

## Union Budget 2024-25: A Comprehensive Review and Simplification of Tax Structure (Part B)

The Union Budget 2024-25, presented by the Finance Minister, Smt. Nirmala Sitharaman, aims to offer significant relief to four crore salaried individuals and pensioners through direct tax adjustments. This budget also embarks on a holistic review of both direct and indirect taxes over the next six months. The proposed changes are intended to simplify the tax system, reduce the tax burden and compliance requirements, and broaden the tax base.



[Source: Business Today]

## Relief for Salaried Individuals and Pensioners

### 1. Increased Standard Deduction

One of the key highlights of the Budget is the increase in the standard deduction for salaried employees. The deduction has been raised from ₹50,000 to ₹75,000 for those opting for the new tax regime. This move is expected to provide significant relief to the salaried class, enhancing their disposable income.

### 2. Enhanced Deduction on Family Pension

Similarly, pensioners have reasons to cheer as the deduction on family pension has been increased from ₹15,000 to ₹25,000. This adjustment aims to offer financial comfort to pensioners, ensuring better post-retirement support.

## Comprehensive Review of Tax Structures

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### 1. Direct Taxes

The Budget proposes a thorough review of the Income Tax Act to reduce disputes and litigations. The goal is to make the act more lucid, concise, and user-friendly. This initiative is anticipated to minimize the legal complexities and foster a more straightforward tax environment.

### 2. Indirect Taxes

A significant focus has also been placed on the rationalization of the GST tax structure. By simplifying GST, the government aims to enhance the tax base and support domestic manufacturing. Furthermore, the Custom Duty rate structure will be reviewed to streamline processes and promote ease of trade.

## Simplification of Tax Regimes

### 1. Corporate and Personal Income Tax

The Budget has emphasized the appreciation received from taxpayers regarding the simplified tax regimes without exemptions and deductions. In 2022-23, over 58% of corporate tax was collected under the simplified tax regime, and more than two-thirds of taxpayers have transitioned to the new personal income tax regime. This positive response underscores the effectiveness of the simplified tax structures.

### 2. New Tax Regime Rate Structure

The revised tax regime rate structure offers benefits up to ₹17,500 in income tax for salaried employees. The new tax slabs are as follows:

Income Slabs (₹)	Tax Rate
0 – 3 Lakh	NIL
3 – 7 Lakh	5%
7 – 10 Lakh	10%
10 – 12 Lakh	15%
12 – 15 Lakh	20%
Above 15 Lakh	30%

## Boosting Entrepreneurship and Investment

### 1. Abolishing Angel Tax

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To promote investment and foster employment, the Budget has abolished the angel tax for all classes of investors. This move is expected to boost the entrepreneurial spirit and strengthen the start-up ecosystem in the country.

### 2. Simplified Tax Regime for Foreign Shipping Companies

Recognizing the potential of cruise tourism, the Budget proposes a simpler tax regime for foreign shipping companies operating domestic cruises. This initiative aims to attract more foreign investments and promote tourism.

### 3. Benefits for the Diamond Industry

Foreign mining companies selling raw diamonds in the country can now benefit from safe harbor rates, which will significantly benefit the diamond industry. This measure is expected to enhance the competitiveness of the Indian diamond market.

### 4. Corporate Tax Reduction

To attract foreign capital, the corporate tax rate on foreign companies has been reduced from 40% to 35%. This reduction is aimed at making India a more attractive destination for foreign investments.

## Simplification of Direct Tax Regime



[Source: Business Today]

### 1. Charities and TDS Structure

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The direct tax regime for charities has been simplified by merging the two existing tax exemption regimes into one. Additionally, the TDS rate structure has been streamlined, with 5% TDS on many payments being reduced to 2%, and the 20% TDS on the repurchase of units by mutual funds or UTI being withdrawn. The TDS rate on e-commerce operators has also been reduced from 1% to 0.1%.

### 2. Decriminalization and Simplification of TDS

The Budget decriminalizes delays in TDS payments up to the due date of filing the TDS statement. A Standard Operating Procedure for simplified and rationalized compounding guidelines for TDS defaults will soon be introduced. This move aims to reduce the compliance burden and enhance ease of doing business.

## Capital Gains Taxation

### 1. Short Term and Long Term Gains

The Budget proposes a 20% tax rate on short-term capital gains for certain financial assets. Long-term capital gains on all financial and non-financial assets will attract a 12.5% tax rate. The limit of exemption for capital gains has been increased to ₹1.25 lakh per year to benefit the lower and middle-income classes.

