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GREENWISE

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BUDGET 2024



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Greenvissage Business Consulting LLP

LLPIN: AAB-9132



PUNE

106, Mayfair Tower I,
Wakdewadi, Pune – 411005, India

[Google Maps](#)

7, Kunal Puram Commercial Complex,
Opp Atlas Copco, Old Mumbai – Pune Highway,
Dapodi, Pune – 411012, India

[Google Maps](#)

MUMBAI

904, 9th Floor, Bhumiraj Costarica,
Off Palm Beach Road, Sector 18, Sanpada,
Navi Mumbai – 400705, India

[Google Maps](#)

Email: info@greenvissage.com

Call: +91 20 6764 0900

Disallowance for delayed payments to MSME?

TDS Rates

Indexation benefit

Education budget

Andhra Pradesh ↑

Bihar ↑

Capital expenditure

New tax regime ↑

STT Rates

No widening of taxbase

6.0 /10

Buyback of Shares

Previous budget = 8.5 (2.5 ↓)

“Simplification of tax payment” collection

Capital Gains



Rationalisation of provisions

Intent to simplify taxes

What happened to Disinvestment?

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EDITORIAL KEYNOTE

Every year the finance minister presents the budget of the country in the Lok Sabha. Budget explains how the government is planning to collect taxes or earn through other sources and how the government is going to spend the same. Governments in developing countries, usually spend more than the earnings by borrowing funds from market or other countries, as higher spending means better public infrastructure and other schemes for developments in the country. The budget papers contain details about how the government performed in past years, its estimate for ongoing year and budgets for next year. During budget speech, the finance minister talks about the highlights of his budget explaining the key developments that the Government intends to bring, the expected deficit as a result of spending and sources of borrowing and the changes in the tax structures and legal provisions to implement the budget.



Taxes like England, services like Somalia?

Backdrop

As India stands on the brink of a transformative economic era, Finance Minister Nirmala Sitharaman unveiled the 2024 Union Budget, marking her record-breaking seventh consecutive budget presentation, and the eleventh by the Narendra Modi administration. That sounds like a stage for a strong foothold of the government and stable policy-making. However, this year's budget holds a distinctive significance, not only due to its historical context but also because of its unique political backdrop. Unlike previous years, this budget reflects a notable shift influenced by the complexities of coalition politics. With a specific focus on key states like Andhra Pradesh and Bihar, the budget promises targeted investments and strategic announcements aimed at addressing regional disparities and fostering inclusive growth. As the Modi government continued its tenure, the 2024 budget arrived with heightened anticipation, signalling both a continuation of established economic policies and a nuanced response to the evolving political landscape. However, the budget proposals didn't go down well with a large section of the citizens – at least that's what social media responses say! But if you are smart enough, you would know that social media isn't what it used to be. So, we present here the budget again – summarized, simplified and in layman's terms so that you can deinfluence impressions and declutter opinions yourself, and instead form your intelligent opinion and ponder upon the state of the country and where we are headed. So, "Are you paying taxes like in England and getting services like in Somalia?" is a question that we seek your informed opinion on, instead of answering ourselves. However, there are a few points that we can demystify for you.

High taxes aren't the real issue

When compared globally, India's tax rates can seem high, especially in terms of direct tax rates and other indirect taxes combined. However, they are not necessarily out of line with other developing nations. For instance, India's corporate tax rates have been reduced in recent years to make them more competitive globally and the new tax regime has attempted to ease the pain of lower middle-income groups. Lower-income groups who barely make their living do not need to invest in tax-saving schemes to save taxes under the new tax regime. India's aim of 'Viksit Bharat 2047' i.e. becoming a developed nation by 2047 would require heavy infrastructure investment and upgrade of public utilities and services. And this money is not going to come out of the thin air. Anybody guesses that the taxpayers have to contribute to it. We know it and as a responsible citizen would love to see our country succeed and be willing to contribute to the nation building. So, paying taxes isn't the real problem, the issue, on the contrary, is how the taxes are collected and utilised, and their results.

Issue 1 – Tax Laws and Services

Firstly, the tax laws in India are complicated as Governments try to appease different social groups and vote banks. Meanwhile, the super-intelligent Indians who find loopholes, and litigations as a result of the same, have further complicated the tax laws. As a result, honest taxpayers end up facing far more hassles while paying taxes. People would prefer a simple tax structure and hassle-free experience of paying taxes any day even if it means paying slightly higher taxes. Tax payment should be simple and there should be some direct incentive to pay tax, and not fear-mongering over not paying taxes. Heck, even the temples put up the names of their biggest donors and allow special Poojas to such devotees – it is the whole experience that allows them to pay out of love and not fear. Meanwhile, Indian taxpayers have to face scrutiny even after paying taxes while people sitting next to them who haven't paid taxes are relaxed and never had any encounter with tax departments. Take GST or TDS for example – businesses work as free tax collection agents of the Government and the efficiency with which this is carried out is a fact that has never been appreciated. The Tax Department should act like a service provider rather than a collection agent – that's when the honest taxpayers will start 'contributing through taxes' instead of 'getting rid of hassles'. ITD needs a perception makeover!

Issue 2 – Utilisation of Taxes

Then, there is an issue with the Government's utilisation of the funds. If you are listening to the Budget Speech in excitement and not from



the state of Andhra Pradesh or Bihar, you would certainly feel disheartened when you hear the allocations being made to a few states. Sure, other states would have received allocations for their projects and didn't get mentioned in the budget, however, that still doesn't explain the special mention to a few states, or actually, it does explain a lot about the current state of the government behind the curtains. The Finance Minister is well-known to skip announcing the devils in the budget speech which are later discovered in budget papers e.g. Indexation benefit this year. The Finance Minister could have easily skipped special mentions to 'Kingmaker' states, however, clearly, she mentioned because she had to, and not because she wanted to. Such announcements distort the perception of the public and the taxpayers forever – people have accepted the fact that this is going to happen if there is a coalition government. This is only one example amongst many others. Government policy announcements often categorize the whole nation into different groups where some get more benefits while many others feel left out of the budget. While the defence budget keeps increasing each year, the decline in the share of the education budget is disheartening – our borders might be safer, but illiteracy and unemployment are making it unsafe to live inside them. The disparity between the budget allocations and how the government prioritizes even the less deserving sectors over more pressing issues is depressing for an honest taxpayer.

Issue 3 – End Result of Taxes

Even if the government simplifies the tax laws, improves its services and allocates the funds more fairly, there is still one major roadblock that is hard to overcome – the end outcome. It is no secret that the Indian governance system is full of corruption and that there is a rampant misuse of tax money. Government advertisements are more prominent and well-built than the bridges connecting the towns. Even if funds are allocated for certain projects, the end outcome that we see from the project doesn't justify the budget for the same. Let's start with a small project like the New Income Tax Portal – aimed at improving tax services and fair utilisation of taxpayers' money – two boxes checked – the third one? The government paid a staggering 164.50 crore between 2019 and 2021, to Infosys, to build this 'modern, state of the art, technologically advanced and user-friendly' portal which has made ITR filing 'quick, easy and hassle-free' – if you know, you know! We don't know whom to blame – The government or Infosys, but certainly there is one question that needs to be answered – "Why does this happen with Public Projects only?" It is not like Infosys is an inefficient company or not capable of doing better. The seriousness with which public money is handled in India is quite low. Unless the governance system starts valuing public money, the honest taxpayer is never going to get the value back for the taxes paid and this results in questioning the whole point of paying taxes.

Issue 4 – Milking the Taxpayers

In 2012-13, 1.25 crore non-zero tax returns were filed which resulted in personal tax collection of 2 lakh crore. By 2022-23, the number of non-zero tax returns has increased 1.8 times to 2.24 crore. However, the tax collection has increased 4 times to 8.34 lakh crore. The government is filling its coffers with existing taxpayers, instead of expanding its base to cover more citizens. Even after having a majority in the parliament and a stable government for the last ten years, the Government has failed to widen its tax base. Honest taxpayers end up paying more taxes as taxes are increased or exemptions are withdrawn, taking the burden of direct taxes upon themselves, while certain groups continue to enjoy tax-free status or special exemptions. On the other hand, India's tax system is progressive, with higher rates for higher income brackets. This means that wealthier individuals and businesses pay a higher percentage of their income in taxes, which is intended to address income inequality. For many middle-income earners, however, the perceived tax burden can feel significant, especially when combined with indirect taxes like GST. Meanwhile, wealthier people have access to exclusive ways of saving in taxes through tax policies or fancy tax avoidance methods that result in their wealth growing disproportionate to the real taxes paid. To sum up, the rich aren't getting taxed fairly, the poor aren't liable to pay tax and many remain untouched by taxes, and thus, the middle-income class continues to be taxed disproportionately because they are neither rich, nor poor, and not special.

Budget proposals that we admire

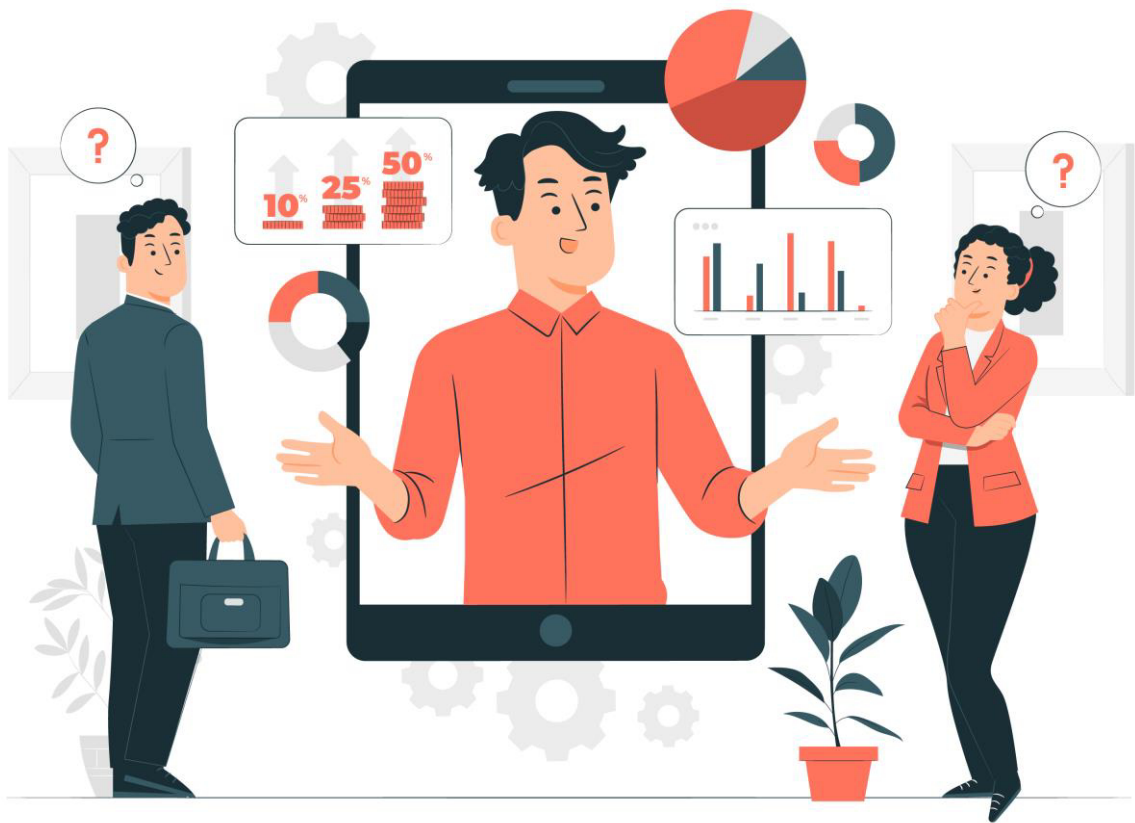
- ✓ **Fiscal Discipline** - The fiscal deficit target for FY25 is revised down to 4.9% of GDP, a reduction from the previously set 5.1%, aimed at enhancing macroeconomic stability and boosting investor confidence.
- ✓ **Employment and Skilling Initiatives** - Allocation of 2 trillion over five years for employment schemes benefiting 4.1 crore youth, including incentives for manufacturing job creation and new skilling initiatives.



- ✓ **Support for MSMEs** - Introduction of a credit guarantee scheme, revamped credit assessment models, and financial support mechanisms for MSMEs, including mandatory onboarding in TReDS to improve liquidity.
- ✓ **Energy Security Strategies** - Launch of the PM Surya Ghar Muft Bijli Yojana for rooftop solar installations and investments in R&D for nuclear energy and pumped storage projects to diversify the energy mix and reduce dependence on fossil fuels.
- ✓ **Next-Generation Reforms** - Introduction of measures for structural reforms in land, labour, capital, and entrepreneurship to enhance productivity and competitiveness, including improved land digitization and regulatory streamlining.
- ✓ **Increased Allocation for Renewable Energy** - 46% increase in funding for renewable energy, including significant investments in solar energy and green hydrogen, with a focus on achieving 500 GW of non-fossil fuel capacity by 2030.
- ✓ **Promotion of Domestic Solar Manufacturing** - Expansion of exempted capital goods for solar panel manufacturing and establishment of a Critical Mineral Mission to secure essential minerals for energy transition.
- ✓ **Pumped Storage Policy** - Introduction of a policy to promote pumped storage projects, addressing renewable energy intermittency and enhancing grid stability.
- ✓ **Electric Vehicle (EV) Push** - Emphasis on expanding EV manufacturing capabilities and charging infrastructure to reduce greenhouse gas emissions and promote sustainable mobility.
- ✓ **Research and Development in Nuclear Energy** - Commitment to nuclear energy with proposed partnerships to develop Bharat Small Reactors and focus on new nuclear technologies.

