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Tax alerts - Key announcements of interim Budget 2024



Interim Budget 2024

Infrastructure | First Develop India 'FDI'

Road map for #ViksitBharat



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The interim Budget lays down the blueprint for inclusive and prosperous India by giving utmost priority to empowerment and well-being of poor, women, youth and farmers. Select enabled households shall receive free electricity under the rooftop solarization scheme which is expected to create opportunities for entrepreneurship, employment and generate power for charging vehicles.

Marching towards the vision of Viksit Bharat, the government has announced multiple policy reforms in particular for the infrastructure sector which has received an allocation of INR11.11 lakh crore (representing 3.4% of the GDP) with major outlay for roads INR2.72 lakh crore and railways INR2.52 lakh crore.

Some key highlights of the Interim Budget 2024 are as under:

- ▶ Implementation of following 3 major economic railway corridor programmes under the PM Gati Shakti scheme for enabling multi-modal connectivity to improve logistics efficiency and reduction of cost:
 - ▶ energy, mineral and cement corridor;
 - ▶ port connectivity corridor; and
 - ▶ high traffic density corridor.
- ▶ Expansion of Metro Rail and NaMo Bharat to be supported in large cities focusing on transit-oriented development.
- ▶ Expansion of existing airports and development of new airports to continue expeditiously.
- ▶ Projects relating to port connectivity, tourism infrastructure and amenities to be taken up on islands including Lakshadweep.

How does the budget impact Infrastructure sector?

Key amendments

Direct Tax

Tax Rates

- ▶ No changes in tax rates proposed. But for domestic companies, for lower basic tax rate of 25% in FY 2024-25, the base year for turnover less than INR400 crore is shifted ahead by one year to FY 2022-23. Thus, a domestic company having turnover not exceeding INR400 crore in FY 2022-23 will be liable to basic tax rate of 25% in FY 2024-25 (regardless of the quantum of turnover in FY 2023-24 or 2024-25)

Extension of sunset dates

- ▶ Royalty or interest received by a non-resident from IFSC ship or aircraft leasing units on account of leasing of ship(s) or aircraft(s), is exempt from tax subject to the condition of commencement of operations by such IFSC unit by 31 March 2024. This date has been extended to 31 March 2025.
- ▶ Income arising from transfer of ship(s) or aircraft(s) by IFSC ship or aircraft leasing unit is eligible for tax holiday subject to the condition of commencement of operations by such IFSC unit by 31 March 2024. This date has also been extended to 31 March 2025.
- ▶ Exemption was available to subsidiary of Abu Dhabi Investment Authority, Sovereign Wealth Fund or Pension Fund on specified income earned by it on its investments including in infrastructure sector made up to 31 March 2024. The sunset date has been extended by 1 year to 31 March 2025.

Faceless proceedings

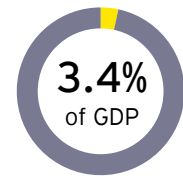
- ▶ Sunset date for notification of faceless schemes deferred to 31 March 2025 for undertaking transfer pricing assessment, dispute resolution and other proceedings.

Indirect Tax

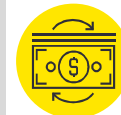
Goods and Services Tax

- ▶ Input Service Distributor
 - ▶ The office receiving invoices for or on behalf of distinct persons shall be required to get registered as Input Service Distributor and distribute the credit of GST to such distinct persons through the prescribed document.
 - ▶ Consequential amendment has been made in the definition of Input Service Distributor.
 - ▶ ISD shall distribute the ITC in such manner, within such time and subject to such restrictions and conditions as may be prescribed.
- ▶ Customs
 - ▶ No changes proposed to the Customs law in the interim Budget.

Highlights



Total Capex outlay increased by **11.1%** to approx. **INR 11.11 lakh crores**; major outlay for roads **INR2.72 lakh crore** and railways **INR2.52 lakh crore**



FDI inflow doubled to **US\$596 billion** during 2014-2023 compared to 2005-2014



ISD provisions made mandatory

Impact analysis

The Indian economy has been on a high sustainable growth path addressing and balancing change with new challenges due to geo-political environment and global warming. In spite of slacking symptoms globally, India has seen effective and timely delivery of large infrastructure projects leading to increased GDP.

Proposed development of new airports, introduction of Metros and NaMo Bharat in new cities shall improve connectivity and transform urban infrastructure leading to a better living index and improve ease of doing business in India. Further, interest free loans to states to support milestone linked reforms and development of tourist infrastructure shall provide an impetus to growth and generate employment.

Overall, further spend on infrastructure with focus on people-centric inclusive development policies and partnership with the private sector will continue the growth momentum for an all-rounded development.

Glossary

Act - Income-tax Act, 1961

FDI - Foreign Direct Investment

GDP - Gross Domestic Product

GST - Goods and Services Tax

IFSC - International Financial Service Centre

ISD - Input Service Distributor

ITC - Input Tax Credit



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