

FINANCE (NO. 2) ACT 2024
ANALYSIS OF DIRECT TAX AMENDMENTS
Relevant for CY ITR / TAR

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Analysis of amendments

- Computation provisions
- Charitable Trusts
- TDS and TCS
- Assessment / Appellate Procedures
- Miscellaneous
- Tax Rates

AMENDMENTS IN COMPUTATION PROVISIONS

Standard Deduction from Salaries (S 16) / Family pension (S 57)

Effective Date: 01.04.2025 (I.e. AY 2025-26)

Clause of FB: 10 & 24

- **Standard deduction from Salary**
 - Assesseees following old regime – upper limit of Rs.50,000 will continue
 - Assesseees following 115BAC – upper limit is enhanced from Rs. 50,000 to Rs. 75,000
- **Standard deduction from family pension**
 - Assesseees following old regime – upper limit of Rs.15,000 will continue
 - Assesseees following 115BAC – upper limit is enhanced from Rs. 15,000 to Rs. 25,000

Angel Tax abolished (S 56(2)(viib))

Effective Date: 01.04.2025 (I.e. AY 2025-26)

Clause of FB: 23

- **Existing provision**

- Closely held company issuing shares to a resident at a price higher than face value.
- IFOS = Issue price – fair market value of shares

- **Proposal**

- It is proposed that the provisions of Section 56(2)(viib) shall not apply from the assessment year 2025-26.
- A boost to startups.

Amendments relating to Capital Gains

Effective Date: 23.07.2024

Clause of FB: 3, 20, 21, 29, 30, 31, 33, 34, 35, 36, 38, 63 & 64

Period of holding – 12 months / 24 months for all assets

Description	Long term asset if	Short term asset if
All listed securities	Held for more than 12 months	Held for 12 months or less
All other capital assets	Held for more than 24 months (now 36 months)	Held for 24 months or less (now 36 months)
Units of listed business trust	Held for more than 12 months (now 36 months)	Held for 12 months or less (now 36 months)
bonds, debentures, gold etc.	Held for more than 24 months (now 36 months)	Held for 24 months or less (now 36 months)
unlisted shares and immovable property	Held for more than 24 months (no change)	Held for 24 months or less (no change)

Changes in tax rates on capital gains

- the rate for **short-term capital gain u/s 111A** on STT paid **equity shares, units of equity oriented mutual fund and unit of a business trust** is proposed to be increased to 20% from the present rate of 15%
- Other short-term capital gains shall continue to be taxed at applicable rate.
- The rate of **long-term capital gains under provisions of various sections** of the Act is proposed to be **12.5% in respect of all category of assets**. This rate earlier was 10% for STT paid listed equity shares, units of equity-oriented fund and business trust under section 112A and for other assets it was 20% with indexation under section 112. **Exemption of gains up to Rs. 1.25 lakhs (aggregate)** is proposed for long-term capital gains under section 112A increasing the present exemption limit of Rs. 1 lakh.
- For **bonds and debentures**, rate for taxation of long-term capital gains is 20% without indexation. For listed bonds and debentures, the rate shall be reduced to 12.5%. Income from **unlisted debentures or bonds** that mature, redeem, or are transferred on or after July 23, 2024 is considered short-term capital gains.

Removal of indexation

With rationalization of rate to 12.5%, **indexation** available under **second proviso to section 48** is proposed to be **removed** for calculation of any long-term capital gains which is presently available for property, gold and other unlisted assets. This will ease computation of capital gains for the taxpayer and the tax administration. However, some relief is provided for transfer of immovable property (discussed elsewhere)

Consequential changes

To bring parity of taxation between residents and non-residents, corresponding amendments to section 115AD, 115AB, 115AC, 115ACA and 115E are being made to align the rates of taxation in respect of long-term capital gains proposed under section 112A and 112 and rates of short term capital gains proposed under section 111A. Further, consequential amendments to align the withholding tax provisions with the substantive provisions to give effect to the proposed changes in rates of capital gains tax are being made under section 196B and 196C.

Indexation in respect of immovable property – Proviso to S. 112

Conditions:

- Transferor shall be **resident** individual or **resident** HUF
- Long term capital gains shall arise on transfer of land, building or both
- The asset shall be acquired prior to 23.07.2024
- The property shall be transferred on or after 23.07.2024

Relief :

- When the above conditions are satisfied, the tax payer can choose to compute long term capital gain under both the methods and opt to pay tax either at 12.5 % without indexation or 20% with indexation whichever is beneficial to the assessee. It seems S. 54, 54F, 54 EC etc are available under both options.
- In a case where this option is exercised, capital gains shall be calculated without indexation. But tax payable shall be calculated as narrated above. We have to wait for tax computation schema.