Budget proposals that we criticise

- ✓ **Hike in LTCG Tax** - Increase in long-term capital gains (LTCG) tax rate from 10% to 12.5%, potentially deterring long-term investments and impacting investor sentiment.
- ✓ **Withdrawal of Indexation Benefit for Property Sales** - Reduction in LTCG tax on property sales from 20% to 12.5% but withdrawal of indexation benefits, increasing net tax liability for property sellers.
- ✓ **Continuation of New Coal Plants** - Ongoing plans for 80 GW of new coal-based power capacity despite advancements in renewable energy technologies that offer quicker and more economical alternatives.
- ✓ **Training Programs for Labor Transition** - Lack of training programs for workers transitioning from coal-based power sectors to renewable energy, which could hinder a smooth transition and address employment concerns.
- ✓ **Insufficient Support for Battery Storage** - No significant incentives or subsidies for battery storage technologies, which are crucial for stabilizing renewable energy sources and supporting the EV sector.
- ✓ **Lack of Incentives for Green Behavior** - The absence of direct tax incentives for individuals adopting green behaviours such as purchasing electric vehicles or installing solar panels, missing an opportunity to further promote climate-conscious consumption.
- ✓ **Education and Health Allocation Concerns** - Decrease in education allocation and only a small increase in health expenditure, potentially inadequate for addressing cognitive skills deficiencies and health sector needs.
- ✓ **Slow Implementation of Next-Generation Reforms** - Delays in the implementation of next-generation reforms due to incomplete outlines and funding allocations, could slow down anticipated productivity improvements.
- ✓ **Agri Productivity and Policy Challenges** - Limited success in improving agricultural productivity and ineffective previous missions, with ongoing issues like low productivity in certain regions and reliance on outdated crop patterns.
- ✓ **Urban Housing and Savings Issues** - The shift in affordable housing concepts and a decline in household financial savings, with insufficient adaptation in housing schemes to current urban realities.
- ✓ **Missed Opportunities in Labor Market Reforms** - Lack of focus on actualizing labour codes at the state level and addressing failures in private sector-run ITIs, which could impact the effectiveness of employment and skilling initiatives.
- ✓ **Impact of Free Cereals** - The marginal impact of free cereals on consumption and food prices, not adequately addressing the needs of the lower-income population whose real incomes are falling.



POLICY PROPOSALS

The prime focus of entire budget presentation is announcing schemes and missions that the government will be undertaking in the upcoming year. The entire budget is prepared accordingly while allocating the requisite amount to departments and missions. Although most people focus on the tax proposals, smart businesspeople focus on these announcements. This is because when government policy decides to spend on a particular project or subsidize or support any segment, there are business opportunities that emerge and the economic activity in the market is affected as a result of the same. This also reflects in the stock prices of segments / companies trading on the stock markets. A good study of the annual budget announcements can help you in many ways – a) Capture new upcoming opportunities created by the Government, b) Avail subsidies, grants, or concessions offered by the Government, c) Manage your finances by planning taxes and expenditure, d) Understanding impact on the economy, the industry and your business, or your employer's business, e) Making long term investment decisions based on sectors being focussed on, economic factors and tax implications of investment



In the Budget 2024, the government has laid out an ambitious roadmap to advance towards 'Viksit Bharat', emphasizing nine core priorities designed to drive inclusive growth and prosperity. This budget focuses on enhancing productivity and resilience in agriculture, boosting employment through skilling initiatives, and fostering human resource development while promoting social justice. Key areas such as manufacturing, urban development, energy security, and infrastructure are highlighted, alongside a commitment to innovation and next-generation reforms. These priorities aim to set the stage for transformative changes and build a strong foundation for future economic policies and actions. The key policy announcements made in the Budget 2024 are as follows:

Priority 1 – Productivity and Resilience in Agriculture

- ✓ **Agriculture Research Review:** A thorough review of agriculture research will focus on enhancing productivity and developing climate-resilient crop varieties, with funding available to both the public and private sectors.
- ✓ **Release of New Varieties:** Introduction of 109 new high-yielding and climate-resilient varieties across 32 field and horticulture crops.
- ✓ **Expansion of Natural Farming:** Initiatives to engage 1 crore farmers in natural farming within two years, supported by certification and branding, along with the establishment of 10,000 bio-input resource centres.
- ✓ **Pulses and Oilseeds Missions:** Strengthening the production, storage, and marketing of pulses and oilseeds to achieve self-sufficiency, focusing on mustard, groundnut, sesame, soybean, and sunflower.
- ✓ **Vegetable Production Clusters:** Development of large-scale vegetable production clusters near major consumption centres and promotion of Farmer-Producer Organizations, cooperatives, and start-ups for supply chain enhancement.
- ✓ **Digital Public Infrastructure (DPI):** Implementation of DPI in agriculture, including a digital crop survey for Kharif in 400 districts, and the creation of farmer and land registries covering 6 crore farmers.
- ✓ **Kisan Credit Cards:** Issuance of Jan Samarth-based Kisan Credit Cards in 5 states to support farmers.
- ✓ **Shrimp Production and Export:** Financial support for establishing Nucleus Breeding Centres for Shrimp Broodstocks and facilitating financing for shrimp farming, processing, and export through NABARD.
- ✓ **National Cooperation Policy:** Introduction of a National Cooperation Policy aimed at systematic development of the cooperative sector, boosting rural economic growth, and creating job opportunities.
- ✓ **Budget Provision:** Allocation of INR 1.52 lakh crore for the agriculture and allied sectors this year to support these initiatives.

Priority 2 – Employment and Skilling

- ✓ **Employment Linked Incentive Schemes:** Introduction of three schemes under the Prime Minister's package to boost employment through EPFO enrollment. Scheme A - First Timers: Provides one-month salary (up to INR 15,000) to new entrants into the workforce in the formal sector, with a salary cap of INR 1 lakh per month, benefiting approximately 2.1 crore youth. Scheme B - Job Creation in Manufacturing: Incentivizes additional employment in the manufacturing sector linked to hiring first-time employees, with benefits for both employees and employers over the first four years. Scheme C - Support to Employers: Offers reimbursement of up to INR 3,000 per month for 2 years towards EPFO contributions for additional employees earning up to INR 1 lakh per month, aiming to create 50 lakh new jobs.
- ✓ **Women Workforce Participation:** Enhances female participation through the establishment of working women hostels, creches, women-specific skilling programs, and promotion of women SHG enterprises.
- ✓ **New Skilling Programme:** Launches a centrally sponsored scheme to skill 20 lakh youth over five years, upgrade 1,000 Industrial Training Institutes, and align course content with industry needs.



- ✓ **Skilling Loans:** Revises the Model Skill Loan Scheme to offer loans up to INR 7.5 lakh with government-backed guarantees, benefiting 25,000 students annually.
- ✓ **Education Loans:** Provides financial support for higher education loans up to INR 10 lakh for domestic institutions, with e-vouchers for annual interest subvention of 3% for 1 lakh students each year.
- ✓ **Support for Emerging Needs:** New courses and skill training programs will be introduced to address emerging industry needs and align with future job market demands.
- ✓ **Collaboration with Industry:** Strengthens partnerships with state governments and industries to ensure skill development programs are relevant and effective.

Priority 3 – Inclusive Human Resource Development and Social Justice

- ✓ **Saturation Approach:** Commitment to comprehensive development for farmers, youth, women, and the poor through inclusive programs in education and health to empower all eligible individuals.
- ✓ **Support for Economic Activities:** Increased implementation of schemes for craftsmen, artisans, self-help groups, SC/ST and women entrepreneurs, and street vendors, including PM Vishwakarma, PM SVANidhi, National Livelihood Missions, and Stand-Up India.
- ✓ **Purvodaya Initiative:** Development plan for the Eastern states (Bihar, Jharkhand, West Bengal, Odisha, Andhra Pradesh) focusing on human resource development, infrastructure, and economic opportunities to drive regional growth.
- ✓ **Industrial and Infrastructure Development in Eastern India:** Support for industrial node development at Gaya, road connectivity projects (e.g., Patna-Purnea Expressway), and power projects, including a 2400 MW plant at Pirpainti.
- ✓ **Andhra Pradesh Reorganization Act Commitments:** Special financial support of INR 15,000 crore for Andhra Pradesh's capital needs, and funds for the Polavaram Irrigation Project and essential infrastructure in key industrial nodes.
- ✓ **PM Awas Yojana Expansion:** Allocation for three crore additional houses under the PM Awas Yojana to improve rural and urban housing.
- ✓ **Women-Led Development:** Over INR 3 lakh crore allocated for schemes benefitting women and girls to enhance their role in economic development.
- ✓ **Pradhan Mantri Janatiya Unnat Gram Abhiyan:** Launch of a scheme to improve the socio-economic conditions of tribal communities, covering 63,000 villages and benefiting 5 crore tribal people.
- ✓ **Banking Expansion in North-East:** Establishment of more than 100 India Post Payment Bank branches in the North East to expand banking services in the region.
- ✓ **Rural Development Provision:** Allocation of INR 2.66 lakh crore for rural development, including infrastructure, to support inclusive growth and development in rural areas.

Priority 4 – Manufacturing & Services

- ✓ **Support for MSMEs:** A comprehensive package for MSMEs includes financing, regulatory changes, and technology support to help them grow and compete globally.
- ✓ **Credit Guarantee Scheme for MSMEs:** Introduction of a scheme to facilitate term loans for MSMEs to purchase machinery without collateral, providing guarantee cover up to INR 100 crore through a self-financing guarantee fund.
- ✓ **New MSME Credit Assessment Model:** Public sector banks will develop an in-house credit assessment model based on MSMEs' digital footprints, improving credit evaluations beyond traditional asset or turnover metrics.



- ✓ **Credit Support During Stress:** A new mechanism will support MSMEs in the 'special mention account' (SMA) stage to continue accessing credit during financial stress through government-backed guarantees.
- ✓ **Enhanced Mudra Loans:** The Mudra loan limit will be increased to INR 20 lakh from INR 10 lakh for entrepreneurs who have successfully repaid previous loans under the 'Tarun' category.
- ✓ **Mandatory TReDS Onboarding:** Reduction of the turnover threshold for mandatory onboarding on the TReDS platform from INR 500 crore to INR 250 crore, including medium enterprises, to facilitate MSMEs' working capital access.
- ✓ **SIDBI Branch Expansion:** SIDBI will open new branches in major MSME clusters, expanding coverage to 168 out of 242 clusters within 3 years, with 24 branches opening this year.
- ✓ **Food Irradiation and Testing Units:** Financial support for 50 multi-product food irradiation units and 100 food quality and safety testing labs with NABL accreditation in the MSME sector.
- ✓ **E-Commerce Export Hubs:** Establishment of E-Commerce Export Hubs in public-private partnership mode to help MSMEs and artisans access international markets with integrated trade and export services.
- ✓ **Internship Program:** Launch of a scheme to provide internships at 500 top companies for 1 crore youth over 5 years, including a monthly allowance of INR 5,000 and a one-time assistance of INR 6,000.
- ✓ **Industrial Parks:** Development of "plug and play" industrial parks with complete infrastructure in or near 100 cities, and sanctioning of 12 industrial parks under the National Industrial Corridor Development Programme.
- ✓ **Rental Housing for Workers:** Facilitation of rental housing with dormitory-type accommodation for industrial workers in PPP mode, supported by VGF and commitments from anchor industries.
- ✓ **Shipping Industry Reforms:** Implementation of reforms in ownership, leasing, and flagging to enhance the Indian shipping industry's share and generate more employment opportunities.
- ✓ **Critical Mineral Mission:** Establishment of a Critical Mineral Mission for domestic production, recycling, and overseas acquisition of critical mineral assets, including technology development and financing mechanisms.
- ✓ **Digital Public Infrastructure Applications:** Development of DPI applications for productivity gains, business opportunities, and innovation in areas like credit, e-commerce, education, health, and urban governance.
- ✓ **Integrated Technology Platform for IBC:** Creation of an Integrated Technology Platform to improve the Insolvency and Bankruptcy Code (IBC) processes for consistency, transparency, and oversight.
- ✓ **Voluntary Closure of LLPs:** Extension of C-PACE services for the voluntary closure of LLPs to streamline and reduce closure times.
- ✓ **National Company Law Tribunals:** Strengthening of the IBC framework, establishment of additional tribunals, and reforms to expedite insolvency resolution and company law cases.
- ✓ **Debt Recovery Reforms:** Reforms and establishment of additional debt recovery tribunals to enhance and expedite the debt recovery process.

Priority 5 – Urban Development

- ✓ **Cities as Growth Hubs:** Development of cities as growth hubs through economic and transit planning, and orderly peri-urban development utilizing town planning schemes.
- ✓ **Creative City Redevelopment:** Formulation of a framework for brownfield redevelopment of existing cities, including enabling policies, market-based mechanisms, and regulations for transformative impacts.
- ✓ **Transit Oriented Development (TOD):** Development of TOD plans for 14 large cities with populations over 30 lakh,



including strategies for implementation and financing.

- ✓ **Urban Housing Expansion:** Under PM Awas Yojana Urban 2.0, addressing the housing needs of 1 crore urban poor and middle-class families with INR 10 lakh crore investment and INR 2.2 lakh crore central assistance over 5 years, plus interest subsidies for affordable loans.
- ✓ **Water Supply and Sanitation:** Promotion of water supply, sewage treatment, and solid waste management projects in 100 large cities, with emphasis on using treated water for irrigation and local tanks.
- ✓ **Support for Street Markets and Stamp Duty Reform:** Establishment of 100 weekly 'haats' or street food hubs annually for street vendors, and encouragement for states to moderate stamp duty rates and lower duties for properties purchased by women.

Priority 6 – Energy Security

- ✓ **Energy Transition Policy:** Introduction of a policy document to outline pathways for energy transition, balancing employment, economic growth, and environmental sustainability to ensure energy security.
- ✓ **PM Surya Ghar Muft Bijli Yojana:** Launch of the scheme to install rooftop solar plants, providing up to 300 units of free electricity monthly to 1 crore households, with over 1.28 crore registrations and 14 lakh applications so far.
- ✓ **Pumped Storage Policy:** A new policy to promote pumped storage projects for electricity storage, aiding in the integration of renewable energy by addressing its variable and intermittent nature.
- ✓ **Nuclear Energy R&D:** Partnership with the private sector for the development of Bharat Small Reactors and small modular reactors, with funding for research and development to enhance the nuclear energy sector.
- ✓ **AUSC Thermal Power Plants:** Development of Advanced Ultra Super Critical (AUSC) thermal power plant technology, with a full-scale 800 MW commercial plant to be set up by NTPC and BHEL, supported by fiscal incentives.
- ✓ **High-Grade Steel Production:** Investment in developing indigenous capacity for producing high-grade steel and advanced metallurgy materials for AUSC plants, generating economic benefits and strengthening the industrial base.
- ✓ **Roadmap for 'Hard to Abate' Industries:** Creation of a roadmap to transition industries from energy efficiency targets to emission targets, including regulations for moving from the 'Perform, Achieve and Trade' mode to the 'Indian Carbon Market' mode.
- ✓ **Energy Audit for Small Industries:** Investment-grade energy audits for traditional micro and small industries in 60 clusters, such as brass and ceramics, with financial support to shift to cleaner energy and implement efficiency measures.
- ✓ **Expansion of Energy Audit Scheme:** Replication of the energy audit and support scheme in an additional 100 clusters in the next phase to further improve energy efficiency and transition to cleaner energy in small industries.
- ✓ **Support for Energy Efficiency Measures:** Continued emphasis on providing support for energy efficiency measures across various sectors, enhancing the overall energy security and sustainability of the economy.

