



dvmgopal & associates
Company Secretaries

August - 2024

NEWSLETTER



TOPICS:

- Key Highlights from the Budget
- Monthly Statutory Updates in July - 2024
- Compliance Calendar - August 2024

Newsletter – August 2024

Key Highlights of Budget

1. Revised Individual Tax slab rates under new regime

Income tax slabs	Income tax rate
Up to Rs 3,00,000	0%
Rs 3,00,000 to Rs 7,00,000	5%
Rs 7,00,000 to Rs 10,00,000	10%
Rs 10,00,000 to Rs 12,00,000	15%
Rs 12,00,000 to Rs 15,00,000	20%
Above Rs 15,00,000	30%

- Standard deduction for Salary income increased to Rs. 75,000 from Rs. 50,000
 - Rebate under sec. 87A is available for income up to Rs. 7,00,000 with marginal tax relief for income exceeding Rs. 7,00,000
 - There is no change in Health and Education Cess @ 4% and surcharge at applicable rates starting from 10% for income exceeding Rs. 50,00,000
2. **No Angel Tax:** Angel tax, introduced in 2012 to curb money laundering, unintentionally hindered genuine early-stage investments. The difference between the amount received and the fair market value is considered income in section 56(2)(viib) and is taxed accordingly. It's now Abolished for all classes of investors from AY 2025 - 2026
3. **Corporate Tax on Foreign Companies Reduced:** To attract foreign capital for development needs, the corporate tax on foreign companies (branch office/permanent establishment) has been reduced to 35% from 40% in the budget 2024.
4. **Taxation on Capital Gain & Long-term & Short-term Holding period simplified:**
- ♣ Now there are only two holding periods-
 - 1) for listed securities, it is one year,
 - 2) for all other assets, it is two years.
 - ♣ Therefore, for listed units of business trusts (REITs, InvITs) holding period is reduced from 36 months to 12 months. The holding period of gold, unlisted securities (other than unlisted shares) is also reduced from 36 months to 24 months.
 - ♣ The long-term capital gains tax (LTCG) on both financial and non-financial assets to 12.5%, up from the current rate of 10% for listed financial assets and down from 20% for other assets. Indexation has been removed with on reduction of rate from 20% to 12.5%.
 - ♣ The rate for short-term capital gain under provisions of section 111A of the Act on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust is to be increased to 20% from the present rate of 15%.
 - ♣ The Securities Transaction Tax (STT) on futures has been increased from 0.0125% to 0.02% and STT on options has been increased from 0.0625% to 0.1%.
 - ♣ An exemption of gains up to 1.25 lakh (aggregate) is proposed for long-term capital gains under section 112A on STT paid equity shares, units of equity-oriented fund and business trust, thus, increasing the previously available exemption which was up to 1 lakh of income from long term capital gains on such assets.
 - ♣ Unlisted debentures and unlisted bonds are to be taxed at applicable rate slab rate of the investor, whether short-term or long-term, by including them under provisions of section 50AA of the Act.



- ♣ The New provisions for taxation of capital gains come into force from 23.7.2024 and shall apply to any transfer made on or after 23.7.2024.
- ♣ The impact of Budget amendments on the taxability of different categories/class of financial and non-financial assets, w.e.f. 23.7.2024 is being tabulated below, for ready reference.

Asset Class	Existing Holding Period	New Holding Period	Existing LTCG Tax Rate	New LTCG Tax Rate	Existing STCG Tax Rate	New STCG Tax Rate
Listed Equity Securities	12months	12 months	10% without indexation	12.5%without indexation	15%	20%
Listed Equity Mutual Funds (with65% or more equity contribution)	12months	12 months	10% without indexation	12.5% without indexation	15%	20%
Listed Debt Mutual Funds (with upto35% equity contribution)/ Market Linked Debentures	N/A	N/A	taxable as STCG at applicable slab rate	No Change	Taxable at applicable slab rate	No change
Listed Business Trusts/REITs/InvITs	36months	12 months	10%	12.5%	15%	20%
Unlisted Equity Securities	24months	24 months	20% with indexation	12.5% without indexation	Slab rate	Slab rate
Unlisted Bonds & Debentures	24months	24 months	20% with indexation	Slab rate without indexation	Slab rate	Slab rate
Immovable Property	24months	24 months	20% with indexation	20% with indexation OR 12.5% without indexation	Slab rate	Slab rate

