendment will take effect **from 1st October 2024.**



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

»»» PENALTY AND PROSECUTION

»»» PENALTY FOR CRS OR FATCA NON-COMPLIANCE

- Presently, a penalty of INR 50,000 is prescribed in case of furnishing inaccurate information in the statement of financial transaction (SFT) reporting where such inaccuracy is on account of the following:
 - Failure to comply with due diligence requirements;
 - The reporting entity knows of the inaccuracy at the time of SFT filing but does not inform the prescribed income-tax authority; or
 - The reporting entity discovers the inaccuracy after filing the SFT but does not furnish a correction statement within the prescribed time.
- While reviewing India's CRS framework, it has been observed that the above penalty would not apply in cases where due diligence requirements were not complied with, which, however, did not lead to inaccurate reporting.
- Accordingly, it is now proposed that a penalty will be levied even in cases of failure to comply with due diligence requirements.
- Further, no penalty shall be levied if the taxpayer proves that there was a reasonable cause for the said failure.
- This amendment will take effect from 1st October 2024.

»»» SUBMISSION OF ANNUAL STATEMENT BY LIAISON OFFICE

- Presently, no penalty is prescribed for failure to furnish an annual statement in Form 49C for non-resident having a liaison office in India. To ensure better compliance, it is now proposed to introduce a penalty for failure to furnish such an annual statement.
- This amendment will take effect from 1st October 2024.

»»» PENALTY FOR FAILURE TO FURNISH TDS/TCS STATEMENTS

- Presently, AO is to levy a penalty on tax deductors or collectors for failure to furnish statements of tax deductions/collections.
- However, such a penalty is not leviable if the person proves that after paying the tax deducted or collected, the person had filed the statement within a period of one year from the due date of filing such statement.
- Considering the inconvenience faced by the deductee/collectee due to belated filing of such statements by deductors/collectors and in line with the due date for filing belated/revised returns, it has been proposed to reduce the time limit for immunity from the imposition of a penalty from one year to one month from the due date of filing such statement.
- This amendment will take effect from 1st October 2024.



PROPOSED DIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

>>> RATIONALIZATION OF LIMITATION PERIOD FOR PENALTY IMPOSITION

- Presently, where an appeal against quantum addition is preferred, the penalty order is required to be passed by an AO by the latest of the following dates:
- End of the financial year in which the quantum proceedings are completed;
- Six months from the end of the month in which the appellate order is received by the office of Pr. CCIT/CCIT/Pr. CIT/CIT.
- It has been proposed to remove the reference to Pr. CCIT/CCIT in the above provisions.
- This amendment will take effect from 1st October 2024.

>>> PROSECUTION FOR FAILURE TO DEPOSIT TDS

- Presently, where a deductor fails to deposit TDS to the credit of the Central Government within the prescribed due date, he is liable for rigorous imprisonment for a term not less than three months but which may extend to seven years, along with a fine.
- It is proposed to exempt such prosecution if the TDS is deposited by the deductor before the due date for furnishing the quarterly statement of tax deduction for such payment.
- This amendment will take effect from 1st October 2024.

>>> RENTAL INCOME FROM RESIDENTIAL HOUSE PROPERTY

- Some taxpayers report rental income from letting out residential house property as "Business Income."
- **It is now proposed to insert a clarification that any income from letting out residential house property must be reported as "Income from House Property" only.**
- This amendment will take effect **from 1st October 2024.**



Indirect Tax

HIGHLIGHTS

CA. SAMARPIT SHARMA



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

GOODS AND SERVICE TAX - LEGISLATIVE CHANGES

AMENDMENTS TO CGST ACT, 2017- W.E.F. DATE TO BE ANNOUNCED AFTER THE ENACTMENT OF THE FINANCE BILL, 2024)

1. Exclusion of un-denatured extra-neutral alcohol or rectified spirit from the purview of GST [Section 9 of the Central Goods and Services Tax Act, 2017 (“CGST Act”), Section 7 of the Union Territory Goods and Services Tax Act, 2017 (“UTGST Act”) and Section 5 of the Integrated Goods and Services Tax Act, 2017 (“IGST Act”)]

An amendment in the charging provision of GST has been proposed to **exclude un-denature ENA or rectified spirit** used for manufacturing alcohol for human consumption, from the ambit of GST law.

