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# INDIA Budget 2024

Analysis of Tax Changes – Impact on Business



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## 1 FOREWORD

The 2024 budget was the 7<sup>th</sup> consecutive budget presented by Finance Minister Nirmala Sitharaman. The budget lay emphasis on nine priorities: Agriculture Productivity and Resilience, Employment and Skilling, Human Resources Improvement, Social Justice, Manufacturing and Services, Urban Development, Energy Security, Infrastructure, Innovation, Research and Development, and Next-gen Reforms.

As a welcome preposition, the government would also be directly contributing to private sector employment aiming to boost hiring with initiatives that support job creation. This would be done with an allocation of INR 2 trillion for new schemes focused on creating jobs and skilling 41 million youth. This is part of a broader focus on employment and rural development. Other announcements include new technology initiatives in labour laws and digital mapping of land. The proposal to reform the Insolvency and Bankruptcy Code (IBC) and strengthening of tribunals is also an important step.

The MSME sector benefits from continued bank credit during stress periods, enhanced Mudra loan limits, reduced turnover thresholds for TReDS benefits, and the establishment of e-commerce export hubs in PPP mode. These measures aim to help MSMEs access international markets and thrive.

From Income Tax standpoint, several changes are proposed as simplification measures, such as abolition of angel tax, removal of equalization levy on e-commerce operators, revamp of capital gains and buy back taxation, etc. For reduction of litigation, a slew of measures have been announced like increased monetary limits for filing appeals by tax department, reduction of time limits to initiate reassessments and decriminalization of certain offences. It was also announced that Transfer Pricing safe harbour rules would be amended to make them more attractive for taxpayers.

While tax rates applicable to foreign corporates have been reduced, widely speculated extension of concessional tax rate for newly incorporated manufacturing companies has been given a miss. One major expected change in international taxation sphere was on Pillar 2 reforms, which is also surprisingly missing. Further, the LTCG indexation benefit removal for real estate is a significant shift, potentially affecting long-term investors by increasing their tax liabilities, sparking debate on its impact on the real estate market. Nevertheless, the big announcement pertaining to revamp of Income tax legislation is exciting and it is possible that some of these expected changes will find a way into the New Code as and when introduced.

The Union Budget also addresses the rationalization and streamlining of GST and customs duties. Adjustments in GST rates aim to correct anomalies and promote uniformity across sectors, while customs duty rationalization supports the 'Make in India' initiative by boosting domestic manufacturing.

The Finance Bill incorporates several recommendations from the 53rd GST Council meeting, such as a common time limit for dispute adjudication, amnesty scheme for GST litigations prior to FY 2019-20 and capping of pre-deposit amounts.

## 2 BUDGET HIGHLIGHTS

### 2.1 POLICY AND REGULATORY FRAMEWORK

- In addition to the Finance Bill 2024, the Government has introduced 5 other Bills to be approved by the Parliament, which are the Disaster Management (Amendment) Bill,

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2024, the Bhartiya Vayuyan Vidheyak, 2024, the Coffee (Promotion and Development) Bill, 2024, the Rubber (Promotion and Development) Bill, 2024 and the Boilers Bill, 2024.

- Employee linked incentives including schemes for first timers, manufacturing sector and employers for creation of additional jobs.
- Participation of women in workforce by providing working women hostels, creches, rental housing with dormitory type accommodation for industrial workers.
- Proposal of schemes for focusing on skilling and labour related reforms such as providing internship opportunities in 500 top companies to youth as well as enhancing the labour services portal for ease of doing business.
- Promotion of Micro, Small and Medium Enterprises by introducing certain measures such as Credit Guarantee Scheme for MSMEs in manufacturing sector, New Assessment Model for MSME Credit and turnover threshold for mandatory onboarding in Trade Receivables Electronic Discounting System.
- Promotion of manufacturing and infrastructure by proposing facilitation of development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities in India and sanctioning 12 new industrial parks under the National Industrial Corridor Development Programme.
- Introduction of the Integrated Technology Platform for Insolvency and Bankruptcy Code Eco-System which is expected to provide transparency, consistency and timely processing of outcomes under the Insolvency and Bankruptcy Code.
- Extension of C-PACE, a part of Ease of Doing Business initiative of the Government, as a centralised process of striking off companies from the Ministry of Corporate Affairs for assistance in voluntary closure of Limited Liability Partnership.
- Proposal for implementing changes in the Insolvency and Bankruptcy Code to improve insolvency and debt recovery process with measures including enhancing the efficiency of National Company Law Tribunals and debt recovery.
- Proposal to reduce high stamp duty charged by certain states for purchase of property.
- Proposal to formulate the Economic Policy Framework to define the economic development and for facilitating employment opportunities along with proposals for initiating and incentivizing reforms for all factors of production, namely land, labour, capital and entrepreneurship, and technology as an enabler of improving total factor productivity and bridging inequality.
- Proposal to simplify the rules relating to Foreign Direct Investment and Overseas Investment in order to facilitate foreign direct investments and promote opportunities for using Indian Rupee as a currency for overseas investments.
- Proposal to announce the Jan Vishwas Bill 2.0 to further promote ease of doing business.
- Proposed financial support to companies producing and exporting shrimp for setting up of Nucleus Breeding Centres and other processing units.

## 2.2

### INCOME TAX

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## 2.2.1 CHANGES IN TAX RATE

### For Individuals:

- New tax regime made more lucrative by revising the Income Tax Slabs.
- Additional tax incentive upto INR 10,000 for individuals opting for the New tax regime.

### For Domestic Corporates:

- Income tax rate for companies (including rates of Surcharge and Health and Education Cess) remain unchanged.
- Concessional tax rates for new manufacturing and other companies continue subject to the fulfilment of prescribed conditions.

### For Foreign Corporates:

- Income tax rate for foreign companies taxed on net basis reduced from 40 per cent to 35 per cent (plus rates of Surcharge and Health and Education Cess).

### Capital Gains:

- Capital Gains Tax rates on long term and short-term capital gains revised significantly [refer to the Section 5.3 for detailed summary].

## 2.2.2 TAX PROPOSALS

### Personal Taxation:

- Increase in standard deduction from INR 50,000 to INR 75,000 for salaried individuals opting for the New Tax Regime.
- Increase in deduction for family pension from INR 15,000 to INR 25,000 for individuals opting for the New Tax Regime.
- Increase in deduction for employer's contribution to pension scheme from 10 per cent to 14 per cent

### Domestic Taxation:

- Tax on consideration for issue of shares by unlisted companies, exceeding the fair market value of shares, abolished
- Entire consideration received on buy back of shares to be taxed as dividend in the hands of the shareholders
- Rationalisation of holding period of various assets to 12 months and 24 months for classification of gains as long term capital gains or short term capital gains
- Increase in the tax rate on transfer of Securities Transaction Tax paid short term capital assets (securities) to 20 per cent from 15 per cent earlier
- Flat rate of 12.5 per cent on transfer of long-term capital assets, indexation benefit withdrawn

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- Disallowance of expenses towards settlement of proceedings initiated in relation to contravention of laws, as may be notified by the government.
- Gifts of shares to be exempt only when the transferor is an individual or HUF, transfer by a company without consideration not covered

## **International Taxation:**

- Abolition of Equalisation Levy tax rate of 2 per cent on E-commerce Operators with effect from 1 August 2024

## **Withholding Tax:**

- Any tax deducted ('TDS') or collected ('TCS') in the case of an employee to be taken into account for the purposes of TDS from salary
- TCS to be levied on luxury goods, as may be notified by the Central Government, for value exceeding INR 1 million.
- Clarification inserted in respect of TDS on sale of immovable property, where there is more than one transferor or transferee, then the prescribed threshold of INR 5 million for applicability of TDS provisions on the said transaction, shall be considered to be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors, for transfer of such immovable property
- TDS introduced on payment of salary, remuneration, interest, bonus or commission by partnership firm to its partners
- Various TDS rates rationalized from existing 5 per cent to 2 per cent effective 1 October 2024. TDS on payments by e-commerce operator to e-commerce participant reduced from existing 1 per cent to 0.1 per cent
- Credit of TCS to be given to person other than the person in whose name TCS is deposited, CBDT to notify rules in respect of the same
- Simple interest for non-payment of TCS to Government account increased from existing 1 per cent to 1.5 per cent for every month or part thereof on the amount of TCS, from the date on which such TCS was collected to the date on which such TCS is actually paid
- Time limit introduced for TDS proceedings in respect of payments made to non-residents
- Time limit for passing an order for default in complying with TDS provisions reduced from 7 years to 6 years
- TDS/TCS on purchase/sale of goods respectively, brought within the scope for lower deduction / collection certificate of tax at source
- Restricted time limit of 6 years from the end of the financial year for furnishing correction statements in respect of TDS/TCS statements
- Relaxing the applicability of prosecution in case of TDS payment default, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before filing the statement of such quarter

## **Procedures:**

- The reassessment procedures are proposed to be further simplified and rationalized to reduce litigation and provide clarity

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- Highest time limit of 10 years for initiation of reassessment proceedings reduced to 5 years
- CIT-Appeals empowered to set aside best judgment assessments and refer them back to the Assessing Officer for a fresh assessment, addressing cases where the taxpayer did not respond during assessment proceedings
- Specific time limits established for various scenarios, including returns filed under section 119(2)(b) and orders set aside by CIT-Appeal, to ensure timely processing and reduce litigation
- Taxpayers with pending applications transferred from AAR to BAR will be allowed to withdraw their applications by 31 October 2024, addressing concerns over prolonged pendency and changes in the ruling process
- Assessing Officers authorized to withhold refunds until 60 days post-assessment, with the requirement to record reasons in writing
- The Direct Tax Vivad Se Vishwas Scheme, 2024 introduced with an objective to reduce pending litigations under the IT Act. The scheme is a voluntary dispute resolution scheme similar to the 'Direct Tax Vivad Se Vishwas Act, 2020' introduced earlier in Budget 2020. All ongoing litigations, with some exceptions, pending before various appellate forums eligible for settlement of disputes under the scheme.
- Monetary limits for filing of appeal by tax department substantially increased

## 2.3

### INDIRECT TAXES

#### **Goods and Services Tax ('GST')**

- Section 9 of the Central Goods and Services Tax ('CGST') Act, 2017 is proposed to be amended to exclude un-denatured extra neutral alcohol or rectified spirit used for the manufacture of alcoholic liquor for human consumption from the purview of GST.
- A new section 11A is proposed to be inserted to empower the Government to regularize the recovery of GST not levied or short-levied due to a generally prevalent practice in trade.
- It is proposed that, time limit to avail ITC for invoice or debit note for supply of goods or services or both pertaining to FY 2017-18 to FY 2020-21 to be extended up to 30 November 2021, if the same is claimed in any return filed within such timeline.
- Sub-section (5) of Section 17 of the CGST Act is proposed to be amended to restrict blocking of input tax credit in respect of tax paid under Section 74, for demands up to Financial Year 2023-24. It also removes reference to Section 129 and Section 130 in the said sub-section.
- Sub-section (1A) is proposed to be inserted in Section 70 of the CGST Act, to enable an authorized representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued.
- Sub-section (12) is proposed to be inserted in Section 73 and Section 74 of the CGST Act, to restrict the applicability of the said section for determination of tax pertaining to the period up to financial year 2023-24.



