

Union  
**Budget**



**2024**

#EYonBudget2024



Building a better  
working world



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Key indirect tax  
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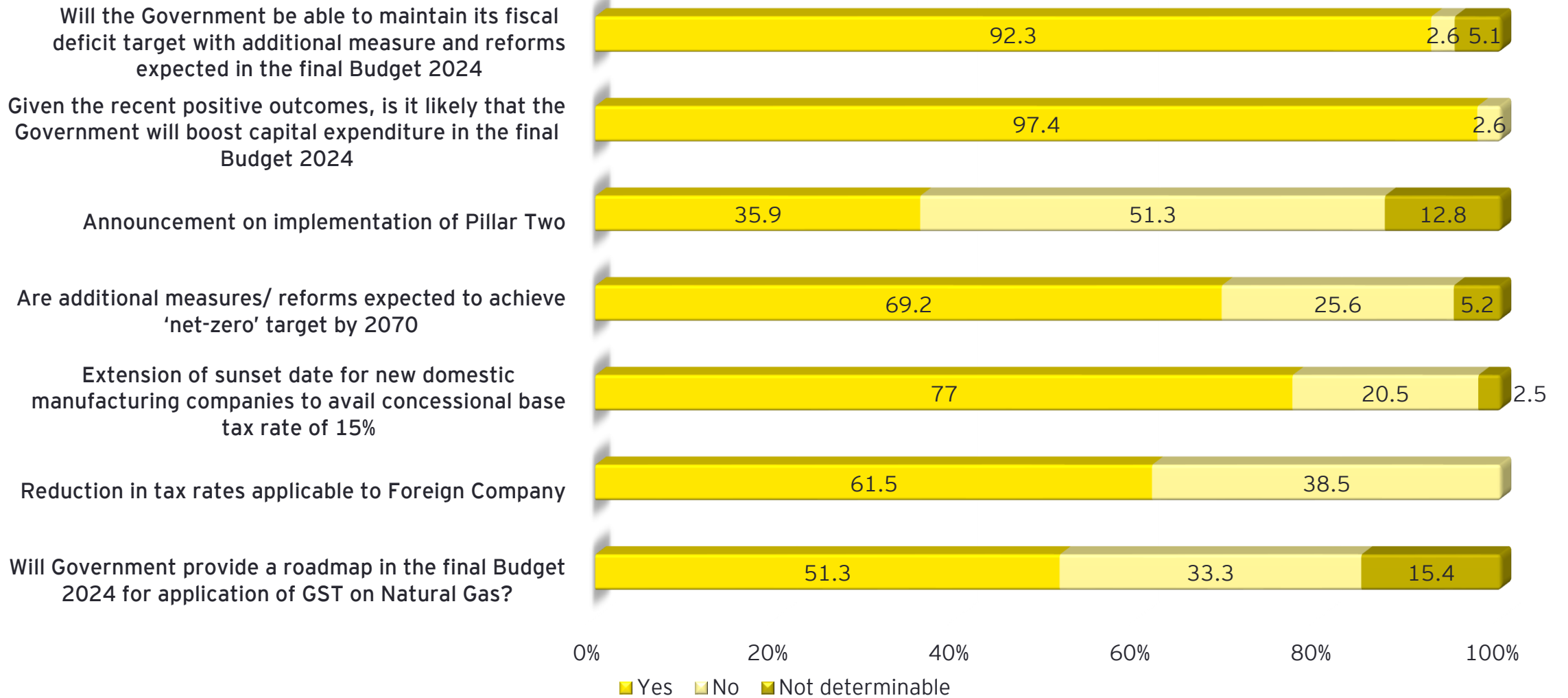
# Pre-Budget survey analysis

SECTION 1

2024



# Analysis of Pre-Budget survey 2024





# Economy and fiscal aggregates

## SECTION 2



# Economic Survey 2023-24 provides a growth vision for New India

*Calls for a greater role of private sector in creating investments and jobs*

## Indian economy on a strong wicket

- ▶ At 6.5 - 7% real GDP estimated for FY25, India is on a stable footing
- ▶ Headline inflation rate is under control
- ▶ Trade deficit was lower in FY24 than in FY23, and the current account deficit for FY24 is around 0.7% of GDP
- ▶ Ample foreign exchange reserves (USD 653.7 bn on 21 June 2024)
- ▶ Public investment has sustained capital formation

