INDIA
CONFIDENT & CONSISTENT
INTERIM BUDGET 2024

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CORPORATE SERVICES

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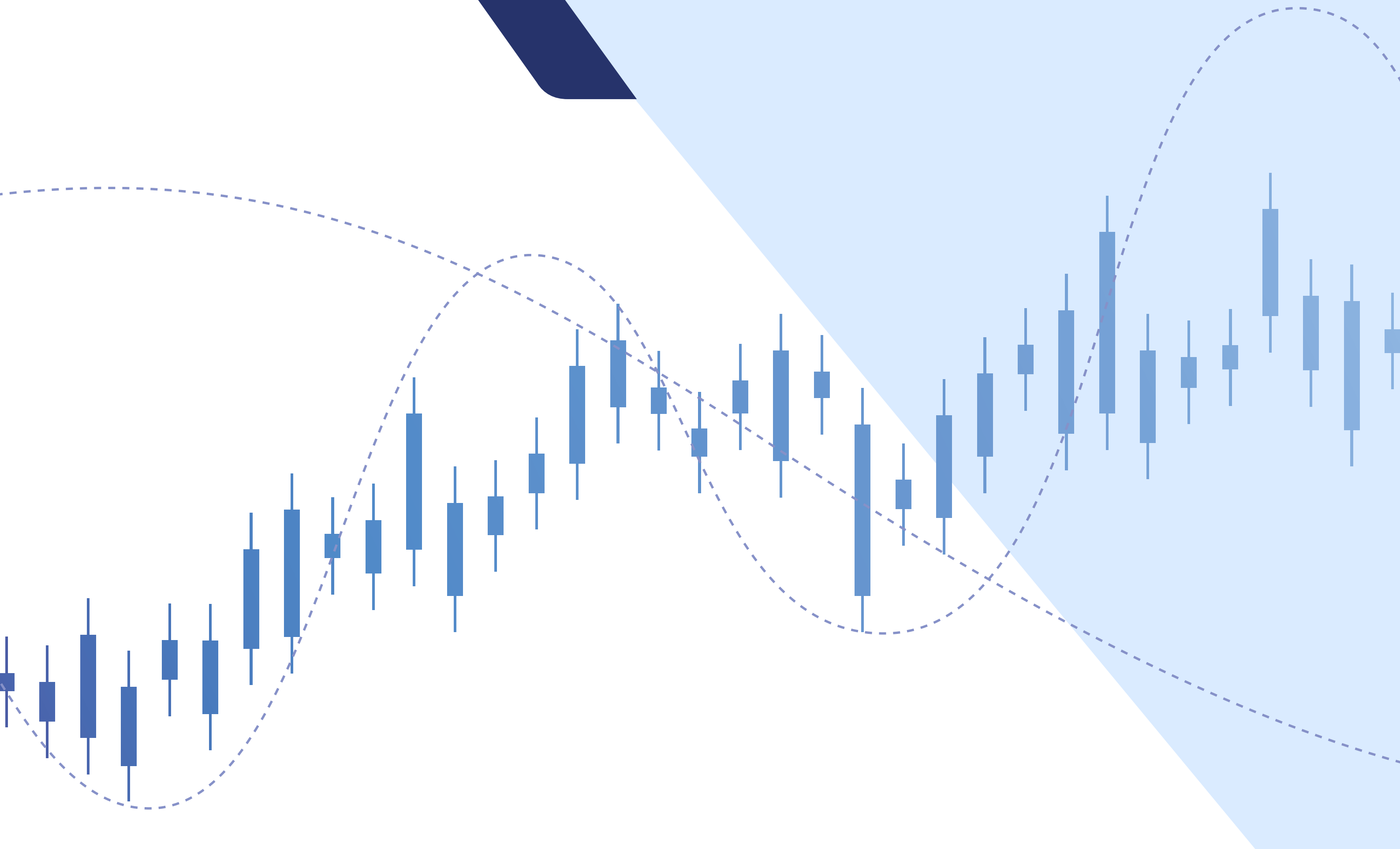

MACRO-ECONOMIC OVERVIEW

GDP Growth

India's growth is expected to remain strong, supported by macroeconomic and financial stability. The National Statistical Office, in its First Advance Estimates, has estimated India's real GDP to grow at 7.3% in FY24.