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- Section 74A is proposed to be inserted in the CGST Act, to provide for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized for any reason pertaining to the financial year 2024-25 onwards. A common timeline has been provided, for issuance of SCNs and orders in both fraud and non-fraud cases from financial year 2024-25 onwards.
- The maximum amount of pre-deposit for filing appeal before the Appellate Authority is proposed to be reduced from INR 250 million to INR 20 million in central tax, and from INR 500 million to INR 400 million of integrated tax. Similarly, the maximum pre-deposit amount is also proposed to be reduced for filing appeal before the Appellate Tribunal from INR 500 million to INR 200 million in central tax and INR 1000 million to INR 400 million in integrated tax.
- Section 128A is proposed to be inserted in the CGST Act to provide for an amnesty/conditional waiver of interest and penalty in respect of demands pertaining for financial years 2017-18 to FY 2019-20, subject to payment of full tax liability by the taxpayer before a date to be notified.
- Sub-section (5) is proposed to be inserted in Section 16 of the IGST Act to provide that no refund of unutilized input tax credit or of integrated tax paid on account of zero-rated supply of goods shall be allowed in cases where the zero-rated supply of goods is subjected to export duty.

## **Customs and allied laws**

- With an aim to align with trade agreements, Section 28DA of the Customs Act is proposed to enable the acceptance of any declaration or document as 'proof of origin' to confirm the fulfilment of country-of-origin requirements. Moreover, the definition of issuing authority is also proposed to include "any person" designated for the issuing the said document.
- A new proviso is proposed to include under Section 65 of Customs Act wherein the Government would notify certain manufacturing procedures or other procedures for class of goods which would not be permitted in the custom bonded warehouses.
- The benefit of exemption from GST compensation cess is proposed to be provided on import of goods by any unit or developer in SEZ area, retrospectively from 01 July 2017.
- Section 143AA and Section 157 of the Customs Act which prescribes the specific measures, procedures or documentation for class of importers and exporters for the purposes of facilitating trade, is proposed to extend the benefits of such measures and procedures to "any other persons" in addition to importers and exporters.
- The benefit of exemption from Basic Customs Duty and Agriculture & Infrastructure Development Cess on import of Crude Soyabean Oil and Crude Sunflower Seed Oil retrospectively with effect from 01 April 2023 to 30 June 2023 with certain conditions.
- Power to levy protective duties for safeguard of interest of indigenous industries on the recommendation of the Tariff Commission, is proposed to be omitted.
- The time period for submission of the final Mega Power Project certificate is proposed to be increased from 120 months to 156 months by amending the Notification No. 12/2012-Central Excise dated 17 March 2012 issued under Section 5A of the Central Excise Act.
- Exemption of Clean Environment Cess, levied and collected as a duty of excise, on excisable goods lying in stock as on 30 June 2017 is proposed to be brought into effect

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retrospectively with effect from 30 June 2017 by amending the Notification No. 12/2017-Central Excise dated 30 June 2017 subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 01 July 2017.

## 3 POLICY/ REGULATORY CHANGES

### 3.1 INTRODUCTION OF 5 BILLS BY GOVERNMENT

In addition to the Finance Bill, 2024, five Bills have been listed for introduction, consideration and passing during the session.

- The Disaster Management (Amendment) Bill, 2024 which seeks to bring clarity and convergence in the roles of different organisations working on disaster management.
- The Bhartiya Vayuyan Vidheyak, 2024 which will replace the Aircraft Act, 1934, to address ambiguities and redundancies, to provide enabling provisions for manufacturing and ease of doing business, to give effect to provisions of international conventions, and to implement international standards.
- The Coffee (Promotion and Development) Bill, 2024 which seeks to promote and develop the Indian coffee industry, and to modernise the functioning of the Coffee Board.
- The Rubber (Promotion and Development) Bill, 2024 which seeks to promote and develop the Indian rubber industry, and to modernise the functioning of the Rubber Board.
- The Boilers Bill, 2024 which proposes to repeal and re-enact the pre-Independence era Acts related to boilers. The main purpose of the act is to deal with safety of life and property from the danger of steam boiler explosions and necessary maintenance related provisions. The Bill aims to add relevant provisions to suit the need of the present.

### 3.2 JOB CREATION FOR YOUTH: EMPLOYEE LINKED INCENTIVES

In order to enhance the employment of the youth, the Government has introduced 3 schemes which will be based on enrolment in the Employees' Provident Fund Organisation.

- **Scheme A- First Timers:** In order to enhance the number of fresh graduates in the income-earning stream, the Government has proposed to provide a one-time wage to all first-time employees across all sectors, with the incentive being delivered through direct benefit transfer. The First Timers scheme will provide 1 month wage to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of 1 month salary in 3 instalments to first time employees, as registered in the Employees' Provident Fund Organisation, will be up to INR 15,000. The eligibility limit will be a wage/salary of less than INR 100,00 per month.

The First Timers Scheme is applicable on one month's wage as subsidy with maximum of INR 15,000, which is given to assist employees and employers in hiring first timers, applicable to all sectors. The employee must undergo compulsory online financial literacy course before claiming the second instalment.

The subsidy will be refunded by the employer to the Government if the employment to the First Timer ends within 12 months of recruitment. The First Timer Scheme will be applicable for 2 years.

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- **Scheme B- Job Creation in Manufacturing Sector:** This scheme will provide incentives for additional employment provided at specified scale directly for both employers and employees during the first 4 years of employment concerning the Employees' Provident Fund Organisation contributions.

This scheme will be applicable to all employers in the manufacturing sector which are corporate entities and those non-corporate entities with a 3-year track record of Employees' Provident Fund Organisation contribution.

The employer must hire at least 50 new employees or 25 percent of the baseline (previous year's number of Employees' Provident Fund Organisation employees), whichever is lower, of previously non-Employees' Provident Fund Organisation enrolled workers. Failure to maintain threshold level of enhanced employment throughout by the employer will render the subsidy benefit to be discontinued.

The employee must directly be working in the entity paying salary/wage (i.e. in-sourced employee). For employees whose salary/wage is higher than INR 25,000 per month, the incentive will be calculated at INR 25,000 per month.

The subsidy will be refunded by the employer to the Government if the employment to the new employee ends within 12 months of recruitment. This scheme will be applicable for 2 years and is in addition to the benefits under the First Timers Scheme.

- **Scheme C- Support to Employers:** This employer specific scheme will cover additional employment in all sectors. For each additional employee, the Government will reimburse employers up to INR 3,000 per month for 2 years towards Employees' Provident Fund Organisation contribution, for salaries of employees within INR 100,00 per month.

This scheme will be applicable to the employer who increases employment above baseline (i.e. previous year's number of Employees' Provident Fund Organisation employees) by at least 2 employees (for those with less than 50 employees) or 5 employees (for those with more than 50 employees) and sustains higher level and for employees whose salary does not exceed INR 100,00 per month.

For 2 years the Government will reimburse Employees' Provident Fund Organisation employer contribution up to INR 3,000 per month to the employer for the additional employees hired in the previous year.

If the employer creates more than 1000 jobs, reimbursement will be done quarterly for the previous quarter and the subsidy will continue for the 3rd and 4th year on the same scale as employer benefit for job creation in Manufacturing Sector Scheme.

### 3.3 PARTICIPATION OF WOMEN IN WORKFORCE

In order to enhance participation of women in workforce, working women hostels and creches will be established in collaboration with industry.

Rental housing with dormitory type accommodation for industrial workers will be facilitated in Public Private Partnership mode with Viability Gap Funding support and commitment from anchor industries.

### 3.4 FOCUS ON SKILLING AND LABOUR RELATED REFORMS

A new Government sponsored scheme has been introduced for skilling in collaboration with State governments and industry. The Government will launch a comprehensive scheme for providing internship opportunities in 500 top companies to 10 million youth in the next 5 years.

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An internship allowance of INR 5,000 per month along with a one-time assistance of INR 6,000 will be provided. Companies will be expected to bear the training cost and 10 per cent of the internship cost from their Corporate Social Responsibility (“CSR”) funds.

The cost sharing per annum would be calculated as INR 54,000 to be given by the Government towards monthly allowance along with INR 6,000 as grant and INR 6,000 to be borne by the respective company from their CSR funds. Administrative costs will be borne by the respective parties (for the Company, reasonable administrative expenses can be counted as CSR expenditure). The participation of the companies in this scheme is voluntary. This internship scheme is only applicable to youth aged between 21 years and 24 years and to those who are not employed and not engaged in full time education.

Along with the above, the Government has proposed that it will facilitate the provision of a wide array of services to labour, including those for employment and skilling. A comprehensive integration of e-shram (“labour”) portal with other portals will facilitate such one-stop solution. Open architecture databases for the rapidly changing labour market, skill requirements and available job roles, and a mechanism to connect job-aspirants with potential employers and skill providers will be covered in these services.

Shram Suvidha and Samadhan (“Labor Facility and Solution”) portals will be revamped to enhance ease of compliance for industry and trade. The Shram Suvidha and Samadhan portal facilitate ease of reporting at one place of various labour laws consolidated information of labour inspection and its enforcement. It enhances convenience of reporting, transparency in labour inspection and monitoring of labour inspections based on key performance indices.

## 3.5 PROMOTION OF MICRO, SMALL, AND MEDIUM ENTERPRISES

The Government has proposed measures to support the Micro, Small, and Medium Enterprises (“MSME”) and manufacturing, particularly labour-intensive manufacturing sector, as per following:

- **Credit Guarantee Scheme for MSMEs in the Manufacturing Sector:** The Government will introduce a credit guarantee scheme for facilitating term loans to MSMEs for purchase of machinery and equipment without collateral or third-party guarantee. The scheme is said to operate on pooling of credit risks of such MSMEs. Furthermore, a separately constituted self-financing guarantee fund will provide, to each applicant, a guarantee cover up to INR 1 billion, while the loan amount may be larger. The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan amount.
- **New Assessment Model for MSME Credit:** In order to improve the traditional assessment of credit eligibility based only on the asset or turnover criteria of MSME, the Government has directed the Public Sector Banks to build their in-house capability to assess MSMEs for credit, which will cover MSMEs without a formal accounting system.
- **Credit Support to MSMEs during Stress Period:** The Government has announced a new mechanism for facilitating continuation of bank credit to MSMEs during their stress period. In order to avoid being in the Non-Performing Asset stage, credit availability will be supported through a guarantee from a Government promoted fund to MSME while being in the Special Mention Account (“SMA”) stage for reasons beyond the MSMEs’ control.
- **Turnover Threshold for Mandatory Onboarding in Trade Receivables electronic Discounting System (TReDS):** For facilitating MSMEs to unlock their working capital by

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converting their trade receivables into cash, the Government has proposed to reduce the turnover threshold of buyers for mandatory onboarding on the TReDS platform from INR 5 billion to INR 2.5 billion. Medium enterprises will also be included in the scope of the suppliers.

- **New MSME Units for Food Irradiation, Quality & Safety Testing:** It is proposed that financial support will be provided for setting up of 50 multi-product food irradiation units in the MSME sector. Setting up of 100 food quality and safety testing labs with National Accreditation Board for Testing and Calibration Laboratories (“NABL”) accreditation will be facilitated.
- **E-Commerce Export Hubs MSMEs:** To enable MSMEs and traditional artisans to sell their products in international markets, the Government proposed that E-Commerce Export Hubs will be set up in Public Private Partnership mode. These hubs, under a seamless regulatory and logistic framework, will facilitate trade and export related services under one roof.

## **3.6** PROMOTION OF MANUFACTURING AND INFRASTRUCTURE

The Government has announced facilitation of development of investment-ready “plug and play” industrial parks with complete infrastructure in or near 100 cities in India, in partnership with the States and private sector, by using town planning schemes. 12 new industrial parks under the National Industrial Corridor Development Programme, which aims to develop new industrial cities as “Smart Cities”, will be sanctioned.

In addition to this, the Government has announced its support on development of industrial nodes in Bihar and Andhra Pradesh along with other infrastructure development projects in the said two states.

