सत्ये स्थितो धर्मः

SPECIAL EDITION

BUDGET 2024

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THEME OF THE BUDGET

Ishita Ayala

Viksit Bharat by 2047 is the government's audacious blueprint for transforming India into a developed nation by the centenary of Independence. This grand vision encompasses a holistic approach to development, spanning economic growth, social progress, environmental stewardship, and efficient governance. India stands at a pivotal moment, and realizing this dream requires unwavering commitment, an unshakeable belief in India's potential, and a deep understanding of the immense talent pool, especially our youth.

In line with the strategy set out in the interim budget, this budget envisages sustained efforts on the following 9 priorities for generating ample opportunities for all.

1) Productivity and resilience in Agriculture
2) Employment & Skilling
3) Inclusive Human Resource Development and Social Justice
4) Manufacturing & Services
5) Urban Development
6) Energy Security
7) Infrastructure

OVERVIEW: MACROECONOMIC INDICATORS

Dewansh Raj

GDP & GVA Projections

The Indian GDP continues to grow at a remarkable pace, driven by stable consumption and demand, alongside steadily improving investment demand.

1.India's real GDP grew by 8.2% in FY 24 making it the third consecutive year with growth exceeding 7 %.

2.On the supply side, gross value added (GVA) at 2011-12 prices grew by 7.2% in FY24, with growth remaining broad-based.

3.Net taxes at constant (2011-12) prices grew by 19.1% in FY24, aided by strong tax growth, at both the centre and state levels and rationalisation of subsidy expenditure. This led to the difference between GDP and GVA growth in FY24.

Fiscal Deficit

A low fiscal deficit rate shows an economy's resilience and strength in ensuring macroeconomic stability. The fiscal deficit rate of India continues to decline in line with the target set, i.e., 4.5% of GDP by 2025-26 and stood at 5.6 % of the GDP , compared to the 6.4 % of the previous financial year. The decline is largely fuelled by strong growth in direct and indirect tax collections heavily driven by improved personal expenditure and increased compliance.

Additionally, the deficit has been influenced by non-economic factors, such as non-tax revenue generated from bond dividends. This makes maintaining performance challenging in the absence of such dividends. Further, the data on fiscal deficit reveals a declining contribution from revenue-related expenses, indicating the government's increased focus on capital generation to stimulate employment and growth.

Central Government Expenditure

The government has been endeavouring to achieve fiscal consolidation by moderating revenue expenditure. The government's efforts to reduce revenue expenditure have been largely successful, with revenue expenditure now constituting only 11.8% of GDP.

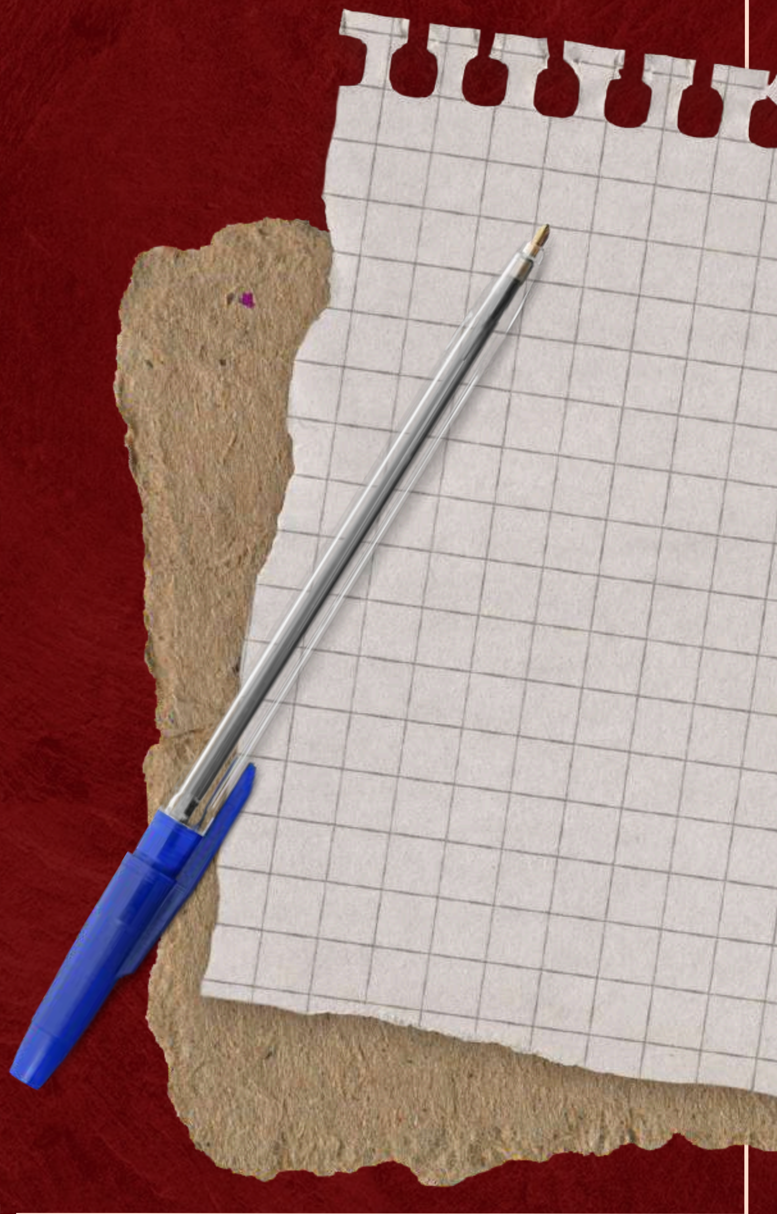
Conversely, capital expenditure has been on the rise, increasing by 28.2% year-on-year and reaching Rs. 9.5 lakh crore. This shift from revenue expenditure to productive investment underscores the government's commitment to propelling the country's growth.