Working partners' remuneration limit (Section 40 (b))

Effective Date: 01.04.2025 (i.e. AY: 2025 – 26)

Clause of FB: 14

PRESENT LIMIT (Fixed in AY 2010-11)		PROPOSED LIMIT	
on the first Rs. 3,00,000 of the book- profit or in case of a loss	<ul style="list-style-type: none">Rs. 1,50,000 or90% the book profit whichever is more;	on the first Rs. 6,00,000 of the book- profit or in case of a loss	<ul style="list-style-type: none">Rs. 3,00,000 or90% the book profit whichever is more;
on the balance of the book-profit	60% the book profit	on the balance of the book-profit	60% the book profit

Income from letting residential house is not business income (sec 24 vs 28)

Effective Date: 01.04.2025 (I.e. AY 2025-26)

Clause of FB: 11

- **Existing practice**

Some taxpayers are reporting their rental income generated by letting out of the residential house property, under the head 'Profits and gains of business or profession' instead of 'Income from house property'. To reduce their tax liability substantially.

- **Proposal**

It is proposed to amend the section 28 of the Act so as to clarify that any income from letting out of a residential house or a part of the house by the owner shall not be chargeable under the head "Profits and gains of business or profession" and shall be chargeable under the head "Income from house property".

Amendment to Section 47 – Transaction not regarded as transfer

Effective Date: 01.04.2025 (I.e. AY 2025-26)

Clause of FB: 19

- **Existing practice**

Clause (iii) of section 47 provides that nothing contained in section 45 shall apply to any transfer of a capital asset under a gift or will or an irrevocable trust. Section applies even when capital assets are transferred by persons other than individuals and HUF.

- **Proposal**

Since gift pre supposes natural love and affection, it is proposed to restrict the applicability of this section to gifts made by individuals and HUF.

It is proposed to substitute section 47(iii) to provide that nothing contained in section 45 shall apply to transfer of a capital asset, under a gift or will or an irrevocable trust, by an individual or a Hindu undivided family.

Inclusion of taxes withheld outside India for purposes of calculating total income (S 198)

Effective Date: 01.04.2025 (I.e. AY 2025-26)

Clause of FB: 66

- **Existing practice**

Section 198 of the Act provides that tax deducted, in accordance with Chapter XVII-B shall, for the purpose of computing the income of an assessee, be deemed to be income received.

Some assesseees are not including taxes withheld outside India for the purposes of calculating their total income in India which led to under reporting of total income.

They not only declared income net of tax deducted, but also claimed credit for the taxes withheld abroad resulting in taking double benefit.

- **Proposal**

It is proposed to amend section 198, to provide income tax paid outside India by way of deduction, in respect of which an assessee is allowed a credit against the tax payable under the Act, also are for the purpose of computing the income of the assessee, deemed to be income received.

Computation of Income in respect of buy back of securities

Effective Date: 01.10.2024

Existing Scenario (Before Amendment by Finance Act, 2024)

- Section 115QA – Buy-back Distribution Tax (BBT) at 23.296% - on the buy-back proceeds paid by company to shareholders. Rule 40BB prescribed how the tax was calculated.
- Section 46A deemed the difference between buy-back price and acquisition cost as capital gains, taxable in the hands of shareholders. Section 10(34A) exempted shareholders from tax on income from buy-back.
- This system ensured that companies paid the tax, and shareholders received buy-back proceeds tax-free.

Amendment from October 1, 2024

- Buy-back Distribution Tax (BBT) is removed.
- Buy-back proceeds to shareholders is now treated as 'deemed dividend', taxable under Income from Other Sources. No deductions allowed against such dividend income (Section 57).
- Capital loss arises due to a deemed NIL consideration under Section 46A. This can be set off against present and future capital gains, as the case may be
- TDS at 10% is applicable on buy-back payments (Section 194).
- For NRIs, taxability depends on DTAA provisions.

Effective Date: 01.10.2024

Tax Impact

- Tax base is shifted to share holders and
- A higher tax burden on shareholders: Instead of a 23.296% corporate tax, shareholders now pay tax at their slab rates (up to 30% + surcharge + cess).
- Capital loss from buy-back cannot be offset against dividend income. Set off is permissible only against capital gains.
- NRIs may face complexities in determining whether taxation falls under dividends or capital gains under DTAA.