In the first half of the current financial year, the economy has grown 7.6% in real terms compared to the first half of FY23. The Budget for FY25 assumed the nominal GDP growth at 10.5% for FY25.

Inflation

Inflationary pressures moderated in FY24 (April-December), with average retail inflation easing to 5.5%. The decline was driven by benign trends in core (non-food, non-fuel) inflation, which gradually declined to a 49-month low of 3.8% in December 2023. The overall retail inflation is now stable and within the notified tolerance band of 2-6% despite escalation of geopolitical conflicts and accompanying sanctions resulting into inflation globally, which affected India's external account and price situation as well.

Fiscal Deficit

The government's fiscal deficit during the first nine months of the current financial year stood at INR 9.82 trillion, or 55% of the annual estimate of INR 17.87 trillion. Fiscal deficit for the same year-earlier period was INR 9.93 trillion, or 59.8% of the annual estimate of INR 16.61 trillion for FY23.

As per the Union Budget announcements, the fiscal deficit for FY 2024-25 is estimated at 5.1% of GDP against 5.8 % in the current financial year. India continues on path of fiscal consolidation, to reduce fiscal deficit below 4.5% by FY 2025-26.

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MACRO-ECONOMIC OVERVIEW

Foreign Exchange Reserve

The foreign exchange reserves stood at USD 623.2 billion as of 29 December 2023, covering imports of more than ten months. These reserves provide a buffer to External Debt (ED) up to 98.1% by the end of September 2023.

Receipts and Expenditure

The Finance Minister had placed the revised estimates for FY 2023-24 and budget estimates for FY 2024-25. While, the Revised Estimates for the FY 2023-24 of the total receipts other than borrowings is INR 27,560 Billion, of which the tax receipts are INR 23,240 Billion, the Revised Estimate of the total expenditure for the FY 2023-24 is INR 44,900 Billion.

However, during the FY 2024-25, the total receipts other than borrowings and the total expenditure are estimated at INR 30,800 Billion and INR 47,660 Billion respectively. The tax receipts are estimated at INR 26,020 Billion.

Further, the gross and net market borrowings through dated securities during 2024-25 are estimated at INR 14,130 Billion and INR 11,750 Billion respectively.

On accounts of increase in scaling of the private investments, the lower borrowings by the Central Government will facilitate larger availability of credit for the private sector.

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MACRO-ECONOMIC OVERVIEW

Allocation of Budget Estimates to Major Schemes

The Government in this year's budget has allocated massive budget outlays to various schemes as under:

Sr. No.	Schemes	Budget Outlays (in INR Billion)
1.	Mahatma Gandhi National Rural Employment Guarantee Scheme	**860.00**
2.	Ayushman Bharat – PMJAY	**75.00**
3.	Production Linked Incentive Scheme	**62.00**
4.	Modified Programme for Development of Semi-conductors and display manufacturing ecosystem	**69.03**
5.	Solar Power (Grid)	**85.00**
6.	National Green Hydrogen Mission	**6.00**