## **3.7** INTEGRATED TECHNOLOGY PLATFORM FOR INSOLVENCY AND BANKRUPTCY CODE ECO-SYSTEM

The Government plans to establish an integrated technology platform for improving the outcomes under the Insolvency and Bankruptcy Code (IBC) for achieving consistency, transparency, timely processing and better oversight for all stakeholders. By integrating technology into the IBC process, the government hopes to streamline operations and bring about more efficient resolutions.

## **3.8** VOLUNTARY CLOSURE OF LIMITED LIABILITY PARTNERSHIPS

The Government has extended the services of the Centre for Processing Accelerated Corporate Exit (“C-PACE”) for voluntary closure of Limited Liability Partnerships to reduce the closure time. C-PACE, a part of Ease of Doing Business initiative of the Government, is a centralised process of striking off companies from the Ministry of Corporate Affairs.

## **3.9** NATIONAL COMPANY LAW TRIBUNALS AND DEBT RECOVERY

The Government announced various changes in the Insolvency and Bankruptcy Code to improve insolvency and debt recovery process with measures including enhancing the efficiency of National Company Law Tribunals. These reforms are expected to expedite insolvency resolutions, strengthen debt recovery tribunals and establish additional tribunals to handle cases exclusively under the Companies Act, 2013.

## **3.10** REDUCTION IN STAMP DUTY CHARGES

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The Government will encourage the states to moderate the rates of stamp duty with regards to property registration, and also consider further lowering duties for properties purchased by women.

## **3.11** ECONOMIC POLICY FRAMEWORK AND LAND RELATED REFORMS BY STATE GOVERNMENTS

An Economic Policy Framework will be formulated by the Government to delineate the overarching approach to economic development and set the scope of the next generation of reforms for facilitating employment opportunities and sustaining high growth. The Government will initiate and incentivize reforms for (1) improving productivity of factors of production, and (2) facilitating markets and sectors to become more efficient.

To promote competitive federalism and incentivizing States for faster implementation of the reforms, the Government has allocated a significant part of the 50-year interest-free loan for the following reforms:

- Land-related reforms, both in rural and urban areas, which will cover (1) land administration, planning and management, and (2) urban planning, usage and building bylaws will be incentivized for completion within the next 3 years through appropriate fiscal support.
- Rural land related actions will include (1) assignment of Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands, (2) digitization of cadastral maps, (3) survey of map sub-divisions as per current ownership, (4) establishment of land registry, and (5) linking to the farmers registry.
- Land records in urban areas will be digitized with Geographical Information System (“GIS”) mapping. An Information Technology (“IT”) based system for property record administration, updating, and tax administration will be established.

## **3.12** FOREIGN DIRECT INVESTMENT AND OVERSEAS INVESTMENT

The Government has proposed to simplify the rules for Foreign Direct Investment to attract investment in India. It is specified that the rules and regulations for Foreign Direct Investment and Overseas Investments will be simplified to (1) facilitate foreign direct investments, (2) nudge prioritization, and (3) promote opportunities for using Indian Rupee as a currency for overseas investments. The Government will issue further notifications for implementing the proposal for simplification and liberalising Foreign Direct Investment.

## **3.13** EASE OF DOING BUSINESS

For enhancing ‘Ease of Doing Business’, the Government is working on the Jan Vishwas Bill 2.0. Further, States will be incentivized for implementation of their Business Reforms Action Plans and digitalization.

# **4** INCOME TAX

## **4.1** CHANGES IN TAX RATES

### **Personal Tax Rates:**

- Tax rates revised under New Tax Regime to provide an additional benefit of INR 10,000. [Refer Revised Tax Rates under New Tax Regime in Para 5.2 under the title “Simplified Personal Income Tax Incentivised”].

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## Corporate Tax Rates:

- No changes in tax rates applicable to domestic companies.
- Tax rate applicable to foreign companies reduced from 40 per cent to 35 per cent.

Below are the corporate tax rates applicable for FY 2024-25:

### Option 1 – Regular Income Tax Rates

Particulars	Taxable Income <= INR 10 million (per cent)	INR 10 million < Taxable Income <= INR 100 million (per cent)	Taxable Income > INR 100 million (per cent)
Foreign companies	36.4	37.13	38.22
Domestic companies' set-up and registered on or after 1 March 2016 and engaged in manufacturing*	26	27.82	29.12
Domestic Companies having Total Turnover / gross receipts not exceeding INR 4,000 million in Financial Year 2022-23	26	27.82	29.12
Domestic Companies having Total Turnover/ gross receipts of INR 4,000 million or more in Financial Year 2022-23	31.20	33.38	34.94
Minimum Alternate Tax	15.60	16.69	17.47

### Option 2 – Concessional tax rate regime\*

Particulars	Section	Effective Tax rate (per cent) *
All domestic companies	115BAA	25.17
Companies' set-up and registered on or after 1 October 2019 and commenced manufacturing on or before 31 March 2024	115BAB	17.16

\*Subject to prescribed deductions and incentives forgone; Minimum Alternate Tax does not apply

## Capital Gains Tax Rates:

Slew of changes proposed to bring down the rates [Refer to “Summary of revised Capital Gains Tax Rates and period of holding for determining long term / short term capital asset” under Section 5.3].

(Details of the above provided for in Annexure A to this Document)

## 4.2 KEY PROPOSALS RELATING TO PERSONAL TAXATION

### Simplified Personal Income Tax Scheme Incentivised [Section 115BAC]

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- To make the Simplified Personal Income Tax Regime ('SPITR') more attractive for individuals, revision in Income Tax Slabs has been proposed. Revised Income Tax slabs are as follows:

Income Slab (INR)	Current Tax Rate under New Tax Regime (per cent)	Revised Income Slab (INR)	Revised Tax Rate under New Tax Regime (per cent)
0-300,000	Nil	0-300,000	NIL
300,001 – 600,000	5 per cent	300,001 – 700,000	5 per cent
600,001 – 900,000	10 per cent	700,001 – 10,00,000	10 per cent
900,001 – 1,200,000	15 per cent	10,00,001 – 1,200,000	15 per cent
1,200,001 – 1,500,000	20 per cent	1,200,001 – 1,500,000	20 per cent
Above 1,500,000	30 per cent	Above 1,500,000	30 per cent

- Standard deduction limit is proposed to be revised to INR 75,000 from erstwhile INR 50,000 for salaried individuals continuing with default SPITR.

This amendment will apply to assessment year 2025-26 and subsequent assessment years.

## **Increase in deduction from family pension for taxpayers in SPITR**

- In respect of income earned in the nature of family pension, a deduction of a sum equal to 33.33 per cent of such income or INR 15,000, whichever is less, is allowed while computing the income chargeable under the head "Income from other sources".
- This limit of INR 15,000 is proposed to be enhanced to INR 25,000 for the taxpayers opting for SPITR.

This amendment will apply to assessment year 2025-26 and subsequent assessment years.

## **Increase in deduction for Employer's Contribution to National Pension Scheme**

- Currently, employer's contribution (other than Central Government and State Government) to pension scheme is allowed as deduction to employees upto 10 per cent of Basic Salary and Dearness Allowance.
- It is proposed to increase the deduction limit for such employer's contribution to pension scheme for employees opting for the new tax regime to 14 per cent from existing 10 per cent of Basic Salary and Dearness Allowance.

This amendment will apply in relation to the assessment year 2025-26 and subsequent assessment years.

## **Discontinuation of quoting of Enrolment ID instead of Aadhaar Number:**

- Provisions allowing the quoting of Aadhaar Enrolment ID (where Aadhaar number was not allotted) for allotment of PAN or in the return of income, were introduced in 2017.
- It has now been proposed to discontinue the quoting of Enrolment ID with effect from 1 October 2024



## 4.3 KEY PROPOSALS RELATING TO DOMESTIC TAXATION

### **Anti avoidance provision regarding excess premium on share capital issue abolished**

- As per existing provisions, where an unlisted company receives any consideration for issue of shares, in excess of Fair Market Value (FMV) of shares, the aggregate consideration received exceeding such FMV is chargeable to income tax under the head "Income from other sources".
- Since this provision was leading to significant litigation, it is proposed that these provisions shall not apply from assessment year 2025-26 onwards.

### **Abolishment of buy back taxation**

- Special provisions relating to tax on distributed income of a domestic company from buy-back of shares were introduced by Finance Act, 2013, which required the Companies to pay additional tax on such buyback at a rate of 20 per cent (plus applicable surcharge and cess) and the corresponding buy back proceeds were considered as exempt in the hands of the shareholders.
- It is proposed to amend the provisions of buyback taxation as follows:
  - Any sum paid by a domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders and will be chargeable to income-tax at applicable rates.
  - No deduction for any expenses would be allowed against such dividend income.
  - The cost of acquisition of the shares, which have been bought back, would be allowable as a capital loss in the hands of the shareholder.

Non-resident shareholders can explore whether tax treatment under applicable Double Taxation Avoidance Agreement is more beneficial.

These amendments will apply to buyback of shares that takes place on or after 1 October 2024.

### **Settlement amounts paid to settle contravention not an allowable expenditure**

- Any expenditure incurred by taxpayer for any purpose which is an offence, or which is prohibited by law is not an allowable expenditure for computing business income.
- It has now been proposed that amounts paid to settle proceedings in relation to contravention of laws as may be notified shall be considered as expenditure in relation to an offence or prohibited by law and hence, will not be allowed as deduction while computing the business income.

This amendment will apply in relation to the assessment year 2025-26 and subsequent assessment years.

### **Summary of revised Capital Gains Tax Rates and period of holding for determining long term / short term capital asset**

- Slew of changes have been introduced in the scheme of capital gains taxation, including period of holding and tax rates as follows:

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Particulars	Long-term capital gains		Short-term capital gains		Holding period	
	Pre amendment	Post amendment	Pre amendment	Post amendment	Pre amendment	Post amendment
Listed equity shares	10 per cent (on aggregate gains exceeding INR 100,000)	12.5 per cent (on aggregate gains exceeding INR 125,000)	15 per cent	20 per cent	12 months	12 months
Equity oriented mutual funds, listed units of business trust	10 per cent (on aggregate gains exceeding INR 100,000)	12.5 per cent (on aggregate gains exceeding INR 125,000)	15 per cent	20 per cent	12 months (36 months for units of business trust)	12 months
Unlisted equity shares, shares of foreign companies (whether listed or unlisted)	20 per cent with indexation for residents / 10 per cent without indexation for non-residents	12.5 per cent without indexation	Applicable rates	Applicable rates	24 months	24 months
Other Assets (Immovable property, gold etc.)	20 per cent with indexation	12.5 per cent without indexation	Applicable rates	Applicable rates	36 months (24 months for land & building)	24 months
Listed debentures / bonds	10 per cent without indexation	12.5 per cent without indexation	Applicable rates	Applicable rates	12 months	12 months
Unlisted debentures / bonds	20 per cent (without indexation)	Not Applicable	Applicable rates	Applicable rates	36 months	Not relevant
Units of a Specified Mutual Fund / Market Linked Debentures (MLD)	Not Applicable	Not Applicable	Applicable rates	Applicable rates	Not relevant	Not relevant

**Note:**

- (i) Holding period of undertaking in respect of slump sale continues to be more than 36 months for it to qualify as long-term capital asset.
- (ii) It has been proposed to amend the definition of specified mutual fund under Section 50AA as below:

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(a) a Mutual Fund which invests more than 65 per cent of its total proceeds in debt and money market instruments; or

(b) a fund which invests 65 per cent or more of its total proceeds in units of a fund.

The definition of specified mutual fund shall be amended from assessment year 2026-27 onwards.