Priority 7 – Infrastructure Investment

- ✓ **Central Government Investment:** INR 11,11,111 crore was allocated for capital expenditure this year, representing 3.4% of GDP, to maintain strong fiscal support for infrastructure.
- ✓ **State Government Support:** Provision of INR 1.5 lakh crore in long-term interest-free loans to encourage states to invest in infrastructure.
- ✓ **Private Sector Investment:** Promotion of private infrastructure investment through viability gap funding, enabling policies, and a market-based financing framework.



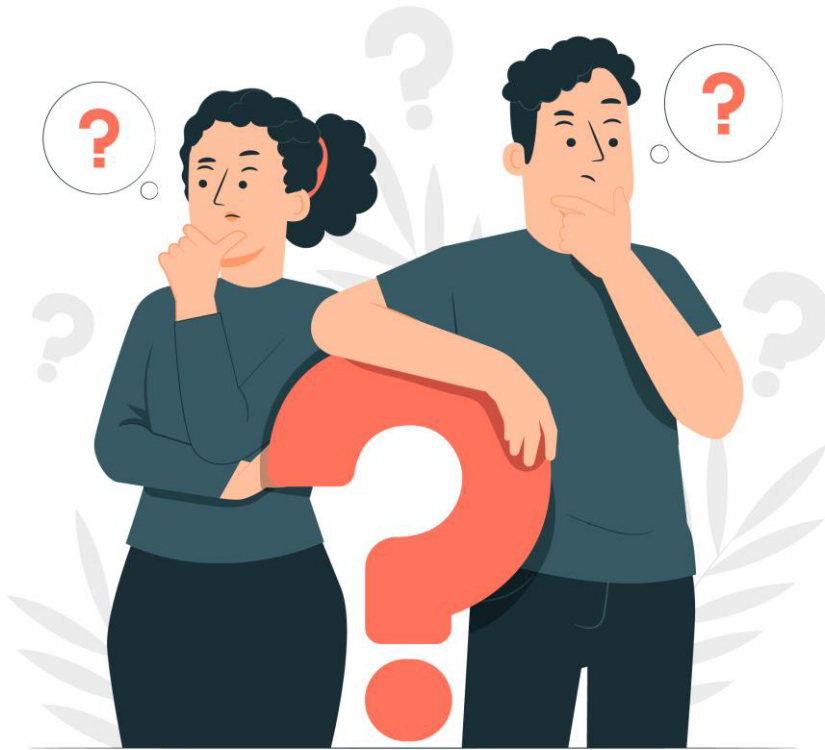
- ✓ **PMGSY Phase IV:** Launch of Phase IV to provide all-weather connectivity to 25,000 rural habitations.
- ✓ **Flood Control and Irrigation:** Financial support of INR 11,500 crore for flood control and irrigation projects, including the Kosi-Mechi link and other schemes in Bihar.
- ✓ **Assistance for Flood Management:** Support for flood management projects in Assam, Himachal Pradesh, Uttarakhand, and Sikkim.
- ✓ **Tourism Development:** Comprehensive development plans for Vishnupad Temple, Mahabodhi Temple, Rajgir, Nalanda, and Odisha's tourist attractions.

Priority 8 – Innovation, Research & Development

- ✓ **Anusandhan National Research Fund:** Operationalization of the fund for basic research and prototype development, with a financing pool of INR 1 lakh crore.
- ✓ **Space Economy Expansion:** Establishment of an INR 1,000 crore venture capital fund to expand India's space economy fivefold over the next decade.

Priority 9 – Next Generation Reforms

- ✓ **Economic Policy Framework:** Formulation of a framework to guide economic development and next-generation reforms for employment and growth.
- ✓ **Productivity and Efficiency Reforms:** Reforms to improve productivity across factors of production, including land, labour, capital, and technology.
- ✓ **Federal Collaboration:** Earmarking interest-free loans to incentivize states for faster implementation of reforms.
- ✓ **Land Reforms:** Implementation of land-related reforms for rural and urban areas, including digitization and improved management.
- ✓ **Labour Services:** Integration of e-shram portal with other systems to provide comprehensive services for employment and skilling.
- ✓ **Shram Suvidha & Samadhan Portals:** Revamp to enhance ease of compliance for industry and trade.
- ✓ **Financial Sector Vision:** Development of a vision and strategy document for the financial sector to guide growth and capacity-building.
- ✓ **Climate Finance Taxonomy:** Creation of a taxonomy for climate finance to support capital availability for climate adaptation and mitigation.
- ✓ **Variable Capital Company Structure:** Legislative approval for a flexible financing mode for leasing aircraft and ships and pooling private equity funds.
- ✓ **FDI and Overseas Investment:** Simplification of rules for foreign direct and overseas investments, including promoting the use of the Indian Rupee.
- ✓ **NPS Vatsalya:** Introduction of a new plan for minors that transitions seamlessly into a standard NPS account at maturity.
- ✓ **Technology Adoption:** Increased public and private sector investment in digital infrastructure to enhance access and efficiency.
- ✓ **Ease of Doing Business:** Progress on the Jan Vishwas Bill 2.0 and state incentives for business reform.
- ✓ **Data and Statistics Improvement:** Utilization of technology tools for better data governance, and collection.
- ✓ **NPS Review:** Ongoing review of the National Pension Scheme to address issues while maintaining fiscal prudence.



TAXATION UPDATES

At the time of presentation of the Budget before the Parliament, a Finance Bill is also presented detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the budgeted estimates. The Finance bill is introduced every year to give effect to the financial proposals of the Government for the subsequent financial year and any supplementary financial proposals for any period. In simple terms, Government presents its budget estimates in Annual Financial Statements, however, to achieve those estimates various laws may be required to be amended. A gist of all such amendments and other provisions is presented as a Finance bill. The finance bill can only be introduced in Lok Sabha and also requires prior recommendation of the President. Thus, before presenting budget in Lok Sabha, the salient features of the budget are first presented to President of India, then to the cabinet ministry and finally in the Lok Sabha.



Income tax



SECTION A – PERSONAL TAX

New tax regime becomes even more lucrative

Taxation under the new tax regime becomes even more lucrative. Changes in tax rates are as follows:

- ✓ For individuals and HUF, the tax slabs have been improved under the new regime. There will be no tax on total income up to INR 3,00,000. Thereafter, a 5% tax shall apply to income up to INR 7,00,000 instead of INR 6,00,000. Similarly, a 10% tax shall apply to income up to INR 10,00,000 instead of INR 9,00,000 slabs. Thereafter, the tax rates remain the same.
- ✓ There is no change in tax rates under the old regime of taxation.
- ✓ The foreign companies are now required to pay tax at the rate of 35% instead of 40%.
- ✓ There is no change in the basic exemption limit or tax rates for any other class of assessee.
- ✓ There is no change in the education cess rate.
- ✓ There is no change in tax rates for other types of taxpayers.

Standard Deduction

For taxpayers opting for the new tax regime under section 115BAC, the standard deduction under section 16(i) will be increased from INR 50,000 to INR 75,000. This means that taxpayers will be able to deduct a higher amount from their salary income before computing their taxable income. Similarly, for income from family pensions, the deduction under section 57(iia) will be raised from INR 15,000 to INR 25,000 for those using the new tax regime.

These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Contribution to Employees' Pension

Section 36(1)(iva) allows an employer to deduct contributions made to a pension scheme referred to in Section 80CCD, up to 10% of the employee's salary in the previous year. Meanwhile, Section 80CCD(2) provides that contributions by employers to an employee's pension scheme can be deducted up to 14% of the employee's salary in the case of Government employees and up to 10% of the employee's salary, in the case of others. With the latest amendments, the deduction limit for employer contributions is increased from 10% to 14% of the employee's salary. Employers can now contribute up to 14% of an employee's salary towards pension schemes, which will provide a larger tax deduction. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Threshold for Disclosure of Foreign Assets

Section 42 deals with the assessment and determination of undisclosed foreign income and assets. Section 43 addresses the penalty provisions related to the concealment of foreign income or assets. The proposed amendment introduces a threshold of 20 lakhs whereby the provisions of Sections 42 and 43 will not apply to assets excluding immovable property where the aggregate value of such assets does not exceed 20 lakhs. Taxpayers holding undisclosed assets below the 20 lakh threshold will benefit from simplified compliance requirements.



Individuals, HUF, AOP, BOI and AJP (Option A)

Income slab	Tax rate applicable (slab rates) for FY 2025
0 to 2,50,000	Nil
2,50,000 to 5,00,000	5% (no tax if total income less than 5 lakh)
5,00,000 to 10,00,000	20%
10,00,000 and above	30%

Note: For senior citizens with age between 60 to 80 years, income up to 3,00,000 is tax free. For super senior citizens with age above 80 years, income up to 5,00,000 is tax free.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, above 1 crore – 15%, Capital Gains – Maximum 15%

Individuals, HUF, AOP, BOI and AJP (Option B)

Income slab	Tax rate applicable (slab rates) for FY 2025
0 to 3,00,000	Nil
3,00,000 to 7,00,000	5% (no tax if total income less than 7 lakh)
7,00,000 to 10,00,000	10%
10,00,000 to 12,00,000	15%
12,50,000 to 15,00,000	20%
15,00,000 and above	30%

Note: 70 different exemptions and deductions cannot be claimed under this option. The rates are same for all irrespective of their age, under this option.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 50 lakh – Nil, 50 lakh to 1 crore – 10%, 1 crore to 2 crore – 15%,
2 crore and above – 25%, Capital Gains – Maximum 15%

Partnership Firms, LLP, Local Authority

Partnership firms and Limited Liability Partnerships (LLP) are taxable at 30%. There are no tax slabs or basic exemption limits for these entities. There's no alternate tax regime for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
Up to 1 crore – Nil, Above 1 crore – 12%

Higher education cess at 4% on the amount of income tax and surcharge, is applicable to all taxpayers.



Domestic Companies

Turnover in FY 2020	Tax rate applicable (flat rates) for FY 2025
0 to 400 crore	25% (or 15% MAT, whichever is higher)
400 crore and above	30% (or 15% MAT, whichever is higher)
Option under 115BA (manufacturing companies formed after March 1, 2016 and not opting for deductions or setoff of losses)	25% (or 15% MAT, whichever is higher)
Option under 115BAA (any company not opting for deductions or setoff of losses)	22% (MAT not applicable)
Option under 115BAB (manufacturing companies formed after October 1, 2019 commencing production before March 31, 2023 and not opting for deductions or setoff of losses)	15% (MAT not applicable)

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 7%, above 10 crore – 12%
 If opted for 115BAA or 115BAB – 10%

Foreign Companies

Foreign companies are taxable at **35%**. There are no tax slabs, exemption limits or alternate tax regimes for these entities.

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 2%, above 10 crore – 5%

Co-operative Societies

Income slab	Tax rate applicable (slab rates) for FY 2025
0 to 10,000	10%
10,000 to 20,000	20%
20,000 and above	30%
Option under 115BAD (for resident co-operative societies, if they forgo specified deductions and setoff of losses.)	22% (AMT not applicable)
Option under 115BAE (for resident co-operative societies, if they forgo specified deductions and setoff of losses.)	15% (AMT not applicable)

On the above tax, surcharge is applicable at following rates, based on total income: (flat rates)
 Up to 1 crore – Nil, 1 crore to 10 crore – 7%, above 10 crore – 12%, If opted for 115BAD – 10%

Higher education cess at 4% on the amount of income tax and surcharge, is applicable to all taxpayers.



TCS credit while deducting TDS on Salary

Section 192 of the Income Tax Act governs the deduction of tax at source (TDS) on salary income. Sub-section (2B) allows for consideration of income under any other head and the corresponding tax deducted thereon for computing the TDS on salary. Employees were facing difficulties as TCS (Tax Collected at Source) and other forms of TDS, were not accounted for while computing the TDS on salary. After amendments, TCS and all forms of TDS will have to be considered in the calculation of TDS on salary. This adjustment will help employees avoid cash flow issues and reduce the need for claiming refunds, thus simplifying compliance and administrative procedures. These amendments will take effect from October 1, 2024.

ESOPs will not be covered under Section 47(iii)

Section 47(iii) excludes certain transfers from the purview of capital gains tax, including those made under a gift, will, or irrevocable trust. First Proviso to Section 47(iii) makes an exception for specified Employee Stock Option Plans (ESOPs), where capital gains tax applies. Meanwhile, section 50D requires the fair market value (FMV) to be considered as the full value of consideration when the actual consideration is not ascertainable. Section 50CA mandates that the FMV of unquoted shares be used as the consideration if it exceeds the actual consideration received or accruing. Certain taxpayers have litigated that gifts of shares by companies should not be subject to capital gains tax as Section 47(iii) applies to the same. Therefore, section 47(iii) has been amended to specify that the exclusion applies only to transfers made by an individual or a Hindu Undivided Family (HUF). Transfers made by entities such as companies will no longer be exempt under this clause. Thus, Gifts and transfers of capital assets made by individuals or HUFs will still benefit from the exclusion from capital gains tax. Gifts of shares or other capital assets by companies or entities will be subject to capital gains tax based on the FMV provisions. These amendments will be effective from April 1, 2025, and shall apply from financial year 2025-26 onwards.

TDS withheld on Foreign Income

Section 198 of the Income Tax Act stipulates that any sum deducted or tax deducted at source (TDS) is considered part of the income of the taxpayer. It has been observed that some taxpayers while reporting foreign income, do not include the tax withheld in income when calculating their total income. This results in the total income being under-reported since only the net income (after

foreign tax deduction) is being offered for taxation. It is proposed to amend Section 198 to clarify that all sums deducted following Chapter XVII-B, as well as income tax paid outside India for which a credit is allowed under the Act, should be deemed as income received to compute the total income of the assessee. This amendment will be effective from October 1, 2024.

SECTION B – BUSINESS INCOME

Remuneration to Working Partners

Section 40(b) of the Income Tax Act outlines the amounts that cannot be deducted when computing the income under the head Profits and gains of business or profession. Section 40(b)(v) disallows deductions for payments of remuneration to working partners in a partnership firm if such payments exceed certain limits. For the first INR 3,00,000 of the book profit, the allowable deduction is either INR 1,50,000 or 90% of the book profit, whichever is higher. For the balance of the book profit, the allowable deduction is 60% of the remaining book profit. Now, after amendments, for the first Rs. 6,00,000 of the book profit, the allowable deduction is increased to INR 3,00,000 or 90% of the book profit, whichever is higher. For the balance of the book profit, the allowable deduction remains at 60% of the book profit. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Settlement expenses are disallowed

Section 37 provides that expenditures laid out or expended wholly and exclusively for business or profession are allowable as deductions. However, any expenditure incurred for purposes that are offences or prohibited by law is not deductible. These expenditures include expenses for offences under laws enacted in or outside India and to provide benefits or perquisites in violation of laws or regulations. Settlement amounts paid to resolve legal contraventions are currently being claimed as business expenses by some taxpayers. Since these settlements arise from infractions of laws, they are not legitimate business expenses and should not be deductible. The proposed amendment aims to clarify that any expenditure incurred by an assessee to settle proceedings related to contraventions under any law is considered an expenditure incurred for any purpose which is an offence or which is prohibited by law.