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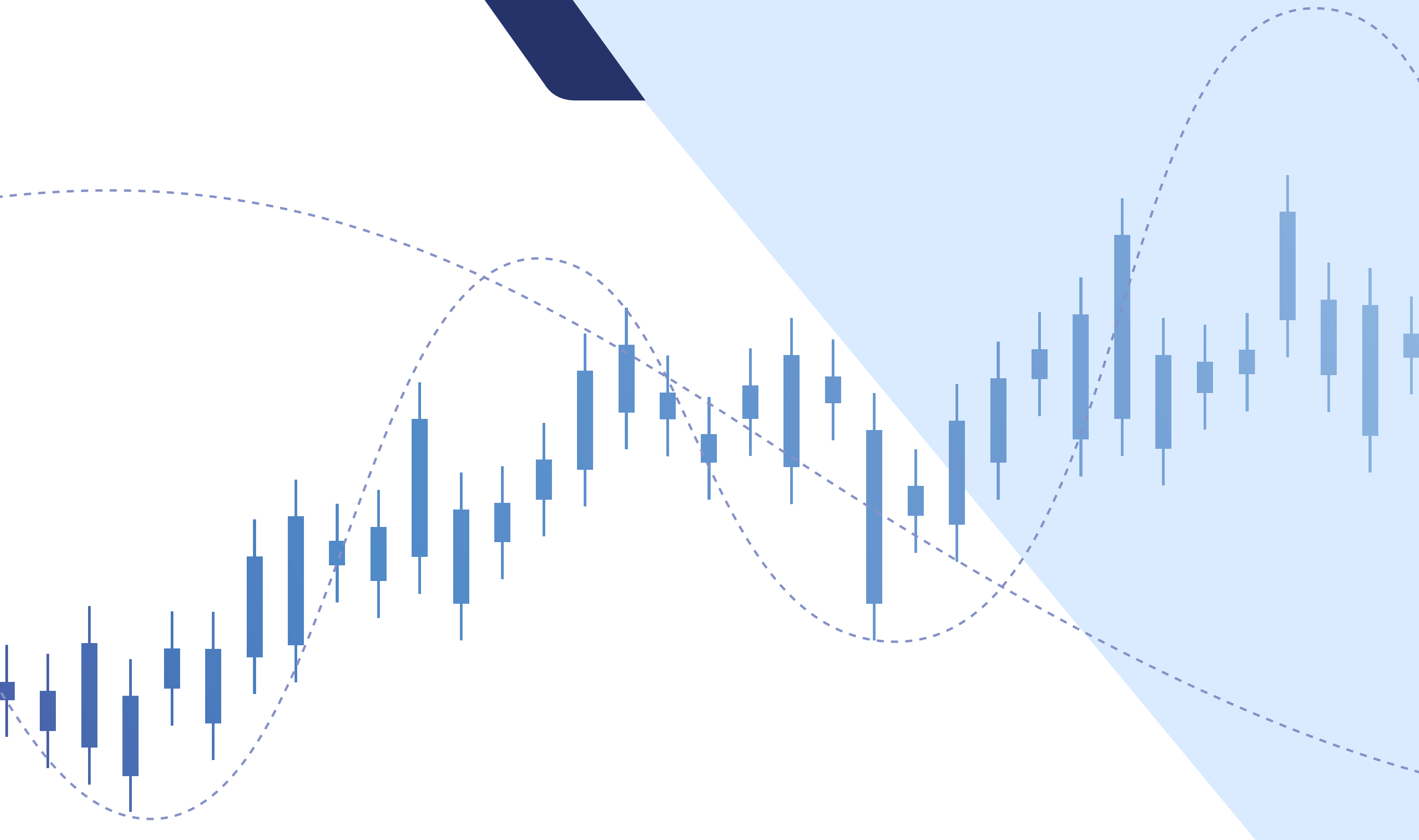
KEY INITIATIVES



KEY INITIATIVES

The Key Initiatives under Interim Budget, 2024 are as under:

Developed India

Government proposes to create the provision of INR 750 billion as fifty-year interest free loan is proposed this year to support the milestone-linked reforms of Developed India by the State Governments.

Welfare of Farmers

Budget proposes to provide direct financial assistance to 118 million farmers, including marginal and small farmers.

PM Awas Yojana (Rural)

To make the eastern region and its people a powerful driver of India's growth, PM Awas Yojana (Rural) is close to achieve the target of 30 million houses and 20 million more houses will be taken up in the next five years.

Cervical Cancer Vaccination

The government stated that it will encourage vaccination for girls in age group of 9 to 14 years for prevention of cervical cancer.