Author’s Comment:

Section 9 is being amended to exclude Extra Neutral Alcohol used in the manufacture of alcoholic liquor for human consumption from the purview of central tax. Similar amendments are also proposed in the IGST Act and UTGST Act.

2. Power not to recover Goods and Services Tax not levied or short-levied because of general practice [Introduction of Section 11A of the CGST Act, Section 8A of the UTGST Act, Section 6A of the IGST Act and Section 8A of the Goods and Services Tax (Compensation to States) Act, 2017 (“Cess Act”) containing power to not recover GST as a result of general practice].

Section 11A has been inserted to **empower the government** to regularize the non-levy or short levy of GST **due to common trade practices**. Henceforth, on the recommendation of the GST Council, the government can exclude these supplies from the levy of GST.

Author’s Comment:

Simply put, if businesses didn't pay enough GST or any GST at all because they were following widespread industry practices, the Government can now officially waive the requirement to recover these unpaid taxes. This means businesses won't face penalties for not paying GST in cases where it was standard practice not to, provided the GST Council approves.

3. Self-invoice issued by recipient included in the time of supply provisions for reverse charge supplies [Section 13(3)(b)/ (c) and Section 31(3)(f) of CGST Act]

Section 13 is proposed to be amended to insert clause(c) to sub-section (3), **establishing the date of self-invoice generated by the recipient as the time of supply for RCM**



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

supplies, where the recipient is required by law to generate a self-invoice. For RCM supplies where the supplier must issue the invoice, the time of supply will remain governed by the supplier's invoice date per section 13(3)(b) of the CGST Act.

Additionally, Section 31(3)(f) of the CGST Act is proposed to be amended to empower the government to prescribe a period/time limit within which recipients must issue self-invoices for supplies received from unregistered suppliers.

Author's Comment:

An amendment to sub-section (3) of Section 13 of the CGST Act is proposed to establish the time of supply for services where the invoice must be issued by the recipient in reverse charge cases. This amendment aligns with the recommendation of the 53rd GST Council Meeting on 22.06.2024 regarding the eligibility of ITC paid on RCM cases.

4. Time limit to claim the input tax credit [ITC] extended in special circumstances

[Section 16(5)/ (6) of CGST Act]

Sub-section (5): A new sub-section is proposed to be added to Section 16 of the CGST Act, extending the **deadline for claiming ITC on tax invoices or debit notes for the financial years 2017-18, 2018-19, 2019-20, and 2020-21 until November 30, 2021.** Registered persons can claim ITC for these years in any GSTR-3B return filed up to November 30, 2021.

Sub-section (6): Another new sub-section is proposed to allow ITC for those whose GST registration was canceled but later reinstated by an order under section 30 or by the Appellate Authority, Appellate Tribunal, or Court. **ITC on invoices or debit notes will be allowed if it was not time-barred at the date of cancellation** and is reported in Form GSTR-3B, either:

- **Filed by November 30 of the following financial year** to which the invoice or debit note pertains, or before the due date of the annual return, whichever is earlier; or
- **Filed within 30 days from the date of revocation of cancellation of registration** (covering the period of effective cancellation),

Whichever is later.

Additionally, according to clause 146 of the Finance (No. 2) Bill, 2024, no refunds will be provided for taxes paid or ITC reversed that would not have been so if sub-sections 16(5) and 16(6) had been in force at all times.

Author's Comment:

Section 16(4) allows a registered person to claim ITC on an invoice or debit note until the 30th of November of the following financial year to which the



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

invoice or debit note pertains or the due date for filing the annual return, whichever is earlier. Due to the introduction of the GST regime and challenges with portal glitches, many taxpayers missed these deadlines, leading to significant demands and prolonged litigations. To address this, taxpayers have been granted a one-time retrospective benefit to claim ITC until November 30, 2021, for specified financial years.