AMENDMENTS RELATING TO CHARITABLE TRUSTS

Limited merger of Section 10(23C) into Sections 11 to 13

Effective Date: 01.10.2024

Clause of FB: 4, 6 & 9

- **Existing provision**

Many provisions in Section 10(23C)(iv)(v)(vi) & (via) are almost identical to Sections 11 to 13. Year to year amendments are made to synchronize both. Now they are proposed to be integrated to avoid duplication and to bring simplicity.

- **Proposal**

- Applications seeking approval or provisional approval u/s 10(23C)(iv), (v), (vi) or (via) filed on or after 01.10.2024 shall not be considered.
- Applications filed under these sub-clauses before 01.10.2024, and which are pending would be processed and considered under those provisions itself.
- Approved trusts, funds or institutions would continue to get the benefit of exemption, as per the provisions of 10(23C)(iv), (v), (vi) or (via), till the validity of the said approval.
- They would be eligible to apply for registration, subsequently, under sections 11 to 13. Amendments have accordingly been proposed in section 12A.
- Certain eligible modes of investment, specified in clause (b) of third proviso to S 10(23C) shall be protected in the second regime, by way of amendment in section 13.

Condonation of delay in filing application for registration (S 12A proviso)

Effective Date: 01.10.2024

Clause of FB: 6

- **Existing provision**

A trust seeking registration under section 12AB must apply for registration / renewal etc. within the timelines specified in clause (ac) of sub-section (1) of section 12A. Failing which, it may lose exemption, it may be subject to exit tax u/s 115TD etc.

- **Proposal**

It is proposed that the Principal Commissioner/ Commissioner may be enabled to condone the delay in filing application and treat such application as filed within time. The delay may be condoned if he considers that there is a reasonable cause for the same.

Correcting Anomaly in proviso – clause iv(B) to Section 80G(5)

Effective Date: 01.10.2024

Clause of FB: 26

- **Existing provision**

Vide amendment effective from 01.10.2023, a trust, which had claimed exemption u/s 10(23C) or Section 11, could not make an application for approval u/s 80G. If applied, CITs rejected the applications. This was an unintended anomaly.

- **Proposal**

Clause B referred to above is proposed to be amended so that trusts that have claimed exemption u/s 10(23C) or 11 could also apply for approval u/s 80G. ***However this should have been proposed wef 01.10.2023 instead of 01.10.2024.***

Rationalizing timelines for disposing off applications u/s 12AB / 80G

Effective Date: 01.10.2024

Clause of FB: 7 & 26

- **Existing provision**

In both cases, applications are to be disposed off by the PCIT/CIT within 6 months from the end of the month in which they are filed.

- **Proposal**

For better administration and monitoring, it is proposed to rationalise timelines for disposing applications made by trusts or funds or institutions to **six months from the end of the quarter in which the application was received.**

Merger of a trust covered u/s 10(23C) with one u/s 11 & vice versa

Effective Date: 01.10.2024

Clause of FB: 7 & 26

- **Existing provision**

When a 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 exit tax in certain circumstances.

- **Proposal**

It is proposed that conditions under which the said merger shall not attract provisions of Chapter XII-EB, may be prescribed, to provide greater clarity and certainty to taxpayers. **A new section 12AC is proposed to be inserted** for this purpose.

AMENDMENTS RELATING TO TDS / TCS

Rationalizing TDS rates

Effective Date: 01.10.2024

Clause of FB: 54 to 61

Section	Present TDS Rate	Proposed 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 etc 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 to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India		omitted	1.10.2024

Claiming other TDS / TCS by salaried employees from employer (S 192)

Effective Date: 01.10.2024

Clause of FB: 50

Existing provision

- Section 192 of the Act provides for deduction of tax at source on salary income.
- Section 192(2B) provides for consideration of income under any other head and tax, if any, deducted thereon to be taken into account for the purposes of making the deduction u/s 192(1) of the aforesaid section, subject to certain conditions.
- Representations have been received that credit of TCS paid should be allowed while computing the amount of tax to be deducted on salary income of the employees. Similarly, all TDS may be taken into account for the purpose of deduction of tax from the salary income of employees.

Proposal

192(2B) may be amended to include any tax deducted or collected under the provisions of Chapter XVII-B or Chapter XVII-BB, as the case may be, to be taken into account for the purposes of making the deduction u/s 192(1).