Inflation

Inflation has been challenging to manage in the aftermath of events such as the COVID-19 pandemic, the Russia-Ukraine War, and Middle East disturbances. Despite these challenges, the RBI has demonstrated exceptional performance in managing retail inflation. For FY24, retail inflation declined to 5.4 percent from 6.7 percent in FY23. This reduction is attributed to increased policy rates, open market sales through specified outlets, timely imports, reduced Liquified Petroleum Gas (LPG) cylinder prices, and cuts in petrol and diesel prices. However, it is to be observed that food inflation remains a concern, persisting above 8 percent.

Trade deficit

The trade deficit of India for FY 2024 stood at 78.12 billion USD, a significant improvement compared to the of 121.62 billion USD that of the previous financial year. While India’s merchandise export saw a marginal rise of 0.15% taking a hit due to weak global demand and persistent geopolitical tensions, it was the service exports that outperformed all the expectations and reached a new high of 341.1 billion USD. While this is a positive, this increase in export revenue was accompanied by a decline in imports despite a strong domestic market.



EMPLOYMENT AND SKILLING INITIATIVES

Vvanshika Singhal

EMPLOYMENT AND SKILLING

Finance Minister in her seventh consecutive budget highlighted employment and skilling as one of the most crucial aspects of the budget released this year. She introduced various Employment Linked Incentive (ELI) schemes linking such schemes with an individual's registration in the Employees' Provident Fund Organization (EPFO). The Economic Survey (Survey) conducted in the financial year 2023-2024 highlighted the role played by skill development in eradicating the problem of unemployment. This year's budget announced new initiatives for the skilling of employees in furtherance of the Survey report. Additionally, the government is also planning to launch a scheme offering new internship opportunities to the youth of the country.

The finance Minister announced a two lakh crore budget by introducing five schemes and initiatives aiming at employment and skilling under the umbrella of the Prime Minister's schemes for incentivizing hiring taking into consideration the employment demand in the country.

The first scheme, focuses on the individuals entering the workforce for the first-time. It provides every individual entering the formal sector workforce with a salary up to ₹1 Lakh per month. Such a scheme would target only those individuals who are registered with the EPFO for the first time. Eligible employees will receive a direct benefit transfer equal to one month's wages, with a maximum limit of ₹15,000. This will benefit over two crore Indian Youth population to directly benefit from the scheme, ensuring financial stability for them.

The second scheme introduced through the budget this year is aimed at strengthening job creation in the manufacturing sector, ultimately empowering the youth workforce. The scheme focuses on new employees entering the manufacturing sector and at the same time their employers would receive incentives connected with their EPFO contributions for the first four years of their employment in the sector. This would ensure stability for such first time workers in the manufacturing sector.