However, taxpayers who did not claim ITC in their returns, possibly due to the belief that the time limit had expired, will not benefit from this amendment.

5. Blocking of ITC for tax paid in pursuance to proceedings initiated under section 74 [Section 17(5)(i) of CGST Act] Section 16(5)/ (6) of CGST Act]

Section 17(5) currently blocks the ITC of taxes paid under adjudication proceedings initiated under section 74, detention or seizure of goods and vehicles in transit under section 129, and confiscation of goods or vehicles with penalties under section 130. An amendment has been proposed to **remove the restriction on availing ITC for taxes paid in proceedings involving the detention or seizure of goods in transit or the confiscation of goods or vehicles.**

Author's Comment:

The amendment is a significant move as it allows ITC for demands paid under section 74 from FY 24-25 onwards, which was previously restricted for FY 23-24. Additionally, it removes references to sections 129 and 130 in the said sub-section.

6. Power to provide for rules for revocation of cancellation of registration [Insertion of Proviso to Section 30(2) of CGST Act]

Section 30 allows a taxpayer to apply for revocation of cancellation of registration when the proper officer cancels it on their own motion. A new proviso is proposed to enable **the government to specify conditions or restrictions for the revocation of cancellation through rules.**

7. Government Entities deducting Tax at Source to qualify as unregistered suppliers for Section 31(3) [Section 31(3) of CGST Act]

An explanation is proposed to be added to section 31(3)(f) to clarify that **registered recipients must issue a self-invoice for supplies received from unregistered government entities**, which are only registered as tax deductors under section 51 of the CGST Act. These entities will be treated as 'unregistered suppliers.



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

8. Mandatory filing of return by persons required to deduct tax at source every month irrespective of whether actual deductions made [Section 39(3) of CGST Act]

Persons required to deduct tax at source must file Form GSTR 7 for the month in which deductions are made, as per section 39(3). The proposed amendment mandates the filing of monthly returns in Form GSTR 7, regardless of whether deductions are made during that month. This means that in months with no deductions, **such persons must file NIL returns in Form GSTR 7**. Additionally, the government is empowered to prescribe rules, the statement form and manner, and the timeframe for filing these returns.

Author's Comment:

This amendment requires registered persons who are obligated to deduct tax at source to electronically file a return for each month, regardless of whether any deductions were made during that month. It also grants the government the authority to establish, through rules, the specific form, manner, and deadlines for filing such returns.

9. No refund of unutilised ITC or IGST paid on Zero rated supplies if such supply of goods is subject to export duty [Section 54 of CGST Act and section 16 of the IGST Act]

Previously, the refund of unutilized ITC was restricted for goods subject to export duty, but this restriction did not apply if the goods were exported with payment of IGST. A new sub-section (15) has been proposed to ensure that **no refund will be allowed, whether for goods exported with payment of IGST or under bond or letter of undertaking, if the goods are subject to export duty**.

To align the provisions of the IGST Act with the CGST Act, a new sub-section (5) is proposed to be added to section 16 of the IGST Act. This sub-section will prevent refunds of unutilized ITC on zero-rated supply of goods or IGST paid on zero-rated supply of goods if the zero-rated supply is subject to export duty. Additionally, clauses (i) and (ii) of section 16(4) of the IGST Act have been amended to match the provisions of section 54 of the CGST Act.

Author's Comment:

The amendment specifies that no refund of unutilized input tax credit or integrated tax will be granted for zero-rated supply of goods that are subjected to export duty.

10. Mandate of attending the summon proceedings either in person or through authorised representative [Section 70(1A) of CGST Act]

A new sub-section (1A) is proposed, **requiring the summoned individual to attend proceedings personally or through an authorized representative**. The individual must provide truthful statements and produce any requested documents.