## **Gifts to be considered as exempt transfer, only when the transferor is an individual or HUF**

- It has been proposed that transfer of a capital asset, under a gift or will or an irrevocable trust, shall be considered as exempt transfer, only if the same is by individuals or HUFs.
- This amendment is proposed, since multiple taxpayers have taken arguments that gift of shares by company is not liable to capital gains tax in view of the erstwhile provision that is proposed to be amended now to make it applicable only in case of individuals or HUFs.

This amendment shall, apply in relation to the Assessment Year 2025-26 and subsequent assessment years.

## **4.4**

### **KEY PROPOSALS RELATING TO INTERNATIONAL TAX**

#### **Change in rates of taxation on capital gains for non-residents in parity with the residents**

- Tax rate on capital gains arising to non-residents from transfer of unlisted securities or shares of a private company are proposed to be increased from 10 per cent to 12.5 per cent.
- Similar amendments proposed under various capital gains sections dealing with capital gains tax rate and holding period to determine long term and short-term capital gains, as covered under Domestic Taxation Section above, have also been proposed for capital gains in the hands of non-residents covered under below provisions:

<b>Section</b>	<b>Scope of taxation</b>
115AB	Provides for taxation of income from units or capital gains arising on transfer of such units to an Offshore Fund
115AC	Provides for taxation of income from bonds or Global Depository Receipts (GDR) or capital gains on such bonds or GDR to a non-resident
115AD	Provides for taxation of income of securities or capital gains from such securities to a specified fund or Foreign Institutional Investors (FII)
115E	Special provision for taxation of investment income and long-term capital gains on specified assets to a non-resident Indian

These amendments are to be given to effect immediately i.e. from 23 July 2024.

#### **Abolition of Equalisation Levy on E-commerce Operators**

- Finance Act, 2020 had imposed Equalization Levy ('EL') of 2 per cent on the amount of consideration received/ receivable by an E-commerce operator from e-commerce supply or services.

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- As EL Provisions resulted in compliance burden, it is proposed that this equalisation levy at the rate of 2 per cent shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the 1 August 2024
- Consequential amendment made in Section 10 (50) of the IT Act which exempted income from Total Income on which EL has been paid by the E-commerce operator
- These amendments will take effect from the 1 August 2024.

## 4.5 KEY PROPOSALS RELATING TO TRANSFER PRICING

### **Transfer Pricing Officer ('TPO') now has power to determine Arm's Length Price ('ALP') of Specified Domestic Transactions ('SDT'), under certain circumstances**

- Under section 92CA(2A) and (2B), the TPO has power to determine the ALP of International Transactions during assessment proceedings, even if they are not referred by the AO and/or in whose respect transfer pricing audit report in Form 3CEB has not been filed.
- However, the existing provision doesn't provide the same power to TPO to determine the ALP with respect to SDTs.
- Considering such a restriction for TPO, an amendment is proposed under section 92CA(2A) and (2B), wherein, now the TPO can determine the ALP of SDTs under similar circumstances.

This amendment will take effect from 1 April 2025 and shall apply in relation to the assessment year 2025-26 and subsequent assessment years.

### **Thin capitalisation provisions will not apply to Finance company located in International Financial Services Centre ('IFSC')**

- The current scope of section 94B, which provides for thin capitalisation provisions, excludes applicability of the same to Indian companies or permanent establishments of foreign companies, which are engaged in the business of banking or insurance.
- With the proposed amendment in section 94B, the thin capitalisation provisions would not be applicable even to Finance companies located in IFSC, subject to satisfaction of prescribed conditions.

This amendment will take effect from 1 April 2025 and shall apply in relation to the assessment year 2025-26 and subsequent assessment years.

### **Announcement to expand scope of Safe Harbour Rules ('SHR')**

- Hon'ble Finance Minister made an announcement in her speech that Government is expected to expand the scope of SHR to make them more attractive to taxpayers.
- At this point it can only be speculated, but in near future, additional international transactions can be expected to be added within the SHR Framework.
- Further, existing Safe Harbour Margins, especially in case of software development services or information technology enabled service or contract research and development, can also be expected to be rationalized.

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- In general, the taxpayers have been less receptive to current SHR Framework, considering the existing Safe Harbour Margins are higher than the Industry Trend.

This is just an announcement and amendments to this effect are expected to be made later.

## 4.6 KEY PROPOSALS RELATING TO WITHHOLDING TAX

### **Credit for TDS/ TCS for salaried employees**

- To ease cash flow issues for employees, it is proposed that credit of all TDS as well as TCS accruing to the employee to be taken into account while computing the amount of TDS on salary income of employees.

This amendment will take effect from 1 October 2024.

### **TDS on distributed income of domestic company for buy-back of shares**

- In line with the amendment to treat buy-back of shares as dividend income of shareholders, it is proposed to bring such buy-back of shares by domestic companies under the purview of TDS at the rate of 10 per cent.

This amendment will take effect from 1 October 2024.

### **Rationalisation of provisions of TDS under Section 194C (Payments to Contractors) and 194J (Professional or Technical Services)**

- Section 194C of the IT Act provides for TDS on payments to contractors for carrying out any work at 1 per cent or 2 per cent in other cases. Section 194J prescribes TDS on professional or technical services at 2 per cent or 10 per cent depending on the nature of payment being made.
- Some deductors erroneously deduct tax under Section 194C of the IT Act instead of Section 194J of the IT Act.
- To ensure correct compliance, it is proposed that any sum referred to in Section 194J does not constitute “work” for the purposes of TDS under Section 194C of the IT Act.

This amendment will take effect from 1 October 2024.

### **Amendment of provisions of TDS on sale of immoveable property**

- Section 194-IA of the IT Act provides for TDS on payment of consideration for transfer of certain immoveable property other than agricultural land, where either of consideration for transfer of immoveable property or the stamp duty value thereof or both, are more than INR 5 million.
- In joint ownership, consideration is considered as each individual buyer’s payment, rather than the total consideration paid for the immovable property.
- It is therefore proposed to clarify that where there is more than one transferor or transferee in respect of an immoveable property, then such consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immoveable property.

This amendment will take effect from 1 October 2024.

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## TDS on payment of salary, remuneration, interest, bonus or commission by partnership firm to partners

- Presently, there is no provision for TDS on payment of salary, remuneration, interest, bonus or commission paid by partnership firm to partners.
- It is proposed to insert a new section 194T to bring payments such as salary, remuneration, interest, bonus or commission to any partner's account (including capital account) under the purview of TDS at the rate of 10 per cent under the new Section 194T where aggregate amounts are more than INR 20,000 in the financial year.

This amendment will take effect from 1 April 2025.

## Rationalisation of various TDS rates

- To improve ease of doing business and better compliance by taxpayers, various TDS rates are proposed to be reduced.
- Rationalisation of TDS rates is proposed as follows:

Section	Nature of payment	Present TDS rate	Proposed TDS rate	With effect from
194D	Payment of insurance commission to person other than company	5per cent	2 per cent	1 April 2025
194DA	Payment in respect of life insurance policy	5per cent	2 per cent	1 October 2024
194G	Commission etc. on sale of lottery tickets	5per cent	2 per cent	1 October 2024
194H	Payment of commission or brokerage	5per cent	2 per cent	1 October 2024
194-IB	Payment of rent by certain individuals or HUF	5per cent	2 per cent	1 October 2024
194M	Payment of certain sums by certain individuals or HUF	5per cent	2 per cent	1 October 2024
194-O	Payment of certain sums by e-commerce operator to e-commerce participant	1per cent	0.1per cent	1 October 2024
194F	Payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1 October 2024

- In addition to the above, as a consequence of proposed changes in tax rates for short-term and long-term capital gains, consequential amendments are proposed in respect of TDS under Section 196B and Section 196C of the IT Act as follows:

Section	Nature of income	Applicable TDS rate
196B	Income from units referred to in Section 115AB of the IT Act i.e. income of Offshore Funds from the sale of Units referred to in Section 115AB	10 per cent
196B	Long-term capital gains arising from transfer of units referred to in Section 115AB, which takes place: <ul style="list-style-type: none"><li>- Before 23 July 2024</li><li>- After 23 July 2024</li></ul>	10 per cent 12.5 per cent
196C	Income by way of interest or dividends in respect of bonds or Global Depository Receipts referred to in Section 115AC	10 per cent

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Section	Nature of income	Applicable TDS rate
196C	Long-term capital gains arising from transfer of such bond or Global Depository Receipts referred to in Section 115AC, which takes place: <ul style="list-style-type: none"><li>- Before 23 July 2024</li><li>- After 23 July 2024</li></ul>	10 per cent 12.5 per cent

- Above amendments pertaining to TDS under Section 196B and Section 196C of the IT Act will take effect from 23 July 2024.

## Rationalisation of various provisions pertaining to TCS

### (i) Notification of certain persons or class of persons as exempt from TCS

- There are entities whose income is exempt from taxation and are not required to furnish returns of income.
- It is proposed to provide that no or lower TCS shall be made in respect of specified transaction with such person or class of persons, as may be notified by the Central Government in this behalf.

This amendment will take effect from 1 October 2024.

### (ii) Allowing claim of credit for TCS of minor in the hands of the parent

- It is proposed that Central Board of Direct Taxes ('CBDT') shall notify rules for cases, where credit of TCS is to be given to persons other than person, in whose name TCS is deposited.
- Further, to avoid misuse, credit of TCS of the minor shall only be allowed where the income of the minor is being clubbed with the parent.

This amendment will take effect from 1 January 2025.

### (iii) TCS on notified goods

- In order to track expenditure on luxury goods by high-net-worth persons and for proper tracking of such expenses, it is proposed that TCS shall apply on any such goods of value exceeding INR 1 million, as may be notified by the Central Government in this behalf.

This amendment will take effect from 1 January 2025.

### (iv) Reducing time limitation for orders deeming any person to be assessee in default

- Existing provisions prescribe a time limit of 7 years from the end of the financial year in which payment is made or credit is given or 2 years from the end of the financial year in which the correction statement is delivered, whichever is later, for passing an order deeming a person to be an assessee-in-default for failure to deduct appropriate tax at source. Such time limit is prescribed specifically when payee is a person resident in India. Similar provisions exist in respect of TCS provisions.
- However, no time limit is prescribed for TDS proceedings when payee is a non-resident.
- It is proposed to reduce the time limit from 7 years to 6 years from the end of the financial year in which payment is made or credit is given or tax was collectible or 2

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years from the end of the financial year in which the correction statement is delivered, whichever is later. Such time limit is also proposed to apply when payee is a non-resident.

This amendment will take effect from 1 April 2025.

(v) Alignment of interest rates for late payment of TCS to Government account

- It has been proposed that simple interest for non-payment of TCS to Government account is to be increased from existing 1per cent to 1.5per cent for every month or part thereof on the amount of TCS, from the date on which such TCS was collected to the date on which such TCS is actually paid.

This amendment will take effect from 1 April 2025.

**Extending the scope of certificate for lower deduction / collection of tax at source**

- There are situations where taxpayers are incurring losses; but funds are blocked due to tax deduction under Section 194Q of the IT Act by buyers on purchase of goods. Similarly, under Section 206C(1H) of the IT Act, every seller is also required to collect tax at source on sale of goods, where TDS compliance is not required on buyer's part.
- To facilitate ease of doing business and to relieve taxpayers from hardships due to excess TDS/ TCS burden on sale of goods, it is proposed that taxpayers may seek to obtain a lower deduction / collection certificate from tax authorities.

These amendments will take effect from 1 October 2024.