Additionally, one of the schemes focused on providing support to the employers is included under the ELI. Under this scheme, all employees who fall under the monthly salary of ₹1 Lakh would benefit from the scheme. This will encourage employers to hire more employees ultimately contributing to the overall economic expansion of the industry. The next scheme constituted under the Prime Minister's package will focus on skilling in the collaboration with state governments and the industry. Through this scheme, the centre is aiming to providing skilling opportunities to over 20 Lakh youth population in the next 5 years.

Internships

This year's budget not only prioritizes generation of new employment opportunities but also focuses on offering internships to fresh graduates, ultimately accelerating India's growth machine. This will include a strong focus on enhancing the skills of the workforce working as an interns under various companies.

The scheme under this section, aims to provide internship opportunities to approximately 1 crore youth who have freshly passed out over the period of 5 years. Such internship opportunities would be provided by the top 500 Indian companies categorized by the government. Such graduates would be given an opportunity to work for 12 months, offering the youth participating to gain real-life work experience over the period of internship. Interns would be provided with a monthly stipend of ₹5,000 during their tenure in the company and one-time assistance up to ₹6,000 to provide for their needs. However, such internships would not guarantee any formal employment in the future after the completion of the internship period. And, any training cost involved during their tenure, would be covered by the company, (10% of the internship cost), and as it is a requirement under their Corporate Social Responsibility (CSR) obligations.

Additionally, with regard to the industrial sector, a year-long internship opportunity would be provided to approximately 10 million youth in the country. An industrial collaboration is pushed for to upgrade at least 1,000 Industrial Training Institutes (ITIs) in the upcoming years.

Labour Reforms

Land and labour reforms took the centre stage and have emerged as one of the key focus for the next generation of Indian reforms. These reforms, which are to be implemented in the next 3 years, primarily aim at enhancing productivity in the agricultural arms and the "sin" industries.

Introduction of the e-Shram portal with other platforms aim to offer a comprehensive service to labours aiming to create a one-stop solution for job seekers, including employment and skill development opportunities for the labourers. The centre also aims to revamp the Shram Suvidha and the Samadhan portal intending to simplify such compliances for the industries.

In addition, the Finance Minister announced that the centre would provide financial support to the states in order to encourage them to implement such land and labour reforms under the government's broader economic policies.

CHANGES IN THE COMMERCIAL SECTOR

Ekta Gupta

The Budget, has placed a significant emphasis on the commercial sector. This focus is well-justified, as the commercial sector contributes substantially to the nation's GDP. Recognizing this, the government has introduced several key initiatives and reforms in this sector to boost productivity, encourage innovation, and enhance the overall competitiveness of Indian businesses which include:

1.1.Manufacturing and Services Sector (MSMEs):

For MSMEs, the Budget specifically focused on financing, regulatory changes and technology support to help them grow. To cover financing, a new Credit Guarantee Scheme that will be offering collateral-free loans up to Rs. 100 crores has been initiated and the Mudra loan limit increased to ₹20 lakh for successful 'Tarun' category borrowers. The public sector banks are tasked to create a new innovative credit assessment system based on the scoring of their digital footprints. Further, a mechanism to provide credit support during stress periods known as 'Special Mention Account' will also be created by the banks to help MSMEs avoid NPA status. To improve money supply in the market, the TReDS platform's scope has been expanded by lowering the turnover threshold from Rs. 500 crores to Rs. 250 Crores which will encourage more companies to join the platform. Lastly, E-Commerce Export Hubs will be established in Public-Private-Partnerships (PPP) mode to facilitate access to globalised markets for the small businesses.

1.2. Opportunities for Start-Ups

The Budget introduced various measures which will help India's startup ecosystem and boost their innovation. The most important one being the abolition of the "angel tax" for all investor classes, which will increase investments in the start-ups. The budget also focuses on developing large-scale vegetable production clusters near major consumption centres, promoting the involvement of Farmer-Producer Organizations, cooperatives, and startups in the vegetable supply chain.

Additionally, to support basic research and prototype development, the government has ensured the operationalization of the Anusandhan National Research Fund. Perhaps most notably, the government also plans to establish a mechanism for private sector-driven research and innovation at a commercial scale, backed by a substantial financing pool of Rs. 1 lakh crore.

All these measures will be beneficial for the start-up industry as the budget aims to remove various difficulties such as getting investments, new opportunities and substantial funding for research and development of the new innovations.