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

11. Revised provisions for determination of tax not paid, short paid or erroneously refunded or ITC wrongly availed or utilised w.e.f. FY 2024-25 [New section 74A of the CGST Act]

A new section, 74A, is proposed to be added to the CGST Act to establish a **unified time limit** for issuing show cause notices for any reason, whether involving fraud, willful misstatement, or suppression. The proposed time limit is up to **42 months** from the due date for filing the GST Annual Return in Form GSTR-9 for a financial year. Additionally, the **time limit for issuing a demand order** in response to such a show cause notice would be **12 months** from the date of issuance of the notice. This period can be extended by an **additional 6 months** if authorized by the Commissioner, with the reasons for the delay documented in writing.

Year	States	Due Date of filing Annual Return in Form GSTR-9	Section 73 (Case Not Involving Fraud)		Section 74 (Case Involving Fraud)	
			SCN (3 Month before Order)	Order (3 Year from Due Date of GSTR-9)	SCN (6 Months before Order)	Order (5 Year from Due Date of GSTR-9)
2017-18	List 1	05-02-2020	30-09-2023	31-12-2023	05-08-2024	05-02-2025
	List 2	07-02-2020			07-08-2024	07-02-2025
2018-19	All	31-12-2020	31-01-2024	30-04-2024	30-06-2025	31-12-2025
2019-20	All	31-03-2021	31-05-2024	31-08-2024	30-09-2025	31-03-2026
2020-21	All	28-02-2022	30-11-2024	28-02-2025	31-08-2026	28-02-2027
2021-22	All	31-12-2022	30-09-2025	31-12-2025	30-06-2027	31-12-2027
2022-23	All	31-12-2023	30-09-2026	31-12-2026	30-06-2028	31-12-2028
2023-24	All	31-12-2024	30-09-2024	31-12-2027	30-06-2029	31-12-2029

Year	States	Due Date of filing Annual Return in Form GSTR-9	New Section 74A (Uniform Time Limit irrespective of case)	
			SCN (42 Months from Due Date of GSTR-9)	Order (12 Months from Date of Issuance of Notice)
2024-25	All	31-12-2025	30-06-2029	30-06-2030

Image Courtesy: Khandhar Mehta & Shah

As regard the applicability of penalty, the proposed section 74A provides as under :

Criteria	Section 74A (Case Not Involving Fraud)	Section 74A (Case Involving Fraud)
Maximum Amount of Penalty	10% of tax due or Rs. 10,000, whichever is higher	100% of tax due
Penalty Payable if Assessed Tax is admitted and paid along with Interest and applicable Penalty		
- Before the Service of Notice	Nil	15% of tax due
- Within 60 Days of the Issue of Notice	Nil	25% of tax due
- Within 60 Days of Communication of the Order	10% of tax due or Rs. 10,000, whichever is higher	50% of tax due

Image Courtesy: Khandhar Mehta & Shah

Author's Comment:

With the introduction of section 74A, the provisions of section 73 shall cease to operate for FY 2024 25 ONWARDS. Similar amendment is being done in section 74 by insuring clause 74(12).



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

12. Reduction in the pre-deposit amounts for filing appeal before the Appellate Authority under section 107 of the CGST Act and for filing appeal before the Appellate Tribunal under section 112 of the CGST Act and Section 20 of the IGST Act

Appeal to be filed before	Existing provisions	New provisions
Appellate Authority	10% of disputed amount subject to maximum of Rs. 50 Crores CGST and SGST.	10% of disputed amount subject to maximum of Rs. 40 Crores CGST and SGST.
Appellate Tribunal	20% of disputed amount in addition to amount paid before the Appellate Authority subject to maximum of Rs. 100 Crores CGST and SGST.	10% of disputed amount in addition to amount paid before the Appellate Authority subject to maximum of Rs. 40 Crores CGST and SGST

13. Enabling provisions introduced to empower the Principal Bench of the Appellate Tribunal to examine and adjudicate certain matters [Section 109 of the CGST Act]

New provisions have been added to section 109 of the CGST Act, granting the government the authority to specify which cases will be exclusively heard by the Principal Bench of the Appellate Tribunal.