- Increased Deduction on Employer's Contribution to Pension Scheme:** Section 80CCD provides a deduction for the employer's contribution to the Pension scheme up to 10%. Budget 2024 has now increased the limit deduction limit to 14% of the salary of the employee during the previous year.
- Disclosure of Receipt of ESOP Consideration from multinational companies:** As per the existing provision, Indian professionals working in multinational companies often receive ESOPs and invest in foreign assets, and non-reporting these small foreign assets can lead to penalties under the Black Money Act. The new budget suggests that non-reporting of movable assets up to Rs 20 lakh will no longer be penalized.
- The TDS on rent payments has been reduced:** Individuals or Hindu undivided families who are liable to deduct TDS on rent U/s 194-IB of the Income Tax Act, for the rent paid amounting to more than Rs.50,000/- in a month, the rate of TDS is reduced from earlier 5% to 2% w.e.f. October 1, 2024.
- A new TDS section impacting partnership firms:** Currently, there's no TDS on payments such as salary, remuneration, interest, bonus, or commission to partners. From April 1, 2025, payments exceeding ₹20,000 annually to partners will attract a 10% TDS. This new rule under Section 194T aims to bring these transactions into the TDS fold from FY 2025-26
- TDS on repurchase of mutual fund units withdrawn:** The Finance Bill 2024 seeks to omit Section 194F of the Income-tax Act relating to payments on account of the repurchase of units by Mutual Fund or Unit Trust of India. According to Section 194F, the person responsible for paying to any person any amount referred to in sub-section (2) of section-80CCB at the time of payment should deduct income tax at the rate of 20 percent.

10. **TDS under 194Q brought under the ambit of I.T. Act Sec. 197** enabling businesses, selling goods for the value of more than Rs. 50 lacs, but not making profits to apply for exemption from the TDS. Under Section 194Q of the Income Tax Act, 0.1%, is to be withheld as tax deducted at source (TDS), of the payment exceeding Rs 50 lakh towards purchase of any goods made by a company, whose turnover in the previous financial year exceeded Rs. 10 crores.
11. **Changes to TDS under Section 194-O** Section 194-O of the Income Tax Act pertains to the deduction of TDS by e-commerce operators on payments made to e-commerce participants for sale of goods or provision of services through their platforms. Previously, the TDS rate stood at 1% of the gross amount of such transactions. In response to representations highlighting disparities with offline transactions (which attracted lower TDS or TCS rates), Finance Budget 2024 proposes to reduce the TDS rate under Section 194-O from 1% to 0.1%. This adjustment aims to achieve parity between online and offline transactions concerning tax deduction at source. The reduced TDS rate of 0.1% will come into effect from October 1, 2024
12. **TCS can be adjusted against TDS on Salaries.** A significant move is the proposal allowing salaried employees to claim credit for Tax Collected at Source (TCS) against TDS deducted on salaries. This move means more immediate cash flow for employees, as previously, TCS could only be claimed as a refund upon filing income tax returns, often leading to locked-up funds until refunds were processed. This change will take effect from October 1, 2024, benefiting taxpayers from FY 2024-25 onwards. Also, for families, there's a positive change concerning TCS credits in a minor's name. Previously, these credits could only be claimed by the minor, even if their income was clubbed with that of their parents. The budget now allows parents to adjust TCS credits against their tax liability when the minor's income is clubbed with theirs. This provision will be effective from January 1, 2025, The Summary of the TDS rates are as under:

TDS Section	Present TDS Rate	New TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G - Commission on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator toe-	1%	0.1%	1.10.2024

13. **Significant changes to the buyback process:** It proposes that income from share buybacks by companies be taxed as dividends for the recipient investor, instead of the current regime under section 115QA where the company pays additional income tax. The tax liability was @20% of the the consideration paid by the company less the amount received by the company for issue of such shares.