### 2. Classification of Long Term Assets

Listed financial assets held for more than a year and unlisted assets (financial and non-financial) held for more than two years will now be classified as long-term assets. Unlisted bonds and debentures, debt mutual funds, and market-linked debentures will continue to attract the applicable capital gains tax.

## Enhancing GST and Custom Duties

### 1. Success of GST

The Finance Minister acknowledged the success of GST in reducing the tax incidence on the common man and decreasing the compliance burden and logistics cost for trade and industry. The government now plans to further simplify and rationalize the GST structure to expand it to remaining sectors.

### 2. Digitalization and Paperless Services

The Budget proposes to further digitalize and make paperless the remaining services of Customs and Income Tax, including rectification and order giving effect to appellate orders, over the next two years. This move aims to enhance transparency and efficiency in tax administration.

## Custom Duty Revisions

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### 1. Relief for Cancer Patients

The Budget fully exempts three more cancer-treating medicines from custom duties, namely, Trastuzumab Deruxtecan, Osimertinib, and Durvalumab. This exemption is expected to make cancer treatment more affordable for patients.

### 2. Reduction in Basic Customs Duty

The Basic Customs Duty (BCD) on X-ray machine tubes and flat panel detectors has been reduced. Similarly, the BCD on mobile phones, Printed Circuit Board Assembly (PCBA), and mobile chargers has been reduced to 15%. These reductions aim to make essential medical equipment and consumer electronics more affordable.

### 3. Exemptions for Rare Earth Minerals

To promote the processing and refining of critical minerals, the Budget fully exempts custom duties on 25 rare earth minerals like lithium and reduces the BCD on two of them. This initiative is expected to enhance the domestic manufacturing of high-tech products.

### 4. Support for Seafood Exports

To boost India's seafood exports, the BCD on broodstock, polychaete worms, shrimps, and fish feed has been reduced to 5%. This reduction aims to make Indian seafood more competitive in the global market.

### 5. Competitiveness of Leather and Textiles

The Budget fosters the competitiveness of Indian leather and textile articles for export by reducing the BCD from 7.5% to 5% on Methylene Diphenyl Diisocyanate (MDI), used for the manufacture of spandex yarn. This measure aims to boost the export potential of these sectors.

### 6. Custom Duties on Precious Metals

The BCD on gold and silver has been reduced to 6%, and on platinum to 6.4%. These reductions aim to make precious metals more affordable and stimulate the jewelry industry.

### 7. Support for Domestic Manufacturing

The Budget proposes to exempt capital goods for the manufacturing of solar panels, enhancing the production capacity in the renewable energy sector. Additionally, the BCD on PCBA of specific telecom equipment has been increased from 10% to 15% to incentivize domestic manufacturing.

## Addressing Environmental Concerns

### 1. Increase in BCD on Hazardous Materials



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The BCD on PVC flex banners has been increased from 10% to 25%, considering the environmental hazard posed by these materials. This measure aims to discourage the use of environmentally harmful products.

### 2. Increase in BCD on Ammonium Nitrate

To support existing and new capacities in the pipeline, the BCD on ammonium nitrate has been increased from 7.5% to 10%. This move is intended to bolster the domestic production of this critical industrial material.

## Dispute Resolution and Litigation Reduction

### 1. Vivad se Vishwas Scheme, 2024

To resolve certain income tax disputes pending in appeal, the Union Finance Minister proposed the Vivad se Vishwas Scheme, 2024. This scheme aims to expedite the resolution of tax disputes and reduce the backlog of cases.

### 2. Increased Monetary Limits for Appeals

The monetary limits for filing appeals related to direct taxes, excise, and service tax in High Courts, Supreme Courts, and tribunals have been increased to ₹60 lakh, ₹2 crore, and ₹5 crore, respectively. This measure aims to reduce the litigation burden on the judiciary and provide certainty in tax matters.

### 3. Streamlining International Taxation

To reduce litigation and provide certainty in international taxation, the scope of safe harbor rules will be expanded, and the transfer pricing assessment procedure will be streamlined. This initiative is expected to make international taxation more predictable and less contentious.

The Union Budget 2024-25 presents a comprehensive roadmap for simplifying and rationalizing the tax structure in India. By offering significant relief to salaried individuals and pensioners, promoting investment and entrepreneurship, and simplifying direct and indirect taxes, the Budget aims to create a more efficient and inclusive tax system. The proposed measures are expected to enhance ease of doing business, support domestic manufacturing, and reduce litigation and compliance burdens. As the government embarks on this ambitious journey of tax reforms, the focus remains on fostering economic growth, enhancing transparency, and ensuring equitable tax administration.