The Principal Bench has also been given the power to handle matters related to anti-profiteering under section 171(2), if notified. Corresponding amendments have been made to section 171, which will come into effect when the National Anti-Profiteering Authority ceases operations on a date to be determined.

14. Revised time limit for filing of Appeal before the Appellate Tribunal by the taxpayer or an Application before the Appellate Tribunal by an authorised officer and condonation thereof. [Section 112 of the CGST Act]

The proposed changes to Section 112 align with the recommendations from the 53rd GSTC meeting, which extended the timelines for filing appeals before the GSTAT and reduced the required pre-deposit amount. These provisions, specifically concerning the time limit for filing appeals before the GSTAT, are set to take effect from August 1, 2024.

15. Retrospective correction to address the anomaly in penalty provisions under Section 122(1B) introduced by the Finance Act, 2023. [Section 122 of the CGST Act]

Sub-section (1B) of Section 122 of the CGST Act is being revised to limit its application specifically to electronic commerce operators required to collect tax at source under Section 52. This amendment is retroactively effective from October 1, 2023, the date when the sub-section initially came into effect.



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

16. Waiver of interest or penalty or both relating to demands raised under section 73 for tax periods July 2017 to March 2020 [New section 128A of the CGST Act]

The Finance (No. 2) Bill, 2024, introduces a new section 128A to the CGST Act, proposing an amnesty scheme for waiving interest, penalties, or both for demands raised under section 73 of the CGST Act for the periods from July 2017 to March 2020. The specifics of this amnesty scheme are as follows:

S.No	Particulars	Details
1	Benefits of Opting for Amnesty	<ul style="list-style-type: none">• Waiver of interest under section 50• Waiver of previous penalties• Conclusion of all proceedings
2	Eligible Stages for Opting for Amnesty	<p>Adjudication Stage: Notice issued under section 73(1) or 74(1), no order passed</p> <p>Pending Orders: Orders under section 73(9) not passed or under appeal.</p> <p>First Appeal Stage: Orders passed by the First Appellate Authority under sections 107(1) or (108) (1) but not appealed further.</p> <p>Tribunal/Court Stage: Orders passed by the Appellate Tribunal or court under section 113(1) or further appeal</p> <p>Revisionary Stage: Revision of notice from section 74 to section 73</p>
3	Refund Policy	No refunds for already paid interest and penalties
4	Conditions for Amnesty Eligibility	<p>Full Tax Payment: Entire tax amount as per notice or order must be paid by the specified date (latest by 31.03.2025 as per the 53rd Council Meeting)</p> <p>Withdrawal of Appeal: Applicant must withdraw appeals filed before the notified date</p> <p>Department Appeals: If the department appeals, the applicant must pay the additional tax as per the order</p>
5	Ineligible Demands	Amnesty not applicable for demands due to previously granted erroneous refunds

Author's Comment:

The Amnesty scheme was eagerly anticipated due to the challenges faced during the early years of GST implementation. This led to numerous notices with substantial demands for interest and penalties for earlier periods. The scheme aims to reduce unnecessary litigation and free up the time of adjudicating and appellate authorities, as well as the trade and industry.



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

17. Retrospective amendment in transitional provision relating to ISD credit

[Section 140(7) of the CGST Act]

Before the proposed amendment, section 140(7) of the CGST Act allowed the Input Service Distributor (ISD) to distribute ITC for services received before the appointed date (CENVAT credit) as credit under the CGST Act, provided the related invoices were received on or after the appointed date.

However, there was a flaw in the provision that prevented the ISD from distributing ITC as credit under the CGST Act if the invoices were received before the appointed date.

The retrospective amendment, effective from July 1, 2017, addresses and corrects this issue, allowing the ISD to distribute ITC regardless of when the invoices were received.

18. Amendment in anti-profiteering provisions *[Section 171 of the CGST Act]*

A proviso and explanation are being added to subsection (2) of section 171 of the CGST Act. This change empowers the government to specify the date from which the Authority will no longer accept applications for anti-profiteering cases.