1.3.Foreign Direct Investment

The budget aims to change the FDI rules and regulations with the objective of facilitating FDI, nudge prioritization and promote opportunities for using Indian Rupee as a currency for overseas investments which aligns with this year's theme of developed economy.

Further, to promote foreign investment the government has reduced the corporate tax rate on foreign companies from 40 to 35 percent and has also identified new sectors such as cruise tourism and diamond industry which has the potential to create employment as well as development of these particular sector. Specifically, in cruise tourism, the government has provided exemption for any income from lease rentals of cruise ships to the foreign companies. This is a significant approach towards promoting FDIs in different sectors of the economy while giving the local businesses a chance to compete in the global market.

1.4. Venture Capital Investments

The Budget recognizes the crucial role of venture capital in driving economic growth and innovation. Two significant measures highlight this: First, the proposal to exempt venture capital funds (VCFs) located in International Financial Services Centres (IFSC) from explaining the source of funds when lending to assessees. This move is likely to streamline investments and reduce regulatory burdens for VCFs operating in IFSCs. Second, the establishment of a ₹1,000 crore venture capital fund specifically for the space economy underscores the government's commitment to expanding this sector fivefold over the next decade.

1.5. Disclosure of Foreign Assets

The government proposes an important change in foreign assets and disclosure rules. Non-reporting of movable foreign assets up to ₹20 lakh will be de-penalized, easing compliance for Indian professionals with ESOPs and overseas investments. This amendment to the Black Money Act acknowledges the realities of global employment and simplifies tax compliance for those with modest foreign holdings, potentially encouraging more transparent financial practices.

1.6.Changes in the Custom Duties

The government has proposed change in the custom duties rates by a comprehensive review of rate structure over the six months to rationalise and simply it for ease of doing business, removal of duty inversion and simplify taxation. Also, it introduced amendments to the Customs Act, 1962 and Customs Tariff Act, 1975, including changes to facilitate trade, align with new trade agreements, and restrict certain operations in warehouses.

Some of the key changes in the custom duty rates includes: reduction in customs duty of shipping sector, critical minerals, medical equipment, cancer drugs, precious metals, steel, copper, textile, capital goods, IT and electronics, etc. There has been an increase in customs duty for plastics and chemicals, renewable sector, etc. The reduction or increase of customs duty has a direct link to the pricing of the product. So, when there is a reduction, the prices decrease and vice-versa.

CHANGES: TAXATION SECTOR

Pooja Reddy & Kushagra Keshav

To make the IT act more concise, lucid, and easy to understand there has been a complete review of the Income-tax Act, 1961 (ITA) this time around. Most of the proposed changes are to be completed within 6 months. A few highlights of these changes are:

1. Revision of Personal Income Tax Slabs

a. Three New Slabs have been introduced for those with an income above 10 lakh rupees.

b. Standard Deduction has been increased from 50,000 to 75,000 rupees for those opting for the new regime.

2. Family Pension Deduction has been increased from INR 15,000 to INR 25,000.

3. Tax deductible in case of pension contribution for both employer and employee will be up to 14% of the salary.

4. Adjusting Liability under Black Money Act against Seized Assets:

a. Section 132B of the IT Act currently allows the amount recovered from seized assets to be applied towards liabilities under various tax laws, excluding the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. The proposed amendment, to be effective from October 01, 2024. And it is set to include liabilities under the Black Money Act for recovery from seized assets.

5. Mandatory Quoting of Aadhaar Number: Section 139AA of the IT Act allows quoting either the Aadhaar number or Enrolment ID in PAN allotment applications and returns. But the proposed change is to discontinue the option of quoting the Enrolment ID to prevent duplication and misuse of PAN. This also will be effective from October 01, 2024.

6. Other major changes include the rationalization of assessment procedures. For this Section 139, 153, 148, 148A and 149 of the IT Act are to be amended.

Corporate Tax Receipts

Corporate tax rate on foreign companies has been reduced from 40% to 35% on income excluding income subject to special rates, benefiting project & branch offices, and permanent establishments of foreign entities in India. Additionally, corporate taxes remain unchanged for domestic companies.

Angel Tax

Angel tax is a tax that is imposed on unlisted companies when they received consideration for issuing shares at a premium, taxing the excess over the fair market value as "income from other sources." Initially, it applied only to investments from Indian residents. The Finance Act, 2023, later extended its applicability to investments from non-resident investors as well.