**Inclusion of taxes withheld outside India for the purposes of calculating total income**

- It is proposed to deem income tax paid / withheld outside India, in respect of which taxpayers are allowed a foreign tax credit against their tax liability in India, taxable income in India. This measure seeks to address under-reporting of total income by some taxpayers to the extent of taxes withheld outside India, while claiming credit for such taxes withheld outside India.

This amendment will take effect from 1 April 2025.

**Widening the ambit for processing of statements other than those filed by tax deductors**

- To widen the processing of TDS statements which have been made by other persons, not being the tax deductor, the Central Board of Direct Taxes may make a scheme for processing of such statements. This enables processing of statements, such as Form No. 26QF, which are filed by an Exchange, wherein the deductee files details of the tax.

The said amendment will take effect from 1 April 2025.

**Time limits for furnishing correction statements in respect of TDS/TCS statements**

- There is a time limit for furnishing of statements detailing the TDS/TCS. However, there is currently no time limit for furnishing correction statements.
- Therefore, in order to bring about certainty and finality on the filing process of TDS and TCS statements, it is proposed that no correction statement shall be delivered after



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the expiry of 6 years from the end of the financial year, in which the TDS/TCS statements are respectively delivered.

This amendment will take effect from 1 April 2025.

## 4.7 KEY PROPOSALS RELATING TO PROCEDURES

(Most amendments in this Section shall take effect from 1 April 2024, unless mentioned contrary and will apply to assessment year 2025-26 and subsequent years)

### **Introduction of the Direct Tax Vivad Se Vishwas Scheme, 2024**

- In a move to reduce pending litigations under the IT Act, Budget 2024 has announced the Direct Tax Vivad Se Vishwas Scheme, 2024 ('VsV Scheme').
- The VsV Scheme is a voluntary dispute resolution scheme similar to the 'Direct Tax Vivad Se Vishwas Act, 2020' introduced in Budget 2020.
- The VsV Scheme is proposed to come into force from the date to be notified by the Central Government.

### Inclusions – Cases covered under the VsV Scheme

- The following cases are eligible under the VsV Scheme:
  - (i) Appeal, Writ Petition or Special Leave Petition filed before any appellate forum and where such appeal is pending as on 22 July 2024.
  - (ii) Objections filed before the Dispute Resolution Panel ('DRP') under Section 144C of the IT Act and directions against such objections have not been issued as on 22 July 2024.
  - (iii) DRP has issued directions, but the Assessing Officer has not passed any order under Section 144C of the IT Act as on 22 July 2024.
  - (iv) Cases where application for revision under Section 264 of the IT Act has been filed and is pending as on 22 July 2024.

### Exclusions – Who cannot opt for the VsV Scheme

- The VsV Scheme specifically excludes inter-alia following cases:
  1. Tax arrears relating to:
    - (i) Where assessment or reassessment has been made on the basis of search initiated under Section 132 or Section 132A of the IT Act.
    - (ii) Where prosecution has been instituted on or before the date of filing declaration under the VsV Scheme.
    - (iii) Where dispute is in relation to any undisclosed income from a source located outside India or undisclosed asset located outside India.
    - (iv) Where assessment/reassessment has been made based on information received from foreign jurisdiction.
  2. Where any person in respect of whom an order of detention has been made under the provisions of Conservation of Foreign Exchange and Prevention of Smuggling

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Activities Act 1974 on or before the date of filing of declaration under the VsV Scheme.

3. Where person in respect of whom prosecution for offence punishable under various prescribed laws has been instituted as on the date of filing the declaration under the VsV Scheme.
- The VsV Scheme provides option to the taxpayer to discharge disputed tax/interest/penalty at below prescribed rates –

Situation	Amount payable on or before 31 December 2024	Amount payable on or after 1 January 2025, but before last date (to be notified)
<b>A. Where the tax arrears are in respect of quantum appeal by taxpayer</b>		
Appeal proceedings post 31 January 2020	100 per cent of disputed tax	110 per cent of disputed tax
Appeal proceedings up to 31 January 2020	110 per cent of disputed tax	120 per cent of disputed tax
<b>B. Where the tax arrears are in respect of other than quantum appeal by taxpayer</b>		
Appeal proceedings post 31 January 2020	25 per cent of disputed interest/penalty/fee	30 per cent of disputed interest/penalty/fee
Appeal proceedings up to 31 January 2020	30 per cent of disputed interest/penalty/fee	35 per cent of disputed interest/penalty/fee

- The amount payable will be 50 per cent of the amount specified above in following cases:
  - (i) Appeals filed by the Income tax department
  - (ii) For cases where an appeal is pending before the CIT- Appeals/Joint CIT- Appeal/DRP/Income Tax Appellate Tribunal, on which favorable decision in its own case from the higher appellate forum is received.
- The procedure for filing declaration under the VsV Scheme and the last date for filing such declaration would be notified.
- Upon filing of declaration under the VsV Scheme, any appeal pending before the appellate forums shall be deemed to have been withdrawn.
- The appellant shall also provide an undertaking waiving its right to pursue any remedy or any claim which may otherwise be available to it.
- Taxpayer is required to pay such amount as determined under the VsV Scheme within 15 days from receipt of certificate from the designated authority.
- Immunity from penalty or prosecution provisions would be provided.

**Penalty for furnishing inaccurate statement of financial transaction or reportable account**

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- Currently penalty is prescribed under the IT Act for furnishing inaccurate statement of financial transaction or reportable account. The same is however not automatically extend to all cases where due diligence was not correctly done if the information did not lead to incorrect reporting due to Automatic Exchange of Information.
- It is therefore, proposed to substitute the erstwhile section in order to provide that if a person who is required to furnish a statement under section 285BA, provides inaccurate information in the statement or fails to furnish correct information within the period specified or fails to comply with the due diligence requirement, then the prescribed income-tax authority may direct that such person shall pay, by way of penalty, a sum of INR 50,000.
- It is further proposed that no penalty shall be imposable for any failure, if taxpayer proves that there was reasonable cause for such failure.

This amendment will take effect from 1 October 2024.

## **Penalty in case of non-submission of statement by liaison office of non-resident in India**

- Under existing provisions, non-residents having a liaison office in India, are required to furnishing a statement in the prescribed form in respect of its activities in a financial year within sixty days from the end of such financial year.
- It is proposed to introduce a penalty of INR 1,000 for every day for which the failure to furnish prescribed statement continues, if the period of failure does not exceed 3 months; and INR 0.1 million in any other case.
- It is proposed to provide that penalty shall not be leviable, if the taxpayer proves that there was reasonable cause for the said failure.

This amendment will take effect from 1 April 2025.

## **Penalty for failure to file TDS or TCS returns/ statements**

- Existing provisions prescribe a penalty of upto INR 0.1 million for failure to furnish TDS or TCS statement or for furnishing inaccurate TDS or TCS statements.
- No penalty is leviable, if the TDS/TCS statement is furnished before the expiry of 1 year from the time prescribed for furnishing such statement.
- It is proposed to drastically reduce the above time limit to 1 month from the time prescribed for furnishing such statement, to safeguard against penalty.

This amendment will take effect from 1 April 2025.

## **Rationalisation of provisions in relation to prosecution in case of failure to pay tax**

- Section 276B of the IT Act provides for prosecution, if a person fails to pay TDS to the credit of the Central Government within the timeline prescribed. In case of such defaults, rigorous imprisonment of not less than 3 months to 7 years and fine could apply.
- It is now proposed to relax the applicability of prosecution, if the payment of tax deducted in respect of a quarter has been made to the credit of the Central Government at any time on or before filing the statement of such quarter.
- This amendment will take effect from 1 October 2024.

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## Revision of monetary limits for filing of appeal by the tax department

With a view to reduce litigation, it has been announced in the Budget Speech (not part of the Finance Bill) to increase the monetary limits for filing appeals by the tax department as below –

Appellate Forum	Existing Monetary Limit (INR)	Revised Monetary Limit (INR)
Before the Appellate Tribunal	5 million	6 million
Before High Court	10 million	20 million
Before Supreme Court	20 million	50 million

## 4.8 KEY PROPOSALS (OTHERS)

### Insertion of special provision for computing profits and gains of the business of operation of cruise ships in the case of non-residents

- It is proposed to introduce presumptive taxation under section 44BBC of the IT Act for non-resident, specifically engaged in the business of operation of cruise ships. 20 per cent of the aggregate amount received/ receivable by, or paid/ payable to, the non-resident cruise-ship operator, on account of the carriage of passengers, shall be deemed as profits and gains of such cruise-ship operator from this business.
- Consequential amendment is proposed to be brought in to exclude such non-resident, specifically engaged in the business of operation of cruise ships from special provision for computing profits and gains of shipping business in the case of non-resident.
- Further, the lease rentals paid by a company which opts for presumptive regime under section 44BBC ('the first company'), shall be exempt in the hands of the recipient company, if such company is a foreign company and such recipient company and the first company are subsidiaries of the same holding company.

These amendments will apply to assessment year 2025-26 onwards.

## 5 INDIRECT TAXES

### 5.1 KEY PROPOSALS RELATING TO GOODS AND SERVICES TAX

#### Levy and collection of tax on un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption

- Section 9 of the Central Goods and Services Tax ('CGST') Act, 2017 is proposed to be amended to specifically exclude "Un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption" from levy of central goods and services tax. This is in line with the recommendations of the recently concluded, 53rd GST council meeting.
- Accordingly, there shall be no levy of GST on un-denatured extra neutral alcohol or rectified spirit used for manufacture of alcoholic liquor for human consumption. This aligns with similar amendments in the IGST and UTGST Acts, providing clarity and consistency across the GST framework.

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## **Power to not recover Goods and Services Tax not levied or short-levied as a result of general practice**

- A new Section 11A is proposed to be inserted which prescribes that if as per general industry practice, tax was not payable or a short amount of tax was payable then the Government on the recommendation of the council by notification direct that the whole of the tax payable on such supplies or the tax in excess of that payable on such supplies shall not be required to be paid in accordance with the said practice.
- In past due to lack of clarity, taxpayers have not discharged GST on certain transactions (For ex: Inter-company corporate guarantees). Later, GST council based on representations have clarified the taxability/ valuation mechanisms to be applied prospectively and recommended that demands for past periods be regularised based on existing provisions. However, there was no regulatory mechanism provided in the CGST Act to empower this.
- This provision aims to regularize past practices and provide relief to businesses that followed industry norms.

## **Time of supply of services under reverse charge mechanism**

- It is proposed to amend Section 13(3) of the CGST Act by providing that the time of supply of services under reverse charge mechanism shall be earlier of the following dates:
  - a. The date of payment in books of recipient or the date on which payment is debited in his bank account, whichever is earlier, or
  - b. The date following sixty days from the date of issue of invoice by the supplier, in cases where invoice is required to be issued by the supplier, or
  - c. The date of issue of invoice by the recipient in cases where invoice is to be issued by the recipient.
- The amendment has been proposed via inserting new clause (c) to Section 13(3) of the CGST Act. Thus, in cases where recipient is required to issue invoices, the date of such invoice becomes relevant to determine time of supply for such services.

## **Availability of input tax credit on an invoice or debit note**

- A new sub-section (5) is proposed to be inserted under Section 16 which states that input tax credit in respect of an invoice or debit note for supply of goods or services or both pertaining to the financial years 2017-18, 2018-19, 2019-20 and 2020-21 shall be available if the same is claimed in any return under section 39 filed up to thirtieth day of November 2021.
- It is also proposed that, in case if the amount of ITC was reversed for the aforementioned financial years, no refund shall be granted for such reversal amount.
- This amendment has come as a result of a recent landmark judgment by the Kerala High Court in M. Trade Links Vs Union of India, where it was held that taxpayers should be allowed to claim ITC, for periods prior to the enactment of the Finance Act 2022, provided the September return was filed by November 30.
- This retrospective amendment offers significant relief to businesses, especially by addressing the challenges faced during COVID-19 pandemic and initial period of GST implementation.