Alignment of interest rates for late payment to Government account of TCS (S 206C)

Effective Date: 01.04.2025

Clause of FB: 70

Existing provision

- Section 206C(7) provides that persons who fail to collect tax or after collecting, fail to deposit the same to the credit of the Central Government shall be liable to pay simple interest at the rate of one percent for every month or part thereof on the amount of such tax from the date on which such tax was collectible to the date on which the tax was paid.
- A higher interest rate of 1.5% is applicable where tax has been deducted but not been deposited to Government

Proposal

It is proposed to amend section 206C(7), to specify that simple interest for non-payment of tax collected at source to Government account, is to be increased from one per cent. to one and one-half per cent

TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners (S 194 T)

Effective Date: 01.04.2025

Clause of FB: 62

Existing provision

Presently there is no provision for deduction of tax at source (TDS) on payment of salary, remuneration, interest, bonus, or commission to partners by the partnership firm.

Proposal

- New TDS section 194T may be inserted
- to bring payments such as salary, remuneration, commission, bonus and interest to any account (including capital account) of the partner of the firm under the purview of TDS
- for aggregate amounts more than Rs 20,000 in the financial year.
- Applicable TDS rate will be 10%.
- Since section is inserted w.e.f. 01.04.2025, no TDS is required for payments made in FY 2024-25 (personal view)
- Variation in permissible remuneration on finalization of accounts

TCS on notified goods (S 206C)

Effective Date: 01.01.2025

Clause of FB: 70

Existing provision

Section 206C(1F) provides that every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ten lakh rupees, shall, at the time of receipt of such amount, collect from the buyer, a sum equal to one per cent of the sale consideration as income-tax

Proposal

For proper tracking of expenditure on luxury goods and in order to widen and deepen the tax net, it is proposed to amend section 206C(1F) to also levy TCS on any other goods (as notified by Central Government) of value exceeding ten lakh rupees

TDS on sale of immovable property (S 194 IA)

Effective Date: 01.10.2024

Clause of FB: 58

Existing provision

Some taxpayers are interpreting that the consideration being paid or credited refers to each individual buyer's share in payment rather than the total consideration paid for the immovable property. Hence if each buyer is paying less than Rs. 50 lakh, no tax is being deducted, even if the value of the immovable property and stamp duty value exceeds Rs. 50 lakh. This is against the intention of legislature.

Proposal

Section 194IA(2) be amended to clarify that where there is more than one transferor or transferee in respect of an immovable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

AMENDMENTS RELATING TO ASSESSMENT / APPELATE PROCEEDINGS

Rationalization of Reassessment – S 147 to 151

Effective Date: 01.09.2024

Clause of FB: 44, 45, 46,47

- **Existing provision**

- The Finance Act, 2021 modified sections 148 and 149 and also introduced section 148A.
- S 148 provides the procedure for issuance of notice to initiate assessment or reassessment or recomputation u/s 147.
- The provisions of S 148A of the Act provide the procedure to be followed by AO before issuance of notice u/s 148.
- S 149 provides the time limits for issuance of notice u/s 148 and computation of the period of limitation.
- S 151 mandates obtaining sanction from the specified authority, for issuance of notice u/s s 148 or 148A.
- Why this amendment:
 - considerable litigation at various fora arising from the multiple interpretations of the provisions of aforementioned sections.
 - representations have been received to reduce the time-limit for issuance of notice for the relevant assessment year in proceedings of assessment, reassessment or recomputation.

Rationalization of Reassessment – S 147 to 151

Effective Date: 01.09.2024

Clause of FB: 44, 45, 46,47

- **Proposal** - The salient features of the proposed amendments are as follows:-
 - the Assessing Officer shall issue a notice to the assessee, along with a copy of the order passed under sub-section (3) of section 148A requiring him to furnish return of income within such period, not **exceeding three months** from the end of the month in which such notice is issued (**and not served**)
 - Any information in the case of the assessee emanating from survey conducted under section 133A, other than under sub-section (2A) of the said section, on or after the 1st day of September, 2024, is proposed to be added to the definition of 'information' with the Assessing Officer which suggests that the income chargeable to tax has escaped assessment.

Rationalization of Reassessment – S 147 to 151

Effective Date: 01.09.2024

Clause of FB: 44, 45, 46,47

Type of case	Time limit for S 148A notice	Time limit for S 148 notice
Normal cases	Within 3 years from the end of the relevant assessment year	Within 3 years and 3 months from the end of the relevant assessment year
Specific cases	Within 5 years (presently 10 years) from the end of the relevant assessment year if income escaping assessment amounts to or is likely to amount to fifty lakh rupees or more	Within 5 years and 3 months from the end of the relevant assessment year if income escaping assessment amounts to or is likely to amount to fifty lakh rupees or more

- Specified authority for the purposes of sections 148 and 148A shall be the Additional Commissioner or the Additional Director or the Joint Commissioner or the Joint Director.
- The provisions of these sections prior to this amendment shall apply vis-à-vis search initiated under section 132 or requisition under section 132A or a survey conducted under section 133A on or after the 1st day of April, 2021 but before the 1st day of September, 2024,
- The provisions of these sections prior to this amendment shall apply vis-à-vis cases where a notice under section 148 has been issued or an order under clause (d) of section 148A has been passed, prior to the 1st day of September, 2024.