The Bill proposes abolishing the tax starting from FY 2024-25. The motive behind this is to increase capital availability for companies, streamline investment, and create a more favourable environment for businesses, especially startups.

Capital Gain Exemption

Major changes with respect to Capital Gains Tax are:

1. Uniform Tax Rate for Long-Term Capital Gains (LTCG): The proposed rate for all types of assets is 12.5%.

2. Changes in Short-Term Capital Gains (STCG) Tax: The proposed rate will increase from 15% to 20% for listed equity shares, units of equity mutual funds, and REITs/INVITs.

3. Exemption Limit: A proposal to increase it from 1 lakh to 1.25 lakh rupees for LTCG from listed equity shares, equity mutual funds, and business trusts has been forwarded.

4. In case of Buyback of Shares, the proposal envisages to treat them as on par with dividends.

Overall, the changes reflect a shift towards a more upfront tax regime.

Tax Deducted at Source (TDS)

The timeline specified in Section 201(3) applies to defaults on payments made to resident payees. No such time limits have been prescribed for payments made to non-residents, creating a legal grey area. Various courts however have held that such orders should still be passed within a reasonable period.

To resolve the ambiguity, the

Finance Bill proposes amending Section 201 to establish a timeline for issuing orders for payments made to non-residents. The proposed statutory timeline is 6 years from the end of the FY in which the payment was made.

TDS Rates

The Bill proposes reducing TDS rates on certain payments to facilitate ease of doing business and improve taxpayer compliance. The proposal seeks to reduce the rates on Commission payments, Rental payments, and Payments for contract work. And the TDS rate under section 194-O is proposed to be reduced from 1% to 0.1%.

Equalisation Levy (EL)

If a non-resident's income was not taxable as royalty or fees for technical services (FTS) under the Income Tax Act (ITA), it could be taxed under the E-commerce EL. Section 10(50) of the IT Act offered an exemption for such income from other ITA provisions once taxed under the E-commerce EL.

The Bill proposes abolishing the 2% E-commerce EL effective from August 01, 2024, while retaining the 6% Advertisement EL.

After the abolition, the amended Section 10(50) will exempt income from e-commerce services provided between April 01, 2020, and August 1, 2024. The stated rationale for withdrawal is focused on the levy's ambiguity and compliance burdens.

Taxation of unlisted bonds and debentures

Section 50AA of the IT Act has also been put onto the list of things to amend by the new bill. It has been proposed to hold the capital gains arising on transfer, redemption or maturity of unlisted bonds and debentures to be STCG in nature. And on such gains, the tax rate applicable to such investor will depend on the form and residency of the gain.

DISPUTE RESOLUTION, LOANS & OTHER HIGHLIGHTS

Aditya Roy

Dispute Resolution

To address dispute resolution and reduce backlogs, the Finance Minister proposed the Vivad se Vishwas Scheme, 2024, for resolving certain income tax disputes pending in appeal. The monetary limits for filing appeals related to direct taxes, excise, and service tax in High Courts, Supreme Courts, and tribunals have been increased to ₹60 lakh, ₹2 crore, and ₹5 crore, respectively. To reduce litigation and provide certainty in international taxation, the scope of safe harbour rules will additionally be expanded, and the transfer pricing assessment procedure will be streamlined.

Mudra Loans

As part of the nine priorities highlighted for the 2024 Union Budget, the Union Finance Minister announced on July 23, the limit for Mudra loans will be enhanced to ₹20 lakh from the current ₹10 lakh for those who have availed and successfully repaid loans previously taken under the Tarun category. The Pradhan Mantri MUDRA Yojana (PMMY), launched on April 8, 2015, by Prime Minister Narendra Modi, aims to facilitate easy collateral-free micro-credit of up to ₹10 lakh to non-corporate, non-farm small and micro-entrepreneurs for income-generating activities.

Loans under PMMY are provided by Member Lending Institutions (MLIs), including banks, non-banking financial companies (NBFCs), microfinance institutions (MFIs), and other financial intermediaries. During the interim budget presentation earlier this year, the government reported the extension of 43 crore loans, aggregating to ₹22.5 lakh crore under the PM Mudra Yojana.