Research and Innovation

In order to encourage the private sector to scale up research and innovation significantly in sunrise domains, a corpus of INR 1000 billion will be established with fifty-year interest free loan to provide long-term financing or refinancing with long tenors and low or nil interest rates.

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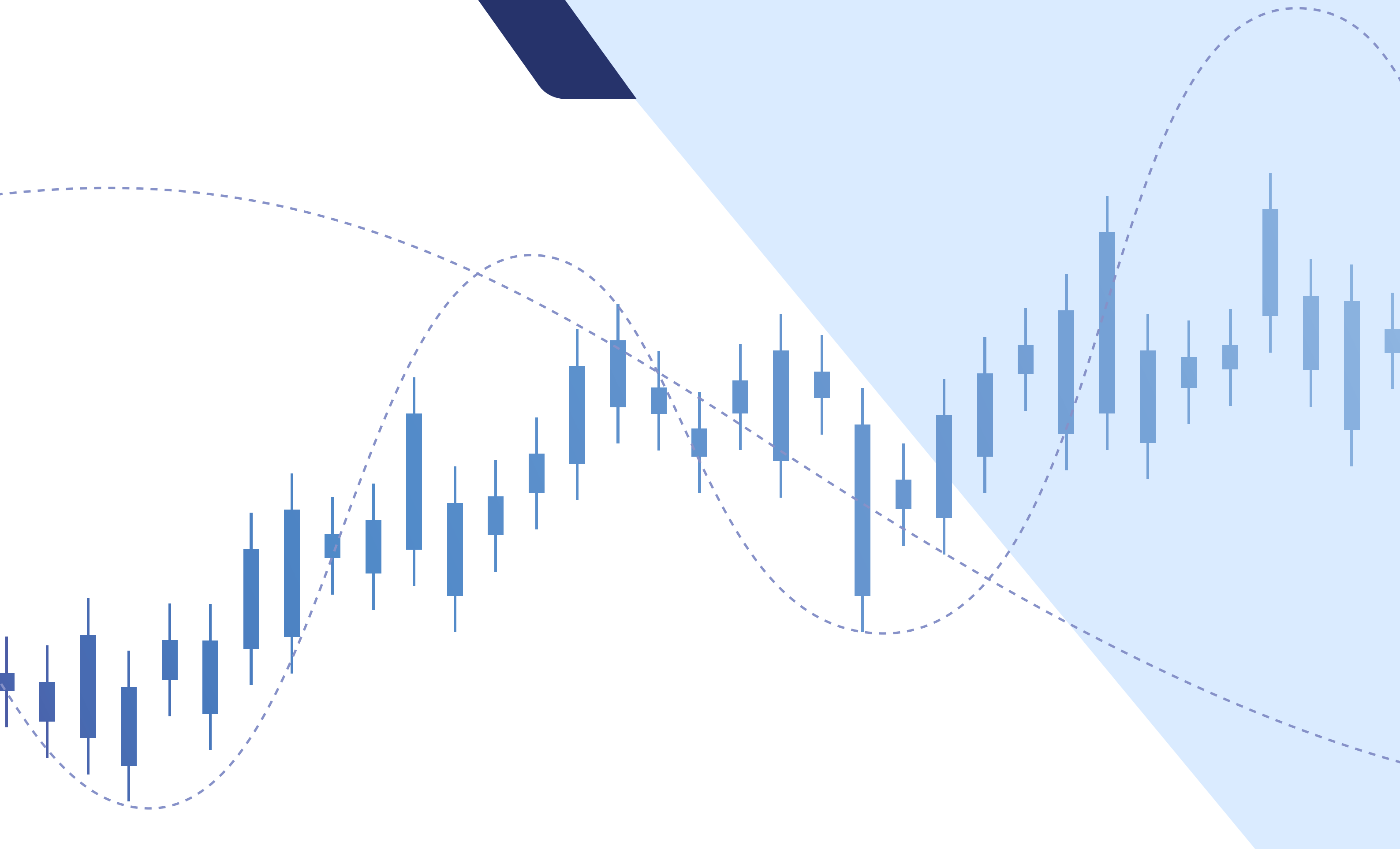
₹ SECTORAL ANALYSIS