Abolition of Angel Tax

Section 56(2)(viib), introduced by Finance Act, 2012, was inserted



to address the issue where private companies issue shares at a premium. If a company (not listed on stock exchanges, hence a private company) receives consideration from a resident for issuing shares that exceed their face value, the excess amount over the fair market value of the shares is treated as income and is taxable under the head Income from other sources. The government has decided to discontinue the application of this provision. Investors buying shares at a premium from private companies (usually startups) will no longer face tax implications related to the excess amount over face value under this section. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Arms Length Price for Domestic Transactions

Taxpayers are required to file an audit report under Section 92E detailing all international transactions and SDTs undertaken during the year. Section 92CA allows the Assessing Officer to refer matters concerning the determination of Arm's Length Price to the TPO, with prior approval from the Principal Commissioner or Commissioner. However, if a transaction is not reported in this audit report, the AO would typically not be aware of it to make a referral to the TPO. Therefore, Section 92CA(2A) and (2B) enable the TPO to determine the ALP not referred by the AO, and those not detailed in the audit report. Presently, these provisions apply only to international transactions. The TPO will be empowered to determine the ALP for SDTs not included in the audit report or not referred by the AO. This ensures that all relevant transactions are covered, irrespective of whether they were initially reported or not. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Disclosing Income from House Property in ITR

Some taxpayers have been incorrectly reporting rental income from letting out house property under the head Profits and Gains of Business or Profession rather than under the appropriate head Income from House Property. This misclassification allows them to reduce their tax liability substantially. Income from House Property does not allow the same level of deductions as business income. It is generally subject to specific rules and deductions such as a standard deduction of 30% of the net annual value, along with municipal taxes paid. Clarification has been added in section 28 that income from letting out of a residential house or a part of it by the owner must be reported under Income from House Property and not under Profits and Gains of Business or Profession. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

SECTION C - CAPITAL GAINS

Changes in the Holding Period for Capital Gains

Capital gains are classified as short-term or long-term based on different holding periods for various assets. For instance, listed equity shares - 12 months, unlisted shares - 24 months, Immovable property - 24 months, Bonds and debentures - 36 months. The holding period will now have only two categories - 12 months and 24 months. The holding period has been reduced to 12 months for listed equity shares, units of equity-oriented mutual funds, and units of business trusts (previously 36 months for business trusts). The holding period for all other assets such as bonds, debentures, unlisted shares, immovable property and gold reduced from 36 months to 24 months. These amendments will take effect from July 23, 2024.

Changes in the Tax Rates for Capital Gains

Short-Term Capital Gains are currently taxed at 15% under section 111A for STT-paid equity shares, units of equity-oriented mutual funds, and units of business trusts. This rate has been increased to 20%. Long-Term Capital Gains are currently taxed at 10% under section 112A for STT-paid equity shares and at 20% with indexation under section 112A for other assets. Now, one single tax rate of 12.5% shall apply to all assets. The indexation benefit has been permanently removed. Exemption of 1 lakh for LTCG on equity shares, equity-oriented mutual funds and units of business trust has been increased to 1.25 lakh. Unlisted bonds and debentures will be taxed at applicable slab rates whether held for short-term or long-term. The tax rates for long-term and short-term capital gains between resident and non-resident assesseees are now the same. Sections 115AD, 115AB, 115AC, 115ACA, and 115E have been amended to bring rates in line with those proposed for residents. These amendments will take effect from July 23, 2024.

Definition of Specified Mutual Funds

The Finance Act, of 2023 introduced Section 50AA, which established a special taxation regime for Market Linked Debentures and Specified Mutual Funds. Under this regime, gains from such instruments were deemed to be short-term capital gains, irrespective of the holding period. However, the previous definition of Specified Mutual Fund has raised concerns among various stakeholders. The requirement that a specified mutual fund must invest more than 35% in equity shares has adversely impacted funds that invest less than 35% in equity but are still not purely debt-oriented, such as ETFs and Gold Funds. Further, ambiguity existed regarding the classification of FoFs, which



invest in other mutual funds. To address these issues and provide greater clarity, the definition of Specified Mutual Fund under Section 50AA will be revised to (a) A mutual fund that invests more than 65% of its total proceeds in debt and money market instruments, (b) A fund that invests 65% or more of its total proceeds in units of a fund described in sub-clause (a). These amendments will be effective from April 1, 2025, and shall apply from financial year 2025-26 onwards.

Buyback of shares is now Dividend Distribution

Special tax provisions were introduced by the Finance Act, of 2013, requiring domestic companies to pay tax on the distributed income from the buyback of shares. This was in addition to the income tax chargeable on the company's total income. However, with the removal of the Dividend Distribution Tax (DDT) by the Finance Act, 2020, the tax treatment of buy-back needs to be updated. Therefore, the sum paid by a domestic company for the buy-back of its shares will be treated as a dividend in the hands of shareholders. This income will be taxable at the applicable rates for the recipient. No deductions for expenses will be allowed against this dividend income. The buy-back will also result in a capital loss for the shareholder. The value of consideration received for the buy-back will be treated as nil to calculate this capital loss. This loss can be carried forward and set off against future capital gains. These amendments will take effect from October 1, 2024.

Increase in STT rates

The Securities Transaction Tax (STT) was introduced via the Finance Act, of 2004. This tax is levied on transactions in specified securities and is collected by recognized stock exchanges, mutual funds, insurance companies, or lead merchant bankers involved in initial public offerings. The STT rate on the sale of options in securities will now be increased from 0.0625% to 0.1% of the option premium. The STT rate on the sale of futures in securities will be increased from 0.0125% to 0.02% of the price at which such futures are traded. The revised STT rates will be effective from October 1, 2024.

Taxation of Offer for Sale

Section 55(2)(ac) introduced a mechanism to determine the cost of acquisition for assets acquired before February 1, 2018, under section 112A. The cost of acquisition is the higher of the actual cost or the lower of the Fair Market Value (FMV) as of January 31, 2018, and the full value of consideration received upon sale. Explanation 3(iii) of Section 55(2)(ac) provides a method to determine FMV for equity shares not listed on January 31, 2018, but listed later, by

adjusting the cost of acquisition with the Cost Inflation Index (CII). Certain transactions, including Offer for Sale in Initial Public Offerings, were exempted from the requirement of STT payment at the time of acquisition. This led to a lacuna in determining the FMV for shares transferred through OFS since these shares are often unlisted on the date of transfer and listed only later. Some taxpayers have been claiming that capital gains on OFS shares are not taxable due to difficulties in determining FMV, given that the shares were unlisted at the time of transfer. Necessary amendments have been made to explicitly include shares transferred under an OFS route where STT is paid at the time of transfer. This includes shares not listed as of January 31, 2018, but listed subsequently. For such shares, FMV will be computed using the proportion of the Cost Inflation Index for the financial year 2017-18 relative to the CII for the first year the asset was held or for the year beginning April 1, 2001, whichever is later. The amendment will be deemed to have been inserted from April 1, 2018, and will apply retrospectively from the assessment year 2018-19 onwards.

SECTION D – WITHHOLDING TAXES

Changes in TDS Rates

To simplify the TDS framework by reducing rates and adjusting thresholds to improve ease of doing business and taxpayer compliance, TDS rates have been changed to reduce the number of different rates. Following is the summary of changes – Section 194D, 194DA, 194G, 194H, 194IB, 194M – Earlier 5%, now 2% and Section 194O – Earlier 1%, now 0.1%. TDS under section 194F has been discontinued. These amendments will take effect from October 1, 2024.

TDS on Remuneration to Partners

Currently, there is no requirement for partnership firms to deduct tax at source (TDS) on payments made to partners. This includes payments such as salary, remuneration, interest, bonus, or commission. To address the gap, a new section 194T will be introduced. This provision will mandate TDS on various payments made by a partnership firm to its partners. TDS will be applicable on aggregate amounts exceeding INR 20,000 in a financial year. The applicable rate for TDS will be 10%. These amendments will take effect from April 1, 2025.

TDS on Sale of Immovable Properties

Under section 194IA of the Income Tax Act, any person responsible for paying consideration for the transfer of immovable property



other than agricultural land must deduct tax at source at the rate of 1% of the higher of the consideration paid, or the stamp duty value of the property. TDS is not required if both the consideration and stamp duty value of the property are below INR 50 lakh. Some taxpayers are interpreting the INR 50 lakh threshold as applying to each payment rather than the total consideration for the property. This interpretation means that if a buyer pays less than INR 50 lakh at one time, no TDS is deducted, even if the total consideration for the property is more than INR 50 lakh. It is proposed to amend section 194-IA to clarify that the term consideration refers to the aggregate amount paid or payable by all buyers (transferees) to the seller (transferor) for the immovable property. This amendment will be effective from October 1, 2024.

Interest on Late Deduction or Deposit of TCS

Section 206C of the Income Tax Act governs the collection of tax at source (TCS) on transactions such as trading in alcoholic liquor, forest produce, scrap, etc. Sub-section (7) of Section 206C provides for the imposition of interest at a rate of 1% per month or part thereof for late payment of TCS to the Central Government. This interest is calculated from the date the tax was collectable until the date it is paid. The current interest rate for late payment of TCS is 1%, which is lower compared to the 1.5% interest rate for late deduction or deposit of TDS. To align the interest rates for late payment of TCS with those applicable for late TDS deposits, it is proposed to increase the interest rate under sub-section (7) of Section 206C. The revised rate will be 1.5% per month or part thereof on the amount of tax collected from the date it was collectable until the date it is paid. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

194C to exclude payments under 194J

Clause (iv) of the Explanation to Section 194C defines work for TDS under Section 194C but does not explicitly exclude payments covered under Section 194J. This has led to situations where some deductors incorrectly apply TDS under Section 194C instead of Section 194J. To resolve the confusion, it is proposed to explicitly state that any sum paid under Section 194J does not fall under the definition of work for Section 194C. This means that payments qualifying under Section 194J should not be subject to TDS under Section 194C.

Prosecution for Non-deposit of TDS

Section 276B of the Income Tax Act deals with the prosecution of a

person who fails to deposit tax deducted at source (TDS) to the credit of the Central Government. The section specifies that such a person is subject to rigorous imprisonment for a term not less than three months, which can extend up to seven years, along with a fine. It is proposed to amend Section 276B to include an exemption from prosecution. If a person who has deducted tax fails to deposit it by the due date, they will not be prosecuted if the payment is made to the credit of the Central Government on or before the due date for filing the TDS statement for that quarter under Section 200(3) of the Act. The amendment will come into effect from October 1, 2024.

Time Limit for TDS Orders

Section 201 deals with consequences for failing to deduct or remit tax. Under section 201 (3), there is a seven-year time limit for issuing orders deeming a person as an assessee in default for failures involving residents. However, no specific time limit applies for failures involving non-residents, leading to potential uncertainty. Section 206C relates to tax collected at source (TCS) and the consequences of not collecting or paying the tax. Under section 206(6A) the consequences for failure to collect or pay TCS has been prescribed, but does not prescribe a clear time limit for making such orders. It is proposed to introduce a time limit for making orders deeming a person as an assessee in default for failing to deduct or remit tax. No order shall be made after the expiry of six years from the end of the financial year in which the payment was made or credit was given, or two years from the end of the financial year in which the correction statement was delivered, whichever is later. Similar to Section 201, a new sub-section will be added to Section 206C to provide a time limit for making orders deeming a person as an assessee in default for failing to collect or remit TCS. These amendments will come into effect from April 1, 2025.

Exemption from TCS

Section 206C mandates the collection of tax at source (TCS) on various transactions such as the business of trading in alcoholic liquor, forest produce, scrap, etc. Certain entities whose income is exempt from taxation and are not required to file returns face difficulties due to the TCS provisions. It is proposed to grant the Central Government the power to notify specific persons, institutions, associations, or bodies that can be exempted from TCS or subject to a reduced TCS rate. The Central Government can now decide not to collect tax or to collect it at a lower rate for the specified transactions involving the notified persons or entities. These amendments are effective from October 1, 2024.



Lower TDS /TCS Certificate

Section 194Q and 206C(1H) which relate to the deduction of TDS or collection of TCS in case of purchase or sale of goods exceeding INR 50 lakhs from one single person during a financial year are now covered under the ambit of section 197. Thereby, one can opt for a lower deduction or lower collection certificate against the expected deductions under these sections. These amendments are effective from October 1, 2024.

TCS on Luxury Items

Under the existing Section 206C(1F), a seller of a motor vehicle with a value exceeding INR 10 lakh must collect TCS at the rate of 1% from the buyer on the sale consideration. This provision aims to track high-value transactions in motor vehicles. The scope of TCS under section 206C(1F) is now expanded to include other luxury goods, not just motor vehicles. The amendment will enable the Central Government to notify additional goods, valued above INR 10 lakh, that will also be subject to TCS. These amendments will take effect from January 1, 2025.

TCS credit on behalf of Minors

Section 206C of the Income Tax Act mandates the collection of tax at source (TCS) on various transactions such as trading in alcoholic liquor, forest produce, scrap, etc. However, the Act does not currently allow the credit of TCS to be claimed by anyone other than the actual collectee. Funds remitted under the Liberalized Remittance Scheme (LRS) of the Reserve Bank of India may be in the name of a minor. Consequently, TCS is collected under subsection (1G) of section 206C. Currently, there is no provision allowing the minor's parent to claim this TCS credit in their tax return. It is proposed to introduce a provision in Section 206C to allow the Board to notify rules that permit credit for TCS to be claimed by persons other than the collectee. This provision will specifically allow credit of TCS collected on behalf of a minor to be claimed by the minor's parent. These amendments will take effect from January 1, 2025.

Time Limit for Revised TDS /TCS Returns

A deductor can file a correction statement to rectify any mistakes or update information. Currently, there is no specified time limit for filing these correction statements, which could lead to indefinite revisions. Like TDS statements, there is no time limit for corrections in TCS statements as well. To address these issues, it is proposed that no correction statement can be delivered after the expiry of six years from the end of the financial year in which the

original TDS or TCS statement was delivered. These amendments are effective from April 1, 2025.