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## **Availability of input tax credit in case of revocation of cancellation of registration**

- Sub-section (6) is proposed to be inserted in Section 16 to allow availment of input tax credit in respect of an invoice or debit note in a return filed for the period from the date of cancellation of registration till the date of order of revocation of cancellation of registration, filed within thirty days of the date of order of revocation of cancellation of registration, subject to certain conditions.
- The said amendment relaxes the restrictions under Section 16(4), subject to conditions prescribed. However, at present there is no clarity for taxpayers who have already reversed such ITC for earlier period before such provision was amended.

## **Availability of input tax credit in certain circumstances**

- Sub-section (5) of section 17 of the CGST Act is proposed to be amended, so as to restrict the availability of input tax credit in respect of tax paid under Section 74 of the CGST Act only for demands up to financial year 2023-24. It also proposed to remove the reference to Section 129 and Section 130 in the said sub-section.
- The said amendment offers relief to taxpayers, by allowing utilization of input tax credit despite pendency of disputes under Section 74 of the CGST Act.
- It should be further noted that the current Section 74 is proposed to be replaced by section 74A for financial year 2024-25 onwards. In absence to mention of this section in Section 17(5), it appears that ITC with respect to Section 74A will not be blocked.

## **Time-limit for issuance of self-invoice**

- Section 31(3)(f) has been proposed to be amended, to prescribe the time limit for issuance of invoice by the recipient, in case of supplies attracting reverse charge mechanism.
- Further, an explanation has been inserted in Section 31 which prescribes that the term “supplier who is not registered” shall also include the supplier who is registered solely for the purpose of deduction of tax under Section 51.

## **Mandatory furnishing of returns by persons liable to deduct tax under section 51**

- Sub-section (3) of Section 39 is proposed to be substituted which provides that the registered person required to deduct tax at source under Section 51 shall furnish a return (Form GSTR-7) for every calendar month, whether or not any deductions have been made during a month.
- The proposed amendment will mandate filing of returns by person liable to deduct tax at source even when there are no deductions of tax in a particular month. The said amendment is in line with recommendations of the 53rd GST council meeting.

## **Refund on supplies of goods which are subject to export duty**

- Sub-section (3) is proposed to be amended and a new sub-section (15) is proposed to be inserted in Section 54 of the CGST Act, so as to provide that no refund of unutilised input tax credit or refund of integrated tax paid on export of goods shall be allowed in cases of zero-rated supply of goods where such goods are subjected to export duty.

## **Authorised representative to appear on behalf of the summoned person before the proper officer**

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- A new sub-section (1A) is proposed to be inserted under Section 70 to enable an authorised representative to appear on behalf of the summoned person before the proper officer to make statements or produce documents and other things.
- The proposed amendment would be beneficial specially for the top executives as they may now appoint an authorised representative to appear on their behalf in case of issuance of summons.

## **Determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to the Financial Year 2024-25 onwards**

- Sub-section (12) is proposed to be inserted in Section 73 and Section 74 of the CGST Act, so as to restrict the applicability of the said section for determination of tax pertaining to the period up to financial year 2023-24, as newly inserted Section 74A of CGST Act shall deal with proceedings pertaining to financial year 24-25 and onwards.
- The proposed Section 74A of the CGST Act provides for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to the financial year 2024-25 onwards.
- As per Section 74A, if any tax is unpaid, underpaid, erroneously refunded, or if the input tax credit is wrongly availed or utilised, the proper officer shall serve a notice to the registered person to explain why they should not pay the due amount along with interest and penalty. However, no notice will be issued if the amount of tax involved for a financial year is less than Rs. 1,000.
- The notice under this section, is to be issued within 42 months from the due-date of the annual return or erroneous refund date. The proper officer will be required to issue the order within a time limit of 12 months from the date of notice, which can be further extended by 6 months.
- It should be noted that, under existing provisions, the time limit under Section 73 (non-fraud cases) of the CGST Act for issuance of the order is 3 years from the due date of filing annual return or grant of erroneous refund. The time limit under Section 74 (fraud cases) for issuance of order is 5 years from the due date of filing annual return or grant of erroneous refund.
- However, with the new section effective, from financial year 2024-25 onwards, same time limit will apply for issuance of demand notices and demand orders, irrespective of cases involving fraud or wilful misstatement or not.
- A comparison of situation before and after the amendment has been reproduced below:

<b>Particulars</b>	<b>Before amendment: under Section 73 of CGST Act</b>	<b>Before amendment: under Section 74 of CGST Act</b>	<b>After Amendment under Section 74A of the CGST Act</b>
Due date for issue of notice	33 months	54 months	42 months
Due date for issue of order	36 months	60 months	54 months (further extendable by 6 months)

- It should be noted that, different penalty amounts have been prescribed for fraud and non-fraud cases which are similar to penalties prescribed under Section 73 and Section 74 of the CGST Act. The time-limit for the taxpayers to avail the benefit of reduced

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penalties under Section 74A, in case of payment of tax and applicable interest, is proposed to be increased from 30 days to 60 days as compared to Section 73 and Section 74 of the CGST Act.

- Penalty in case of non-payment, short-payment, erroneous refund, wrong availment or utilization of ITC will be revised as follows:

<b>Payment of tax with applicable interest in non-fraud cases</b>	<b>Before amendment</b>	<b>After amendment</b>
Before Show Cause Notice ('SCN') is issued	Not applicable	Not applicable
Within 30 days of SCN	Not applicable	Not applicable
Within 60 days of SCN	10 percent of tax or INR 10,000, whichever higher	Not applicable
Other cases	10 percent of tax or INR 10,000, whichever higher	10 percent of tax or INR 10,000, whichever higher

<b>Payment of tax along with applicable interest in case fraud cases</b>	<b>Before amendment</b>	<b>After amendment</b>
Before Show Cause Notice ('SCN') is issued	15 percent of tax	15 percent of tax
Within 30 days of SCN	25 percent of tax	25 percent of tax
Within 60 days of SCN	50 percent of tax	25 percent of tax
Within 30 days of order	50 percent of tax	50 percent of tax
Within 60 days of order	100 percent of tax	50 percent of tax
Other cases	100 percent of tax	100 percent of tax

- It is interesting to note that, sub-section (2A) is proposed to be inserted in Section 75 of the CGST Act to provide that, in case Appellate Authority or Tribunal or Court concludes that penalty as applicable to fraud cases is not sustainable, in case charges for fraud are not established, penalty will be leviable as per non-fraud cases.
- Consequential changes are proposed to be made in other provisions of the CGST Act and a reference to Section 74A has been given at relevant places in the Act where there was reference to Section 73 and Section 74.

## **Maximum amount of pre-deposit for filing appeal before the Appellate Authority or Appellate Tribunal**

- Sub-section (6) of Section 107 of the CGST Act is proposed to be amended, to reduce the maximum amount of pre-deposit for filing appeal before the Appellate Authority. This is in accordance with the recommendations in 53rd GST council meeting.
- The maximum pre-deposit for filing appeals before the Appellate Authority is to be reduced from INR 250 million to INR 200 million under Section 107 of the CGST Act. Similarly, under Section 20 of the IGST Act, the maximum pre-deposit amount is



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reduced from INR 500 million to INR 400 million for filing appeal before Appellate Authority.

- Additionally, under Section 112 of the CGST Act, the maximum amount of pre-deposit requirement for appeals before the Appellate Tribunal is proposed to be reduced from INR 500 million to INR 200 million and under Section 20 of the IGST Act, the maximum pre-deposit amount is reduced from INR 1000 million to INR 400 million.
- It is also important to note that under Section 112 of the CGST Act, the amount of pre-deposit required is proposed to be reduced from 20 percent to 10 percent of the disputed amount for filing appeal before the Appellate Tribunal.

## **Cases to be heard by principal bench**

- A proviso is proposed to be inserted after sub-section (5) of Section 109 CGST Act which states that the matters referred to in sub-section (2) of Section 171 (Anti Profiteering measure) shall be adjudicated only by the principal bench of the Appellate Tribunal.
- Further, another proviso is proposed to be inserted to empower the Government to specify any other cases to be heard by principal bench of the Appellate Tribunal only.

## **Time limit for filing appeal before the Appellate Tribunal**

- Sub-sections (1) and (3) of Section 112 of the CGST Act are proposed to be amended, so as to empower the Government to notify the date for filing appeal before the Appellate Tribunal and provide a revised time limit for filing appeals or application before the Appellate Tribunal. The said amendment is made effective from the 1st day of August, 2024, to avoid the appeals from getting time barred, due to the Appellate Tribunal not coming into operation.
- Sub-section (6) of Section 112 is also proposed to be amended so as to enable the Appellate Tribunal to admit appeals filed by the department within three months after the expiry of the specified time limit of six months.
- The above amendment is a significant development in the GST dispute resolution framework and is in line with the 53rd GST Council. It aimed to resolve the existing challenges faced by taxpayers due to delays in the constitution of the GSTAT.

## **Conditional waiver of interest and penalty for specified financial years**

- Section 128A of the CGST Act is proposed to be inserted, to provide for a conditional waiver of interest and penalty in respect of demand notices issued under Section 73 or Section 74 of the CGST Act for the financial years 2017-18, 2018-19 and 2019-20, except the demand notices in respect of erroneous refund. In cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.
- However, a specific restriction is proposed to carve out the litigation pertaining to erroneous refund cases from the benefits proposed under Section 128A. Further, cases where appeals are pending before Appellate Authority, Appellate Tribunal or a Court, the same are required to be withdrawn before the notified date.
- This is in nature of amnesty for taxpayers, for teething issues during initial GST years, allowing taxpayers who paid taxes but not interest and penalty, or who are facing demand on account of genuine interpretational errors, to benefit from the waiver of interest and penalty.

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- This offers a significant opportunity for taxpayers to settle past disputes without additional financial burden.

## **Availment of transitional credit prior to the appointed date**

- Sub-section (7) of Section 140 of the CGST Act is proposed to be amended, so as to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by an Input Services Distributor prior to the appointed day, for which invoices were also received prior to the appointed date.
- The said amendment is made effective from 1 July, 2017, is in line with the recommendation in the 53rd Council meeting, addressing transitional credit issues that businesses faced during the GST rollout.
- A lot of taxpayers had transitioned the closing balance of earlier ISD credit directly to the GST registration. However, they were not able to distribute the said credit to the respective GST registrations, as ISD return under GST did not allow distribution of transitional credit. This led to substantive pending litigation, in multiple cases.
- The proposed amendment will provide major relief to taxpayers who have transitioned closing balance of earlier ISD directly to the GST registration, and which remained blocked till now.

## **Appellate authority for Anti-profiteering measures**

- Proviso and Explanation is proposed to be inserted in sub-section (2) of Section 171 of the CGST Act, so as to empower the Government to notify the date from which the Authority under the said section will not accept any application for anti-profiteering cases.
- Explanation in the sub-section (3A) of the said section is proposed to be inserted, so as to include the reference of Appellate Tribunal in the Authority under the said section so that the Appellate Tribunal may be notified by the Government to act as an Authority under the said section.

## **Addition of new paragraphs in schedule III**

- Paragraph 9 is proposed to be inserted in Schedule III to the CGST Act, so as to provide that the activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.
- Paragraph 10 is proposed to be inserted in Schedule III to the CGST Act, so as to provide that the services by the insurer to the re-insurer, for which the ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that tax liability on the gross reinsurance premium inclusive of reinsurance commission or the ceding commission is paid by the reinsurer.
- This amendment ensures clarity in the insurance sector regarding tax liabilities as per the recommendation from 53rd meeting of the GST Counsel.