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SECTORAL ANALYSIS

Infrastructure

In the wake of building on the massive tripling of the capital expenditure outlay in the past 4 years resulting in huge multiplier impact on economic growth and employment creation, Capital expenditure outlay for Infrastructure development to be increased by 11.1% which is INR 11,111 billion, that will be 3.4% of the GDP.

Railways

Proposal to implement 3 major economic railway corridor programmes under PM Gati Shakti for enabling multi-model connectivity - energy, mineral and cement corridors, port connectivity corridors, and high traffic density corridors.

Green Energy

To meet the commitment of ‘Net Zero’ by 2070, it is proposed to take following measures :

- Viability gap funding for wind energy
- Setting up of coal gasification and liquefaction capacity
- Phased mandatory blending of CNG, PNG and compressed biogas
- Financial assistance for procurement of biomass aggregation machinery

Investment

To encourage sustained foreign investment, Government is negotiating bilateral investment treaties with our foreign partners, in the spirit of ‘first develop India’.

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SECTORAL ANALYSIS

Aviation Sector

Numbers of airports have doubled to 149, Indian carriers have pro-actively placed order for over 1000 new aircrafts, 517 new routes had been carrying 1.3 crore passengers, airport expansion and development of new airports are in progress.

Metro and NaMo Bharat

Indian government in its interim budget proposed to expand the metro rail system in the large cities in order to expedite the transit – oriented development, initiatives are being taken to meet the needs of fast-expanding middle class and rapid urbanization.

Electric Vehicle Ecosystem

Indian government in its budget had showcased its positive intention towards sustainable development by encouraging expansion and strengthening of the e-vehicle ecosystem by supporting manufacturing and charging infrastructure.

Bio-manufacturing and Bio- foundry

In order to promote the green growth, new scheme of bio-manufacturing and bio-foundry is proposed to be launched by Indian government, to facilitate environment friendly alternatives.

Blue Economy 2.0

Schemes seeking restoration and adaptation measure, and coastal aquaculture and mariculture with integrated and multi- sectoral approach had been proposed to be launched by Indian Government.

Tourism

Indian government has proposed to encourage states with the view of taking up comprehensive development of iconic tourist centres, branding and marketing them at global level and for the said purposes it has decided to advance long-term interest free loans for financing such development on matching basis.