Penalty for Failure to Furnish Statements

According to section 271H(3), no penalty shall be levied if the person proves that after paying the TDS/TCS along with any applicable fees and interest to the credit of the Central Government, the TDS/TCS statement has been filed before the expiry of one year from the time prescribed for furnishing the statement. Under the proposed amendment, no penalty shall be levied if the person proves that after paying the TDS/TCS along with fees and interest to the credit of the Central Government, the TDS/TCS statement has been filed before the expiry of one month from the time prescribed for furnishing the statement. These amendments are effective from April 1, 2025.

SECTION E – TAX ASSESSMENTS

New Block Assessment Provisions

New block assessment provisions for cases of search under Section 132 and requisition under Section 132A aim to streamline the assessment process and address several issues associated with the assessment process and address several issues associated with the existing scheme. These changes are applicable from September 1, 2024, for searches under Section 132 or requisitions under 132A.

- ✓ Block Period will consist of six assessment years preceding the assessment year in which the search was initiated or requisition was made. The period includes the entire financial year of the search/requisition and ends on the date of the last authorization for search or requisition.
- ✓ Regular assessments for the block period will abate, and a single consolidated assessment will be conducted. No further assessments or reassessments for the block period will occur until the block assessment is complete.
- ✓ Tax at 60% of the total income for the block period, with no additional surcharge currently proposed. A 50% penalty on the tax payable for undisclosed income will be levied unless the income is voluntarily disclosed and taxed.
- ✓ Block assessment will be completed within twelve months from the end of the month in which the last authorization was executed or requisition made. For other persons, twelve months from the date of notice under Section 158BC.
- ✓ Evidence related to international or specified domestic transactions will not be included in the block assessment but will be considered under other provisions of the Act.
- ✓ Provisions of section 144C do not apply to block assessment proceedings.



- ✓ Notices and orders for block assessment will require prior approval from the Additional Commissioner/Director or Joint Commissioner/Director.

Assessment and Reassessment Provisions

Before initiating assessment, reassessment, or recomputation under Section 147, the Assessing Officer (AO) must issue a notice to the assessee. This notice will be accompanied by an order under Section 148A(3) determining it to be a fit case for assessment, and the assessee will be required to furnish a return of income within three months from the end of the month in which the notice is issued. The specified authority for Sections 148 and 148A will be the Additional Commissioner, Additional Director, Joint Commissioner, or Joint Director.

Notices under Section 148 can only be issued if the AO has information suggesting that income chargeable to tax has escaped assessment. Information from surveys conducted under Section 133A (excluding sub-section 2A) on or after September 1, 2024, will be included in this definition of information. If the AO has received information under Section 135A, notice under Section 148 will require prior approval from the specified authority.

The AO must provide an opportunity for the assessee to be heard by serving a notice to show cause why a notice under Section 148 should not be issued. This notice will be accompanied by the information suggesting that income chargeable to tax has escaped assessment. The AO will then pass an order with the prior approval of the specified authority, determining whether it is a fit case to issue a notice under Section 148. However, these provisions will not apply if the AO has received information under Section 135A

These amendments will take effect from September 1, 2024.

Time Limit for Issuing Assessment Notice

Under new provisions, no notice under Section 148A can be issued if three years have elapsed from the end of the relevant assessment year. However, if the escaping income amounts to or is likely to amount to INR 50 lakh or more, notice under Section 148A can be issued beyond three years but not beyond five years from the end of the relevant assessment year

Similarly, no notice under Section 148 can be issued if three years and three months have elapsed from the end of the relevant assessment year. However, if the AO possesses evidence related to assets, expenditures, or transactions amounting to INR 50 lakhs or more, notice under Section 148 can be issued beyond three years and three months but not beyond five years and three months from the end of the relevant assessment year.

These amendments will take effect from September 1, 2024.

Period of Limitation for Imposing Penalties

Section 275(1) specifies that a penalty order cannot be made after the expiry of the financial year in which the proceedings for imposing the penalty were completed, or six months from the end of the month in which the order from the Joint Commissioner (Appeals), Commissioner (Appeals) or Appellate Tribunal (ITAT) is received, whichever is later. The reference to the date of receipt of the order in the office of the Principal Chief Commissioner or Chief Commissioner creates ambiguity and complicates the calculation of the limitation period for imposing penalties. Therefore, the same has been omitted from Section 275. These amendments will take effect from October 1, 2024.

Withholding Refunds against Demands

The Assessing Officer can adjust a refund against any outstanding tax demand from the taxpayer under section 245. If a refund is due but assessment or reassessment proceedings are pending, the AO can withhold the refund with the approval of the Principal Commissioner or Commissioner of Income Tax. The period during which a refund can be withheld has been extended and now refund can be withheld up to the date of assessment or reassessment, instead of up to sixty days. These amendments will take effect from October 1, 2024.

New Vivaad Se Vishwas Scheme

A new Direct Tax Vivaad Se Vishwas Scheme, 2024 will be launched for the settlement of pending litigations, as the previous scheme received encouraging responses from the taxpayers.

SECTION F – INDUSTRY-SPECIFIC

No Equalisation Levy on E-commerce Operators

Equalisation Levy was introduced to tax online transactions where non-residents earn income from e-commerce activities in India. 2% on the amount of consideration received or receivable by e-commerce operators. From August 1, 2024, the 2% equalisation levy will no longer apply to consideration received or receivable for e-commerce supplies or services. For e-commerce supply or services made or provided or facilitated between April 1, 2020, and July 31, 2024, the income will continue to fall under clause (50) of section 10 of the Income Tax Act, which provides certain exemptions.



Tax Incentives to IFSC

Section 10(c) of the Income Tax Act, 1961, deals with the exemptions available for specified funds operating in the International Financial Services Centre (IFSC) in India. The existing tax exemptions under section 10(c) are available for specified funds, primarily those in the form of a trust, company, LLP, or body corporate, that are regulated by the International Financial Services Centres Authority (IFSCA). The definition of specified funds has been expanded to include retail funds and Exchange Traded Funds (ETFs) established in IFSC. These funds must be regulated under the International Financial Services Centres Authority (Fund Management) Regulations, 2022, and satisfy prescribed conditions to qualify for tax exemptions. Income of Core Settlement Guarantee Funds set up by recognized clearing corporations in IFSC will now be allowed for tax exemptions on the specified income of these funds.

Section 68 requires an explanation of the source of credited sums, but if the creditor is a Venture Capital Fund (VCF) or Venture Capital Company (VCC) registered with SEBI, this requirement does not apply. The relaxation for VCFs registered with SEBI will be extended to VCFs regulated by the IFSCA. The definition of VCF in Section 10(23FB) has been updated to include VCFs located in IFSC.

Section 94B limits interest deductions for Indian companies or foreign companies' permanent establishments in India on debt issued by non-residents, with specific exemptions for banking, insurance, and certain non-banking financial companies. The exemption from these restrictions will now be extended to finance companies located in IFSC, as defined by the IFSCA (Finance Company) Regulations, 2021. This means that finance companies in IFSC will be able to deduct interest expenses without being subject to the thin capitalization rules of Section 94B.

These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

New Tax Regime for Cruise Shipping

Section 44BBC has been introduced to create a presumptive taxation regime specifically for non-resident entities engaged in cruise ship operations. Under this new section, 20% of the aggregate amount received or receivable by, or paid or payable to, a non-resident cruise ship operator for carrying passengers will be deemed as profits and gains from this business. This section will be subject to prescribed conditions to be detailed by the authorities. The provisions of Section 44B will no longer apply to cruise ship operations. By providing a favourable tax regime and

exemptions, India aims to attract international cruise operators and increase global cruise tourism. These amendments will be effective from April 1, 2024, and shall apply from financial year 2024-25 onwards.

Under the existing regime, lease rentals received from foreign companies are taxable. Lease rentals paid by a company opting for the presumptive taxation regime under Section 44BBC will be exempt from tax in the hands of the recipient company if the recipient company is a foreign company and both the first company and the recipient company are subsidiaries of the same holding company under section 10(15B). This exemption will be available up to the financial year 2029-30.

Merger of Tax Regimes for Trusts

Sub-clauses (iv), (v), (vi), and (via) of section 10(23C) provide exemptions for various types of trusts, funds, or institutions. Meanwhile, sections 11 to 13 provide exemptions under different conditions and include a different procedure for approval/registration. Now, the first regime i.e. under sub-clauses (iv), (v), (vi), (via) of section 10(23C) is being phased out and applications for approval or provisional approval under this regime filed on or after October 1, 2024, will no longer be considered. These amendments will take effect from October 1, 2024.

Timeline for 80G and 12AB Registrations

Section 80G and 12AB provide approval for certain funds or institutions to receive donations that qualify for tax deductions in the hands of donors and include specific timelines and procedures for applying for and maintaining this approval. Where funds or institutions miss the application deadlines, there is an unintended permanent loss of approval, affecting their ability to receive deductible donations. Addressing the issue of unintended permanent exit from the approvals due to missed deadlines, a more practical timeframe for funds or institutions to apply for or renew their approval is being provided to ensure continuous eligibility to receive deductible donations. These amendments will take effect from October 1, 2024.



Goods and services tax



Removal of ENA from GST

The amendment to Section 9 of the Central Goods and Services Tax (CGST) Act, along with similar amendments in the Integrated Goods and Services Tax (IGST) Act and the Union Territory Goods and Services Tax (UTGST) Act, removes Extra Neutral Alcohol (ENA) from the scope of central tax when used in the manufacture of alcoholic liquor for human consumption. ENA is a key input in the production of alcoholic beverages. By excluding ENA from the GST, the amendment aims to streamline the tax process for the alcohol industry. This move can potentially reduce the tax burden on manufacturers of alcoholic beverages.

Powers to address non-levy or short-levy

The CGST Act currently includes provisions for the levy, assessment, and collection of central GST. It governs how tax is imposed, administered, and enforced. A new Section 11A is being proposed to empower the government to address issues related to non-levy or short levies of central tax that may arise due to general practices prevalent in trade. The proposed insertion of Section 11A into the CGST Act, along with similar provisions in the IGST Act, UTGST Act, and Cess Act, aims to empower the government to regularize cases of non-levy or short levy of taxes due to general practices prevalent in trade.

Time of Supply in case of RCM transactions

Section 13 of the CGST Act pertains to the time of supply of

services. It determines when the supply of services is deemed to occur, which is crucial for establishing the tax period in which the tax should be paid. Section 31(3)(f) currently provides the time limits within which a supplier must issue an invoice for goods and services, including those under reverse charge mechanisms. Under existing rules, the time of supply of services is generally determined by when the invoice is issued or when payment is made, whichever is earlier. For services where the recipient of the service is liable to pay tax under the reverse charge mechanism, the invoice must be issued by the recipient, which can complicate the timing of supply. The proposed amendment section 13(3) aims to clarify and specify the time of supply for services where the invoice is required to be issued by the recipient of the service under the reverse charge mechanism. An exemption has been provided from these provisions to a supplier registered solely for tax deduction at source under section 51.

Relaxation in the time limit to claim ITC

Section 16 of the CGST Act deals with the eligibility and conditions for availing of the input tax credit. Sub-section (4) of this section specifies the time limit within which input tax credit can be claimed. Registered persons can now claim an input tax credit for invoices or debit notes if they have filed the GSTR-3B by November 30, 2021. This is a relaxation from the original time limits prescribed under Section 16(4). The relaxation applies retrospectively from July 1, 2017, covering the initial years of GST



implementation, specifically financial years 2017-18, 2018-19, 2019-20, and 2020-21. If a registration is cancelled and subsequently revoked, the time limit to claim the input tax credit for invoices or debit notes from the period between cancellation and revocation is extended. The extended period for claiming ITC is until the date of filing the GSTR-3B return provided the return is filed within thirty days of the order of revocation of cancellation.

Restriction of Non-Availability of ITC

Section 17 of the CGST Act deals with the apportionment of input tax credit (ITC) and its eligibility for various purposes. The proposed amendment removes references to Sections 129 and 130 from Sub-section (5) of Section 17. The existing provision in section 17(5) restricts the availability of ITC in cases where tax demands are raised under Section 74 of the CGST Act, which deals with tax evasion and fraud. The amendment restricts this non-availability of ITC only to demands up to the Financial Year 2023-24. This means that for tax demands raised under Section 74 for periods before or up to FY 2023-24, ITC will not be available. However, for demands arising from FY 2024-25 onwards, this restriction will not apply.

Revocation of Cancellation of GST Registration

Section 30 of the Central Goods and Services Tax (CGST) Act pertains to the revocation of cancellation of GST registration. It outlines the procedure and conditions under which a registered person can request the reinstatement of their GST registration after it has been cancelled. A new proviso to section 30(2) provides an enabling clause to prescribe conditions and restrictions for the revocation of the cancellation of GST registration. The amendment will allow the government to set specific conditions and restrictions for the revocation of registration. Taxpayers seeking to reinstate their cancelled registration will need to comply with these newly prescribed conditions.

TDS deductors to file returns every month

Section 39 of the Central Goods and Services Tax (CGST) Act pertains to the filing of returns by registered persons. This section outlines the procedures and requirements for submitting GST returns. An amendment substitutes sub-section (3) to mandate the electronic furnishing of returns every month by registered persons who are required to deduct tax at source, regardless of whether any tax has been deducted in that month or not. Earlier, several taxpayers often skipped filing returns during months when there were no TDS transactions.

No ITC if exported goods are subject to duty

Section 54 of the Central Goods and Services Tax (CGST) Act deals with the process and conditions for claiming refunds, including those related to unutilized input tax credit (ITC) and integrated tax on zero-rated supplies. Section 54(3) currently allows for the refund of unutilized ITC and integrated tax on zero-rated supplies of goods or services. An amendment has been made whereby no refund of unutilized ITC or integrated tax shall be allowed if the zero-rated supply of goods is subject to export duty. This means that if goods are exported with an export duty levied, businesses cannot claim a refund on the ITC or integrated tax related to those goods. A new sub-section in Section 16 of the IGST Act will also reflect the restriction on the refund of ITC in cases where zero-rated supplies are subjected to export duty.

A representative can appear before a tax officer

Sub-section (1A) is being inserted into Section 70 to allow an authorized representative to appear on behalf of the summoned person before the proper officer. This amendment facilitates compliance with summons by enabling someone other than the summoned individual to represent them during the proceedings. Taxpayers will now have the option to appoint an authorized representative to appear on their behalf when summoned by tax authorities. Authorities will need to verify the credentials and authority of representatives to ensure that they are duly authorized to act on behalf of the summoned person.