## **Safeguards and procedure for refund for specified class of persons**

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- Sub-section (4) of Section 16 of the IGST Act is being amended, so as to provide for notification of class of persons who may make zero rated supplies of goods or services or both or class of goods or services which may be supplied on zero rated basis, and refund of integrated tax in respect of which can be claimed, in accordance with the provisions of Section 54 of the Central Goods and Services Tax Act, subject to such conditions, safeguards and procedures as may be prescribed.
- This amendment intends to bring coherence between Section 16 of the IGST Act and Section 54 of the CGST Act and avoid any interpretation issues existing the GST regulations.

## **Refund on supplies of goods which are subject to export duty**

- Sub-section (5) is proposed to be inserted in Section 16 of the IGST Act to provide that no refund of unutilized input tax credit or of integrated tax paid on account of zero-rated supply of goods shall be allowed in cases where the zero-rated supply of goods is subjected to export duty.

## **5.2 KEY PROPOSALS RELATING TO CUSTOMS DUTY**

### **Acceptance of “Proof of Origin” in lieu of Certificate of Origin**

- With an aim of ease of doing business and to align with the trade agreements as executed, Section 28DA of the Customs Act is amended to enable the acceptance of different types of ‘proof of origin’ in case of import of goods to India.
- The said amendment has substituted the word ‘certificate’ of origin with ‘proof’ of origin wherein ‘proof of origin’ means a certificate or declaration issued in accordance with a trade agreement certifying or declaring that the goods fulfill the country-of-origin criteria and all other requirements.
- Moreover, for the purpose of issuing proof of origin under trade agreement an ‘Issuing Authority’ means an authority, or any other person designated for the said purpose.

### **List of operations/class of goods to be restricted in a custom bonded warehouse (MOOWR Scheme)**

- A proviso is proposed to be inserted in Section 65 wherein the Government would notify certain manufacturing procedures or other procedures for class of goods which would not be permitted under the Manufacturing and Other Operations in a Warehouse (MOOWR) Scheme.

### **Retrospective applicability of exemption of GST Compensation Cess for goods imported by a SEZ unit or developer**

- In continuation of extending the benefit of exemption from duties, taxes and cess on import of goods by SEZ unit or developer, it is proposed to extend the applicability of Notification 27/2024-Customs dated 12 July 2024 retrospectively from 01 July 2017 which provides the exemption from GST Compensation Cess on all goods imported by unit or developer in an SEZ.

### **Trade facilitation and other benefits also extended to “other persons” in addition to importers and exporters**

- Section 143AA of the Customs Act prescribes the specific measures or procedures for class of importers and exporters for the purposes of facilitating trade. It is proposed to

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extend the benefits of such measures and procedures to “any other persons” in addition to importers and exporters.

- Further simultaneous amendment is proposed in Section 157 of the Customs Act which empowers CBIC to make regulations to prescribe specific measures, procedures or documentation for class of importers and exporters is also proposed to include “any other person” in addition to importers and exporters.

## **Retrospective applicability of exemption of duties and cess on Crude soyabean oil and Crude sunflower oil**

- It is proposed to extend the benefit of exemption from Basic Customs Duty and Agriculture & Infrastructure Development Cess on import of Crude Soyabean Oil and Crude Sunflower Seed Oil retrospectively with effect from 01 April 2023 to 30 June 2023 with certain conditions –:
  - a) Duty and cess benefits are limited to the unused quota not claimed under Notification No. 30/2022-Customs (dated 24 May 2022) or Notification No. 37/2023-Customs from 11 May 2023 to 30 June 2023, and
  - b) The bill of lading for the import consignment must be issued on or before 31 March 2023.
- Further a refund of the duty and cess paid before the proposed amendment will be granted as if the notification had been in force during the effective revised dates, in accordance with Section 27 of Customs Act. The application for refund is required to be made to jurisdictional officer of Customs before 31 March 2025.

## **5.3 KEY PROPOSALS RELATED TO CUSTOMS TARIFF**

- Section 6 of the Customs Tariff Act, which empowers the Central Government to levy protective duties for safeguard of interest of indigenous industries on the recommendation of the Tariff Commission, is proposed to be omitted.

## **5.4 KEY PROPOSALS RELATING TO CENTRAL EXCISE ACT**

- It is proposed that the time period for submission of the final Mega Power Project certificate would be increased from 120 months to 156 months. Such change has been proposed to be brought into effect by retrospectively with effect from 29 June 2017 via amending the Notification No. 12/2012-Central Excise dated 17 March 2012 issued under Section 5A of the Central Excise Act.
- It is proposed that exemption of Clean Environment Cess, levied and collected as a duty of excise, on excisable goods lying in stock as on 30 June 2017 would be brought into effect retrospectively with effect from 30 June 2017 by amending the Notification No. 12/2017-Central Excise dated 30 June 2017. However, this is subject to payment of appropriate GST Compensation Cess on supply of such goods on or after 01 July 2017.

## 6 ANNEXURES

### 6.1 ANNEXURE A: RATES OF INCOME TAX

#### Personal Income Tax rates

Simplified Income Tax Slabs (prescribed deductions, incentives and other allowances not to be availed)

Effective from Assessment Year 2025-26\*

Revised Income Slab (INR)	Revised Tax Rate under New Tax Regime (per cent)
0-300,000	NIL
300,001 – 700,000	5 per cent
700,001 – 10,00,000	10 per cent
10,00,001 – 1,200,000	15 per cent
1,200,001 – 1,500,000	20 per cent
Above 1,500,000	30 per cent

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\*A resident individual, whose taxable income does not exceed INR 0.7 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 25,000.

## Surcharge – To be levied on Income-Tax

Income Slab (INR)	Surcharge Rate for Assessment Year 2025-26
5,000,000-10,000,000	10 per cent
10,000,001-20,000,000	15 per cent
20,000,001-50,000,000	25 per cent
Above 50,000,000	25 per cent

The Health and Education Cess at the rate of 4 per cent shall be computed on aggregate of Income-Tax and Surcharge.

## (Optional) Regular Income Tax Slabs (all deductions, incentives and other allowances to be availed) – Effective for Assessment Year 2025-26

(i) Resident individuals\* (other than those mentioned in (i) and (ii) below)

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-250,000	Nil
250,001-500,000	5
500,001-1,000,000	20
Above 1,000,000	30

(ii) Resident individuals\* of the age of 60 years or more but less than 80 years of age.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-300,000	Nil
300,001-500,000	5
500,001-1,000,000	20
Above 1,000,000	30

(iii) Resident individuals\* of the age of 80 years.

Existing Income Tax rates	
Income Slab (INR)	Tax Rate (per cent)
0-500,000	Nil
500,001-1,000,000	20
Above 1,000,000	30

\*A resident individual, whose taxable income does not exceed INR 0.5 million, can claim a tax rebate under Section 87A. The amount of rebate shall be lower of 100 per cent of income-tax or INR 12,500.

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## Corporate Tax Rates

**Option 1 for Domestic companies: Regular Income Tax (all deductions, incentives, allowances availed)**

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Domestic companies whose total turnover or gross receipts in the previous year 2022-23 does not exceed INR 4,000 million	25	26 / 27.82 / 29.12
Companies engaged in manufacturing set-up and registered on or after 1 March 2016	25	26 / 27.82 / 29.12
Others	30	31.2/33.38/34.94
Minimum Alternate Tax	15	15.60/16.69/17.46

**Option 2 for Domestic companies: Concessional Income Tax Rates (prescribed deductions, incentives, additional depreciation not to be availed)**

Description	Tax Rate (per cent)	Effective Rate (per cent) (including Surcharge and Cess)
Companies engaged in manufacturing and set-up and registered on or after 1 October 2019 and commenced manufacturing on or before 31 March 2024 *	15	17.16
All companies	22	25.17

\* Minimum Alternate Tax does not apply

## Foreign companies

Description	Tax rate (per cent)	Effective Tax Rate (including Surcharge and Cess) (per cent) (depending upon income levels)
Foreign Company:		
Income Tax	35	36.4 / 37.13 / 38.22

## 6.2 ANNEXURE B: IMPORTANT CHANGES IN CUSTOMS DUTIES

**A. Tariff rate changes (increase) for Basic Customs Duty (effective from 24 July 2024, unless otherwise specified Clause 107(a) of the Finance Bill, 2024)**

Item/ Product		Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
Category	Description			
Plastics	Poly vinyl chloride (PVC) flex films (also known as PVC flex banners or PVC flex sheets) Vinyl Chloride Monomer	3920, 3921	10	25

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Item/ Product		Tariff Code	Existing Tariff Rate in percentage	Proposed Tariff Rate in percentage
Category	Description			
Consumer Goods	Garden Umbrellas	6601 10 00	20	20 percent or Rs. 60 per piece, whichever is higher
Chemicals	Laboratory chemicals	9802 00 00	10	150

**B. Tariff rate changes for Basic Customs Duty without any change in effective rate of duty (effective from 01 October 2024, unless otherwise specified – Clause 107(b) of the Finance Bill, 2024):**

The current applicable rate of Basic Customs Duty on these below products shall be notified through suitable amendment in the corresponding notifications. The important tariff updates are given in the table below:

Description	Tariff Code	Existing	Proposed
Other roasted nuts and seeds, including such arecanuts	2008 19 20	30	150
Other nuts, otherwise prepared or preserved, including such arecanuts	2008 19 30	30	150

**C. New entries added to the First Schedule (to be effective from 01 October 2024 unless otherwise specified) [Clause 107(b) of the Finance Bill, 2024]:**

Amendments have been proposed in the Finance Bill, 2024, to the create new tariff lines in respect of defense products, technical textiles, sustainable blended aviation fuel, products used in Indian semiconductor machines, e-bicycles, natural menthol, printer cartridge etc. These changes shall come into effect from 01 October 2024.

Further, various changes/new insertions were introduced in Supplementary Notes of certain Chapters to include additional explanation of new terms introduced.