Additionally, an explanation is being inserted into subsection (3A) of the same section to include the reference to the Appellate Tribunal. This will enable the government to notify the Appellate Tribunal to function as the Authority under this section.

19. Addition in activities under schedule III which shall neither be treated as supply of goods nor supply of services *[Schedule III of the CGST Act]*

Newly added entry-

(9) Activity of apportionment of co-insurance premium by the lead by the lead insurer and the co-insurer to the insured in coinsurance agreements, subject to the condition that the lead insurer pays the central tax, the State tax, the Union territory tax and the integrated tax on the entire amount of premium paid by the insured.

(10) Services by insurer to the reinsurer for which ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, subject to the condition that the central tax, the State tax, the Union territory tax and the integrated tax is paid by the reinsurer on the gross reinsurance premium payable by the insurer to the reinsurer, inclusive of the said ceding commission or the reinsurance commission.

Author's Comment:

The aim of including this activity in Schedule III as 'No Supply' is to prevent double taxation on co-insurance/re-insurance premiums. A condition ensures that if the entire premium amount has already been taxed once, it will not be subject to GST again and will be classified as a 'no supply' transaction.



PROPOSED INDIRECT TAX CHANGES IN 2024 BUDGET: KEY HIGHLIGHTS

»»» CUSTOMS - LEGISLATIVE CHANGES

1. Section 28DA of the Customs Act 1962 ('the Customs Act') is proposed to be amended to expand the scope of the provisions to cover all types of proof of origin provided in trade agreements.
2. A new proviso is proposed to be added to sub-section (1) of Section 65 of the Customs Act, giving the Central Government the authority to specify certain manufacturing processes and other operations that will be prohibited in warehouses for certain classes of goods.
3. Section 143AA of the Customs Act is being amended to replace the term "a class of importers or exporters" with "a class of importers or exporters or any other persons" to enhance trade facilitation. Similar amendments have also been made to Clause (m) of subsection (2) of section 157 of the Customs Act.
4. Section 6 of the Customs Tariff Act, 1975, which allowed the Central Government to impose protective duties based on the Tariff Commission's recommendations, is being removed. This change follows the dissolution of the Tariff Commission by a government resolution on June 1, 2022.
5. Based on the recommendations from the GST Council's 53rd meeting, GST Compensation Cess will be exempted on imports by SEZ units or SEZ developers for authorized operations, effective from July 1, 2017.

»»» KEY CUSTOMS RATE CHANGES

S.No	HSN	Product Description	BCD Old	BCD New
1	85171300, 85171400	Cellular mobile phone	20%	15%
2	850440	Charger/ Adapter of cellular mobile phone	20%	15%
3	85177910	Printed Circuit Board Assembly (PCBA) of cellular mobile phone	20%	15%
4	84, 85, or any other chapter	Specified capital goods for use in the manufacture of solar cells or solar modules, and parts for the manufacture of such capital goods	7.5%	Nil
5	7007	Solar glass for the manufacture of solar cells or solar modules (w.e.f. October 1, 2024)	Nil	10%
6	7108	Gold Bar	15%	6%
7	7108	Gold Dore	14.35%	5.35%
8	7110	Platinum	15.4%	6.40%
9	7106	Silver Bar	15%	6%
10	7106	Silver Dore	14.35%	5.35%

MORE INFORMATION ABOUT US



The GST Insider: Stay Informed, Stay Compliant

As we conclude this edition of **The GST Insider**, we hope the insights and updates have provided valuable knowledge to our readers. Our commitment remains steadfast in delivering timely, accurate, and relevant information to help you navigate the complexities of the GST landscape. We have explored significant developments and shared expert opinions to help you stay compliant and maximize benefits.

We are grateful for your continued support and engagement. Your feedback and suggestions are invaluable as we strive to make "The GST Insider" a trusted resource for all your GST-related needs.

Until the next issue, stay informed, stay compliant, and keep thriving in your business endeavors.

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