Sunset clause for Sections 73 and 74

Sections 73 and 74 of the Central Goods and Services Tax (CGST) Act deal with the determination of tax not paid, short paid, or erroneously refunded. It provides the framework for assessing and demanding taxes under non-fraudulent circumstances. The amendment limits the applicability of Sections 73 and 74 to demands arising up to the financial year 2023-24. This means that for periods before FY 2024-25, the provisions of Sections 73 and 74 will be used to address tax demands.

New Section 74A for Assessments

Section 74A is being introduced into the Central Goods and Services Tax (CGST) Act to establish a unified framework for determining tax issues related to non-payment, short payment, erroneous refunds, or wrongly availed input tax credit starting from the financial year 2024-25. The section provides for a standardized limitation period for issuing demand notices and orders. This period applies regardless of whether the case involves



fraud, willful misstatement, or suppression of facts. While the limitation period is standardized, a higher penalty is prescribed for cases involving fraud, willful misstatement, or suppression of facts.

Maximum Pre-deposit in case of Advance Ruling

An amendment has been introduced to Section 107(6) of the CGST Act to reduce the maximum pre-deposit amount required for filing an appeal before the Appellate Authority from 25 crores to 20 crores.

Maximum Pre-deposit in case of Appeals

The maximum amount of pre-deposit required for filing an appeal before the Appellate Authority is being reduced from INR 50 crores to INR 40 crores of tax. The maximum pre-deposit amount for filing an appeal before the Appellate Tribunal is being reduced from INR 100 crores to INR 40 crores of tax.

Change in Authority for Anti-Profitteering

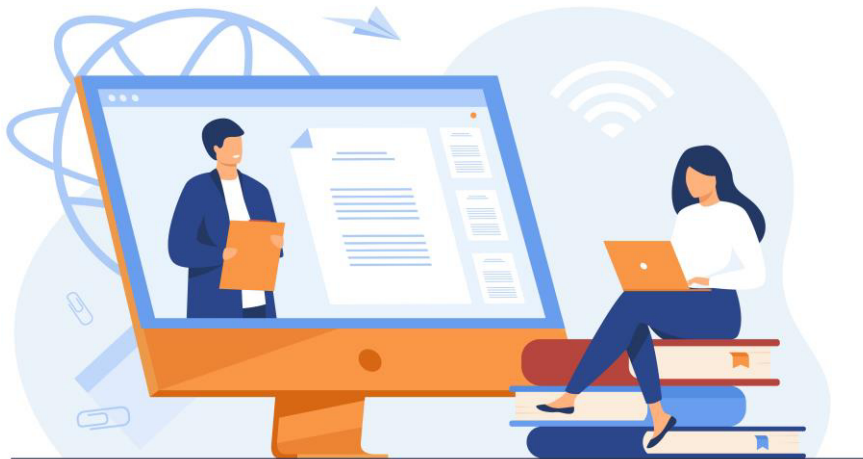
The amendments to Section 171 of the CGST Act involve the insertion of a proviso and explanation to manage the transition of anti-profitteering cases. The proviso empowers the Government to set a date from which the Authority will no longer accept new applications, while the explanation includes the Appellate Tribunal as a potential Authority for these cases.

Trans Credit for ISDs

The amendment to Sub-section (7) of Section 140 of the CGST Act enables Input Service Distributors (ISDs) to avail transitional credit for eligible CENVAT credit related to input services received and invoiced before the GST implementation date. This change, effective from July 1, 2017, aims to facilitate a smoother transition to the GST regime by ensuring that transitional credits are properly recognized and utilized.



Customs and foreign trade



Proof of Origin

Amendment to Section 28DA of the Customs Act, 1962, now allows for various types of proof of origin to be accepted, as specified in trade agreements, including self-certification. The requirement for a Certificate of Origin has been amended to Proof of Origin, allowing self-certification following trade agreements, which simplifies claiming preferential duty rates. This alignment aims to streamline customs processes and facilitate trade under new trade agreements.

MOOWR Scheme

A proviso to section 65(t) has been inserted to empower the Central Government to specify certain manufacturing and other operations concerning a class of goods that shall not be permitted in a warehouse. Therefore, the Central Government is empowered to specify certain manufacturing operations that are restricted under the MOOWR (Manufacture and Other Operations in Warehouse) scheme, aiming to prevent misuse and reduce disputes.

Trade Facilitation Measures

The amendment to Section 143AA expands the definition of who can benefit from trade facilitation measures by including “any other persons” beyond just importers and exporters. The Board is now empowered to prescribe procedures or documentation for trade facilitation beyond just importers and exporters, improving the ease of doing business. This change is intended to enhance the

efficiency and inclusiveness of trade processes, aligning with the broader goals of simplifying and facilitating international trade.

Reference to the Tariff Commission removed

Section 6 of the Customs Tariff Act, 1975, which allowed the imposition of protective duties based on the Tariff Commission's recommendations, is being omitted following the Commission's dissolution on June 1, 2022. Protective duties are tariffs imposed to protect domestic industries from foreign competition. The Tariff Commission, which was responsible for making recommendations on protective duties, was officially dissolved by the Government of India through a resolution dated 1st June 2022. This change will take effect from the enactment of the Finance Bill, 2024.

New Shipper Review

A provision for New Shipper Review has been added, effective from July 24, 2024. This review mechanism will allow new exporters to be evaluated separately, which may impact anti-dumping and countervailing duty assessments. A New Shipper Review is a process that allows new exporters to apply for a review of countervailing duties imposed on subsidized imports. This review can determine whether the duties should apply to these new entrants based on their practices and circumstances. The amendment necessitates the establishment of procedures for handling NSRs, including how new shippers can apply for the review, the criteria for evaluation, and how findings will be integrated into the existing countervailing duty structure.



Duty-Free Reimport of Goods

The duration for duty-free re-import of goods (excluding those under export promotion schemes) that were exported from India under warranty has been increased from 3 years to 5 years, with a further possible extension of 2 years. The time allowed for re-exporting aircraft and vessels imported for maintenance, repair, and overhaul has been extended from 6 months to 1 year, with a further extension of 1 year if needed. The requirement for re-exportation of foreign-origin articles imported for repair has been extended from 6 months to 1 year, with an additional possible extension of 1 year.

Exemption from GST Compensation Cess

Based on recommendations from the GST Council during its 53rd meeting, a change has been made regarding the GST Compensation Cess applicable to imports into Special Economic Zones (SEZs). GST Compensation Cess is exempted on imports made by SEZ units or developers for authorized operations, effective from July 1, 2017.

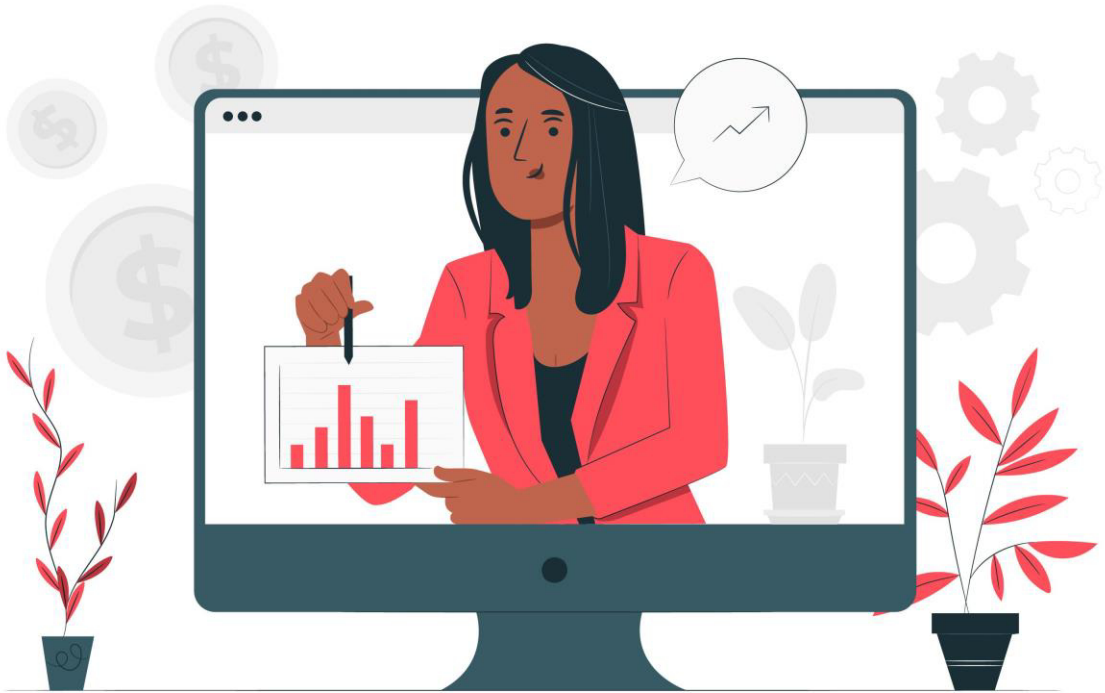
BCD and AIDC on Soyabean and Sunflower Oil

Notification No. 37/2023-Customs dated May 10, 2023, initially provided exemptions from Basic Customs Duty (BCD) and Agricultural Industrial Development Cess (AIDC) on imports of crude soyabean oil and crude sunflower seed oil. Amendment has been made to ensure that the exemption includes the period from the start of the financial year April 1, 2023, up to the date of the notification as well. The exemption is subject to the availability of

unutilized quota under the Tariff Rate Quota (TRQ) authorization for FY 2022-23, which is allotted by the Directorate General of Foreign Trade (DGFT).

Key Customs Tariff Changes

1. Crude Soyabean Oil and Crude Sunflower Seed Oil: Reduced Basic Customs Duty (BCD) and Agricultural Industrial Development Cess (AIDC) for imports.
2. Critical Minerals: BCD has been reduced for 27 critical minerals to support sectors like nuclear, renewable energy, space, and defence.
3. Medical Equipment: Customs duties reduced on specific medical equipment and three cancer drugs to enhance affordability and access.
4. Precious Metals: Duties on gold, silver, and platinum were reduced to boost domestic value addition in jewellery.
5. Textile and Leather Goods: BCD reduction on certain goods in the textile and leather sectors.
6. Polyvinyl Chloride (PVC) Flex Films: BCD increased to 25%, effective from July 24, 2024.
7. Laboratory Chemicals: BCD increased to 150%, effective from July 24, 2024.
8. Roasted Nuts and Seeds: BCD increased to 150%, effective from October 1, 2024.
9. Printed Circuit Board Assembly (PCBA): BCD increased from 10% to 15% for telecom equipment.



ECONOMIC SURVEY

A day before presenting the budget, the Finance Minister presents the Economic Survey of the country. This is a review document that provides information on key developments in the economy over the past 12 months. It also highlights the policy initiatives, the performance of development programs, and the prospects of the economy. This document is prepared by the Ministry of Finance and the Department of Economic Affairs. The survey analyses the economic issues and provides reasons for the same. It is segmented into two parts where Part A consists of major economic developments in the year and a broad review of the economy, while Part B covers specific issues such as social security, poverty, education, healthcare, human development, and climate. The economy survey also provides useful insights into the country's growth outlook, inflation rate and projection, forex reserves, and trade deficits.



Indian Economy – “Steady as she goes”

V Anantha Nageswaran, the Chief Economic Advisor, presented an economic survey for FY 2024. Following are the highlights of the economic survey.

Indian Economy – Steady as she goes

Global Economic Context

- ✓ The global economy expanded by 3.2% in 2023, a slight deceleration from previous years but surpassing initial projections of 2.8%.
- ✓ Emerging markets demonstrated resilience, outpacing expectations with robust domestic demand and strategic policy interventions.
- ✓ Advanced economies exhibited mixed performance, with the US continuing its growth trajectory while the Euro area faced subdued economic activity.
- ✓ Asia emerged as a growth engine, with China and India leading the recovery and surpassing pre-pandemic growth levels.
- ✓ Persistent core inflation posed a challenge, prompting central banks to adopt a tightening monetary stance, with interest rates being raised or maintained to curb inflationary pressures.
- ✓ Geopolitical tensions, exemplified by the Russia-Ukraine conflict, disrupted global supply chains, impacting trade and economic activity.

India's Economic Performance

- ✓ India's economy maintained its upward trajectory, recording a robust real GDP growth of 8.2% in FY24.
- ✓ The services sector emerged as the growth driver, contributing significantly to the performance of financial and professional services.
- ✓ The manufacturing and construction sectors also witnessed substantial expansion.
- ✓ Private consumption remained buoyant, supported by both urban and rural demand, with private final consumption expenditure (PFCE) growing by 4.0% in real terms.
- ✓ Gross Fixed Capital Formation (GFCF) exhibited growth, reflecting sustained investment activity from both the private and public sectors. Cumulative growth in private sector non-financial GFCF between FY19 and FY23 stood at 52% in current prices, while the same for general government was 64%.
- ✓ The banking sector displayed stability, supporting credit growth to crucial sectors such as MSMEs and housing.
- ✓ India's merchandise exports demonstrated growth, although moderated by global demand conditions. However, services exports reached a substantial USD 341.1 billion.

Government Finances and Policies

- ✓ The fiscal deficit narrowed significantly from 6.4% to 5.6% of GDP in FY24, driven by robust tax revenues and controlled expenditure.
- ✓ Tax reforms yielded positive results, with direct tax revenues growing by 15.8% and indirect taxes by 10.6%.
- ✓ Government capital expenditure witnessed a substantial increase of 28.2% year-on-year, emphasizing infrastructure development and private sector participation.
- ✓ The National Monetisation Pipeline (NMP) contributed significantly, generating Rs 3.9 lakh crore to support fiscal objectives and enhance capital allocation efficiency.



- ✓ Inflationary pressures were managed effectively, with retail inflation declining from 6.7% in FY23 to 5.4% in FY24.
- ✓ The financial system exhibited resilience, with the Gross Non-Performing Assets (GNPA) ratio reaching a 12-year low of 2.8% and scheduled commercial banks (SCBs) maintaining robust profitability indicators.

External Sector and Inclusive Growth

- ✓ India's current account deficit improved significantly from 2.0% of GDP in FY23 to 0.7% in FY24.
- ✓ Foreign portfolio investment (FPI) inflows surged to USD 44.1 billion, bolstering forex reserves and providing stability to the rupee.
- ✓ External debt remained manageable at 18.7% of GDP, while forex reserves offered ample coverage of over 11 months of imports.
- ✓ The government emphasized a shift from input-based to outcome-based welfare delivery under flagship schemes like PM Ujjwala Yojana and PM-AWAS Yojana.
- ✓ Direct Benefit Transfer (DBT) and Jan Dhan Yojana enhanced fiscal efficiency and reduced leakages.
- ✓ Social sector initiatives led to poverty reduction and increased consumption expenditure.