Rationalisation of the time-limit for filing appeals to the ITAT Section 253(3)

Effective Date: 01.10.2024

Clause of FB: 78

- Presently appeals to the ITAT are to be filed ‘within sixty days of the date on which the order sought to be appealed against is communicated to the assessee or to the PCIT/CIT, as the case may be’.
- It is proposed that the appeal before the ITAT may be filed within two months from the end of the month in which the order sought to be appealed against is communicated to the assessee or to the Principal Commissioner or Commissioner

Powers of CIT(A) / JCIT (A) – S 251

Effective Date: 01.10.2024

Clause of FB: 77

- Under the existing provisions of section 251 they don't have the power to send the case back to the AO for fresh consideration. However S 250(4) gives them powers to seek remand report from AO before disposing of any appeal.
- It has been found that in the best judgement cases, taxpayers remain non-responsive to the letters or notices issued by the Faceless Assessing Officer. However, they directly file the appeal to Commissioner (Appeals) against the relevant assessment order.
- It is proposed that the cases where assessment order was passed as best judgement case under section 144 of the Act, they shall be empowered to set aside the assessment and refer the case back to the Assessing Officer for making a fresh assessment.
- Further, it is proposed to make consequential amendment in section 153(3) of the Act in order to provide the time limit for disposal of cases which are set aside by the Commissioner (Appeals).

Miscellaneous Amendments

Miscellaneous amendments

- On items falling u/s 194J, TDS should be done u/s 194J itself. Deducting TDS u/s 194C will not be valid compliance.
- Equalisation levy at 2% on certain e commerce transactions abolished
- Expenses incurred for settling certain notified disputes will not be allowable u/s 37
- New Vivad Se Viswas Scheme 2024 to settle pending appeals (CH IV of FB) – Appeal pending on 22.07.2024 – Cut of date 31.12.2024 / 31.01.2025 –.
- Black money Act – disclosure of foreign assets other than immovable property in Indian ITR – limit enhanced from Rs. 5 lakhs to Rs. 20 lakhs
- TDS / TCS on goods u/s 194Q / 206C(1H) – lower TDS / TCS permissible subject to S197.
- 6 years' time frame introduced for filing TDS / TCS correction returns
- Amendments rationalising the time limit for completion of certain proceedings are also proposed.

AMENDMENTS IN TAX RATES

Amendments in tax rates

- Tax rates under the old tax regime remain the same
- Tax rates u/s 115BAC for AY 2025-26 are as under

PRESENT RATES		PROPOSED RATES	
Up to Rs. 3,00,000	Nil	Up to Rs. 3,00,000	Nil
Rs. 3,00,001 – Rs. 6,00,000	5%	Rs. 3,00,001 – Rs. 7,00,000	5%
Rs. 6,00,001 – Rs. 9,00,000	10%	Rs. 7,00,001 – Rs. 10,00,000	10%
Rs. 9,00,001 – Rs. 12,00,000	15%	Rs. 10,00,001 – Rs. 12,00,000	15%
Rs. 12,00,001 – Rs. 15,00,000	20%	Rs. 12,00,001 – Rs. 15,00,000	20%
Above Rs. 15,00,000	30%	Above Rs. 15,00,000	30%

For an income of Rs.15 lakhs present tax is Rs.1,50,000 whereas the proposed tax would be Rs. 1,40,000

Amendments in tax rates

- WEF AY: 2025 – 26, rates of tax for foreign companies is reduced to 35% from 40%.
- Tax rate in respect of certain capital gains vis-a-vis FY 2024-25

Sl.No.	Income	Transfers before 23.07.2024	Transfers on or after 23.07.2024
(1)	long-term capital gains referred to in section 115E (Ch XIA – Non residents)	10%	12.5%
(2)	long-term capital gains referred to in sub-clause (iii) of clause (c) of sub-section (1) of section 112 (unlisted shares in closely held companies)	10%	Omitted
(3)	long-term capital gains referred to in section 112A exceeding Rs. 1,25,000 (presently Rs. 1,00,000) (LTCG on listed securities)	10%	12.5%
(4)	long-term capital gains [not being long- term capital gains referred to in clauses (33) and (36) of section 10] (Any other LTCG)	20%	12.5%
(5)	short-term capital referred to in section 111A (STCG on listed securities)	15%	20%

THANK

YOU