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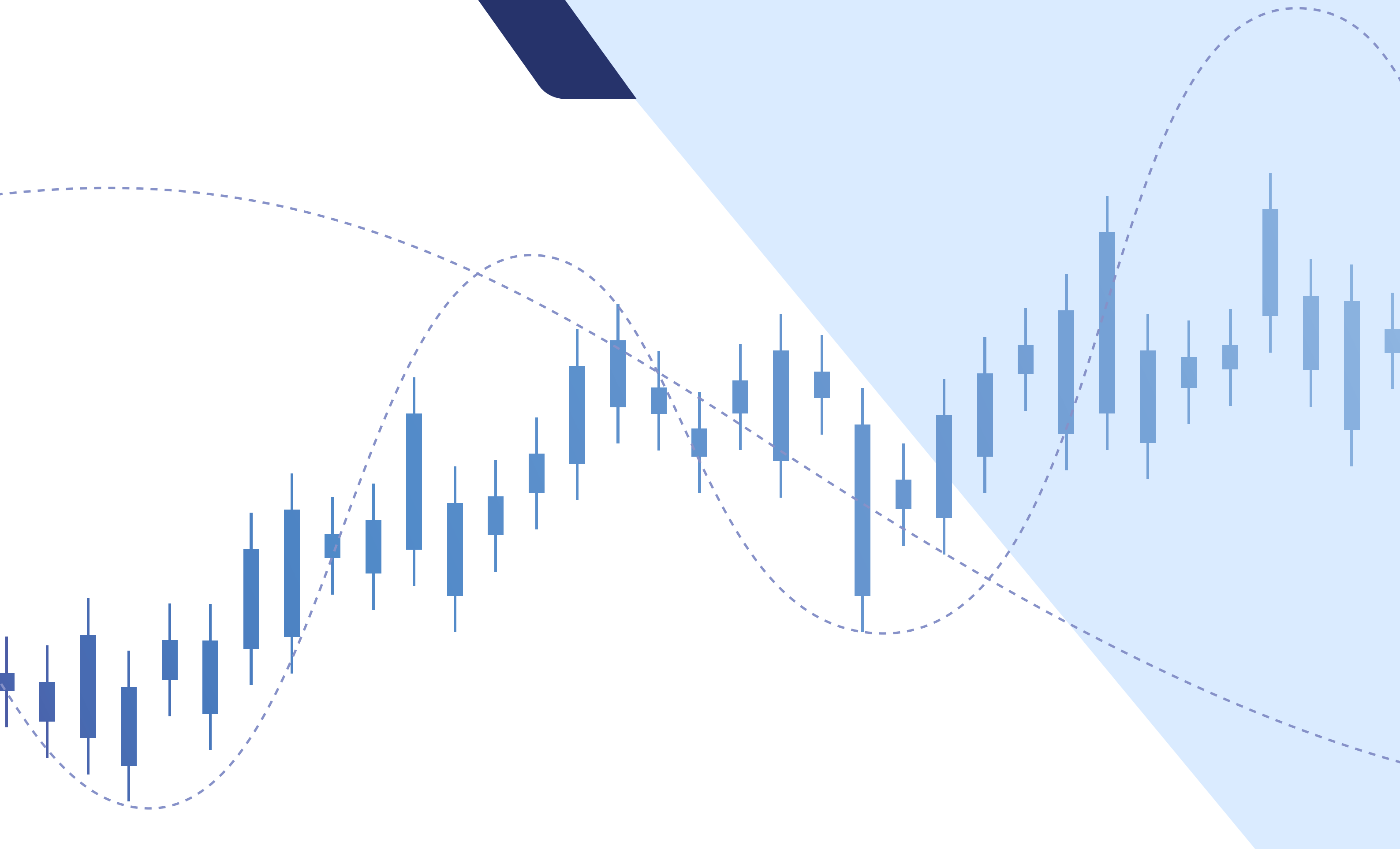
DIRECT TAX PROPOSALS



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DIRECT TAX PROPOSALS

The direct tax proposals by Interim Budget, 2024 are as under:

Rates of Income Tax

There is no change in Income tax rates and slabs of Individual taxpayers for the Assessment Year 2025-2026 relevant to Financial Year 2024-2025. Further, there is also no change in rates of Surcharge and Health & Education Cess.

There is no change in tax rate for the Companies, Limited Liability Partnerships and for any other persons for the Assessment Year 2025-2026 relevant to Financial Year 2024-2025. Further, there is also no change in rates of Surcharge and Health & Education Cess.

Withdrawal of Income Tax Demand

To provide the relief to small taxpayers, it is proposed to withdraw outstanding demand of direct tax up to INR 25,000 and INR 10,000 pertaining to the periods up to the financial year 2009-10 and up to the financial years 2010-11 to 2014-15 respectively.

Extending the date of incorporation for eligible start-up for exemption

At present Section 80-IAC of Income Tax Act, 1961 (ITA), prescribes for 100% deduction of profit of business of eligible start up. This is subject to the conditions, that start up is incorporated from 1st April, 2016 to 31st March, 2024. It is proposed to amend section 80-IAC of ITA, to extend the period of incorporation up-to 31st March, 2025.