Economic Outlook

- ✓ India's real GDP growth is projected to be in the range of 6.5% to 7% for FY25, supported by structural reforms and improving global economic conditions.
- ✓ The outlook is cautiously optimistic, considering potential global uncertainties and monetary policy adjustments.

Money and Finance – Stability is the watchword

Monetary Policy and Inflation Control

- ✓ The Reserve Bank of India (RBI) maintained a steady policy repo rate of 6.5% throughout FY24.
- ✓ Despite global economic pressures, inflation remained relatively controlled. Food inflation, however, increased from 6.6% in FY23 to 7.5% in FY24.
- ✓ Significant policy repo rate hikes of 250 basis points from 4% in May 2022 to 6.5% in February 2023 influenced lending and deposit rates.
- ✓ India is undergoing its third FSAP, with reports expected by February 2025.

Liquidity Management

- ✓ The RBI employed various tools, including Variable Rate Reverse Repo (VRRR) and Variable Repo (VRR) auctions, for liquidity management, conducting 49 fine-tuning operations in FY24.
- ✓ The Temporary Incremental Cash Reserve Ratio (I-CRR) was used to manage surplus liquidity.

Banking Sector Performance

- ✓ Banking sector exhibited improvement with a reduced Gross Non-Performing Assets (GNPA) ratio of 2.8% in FY24.
- ✓ Credit growth was robust in the agriculture, MSME, and personal loans sectors.
- ✓ Initiatives like the Kisan Credit Card (KCC) and Emergency Credit Linked Guarantee Scheme (ECLGS) enhanced credit accessibility.

Digital Financial Inclusion

- ✓ Digital infrastructure and credit bureaus played pivotal roles in expanding financial inclusion.
- ✓ The introduction of the Open Credit Enablement Network (OCEN) is expected to streamline credit flows.



- ✓ The number of adults with formal financial institution accounts increased from 35% in 2011 to 77% in 2021.
- ✓ With over 116.5 crore smartphone subscribers, India's digital landscape supports the success of UPI.

Securities Markets and Financial Services

- ✓ India's stock market capitalization to GDP ratio ranked fifth globally, supported by robust regulations and digital infrastructure.
- ✓ Gujarat International Finance Tec-City (GIFT City) emerged as a global financial hub.

Insurance Sector

- ✓ The global insurance industry contracted by 1.1% in real terms in 2022.
- ✓ India's insurance penetration moderated slightly to 4% in FY23 from 4.2% in FY22.
- ✓ Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) issued 34.2 crore Ayushman cards.

Government and Regulatory Responses

- ✓ Strengthening banking regulations, amendments in recovery laws, and the Insolvency and Bankruptcy Code (IBC) aimed to address bank and corporate stress.
- ✓ Asset Reconstruction Companies (ARCs) played a crucial role in acquiring distressed assets.
- ✓ SEBI facilitated Foreign Portfolio Investors (FPIs) investment in debt instruments of companies undergoing resolution.
- ✓ The National Asset Reconstruction Company (NARCL) was established to acquire distressed assets from banks.

Microfinance Institutions (MFIs)

- ✓ The RBI's regulatory framework ensures uniformity and consumer protection in the microfinance sector.
- ✓ MFIs have shown robust performance with improving Return on Assets (RoA) and Return on Equity (RoE).

Pension Sector

- ✓ India's pension sector witnessed growth, with the total number of subscribers increasing to 735.6 lakh in March 2024.
- ✓ Atal Pension Yojana (APY) subscribers constituted approximately 80% of the total pension subscriber base.

Prices and Inflation – Under Control

India's Recent Inflation Trends

- ✓ India successfully managed to contain retail inflation at 5.4% in FY24, marking the lowest level since the onset of the COVID-19 pandemic.
- ✓ The retail inflation rate further eased to 5.1% in June 2024.
- ✓ India's inflation rate consistently remained lower than both the global average and that of Emerging Markets and Developing Economies (EMDEs) in 2022 and 2023.

Domestic Retail Inflation Trends

- ✓ Core inflation gradually declined to 3.1% by June 2024.
- ✓ Government interventions, including price cuts in LPG, petrol, and diesel, significantly lowered fuel inflation.
- ✓ The Pradhan Mantri Garib Kalyan Anna Yojana ensured food security for vulnerable populations.

Core Inflation Dynamics



- ✓ The RBI's gradual increase in the repo rate by 250 basis points from May 2022 to February 2023 contributed to a four-percentage-point decline in core inflation between April 2022 and June 2024.
- ✓ Consumer durables inflation moderated due to improved raw material supply, while core services inflation remained stable but required policy attention.

Food Inflation Challenges and Mitigation Strategies

- ✓ Adverse weather conditions impacted food production, leading to increased prices of essential commodities like vegetables, pulses, and milk.
- ✓ Food inflation rose from 6.6% in FY23 to 7.5% in FY24.
- ✓ Government interventions such as open market sales, imports, and export restrictions on commodities like sugar helped stabilize food prices.
- ✓ Rural areas experienced higher inflation rates compared to urban areas due to a higher reliance on food items in the consumption basket.

Outlook and Future Strategies

- ✓ The RBI and IMF project a gradual decline in India's inflation towards the target range, with projections of 4.5% in FY25 and 4.1% in FY26 by the RBI, and 4.6% in 2024 and 4.2% in 2025 by the IMF.
- ✓ Anticipated declines in global commodity prices are expected to further support India's inflation outlook.
- ✓ Enhancing domestic production of key commodities, improving storage facilities, and refining price monitoring mechanisms are crucial for long-term price stability.

External Sector – Stability Amid Plenty

Global FDI and Trade

- ✓ Global FDI declined marginally by 2% to USD 1.3 trillion in 2023.
- ✓ Global merchandise trade fell by 5% in 2023 amid geopolitical challenges.
- ✓ External debt as a percentage of GDP in Emerging Markets and Developing Economies (EMDEs) increased to 29.8% in 2023 from 26.2% in 2012.
- ✓ India's trade openness indicator rose from 37.5% in FY05 to 45.9% in FY24, significantly contributing to economic growth. The share of trade in GDP increased from 32.3% in FY05 to 40.8% in FY23.
- ✓ Trade practices like 'decoupling', 'derisking', and 'reshoring' are reshaping international trade relationships.

Merchandise Trade

- ✓ India's merchandise exports and imports showed resilience, with exports crossing USD 776 billion and imports at USD 898 billion in FY23.
- ✓ In FY24, merchandise exports grew slightly by 0.23%, while imports declined by 4.9%, widening the trade deficit.
- ✓ Engineering goods dominated exports with a 25% share, followed by agriculture and allied products (11%).
- ✓ Electronics exports grew significantly, ranking 24th globally in 2022.

Services Sector

- ✓ India's services exports grew at a CAGR of over 14% from 1993 to 2022.
- ✓ Services exports grew by 4.9% to USD 341.1 billion in FY24, driven by IT/software services and 'other' business services.
- ✓ India's External Debt and Remittances
- ✓ India's external debt to GDP ratio declined to 18.7% at the end of March 2024.



- ✓ The share of short-term debt in total external debt declined to 18.5%.
- ✓ Remittances increased to USD 106.6 billion in FY24, driven by declining inflation and strong labour markets in the US and Europe.

Changing Landscape of India's Trade Arrangements

- ✓ India pursued a mix of multilateral engagements and bilateral FTAs.
- ✓ Recent FTAs with Mauritius, UAE, Australia, and CEPA offer specific advantages.
- ✓ Ongoing negotiations with the UK, EU, and ASEAN reflect India's commitment to broadening its trade footprint.

FDI in the Industry and Services Sector

- ✓ FDI inflows relative to GDP declined in recent years, particularly in the industry and services sectors.
- ✓ Investment intentions shifted towards new and futuristic sectors like renewables, artificial intelligence, EVs, and semiconductors.
- ✓ Physical FDI faced challenges due to geopolitical factors and the rise of non-equity modes of international production.
- ✓ Digital FDI witnessed significant growth, driven by sectors like software, hardware, and digital services.

Exchange Rates and Economic Stability

- ✓ The Indian Rupee exhibited relative stability against major currencies in FY24.
- ✓ India's foreign exchange reserves reached USD 653.7 billion in June 2024.

Medium-Term Outlook – A Growth Vision for New India

Key Areas of Focus

- ✓ Workforce distribution: Agriculture (45%), Manufacturing (11.4%), Services (28.9%), Construction (13%). India needs to create 7.85 million non-farm jobs annually. Emphasis is on boosting jobs in organized manufacturing and services.
- ✓ Youth employability stands at 51.25%, up from 34% a decade ago. Issues include public perception, coordination, assessment inconsistencies, and a shortage of trainers. Female labour participation is at 37%, with additional challenges in entrepreneurship and innovation support.
- ✓ Focus on sustaining growth without inflating food prices by improving price discovery and crop diversification. Key needs include upgrading technology and reducing input wastage.
- ✓ MSMEs face extensive regulations and a credit gap of Rs 20-25 lakh crore. Government schemes like Pradhan Mantri Mudra Yojana aim to ease these challenges.
- ✓ Goals include reducing GHG emissions by 33-35% from 2005 levels and increasing non-fossil fuel-based electricity to 40%. Enhancing forest cover to absorb 2.5-3 billion tonnes of CO₂ by 2030 is also targeted. India needs to allocate 2.5% of GDP to green finance.
- ✓ China's manufacturing overcapacity impacts global prices and India's trade balance. India must balance between importing from China and leveraging Chinese investments to boost domestic manufacturing.
- ✓ 56.4% of the disease burden is due to unhealthy diets. Rising obesity rates and micronutrient deficiencies highlight the need for improved dietary habits.

Growth Strategy

- ✓ Initiatives include the Aatmanirbhar packages and the Production Linked Incentive (PLI). The goal is to increase private sector investment to 35% of GDP.
- ✓ MSMEs contribute 30% of GDP and employ 11 crore people. Government support includes the Emergency Credit Line Guarantee Scheme (ECLGS) and equity infusion through the MSME Self-Reliant India Fund.



- ✓ The Make in India Mittelstand initiative has attracted €1.4 billion in investment from German companies, focusing on sectors like automotive and renewables.
- ✓ Agriculture is vital for food security and climate adaptation. Strategic shifts are needed to enhance its role in economic security.
- ✓ India should leverage global green capital and innovative financing methods. The International Financial Services Centres Authority (IFSCA) could attract international climate finance.

Climate Change – Dealing with Tradeoffs

Vision and Goals

- ✓ Per Capita Emissions: India's per capita carbon emissions are about one-third of the global average, reflecting its lower historical emissions footprint despite economic growth.
- ✓ Net Zero Target: India aims for Net Zero carbon emissions by 2070, aligning with its vision of a 'Viksit Bharat' or 'Developed India' by 2047.
- ✓ Economic and Environmental Balance: The strategy focuses on high, inclusive, and sustainable economic growth while transitioning to a low-carbon pathway.
- ✓ National Action Plan on Climate Change (NAPCC): Includes nine missions across various sectors like solar power, water, energy efficiency, and sustainable agriculture.
- ✓ State Action Plans on Climate Change (SAPCC): 34 operational plans detailing sector-specific actions and priorities.

Progress on Climate Action

- ✓ As of April 2024, India has installed 82.64 GW of solar power, with an additional 15.03 GW added in 2023-24.
- ✓ The Perform Achieve and Trade (PAT) scheme targets significant energy savings across sectors, with an energy saving target of 0.3370 MTOE for 2023-26.
- ✓ India has achieved 40% of cumulative electrical power from non-fossil fuels by 2021 and aims to reach 50% by 2030.
- ✓ Government Programs: Includes NICRA, Swachh Bharat Mission, and various rural development schemes.
- ✓ PM-Surya Ghar Yojana: Aims for 30 GW of solar capacity with substantial CO₂ reductions and job creation.
- ✓ Targets production of 5 MMT of green hydrogen by 2030 with significant financial incentives.
- ✓ Ramsar Sites expansion and community-led water governance, as seen in Navanagar, Gujarat, demonstrating improved water management and agricultural productivity.

Energy Transition Challenges

- ✓ Future Demands: Energy needs are projected to increase significantly by 2047.
- ✓ Fossil fuels make up approximately 84% of primary energy, while non-fossil sources account for 45.4% of electricity capacity as of May 2024.
- ✓ Land and Resource Constraints: Increasing renewable energy demands more land and water, and critical minerals are unevenly distributed globally.
- ✓ Around USD 250 billion per year is needed until 2047 for a Net Zero pathway.
- ✓ Financing Mechanisms: Includes sovereign green bonds, enhanced ESG disclosures, and frameworks for green deposits.
- ✓ Carbon Credit Trading Scheme (CCTS): Transitioning from the PAT scheme, with targets set for GHG emissions and mechanisms for trading carbon credits.
- ✓ India's participation in global initiatives like the International Solar Alliance (ISA) and the Coalition for Disaster Resilient Infrastructure (CDRI) reflects its leadership in international climate efforts.



Social Sector – Benefits that Empower

Current Status of India's Social Sector

- ✓ PM Ujjwala Yojana: Over 10.3 crore free gas connections have been provided.
- ✓ Swachh Bharat Mission: 11.7 crore toilets have been constructed.
- ✓ Jan Dhan Accounts: 52.6 crore bank accounts have been opened.
- ✓ PM-AWAS Yojana: 3.47 crore permanent houses have been built for the underprivileged.
- ✓ Jal Jeevan Mission: 11.7 crore households now have access to tap water.
- ✓ Ayushman Bharat Scheme: 6.9 crore hospital admissions have been facilitated.
- ✓ Enhanced fiscal efficiency through the Direct Benefit Transfer (DBT) and JAM trinity, with over Rs. 38 lakh crore transferred via DBT since 2013.
- ✓ National Multidimensional Poverty Index (MPI): Developed by NITI Aayog, measuring health, education, and standard of living. MPI has nearly halved from 0.117 (2015-16) to 0.066 (2019-21), with 13.5 crore Indians moving out of multidimensional poverty.