**D. Decrease in the effective rate of duty on import of goods through various notification for Basic Customs Duty (effective from 24 July 2024, unless otherwise specified)**

Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
Agricultural Products	Shea nuts	1207 99 90	30	15
Aquafarming & Marine Exports	Live SPF Vannamei shrimp (Litopenaeus vannamei) broodstock	0306 36	10	5
	Live Black tiger shrimp (Penaeus monodon) broodstock	0306 36	10	5



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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	Artemia	0306 36 60	5	Nil
	Artemia cysts	0511 91 40	5	Nil
	SPF Polychaete worms	0308 90 00	30	5
	Fish lipid oil for use in manufacture of aquatic feed	1504 20	15	Nil
	Crude fish oil for use in manufacture of aquatic feed	1504 20	30	Nil
	Algal Oil for use in manufacture of aquatic feed	1518	15	Nil
	Algal Prime (flour) for use in manufacture of aquatic feed	2102 20 00	15	Nil
	Mineral and Vitamin Premixes for use in manufacture of aquatic feed	2309 90 90	5	Nil
	Insect meal for use in Research & Development purposes in aquatic feed manufacturing	2301 10 90	15	5
	Single Cell Protein from Natural Gas for use in Research & Development purposes in aquatic feed manufacturing	2309 90 90	15	5
	Krill Meal for use in manufacture of aquatic feed	2301 20	5	Nil
	Pre-dust breaded powder for use in processing of sea-food	1901	30	Nil
	Prawn and shrimps feed	2309 90 31	15	5
	Fish feed	2309 90 39	15	5
<b>Critical Minerals</b>	Natural Graphite	2504	5	2.5
	Natural sands of all kinds, whether or not coloured, other than metal bearing sands of chapter 26 of The Customs Effective Act, 1975	2505	5	Nil
	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square)	2506	5	2.5

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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	shape			
	Strontium sulphate (natural ore)	2530 90 91	5	Nil
	Copper ores and concentrates	2603 00 00	2.5	Nil
	Cobalt ores and concentrates	2605 00 00	2.5	Nil
	Tin ores and Concentrates	2609 00 00	2.5	Nil
	Tungsten Ores and Concentrates	2611 00 00	2.5	Nil
	Molybdenum ores and concentrates	2613	2.5	Nil
	Zirconium ores and concentrates	2615 10 00	2.5	Nil
	Hafnium Ores and concentrates	2615 90	2.5	Nil
	Vanadium ores and concentrates	2615 90 10	2.5	Nil
	Niobium or tantalum ores and concentrates	2615 90 20	2.5	Nil
	Antimony Ores and Concentrates	2617	2.5	Nil
	Tellurium	2804 50 20	5	Nil
	Silicon, containing by weight not less than 99.99 percent of silicon	2804 61 00	5	Nil
	Other silicon	2804 69 00	5	Nil
	Selenium	2804 90 00	5	Nil
	Alkali or alkaline earth metals, Rare-earth metals, scandium and yttrium, whether or not intermixed or inter alloyed	2805 30 00	5	Nil
	Silicon dioxide	2811 22 00	7.5	2.5
	Potassium hydroxide	2815 20 00	7.5	Nil
	Oxides, hydroxides and peroxides, of strontium or barium	2816 40 00	7.5	Nil
	Cobalt oxides	2822 00 10	7.5	Nil
	Cobalt hydroxides	2822 00 20	7.5	Nil
	Commercial cobalt oxides	2822 00 30	7.5	Nil
	Lithium oxide and hydroxide	2825 20 00	7.5	Nil
	Vanadium oxides and hydroxides	2825 30	2.5/7.5	Nil

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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	Germanium oxides	2825 60 10	7.5	Nil
	Molybdenum oxides and hydroxides	2825 70	7.5	Nil
	Antimony oxides	2825 80 00	7.5	Nil
	Cadmium oxides	2825 90 20	7.5	Nil
	Chlorides of Nickel	2827 35 00	7.5	Nil
	Strontium chloride	2827 39 30	7.5	Nil
	Sulphates of Nickel	2833 24 00	7.5	Nil
	Nitrates of potassium	2834 21 00	7.5	Nil
	Lithium carbonates	2836 91 00	7.5	Nil
	Strontium carbonates	2836 92 00	7.5	Nil
	Salts of oxometallic or peroxometallic acids of Beryllium and Rhenium	2841 90 00	7.5	Nil
	Compounds, inorganic or organic of rare earth metals	2846	7.5	Nil
	Bismuth citrate	2918 15 30	7.5	Nil
	Artificial Graphite, colloidal or semi-colloidal graphite, preparations based on graphite or other carbon in form of pastes, blocks, plates or other semi-Manufactures	3801	7.5	2.5
	Unwrought Tin	8001	5	Nil
	Unwrought tungsten, including bars and rods obtained simply by sintering	8101 94 00	5	Nil
	Unwrought molybdenum, including bars and rods obtained simply by sintering	8102 94 00	5	Nil
	Unwrought tantalum, including bars and rods obtained simply by sintering, powders	8103 20	5	Nil
	Cobalt, unwrought	8105 20 20	5	Nil
	Bismuth, unwrought	8106 10 10	2.5	Nil
	Unwrought zirconium, powders, Containing less	8109 21 00	10	Nil

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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	than 1 part hafnium to 500 parts zirconium by weight			
	Unwrought antimony, powders	8110 10 00	2.5	Nil
	Beryllium unwrought, powders	8112 12 00	5	Nil
	Hafnium unwrought, waste and scrap, powders	8112 31	10	Nil
	Rhenium unwrought	8112 41 10	10	Nil
	Cadmium unwrought, powders	8112 69 10	5	Nil
	Cadmium, wrought	8112 69 20	5	Nil
	Unwrought; waste and scrap; powder of, - i. Gallium ii. Germanium iii. Indium iv. Niobium v. Vanadium	8112 92 00	5	Nil
<b>Steel Sector</b>	Ferro Nickel	7202 60 00	2.5	Nil
<b>Textile and Leather Sector</b>	Methylene Diphenyl Di-isocyanate (MDI) for use in the manufacture of Spandex Yarn	2929 10 90	7.5	5 Subject to IGCR conditions
	Real Down Filling Material from Duck or Goose for use in the manufacture of textile or leather garments for export	0505 10	30	10
<b>Cancer Drugs</b>	(i) Trastuzumab Deruxtecan, (ii) Osimertinib, (iii) Durvalumab	30	10	Nil
<b>Precious Metals</b>	Gold bar	7108	10	5
	Gold dore	7108	10	5
	Silver bar	7106	10	5
	Silver dore	7106	10	5
	Platinum, Palladium, Osmium, Ruthenium, Iridium	7110	10	5
	Coins of precious metals	7118	10	5
	Gold/Silver findings	7113	10	5
	Platinum and Palladium used in the manufacture of noble metal solutions, noble metal	71	7.5	5

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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	compounds and catalytic convertors			
	Bushings made of platinum and rhodium alloy when imported in exchange of worn out or damaged bushings exported out of India	84	7.5	5
<b>Medical Equipment</b>	All types of polyethylene for use in manufacture of orthopaedic implants falling under sub-heading 9021 10	39	As applicable	Nil
	Special grade stainless steel, Titanium alloys, Cobalt-chrome alloys, and All types of polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39	39, 72, 81	As applicable	Nil
	X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	9022 30 00	15	5 (till 31 March 2025)  7.5 (w.e.f 1st April, 2025 to 31 March, 2026)  10 (w.e.f 1st April, 2026)
	Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use	9022 90 90	15 percent	5 percent (till 31 March 2025)  7.5 percent (w.e.f 1st April, 2025 to 31st March, 2026)  10 percent (w.e.f 1st April, 2026)
	Cellular mobile phone	8517 13 00,	20	15

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Item/ Product		Effective Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
IT and Electronics Sector		8517 14 00		
	Charger/Adapter of cellular mobile phone	8504 40	20	15
	Printed Circuit Board Assembly (PCBA) of cellular mobile phone	8517 79 10	20	15
	Specified parts for use in manufacture of connectors	28, 29, 38	5/7.5	Nil
	Oxygen Free Copper for use in manufacture of Resistors	74	5	Nil
	Specified die-cut parts for use in manufacture of cellular mobile phones	40	As applicable	Nil
	Specified mechanics for use in manufacture of cellular mobile phones	40, 70, 76	As applicable	Nil
Renewable Energy Sector	Specified capital goods for use in manufacture of solar cells or solar modules, and parts for manufacture of such capital goods	84, 85, or any other chapter	7.5	Nil
Shipping	Components and consumables for use in manufacture of specified vessels	Any Chapter	As Applicable	Nil
	Technical documentation and spare parts for construction of warships	Any Chapter	As Applicable	Nil

**E. Increase in the effective rate of duty on import of goods through various notification for Basic Customs Duty (effective from 24 July 2024, unless otherwise specified)**

Item/ Product		Tariff Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
Chemicals and Plastics	Ammonium Nitrate, whether or not in aqueous solution	3102 30 00	7.5	10
	All goods other than Poly vinyl chloride (PVC) flex films/flex banner	3920 99 99	15	25
IT and Electronics Sector	Printed Circuit Board Assembly (PCBA) of specified telecom equipment	8517 79 10	10	15
Renewable Energy Sector	Solar glass for manufacture of solar cells or solar modules	7007	Nil	10 w.e.f. 1 October, 2024

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Item/ Product		Tariff Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Category	Description			
	Tinned copper interconnect for manufacture of solar cells or solar modules	74	Nil	5 w.e.f. 1 October, 2024

**F. Changes in the effective rate of export duty of goods through various notification for Basic Customs Duty (effective from 24 July, 2024, unless otherwise specified)**

Description	Tariff Code	Existing Effective Rate in percentage	Proposed Effective Rate in percentage
Raw Hides & skins, all sorts (other than buffalo)	4101 to 4103	40 percent	40 percent
Raw Hides & skins of buffalo	4101	30 percent	30 percent
Tanned or crust hides of skins, whether or not split, but not further prepared	4104 to 4106	40	20 percent
E.I. tanned leather	4104 to 4106	Nil	Nil
Finished leather as defined by DGFT finished leather norms	41	Nil	Nil
Raw fur skins	4301	60 percent/10 percent	40 percent
Tanned or dressed furskin	4302	60 percent	20 percent

**G. Amendment of Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995**

The Customs Tariff (Identification, Assessment and Collection of Countervailing Duty on Subsidized Articles and for Determination of Injury) Rules, 1995 have been amended to insert Rule 23A for New Shipper Review with effect from 24 July 2024. The New Shipper Review provision allows the Designated Authority to determine individual dumping margins for exporters or producers who did not export the goods to India during the original trade remedial investigation period. The rule includes provision for periodical Review for New Exporters/Producers, condition for new shippers, no immediate levy of duties, retroactive application of duty, extension of existing duties, etc.

**H. Review of various conditional exemption rates of Basic Customs Duty:**

As prescribed in Notification no. 50/2017-Customs dated 30 June 2017:

The BCD exemption for the goods covered under 117 entries of the notification are being extended up to 31st March 2026 unless specified otherwise. Further, the BCD exemption for the goods covered under 11 entries of the notification are being extended up to 31st March 2029 unless specified otherwise. Certain BCD exemptions in 22 various entries are being allowed to lapse with effect from 30.9.2024.

As prescribed by other notifications

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The BCD exemption for the goods covered under the various 9 notifications are being extended up to 31 March 2026. Further, the BCD exemption for the goods covered under the various 19 notifications are being extended up to 31 March 2029.

The amendments have been summarized for all such entries, as follows:

- a. For goods supplied freely under warranty as replacement for defective ones in lieu of earlier imported goods, capital goods/ machinery used by IT/ Electronics industry, subject to actual user condition, drugs and material, Lifesaving medical equipment for personal use, etc., the exemption has been extended up to 31 March 2029.
- b. For goods such as batteries for electrically operated vehicles, including two and three wheeled electric motor vehicles, solar tempered glass for use in manufacture of solar cells/panels/modules, specific input goods for manufacture of syringes, needles, catheters and cannulae, etc., exemptions will be lapsed on 30 September 2024.
- c. For goods such as for moulds, tools and dyes for the manufacture of parts of electronic components or electronic equipment, goods for manufacture of ELISA kits, Machinery, electrical equipment for use in marking and packaging of semiconductor chips, lithium-ion cell for use in manufacture of battery or battery pack of cellular mobile etc., the exemption has been extended up to 31 March 2026.
- d. End dates are being removed in 4 exemptions as they are covered by the exclusion clause, such as exemption to special Additional Duty on specified goods of Fourth Schedule to Central Excise Act, 1944, effective rate of Additional duty for goods under Chapter 27, etc.

**I. Review of Social Welfare Surcharge:**

Fifty-five goods under various chapter are exempted from levy of Social Welfare Surcharge with effect from 30 September 2024.

**J. Review of Agriculture Infrastructure and Development Cess:**

The effective rate of duty of Agriculture Infrastructure and Development Cess on gold, silver, platinum and under various chapter related to precious metals are being reduced with effect from 24 July 2024.

As attorneys, tax advisers, management and IT consultants and auditors, we are present with 110 own offices in 50 countries. Worldwide, our clients trust our 5800, colleagues.



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