Purvodaya Scheme

Finance Minister Nirmala Sitharaman introduced the 'Purvodaya' scheme, which is aimed at comprehensive development in the eastern region of India. The scheme targets five states: Bihar, Odisha, Jharkhand, West Bengal, and Andhra Pradesh. Key components of the plan include human resource development, infrastructure enhancement, and economic opportunities. By leveraging the rich cultural heritage of these states, the government aims to transform them into vibrant economic hubs.

Notably, the concept of 'Purvodaya' was publicly announced by Prime Minister Narendra Modi in 2015, emphasizing the need for development in India's eastern parts. Specific allocations include Rs 26,000 crore for road projects in Bihar, funding for Amravati as Andhra Pradesh's capital, and support for women-centric schemes. Overall, 'Purvodaya' seeks to energize the eastern region's growth and development.

Health Sector

The Union Budget 2024, announced several significant measures for the health sector. One is the exemption of custom duties on three cancer drugs, which aims to make cancer treatment more affordable. Given that India ranks third globally in cancer cases, this bold step is expected to enhance access to life-saving treatments.

The budget also saw a substantial increase in investment in healthcare.

The Health Ministry was allocated Rs 90,958.63 crore, reflecting a 12.9% increase from the previous budget. Within this allocation, the Department of Health and Family Welfare received Rs 87,656.90 crore, while the Department of Health Research was granted Rs 3,301.73 crore.

Furthermore, the budget proposed adjustments to the basic customs duty on X-ray tubes and flat panel detectors used in medical X-ray machines. These changes are in line with efforts to expand domestic capacity.

The healthcare industry has responded positively to these measures, particularly appreciating the impact on accessibility and infrastructure.

Agriculture Sector

The Indian government has set ambitious goals to transform agricultural research and productivity. This initiative will support both the public and private sectors by introducing 109 high-yielding crop varieties and 32 new horticultural releases. To promote natural farming, one crore farmers will be encouraged through certification and branding. Additionally, there is a proposal to establish 10,000 bio-input centers, aiming to create a national-level network for the manufacturing of micro-fertilizers and pesticides. Efforts will also be made to enhance the production, storage, and marketing of oilseeds such as mustard, sesame, soybean, and sunflower.

Moreover, the plan includes integrating 400 districts and six crore farmers into land registries, with the Kisan Credit Cards being enabled in five states. Under NABARD's national cooperation policy, there will be initiatives to boost shrimp production and exports.

The Centre has allocated ₹1.52 lakh crore to the agriculture and allied sectors to support these endeavors.

Renewable Energy

In the Union Budget 2024, the government demonstrated a strong commitment to renewable energy. The Ministry of New and Renewable Energy received a substantial allocation of Rs. 19,100 crore, a significant increase from the revised estimates of Rs. 7,848 crore in the previous budget. Within this allocation, solar power (grid) was granted Rs. 8,500.35 crore, representing a nearly 79% rise compared to the Budget 2023-2024. The Total-Solar Energy segment received Rs 16,394.75 crore, highlighting the critical role of solar energy in India's energy transition.

The FM Nirmala Sitharaman emphasized the importance of energy transition in combating climate change. The budget proposed expanding the list of exempted capital goods for solar cell and panel manufacturing. However, customs duties exemptions were not extended for solar glass and tinned copper interconnect.

Other notable allocations in the renewable energy sector included Rs 930 crore for wind power and Rs 851 crore for wind and other renewable energy programs. The National Green Hydrogen Mission received Rs 600 crore, underscoring the potential of green hydrogen. Additionally, bioenergy programs were allocated Rs 300 crore, reflecting a commitment to sustainable energy sources.

Tourism

In the Union Budget 2024, the government earmarked ₹2,479 crore for the tourism sector for FY25, an increase from the ₹2,400 crore allocated in FY24. The revised estimates for FY24 indicate that the tourism sector actually received ₹1,692.10 crore.

During her budget speech for FY25, Finance Minister Nirmala Sitharaman made several key announcements to enhance tourism, especially in Bihar. She noted that tourism has deep roots in Indian civilization and stressed that efforts to position India as a global tourist destination would create jobs, attract investments, and generate economic opportunities in other sectors.

The government plans to develop the Vishnupad Temple in Gaya and the Mahabodhi Temple in Bodh Gaya, Bihar. Sitharaman further stated that the comprehensive development of these temple corridors would be supported, drawing inspiration from the successful Kashi Vishwanath Temple Corridor, with the aim of transforming them into world-class pilgrim and tourist destinations.

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