Pertinent issue - the shareholders are now exposed to both section 2(22)(f) and section 46A. While section 46A uses the expression that the consideration received on buy-back of shares **shall be deemed to be `nil`**. Which means the cost of acquisition would partake the character of **capital loss**. The said amount may be a long-term or a short-term capital loss based on the period of holding of the shares.



The amount received from the company towards buy-back of shares would obtain the character of dividend because of section 2(22)(f) and since the expression used is "**any payment**" by a company, the gross amount would be taxable as dividend under the head "other sources". The new provision will be applicable from 01st October 2024. Due to this the companies now are relieved from payment of tax.

14. **Customs Duty Reduced:** Customs duty reduced on imports of gold and silver to 6%, Platinum to 6.4% and Mobile phones to 15%
15. **Discontinuation of Equalisation Levy.** The Equalisation Levy, introduced under Chapter VIII of the Finance Act, 2016, was amended in 2020 to impose a 2% levy on the consideration received or receivable by non-resident e-commerce operators from certain online activities. These activities included online sales of goods, provision of services, sale of advertisements targeting Indian customers, and sale of data collected from Indian residents or IP addresses.
16. **Proposals benefiting MSMEs**
 - **Mudra Loan Limit increased** to Rs.20 lakh from the current Rs.10 lakh under the 'Tarun' category for those entrepreneurs who have successfully repaid previous loans under the same category.
 - **New Credit Guarantee Scheme:** Introducing a new credit guarantee scheme specifically for manufacturing MSMEs is another crucial development. This scheme allows MSMEs to obtain term loans without needing collateral or third-party guarantees for their purchases. The government will back these loans through a self-financing guarantee fund, which pools the credit risk of participating companies. This fund will offer guaranteed coverage up to ₹100 crore per applicant, even if the loan amount exceeds this limit. Borrowers must pay an upfront guarantee fee and an annual fee based on the reduced loan amount. By lowering the barriers to obtaining credit, this scheme supports MSMEs in financing their operations and growth initiatives, which is essential for maintaining and expanding their business activities.
 - **Lower Turnover Threshold for TReDS Participation:** The budget also includes a reduction in the turnover threshold for buyers on the TReDS (Trade Receivables Discounting System) platform, from ₹500 crore to ₹250 crore. This change is designed to broaden participation in TReDS, allowing 22 additional public sector undertakings (PSUs) and 7,000 more companies to join the platform. Including medium enterprises as suppliers will enable them to convert their trade receivables into cash more efficiently, unlocking additional working capital. TReDS is an electronic platform that facilitates the financing and discounting of trade receivables for MSMEs, helping them manage their cash flow and improve liquidity. By expanding access to TReDS, the budget supports MSMEs in optimizing their receivables management and enhancing their financial stability.
 - **Continuation of Bank Credit During Stress Periods:** One of the most significant changes is the new mechanism that facilitates continuing bank credit to MSMEs during financial stress. This measure is critical for MSMEs, which often face liquidity and cash flow issues. By maintaining access to credit, MSMEs can cover operational expenses, purchase necessary machinery and equipment, and avoid defaults and bankruptcy.

Strengthened Credit Support for MSMEs in the Special Mention Account (SMA) Stage: To further support MSMEs facing financial difficulties, especially those in the Special Mention Account (SMA) stage, the government will provide enhanced credit support through a credit guarantee from a government-supported fund. This initiative targets MSMEs experiencing financial challenges due to factors beyond their control. The objective is to prevent these businesses from becoming Non-Performing Assets (NPAs), which can severely affect their financial stability and operational viability. By providing targeted credit guarantees, the government aims to alleviate economic pressures and help these MSMEs navigate difficult periods.



Monthly Statutory Updates in July - 2024

Ministry of Corporate Affairs (MCA)

1. Introduction of updated version of E-Form BEN-2
2. Introduction of updated version of E-Form MGT-6
3. Introduction of updated version of E-Form MSME-1
4. Change in Mobile No. and E-Mail Id in DIN Database
5. Migration of BEN-2, -MGT-6 to V3 Version from V2 Version.
6. Extension of time for Filing of PAS-7 up to 05.08.2024.