Extending the date of benefit for eligible exemption to investment division of offshore banking unit

As per existing provision of Section 10(4D) of ITA, the income generated and attributable to investment division of offshore banking unit is exempt from tax, in case commence its operation on or before 31st March, 2024. It is proposed to amend Section 10(4D) of ITA, to extend the period of commencement of its operations up-to 31st March, 2025.

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DIRECT TAX PROPOSALS

Extending the date of benefit for eligible exemption to unit of international financial services center

As per existing provision of Section 10(4F) and Section 80LA of ITA, if non-resident earns income by way of royalty or interest, on account of lease of an aircraft or a ship in a previous year which is paid by a unit of an International Financial Services Centre (as referred to in Section 80LA(1A) of ITA), is exempted from tax provided that such unit commences its operations on or before the 31st March, 2024. It is proposed to amend Section 10(4F) and Section 80 LA of ITA, to extend the period of commencement of its operations up-to 31st March, 2025.

Extending the date of benefit for eligible exemption to specified person

As per existing provision of Section 10(23FE) of ITA, if specified person earns any income in the nature of dividend, interest or long-term capital gains arising from an investment made in India, whether in the form of debt or share capital or unit is exempt from tax, if the investment is made on or after the 1st April, 2020 but on or before the 31 March, 2024. It is proposed to amend the Section 10(23FE) of ITA, to extend the date of investment to 31st March 2025.

Formalisation of the provisions relating to Tax Collection at Source on remittance under the 'Liberalised Remittance Scheme'

As per Section 206C(1G) of ITA, any person remitting amount out of India under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India (RBI), is required to collect tax i.e. TCS. It is proposed to formalise the following changes in TCS rates for foreign remittances under LRS by amending Section 206C of the ITA.

S. No.	Nature of payment	Applicable till 30.09.2023	New rate w.e.f. 1st October,2023
1.	LRS for other purposes	5% above INR 0.7 Million	20% above INR 0.7 Million
2.	Purchase of Overseas tour program package	5% (without threshold)	5% till INR 0.7 Million, 20% thereafter

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₹ INDIRECT TAX PROPOSALS

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INDIRECT TAX PROPOSALS

The Indirect tax proposals by interim budget, 2024 are as under:

All the amendments proposed under CGST Act, 2017 ('the Act') will be effective from a date to be notified post enactment of the Finance Bill, 2024 and shall be applicable only when the corresponding amendments to the SGST & UTGST Act are made by the respective States & Union territories.

Input Service Distributor (ISD)

Earlier, there was an ambiguity in application of Input Service Distributor (ISD) mechanism by the taxpayers, due to lack of clarity in Section 20 read with Section 2(61) of the Act.

As per the proposed amendment in Section 2(61) and Section 20 of the Act, it is clarified that for distribution of common input tax credits (ITC), it is mandatory to take ISD registration and perform necessary compliances.

For the distribution of common ITC via. ISD mechanism, the services on which GST is payable under reverse charge mechanism (RCM) is also included specifically. Further, it has also been clarified that ISD shall also distribute CGST and IGST liability paid under RCM by any of its distinct person in the same state.

The Manner of distribution of ITC under ISD mechanism is streamlined.

No change in Indirect tax rates

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INDIRECT TAX PROPOSALS

Penalty for failure to register certain machines used in manufacture of goods as per special procedure

A new section 122A is proposed to be inserted in the Act for levy of penalty for failure to register machines used in manufacturing in certain sectors. The section is inserted to impose additional penalty on those taxpayers who are engaged in the manufacturing of notified goods (viz. Tobacco, Pan masala and other similar items) in respect of which special procedure related to registration of machines has been notified under section 148.

The aforesaid liability is of INR 1,00,000 for every machine not registered, which is in addition to penalty under chapter XV.

In addition to penalty, every machine not registered shall be liable for seizure or confiscation. However, such machine will not be confiscated in case applicable additional penalty is deposited and the machine is registered in accordance with the special procedure within three days of receipt of communication of the order of penalty.

“THANK YOU”

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