Household Consumption Expenditure Survey (HCES) 2022-23

- ✓ Increase in Monthly Per Capita Consumption Expenditure: 40% rise in rural areas and 33.5% in urban areas compared to 2011-12.
- ✓ Gini Coefficient: Decrease from 0.283 to 0.266 in rural areas and from 0.363 to 0.314 in urban areas.
- ✓ Rural-Urban Divide: Reduced from 83.9% to 71.2%.
- ✓ Economic Inequality: The consumption of the lowest 5% has increased faster than the top 5%.
- ✓ Global Statistics: 970 million individuals are affected by mental disorders, with increases in depressive and anxiety disorders due to the COVID-19 pandemic.
- ✓ Indian Context: The National Mental Health Survey (NMHS) 2015-16 reported a 10.6% prevalence of mental disorders, with higher rates in urban areas.
- ✓ One in seven individuals aged 10-19 years has a mental disorder. Investing in mental health yields high economic returns, with an estimated return on investment of 6.5 times for implementing the Mental Health Care Act 2017 in India.
- ✓ A 2021 study by the National Commission for Protection of Child Rights found that 23.8% of children use smartphones in bed and 37.2% experience reduced concentration due to smartphone use. U.S. Surgeon General Vivek Murthy has suggested warning labels on social media platforms to address mental health issues among teenagers.

Education Sector Developments

- ✓ National Curriculum Framework (NCF-SE) 2023: Emphasizes competency-based education, vocational education from grade 3, and integration of Indigenous knowledge.
- ✓ Total enrolment reached 4.33 crore in FY22, with notable growth in female enrolment.
- ✓ National Credit Framework (NCrF): Supports lifelong learning with digital solutions like APAAR and the Academic Bank of Credits (ABC).
- ✓ UGC Regulations permit earning up to 40% of credits through online courses.
- ✓ Vidyanjali Programme: Launched on September 7, 2021, to improve school infrastructure and education quality through community involvement and corporate social responsibility. The initiative has benefited over 1.44 crore students by providing subject assistance, mentoring, and modern resources.

Research and Development (R&D)



- ✓ Patent Grants: Nearly 1 lakh patents were granted in FY24, with a 31.6% increase in patent filings in 2022.
- ✓ Global Innovation Index: India's rank improved to 40th in 2023.
- ✓ Gross Expenditure on R&D (GERD): More than doubled from Rs. 60,196.8 crore in FY11 to Rs. 127,381 crore in FY21.
- ✓ India's R&D investment as a percentage of GDP is 0.64%, lower compared to China (2.41%) and the US (3.47%).
- ✓ Anusandhan Foundation: Launched with a proposed corpus of Rs. 1 lakh crore to enhance the R&D ecosystem.

Employment – Towards Quality

Current Employment Scenario

- ✓ India's labour market has improved over the past six years, with the unemployment rate dropping to 3.2% in 2022-23.
- ✓ The all-India annual unemployment rate for individuals aged 15 years and above has been declining since the COVID-19 pandemic.
- ✓ The quarterly Periodic Labour Force Survey (PLFS) reports for urban areas indicate a slight decrease in the unemployment rate from 6.8% in Q1 2023 to 6.7% in Q1 2024. Both WPR and LFPR have increased, reflecting a recovery in employment post-pandemic.
- ✓ Employment Distribution by Sector: Agriculture: 45%, Manufacturing: 11.4%, Services: 28.9%, Construction: 13%
- ✓ Breakdown of Employment Status: Self-Employed: 57.3%, Unpaid Workers in Household Enterprises: 18.3%, Casual Labour: 21.8%, Regular Wage/Salaried Workers: 20.9%
- ✓ Youth Unemployment Rate: Declined from 17.8% in 2017-18 to 10% in 2022-23.

Evolving Landscape

- ✓ Nearly two-thirds of new EPFO payroll subscribers are in the 18-28 years age band.
- ✓ Female Labour Force Participation Rate (FLFPR): Increased in rural areas by 16.9% points from 2017-18 to 2022-23.
- ✓ Wage Growth: Rural areas: 6.9% CAGR (FY15-FY22), Urban areas: 6.1% CAGR (FY15-FY22)
- ✓ Nominal wage rates in agriculture grew by 7.4% for men and 7.7% for women, Non-agricultural wages grew by 6.0% for men and 7.4% for women.
- ✓ In 2020-21, around 7.7 million workers were part of the gig economy, constituting 2.6% of the non-agricultural workforce.
- ✓ Workforce Participation Rate (WPR): Men: Constant at 54.4% (2023), Women: Rising from 27.0% (2023) to 40.0% (2036), Agriculture Sector: Expected to decline from 45.8% (2023) to 25% (2047).

Agriculture – Plenty of upside left if we get it right

Agriculture Production and Crop Diversification

- ✓ India's agriculture sector is a crucial part of the economy, supporting 42.3% of the population and contributing 18.2% to the GDP. Over the past five years, the sector has experienced an average annual growth rate of 4.18%.
- ✓ Foodgrain Production: 2022-23: Reached a record 329.7 million tonnes, 2023-24: Slightly decreased to 328.8 million tonnes due to adverse monsoon conditions.
- ✓ Oilseeds Production: Increased to 41.4 million tonnes in 2022-23 with a slight increase in 2023-24.
- ✓ Crop Diversification Programme (CDP): Promotes alternative crops like pulses and legumes under Rashtriya Krishi Vikas Yojana (RKVY).
- ✓ National Food Security Mission (NFSM): Enhances production and productivity of foodgrains and commercial crops through technology demonstration and capacity building.



- ✓ Minimum Support Prices (MSP): Increased MSPs for oilseeds and pulses to encourage diversification. Examples:
- ✓ Imported Oil Share: Reduced from 63.2% in 2015-16 to 57.3% in 2022-23.

Investment and Credit

- ✓ Gross Capital Formation (GCF): Increased by 19.04% in 2022-23, GCF as a percentage of GVA rose from 17.7% in 2021-22 to 19.9% in 2022-23.
- ✓ Average annual growth rate of 9.70% from 2016-17 to 2022-23.
- ✓ Provides capital subsidy (25% for plains and 33.33% for North-East and hilly regions), 48,357 projects sanctioned with Rs 4570 Crore released as subsidy.
- ✓ Kisan Credit Card (KCC): 7.5 crore KCCs issued with a limit of Rs 9.4 lakh crores as of January 31, 2024, including fisheries and animal husbandry since 2018-19.
- ✓ Pradhan Mantri Fasal Bima Yojana (PMFBY): The insured area reached 610 lakh hectares in 2023-24, facing challenges like high premiums, delays in claim settlement, and lack of awareness.
- ✓ PM-KISAN Scheme: Provides Rs 6000 per year to land-holding farmers, with over Rs 3.24 lakh Crore released to more than 11 crore farmers.
- ✓ PM-Kisan Maandhan Yojna (PMKMY): Offers a monthly pension of Rs 3,000 to farmers aged 60 and above.

Animal Husbandry, Dairying, and Fisheries

- ✓ The contribution of livestock to total GVA in agriculture and allied sectors increased from 24.32% in 2014-15 to 30.38% in 2022-23.
- ✓ The fisheries sector contributes 6.72% to agricultural GVA, with a CAGR of 8.9% over the same period, supporting about 30 million people, including marginalized communities.
- ✓ Animal Husbandry Infrastructure Development Fund (AHIDF): Supports investments in dairy and meat processing, feed plants, and breed improvement, with a 3% interest subsidy and a 25% credit guarantee.
- ✓ The Indian Council on Agricultural Research (ICAR) has been pivotal in areas like crop and seed production, bio-fortified varieties, millets, animal health, mechanisation, and post-harvest management.

Food Processing and Security

- ✓ In 2022-23, ICAR released 347 varieties/hybrids of 44 crops, 99 horticultural crops, and 27 bio-fortified varieties.
- ✓ The food processing industry has been growing at an average annual rate of 5.35% over the past eight years.
- ✓ In 2022-23, agri-food exports, including processed foods, were valued at USD 46.44 billion, making up about 11.7% of India's total exports.
- ✓ The share of processed food exports increased from 14.9% in 2017-18 to 23.4% in 2022-23.
- ✓ Operation Green: Initially focused on tomato, onion, and potato (TOP), now covers 22 perishable crops (TOTAL), including short-term price stabilization measures and long-term integrated value chain development projects with subsidies for transportation, storage, and food processing projects.
- ✓ As of May 2024, 263.33 LMT of wheat and 489.20 LMT of rice have been procured, benefiting over 1 crore farmers. The central pool's stock of wheat and rice exceeds 600 LMT.
- ✓ The One Nation One Ration Card (ONORC) system allows migrant beneficiaries to access rations nationwide.

Industry – Small and Medium Matters

Performance of the Manufacturing Industry

- ✓ Manufacturing and construction sectors achieved near double-digit growth, while mining & quarrying, and



electricity & water supply also showed strong positive growth.

- ✓ The HSBC India Purchasing Managers' Index (PMI) for manufacturing remained consistently above 50, indicating sustained expansion and stability.
- ✓ The manufacturing sector contributed 14.3% to the total gross value added at current prices in FY23.
- ✓ Nearly 47.5% of all manufacturing output is used for further production in other sectors, and it supplies almost 50% of inputs across all sectors (agriculture, industry, and services).
- ✓ MSMEs contributed 35.4% to the manufacturing output in FY22 and 45.7% to exports in 2023-24.
- ✓ The Udyam Registration Portal has registered 4.69 crore MSMEs as of July 2024.

Services – Fuelling Growth Opportunities

Performance of the Service Industry

- ✓ India's services sector has experienced strong growth, exceeding 6% annual real growth over the past decade, with an estimated 7.6% growth in FY24. Services exports account for 4.4% of the global market, and in FY24, 71% of the 1,85,312 new companies registered were in the services sector.
- ✓ AI poses a challenge to sustainability and job creation in business services. To address this, focusing on human capital development is crucial to leverage the benefits of large, well-functioning cities.
- ✓ The Indian government has supported the services sector through initiatives such as Digital India, export promotion schemes, infrastructure development, skill enhancement, and focused efforts on healthcare and tourism.
- ✓ The services sector's Gross Value Added (GVA) grew by 7.6% in FY24. Despite challenges in the trade, hotel, and transport sectors, positive indicators include a Purchasing Managers' Index (PMI) reaching a 14-year high of 61.2 in March 2024 and strong bank credit growth.
- ✓ India's services exports grew by 4.8% in FY24, with significant contributions from computer & business services (73% share) and travel services. However, transportation services declined by 19.1% due to decreased global freight rates.
- ✓ The services sector saw a 22.9% YoY increase in bank credit in FY24, reaching Rs 45.9 lakh crore. India ranks 15th in FDI inflows, with a 58.3% increase in External Commercial Borrowings (ECBs) for the sector.

Major Services: Sector-wise Performance

- ✓ India has enhanced its transport networks, with significant improvements in road tolling efficiency and high-speed corridors. Indian Railways saw a 5.2% increase in passenger traffic and a 5.3% rise in freight loadings in FY24.
- ✓ Airways and Tourism: India is the third-largest domestic aviation market, with a 15% increase in total air passengers and a 7% rise in air cargo. Tourism saw a 43.5% increase in foreign tourist arrivals in 2023, with tourism generating Rs 2.3 lakh crore in foreign exchange earnings.
- ✓ Real Estate: Real estate contributes over 7% to India's GVA, with over 1.2 crore houses sanctioned under PMAY-U. Challenges include stalled projects worth Rs 4.1 lakh crore, but RERA has improved transparency and accountability.
- ✓ Technology and Startups: IT and tech start-ups have surged, with over 31,000 start-ups in 2023. The growth of Global Capability Centres (GCCs) has been significant, with employment exceeding 16.6 lakh and revenues increasing to USD 46 billion in FY23.

Infrastructure – Lifting Potential Growth

Developments across infrastructure sectors

- ✓ Studies highlight gaps in infrastructure investment, according to the Asian Development Bank, World Bank, and



CRISIL. From FY21 to FY24, the Union Government's capital expenditure increased 2.2 times, and the state government's capital expenditure grew 2.1 times.

- ✓ Gross Budgetary Support (GBS): GBS for Railways and the National Highway Authority of India (NHAI) increased from 36.4% in FY21 to 42.9% in FY24. Expenditure on these sectors rose 2.6 times, reflecting a focus on connectivity infrastructure.
- ✓ National Monetisation Pipeline (NMP): Launched in August 2021, the NMP aims to raise Rs 6 lakh crore through asset monetisation from FY22 to FY25. In the first two years, Rs 2.3 lakh crore in transactions were completed, with Rs 1.51 lakh crore in FY24, a 55% increase from FY22.
- ✓ Physical Connectivity: Capital investment in road transport increased from 0.4% to 1.0% of GDP, with record private investment and asset monetisation exceeding Rs 1 lakh crore. The length of national highways grew 1.6 times from 2014 to 2024, with significant improvements in construction pace and logistics efficiency.
- ✓ Railways: Indian Railways, with a network of over 68,584 route kilometres, saw a 77% increase in capital expenditure over five years, reaching Rs 2.62 lakh crore in FY24. Key developments include the introduction of 51 pairs of Vande Bharat trains and enhanced infrastructure.
- ✓ Water Transport: Major port capacity nearly doubled since 2014, with improved rankings in the World Bank Logistics Performance Index. The Sagarmala National Programme has completed 262 projects worth Rs 1.4 lakh crore, with further development planned.
- ✓ Civil Aviation: Over Rs 72,000 crore has been invested in airport development from FY20 to FY24, with 21 greenfield airports approved and 12 operationalized. The UDAN scheme has awarded 1,390 routes, with 579 operationalized, enhancing regional connectivity.
- ✓ Drones and Aircraft Leasing: India's drone sector has expanded with new regulations, including airspace maps and a Production Linked Incentive (PLI) scheme. The International Financial Services Centre (IFSC) at GIFT City promotes aircraft leasing, with over 20 aircraft and 49 engines leased.
- ✓ Maintenance, Repair, and Overhaul (MRO): India's MRO sector has grown from 114 to 147 facilities since 2016. The National Civil Aviation Policy (NCAP-2016) supports alignment with global standards, with expanded capacities and increased industry involvement.

Energy Infrastructure

- ✓ India's unified transmission grid can transfer up to 118,740 MW with significant infrastructure expansion, including 485,544 circuit kilometres of transmission lines and 1,251,080 MVA transformation capacity. Peak electricity demand rose to 243 GW.
- ✓ India aims for 50% of its power capacity from non-fossil sources by 2030, with a current installed capacity of 190.57 GW, representing 43.12% of total generation. Significant investments are being made in renewable energy, with Rs 8.5 lakh crore invested from 2014-2023 and a projected Rs 30.5 lakh crore for 2024-2030.
- ✓ The Saubhagya Scheme has electrified 2.86 crore households. New regulatory measures, such as the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, provide financial relief to various stakeholders in the electricity sector.
- ✓ Key challenges include mobilizing finance, land acquisition issues, and integrating new technologies into the grid. There are efforts to address these through various programs and initiatives.
- ✓ India's space sector has made significant strides with 55 active space assets and successful missions like Chandrayaan-3. Technological integration in infrastructure, such as the PM GatiShakti and Digital India initiatives, aims to enhance efficiency and governance.



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