Reserve Bank of India

1. Online submission of Form A2: Removal of limits on remittance amount:

RBI has removed the limit on the amount that can be remitted through online submission of Form A2. This applies to all Authorised Dealers (AD Category-I banks and AD Category-II entities), who can now facilitate remittances based on online or physical submission of Form A2 and other necessary documents.

2. Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS):

The Reserve Bank of India has recently announced changes to the Liberalised Remittance Scheme (LRS) that allow for more uses of International Financial Services Centres (IFSCs). The changes allow resident individuals to open Foreign Currency Accounts (FCAs) in IFSCs and use them for a variety of purposes, such as:

- Making payments for goods or services / Investing in foreign markets / Availing financial services or financial products.
- Conducting all current or capital account transactions in other foreign jurisdictions through an FCA held in IFSCs.

3. Master Directions on Overseas Investment:

The Reserve Bank of India issued the Master Direction on Overseas Investment for Authorized Dealer Category-I banks. It outlines the procedures and definitions for various investment types, including Overseas Direct Investment (ODI) and Overseas Portfolio Investment (OPI), and provides reporting instructions. The direction aims to ensure compliance and effective implementation of these rules by authorized dealers in their foreign exchange dealings.

Goods and Services Tax

Advisory for FORM GSTR-1A:

The government has introduced FORM GSTR-1A, as an optional facility for taxpayers to amend or add details of supplies for the current tax period that were either missed or wrongly reported in FORM GSTR-1 before filing the GSTR-3B return. Available from August 2024, this form allows monthly and quarterly filers to correct their data, impacting the liability reflected in FORM GSTR-3B and the recipient's ITC in FORM GSTR-2B. For monthly filers, GSTR-1A can be filed from the due date of GSTR-1 until the filing of GSTR-3B. For QRMP taxpayers, the form is available quarterly, after the actual or due date of GSTR-1 filing until the filing of GSTR-3B. Amendments to GSTIN of a recipient must be done in the subsequent period's GSTR-1.



Compliance Calendar – August 2024

FEMA			
Compliance details	Form	Applicability	Due Date
External Commercial Borrowings (ECB) - FEMA	Form ECB-2	All Companies having ECB	8/7/2024
SEBI LODR Regulations			
Compliance details	Form	Applicability	Due Date
Regulation 33	Financial Results along with Limited review report/Auditor's report	All Listed Entity	8/14/2024
Labour Laws			
Compliance details	Form	Applicability	Due Date
State Professional Tax (PT)	Form V	Entities registered with PT	8/10/2024
PF Payment	Monthly ECR	Entities registered with PF Authorities	8/15/2024
ESI Payment	Monthly ECR	Entities registered with ESIC Authorities	8/15/2024
INCOME TAX			
Compliance details	Form	Applicability	Due Date
TDS Deposit	Challan 281	Non-government deductors	8/7/2024
GST			
Compliance details	Form	Applicability	Due Date
Return of outward supplies of taxable goods and/or services	GSTR 1	GST Taxpayers who have not opted for QRMP scheme	8/11/2024
Return of outward supplies of taxable goods and/or services	GSTR 1	GST Taxpayers who opted for QRMP scheme -Optional	8/13/2024
Summary Return of Outward and Inward Supplies along with payment of Tax	GSTR 3B	GST Taxpayers who have not opted for QRMP scheme	8/20/2024
GST Challan Payment if no sufficient ITC		GST Taxpayers who opted for QRMP scheme and not having sufficient ITC	8/25/2024
Summary Return of Outward taxable supplies and tax payable	GSTR 5 & 5A	Non-Resident GST Taxpayers	8/20/2024
Return for details of ITC received and distribution	GSTR 6	tno Service Distributors	8/13/2024
Return for TDS under GST	GSTR 7	Government Authorities	8/10/2024
Return for Details of Supplies and the amount of tax collector	GSTR 8	E-commerce Operator	8/10/2024
Return for details of goods and services purchased in India	GSTR-11	Taxpayer claiming Refund & having UIN	8/28/2024