## Stellar performance of banking and finance

- ▶ NPAs at a multi-years low
- ▶ Primary capital markets facilitated capital formation of INR10.9 trillion in FY24
- ▶ Indian stock market was among the best-performing markets in FY24 with Nifty-50 index ascending by 26.8% during FY24

## Need for increasing efficiencies in labour-intensive segments

- ▶ E.g. textiles, food processing and MSMEs
- ▶ Incentivising R&D, greater formalisation, removing supply chain bottlenecks, access to markets and finance, easing compliances

## Focus areas for near to medium term:

- ▶ Productive jobs for increasing workforce
- ▶ Skill gap challenges
- ▶ Enable agriculture to tap full potential
- ▶ Ease compliances for MSMEs
- ▶ Managing India's green transition
- ▶ Deepening the corporate bond market
- ▶ Tackling Inequality
- ▶ Quality of health

Collaborative effort between the Union Government, State Governments, and the private sector

# India's comparative growth prospects: leading global growth

## Real GDP growth projections for FY25 (%)

Year	Eco Survey	IMF	ADB	World Bank
FY25	6.5 - 7.0	7.0	7.0	6.6

## Global growth projections (IMF - July 2024)

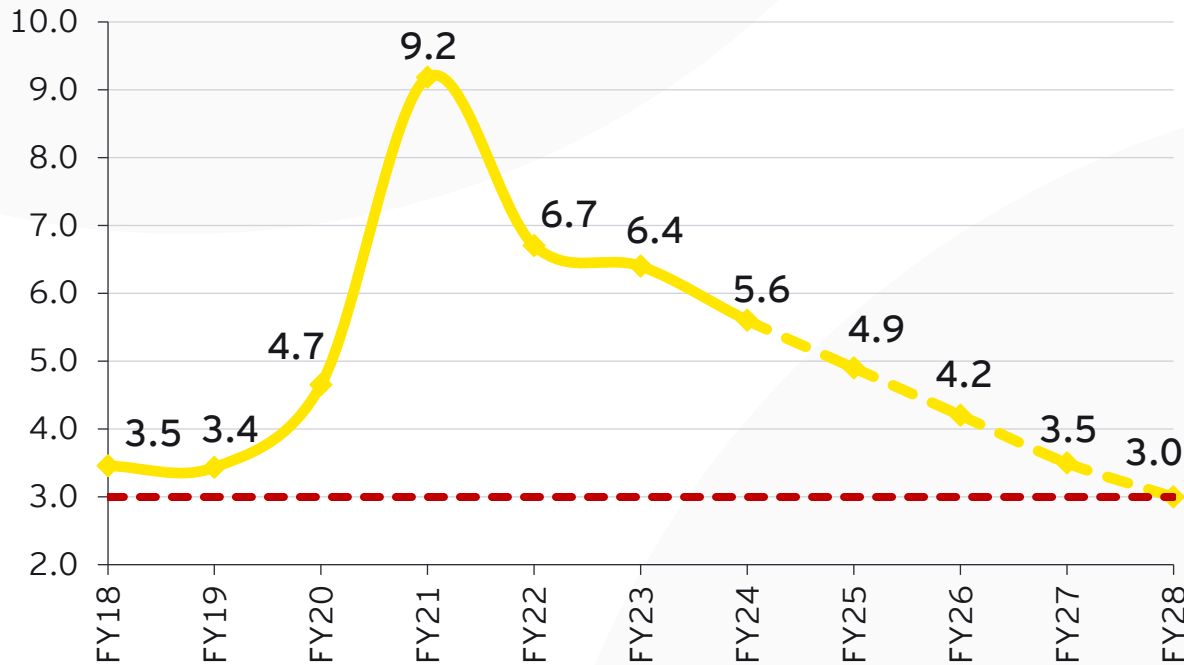
Country/Year	2023 (FY24)	2024 (FY25)	2025 (FY26)
<b>AEs</b>	1.7	1.7	1.8
US	2.5	2.6	1.9
Euro area	0.5	0.9	1.5
Japan	1.9	0.7	1.0
UK	0.1	0.7	1.5
<b>EMDEs</b>	4.4	4.3	4.3
Brazil	2.9	2.1	2.4
Russia	3.6	3.2	1.5
<b>India*</b>	8.2	7.0	6.5
China	5.2	5.0	4.5
<b>World</b>	3.3	3.2	3.3

- ▶ Global growth, however, may fall even more sharply. The IMF projects a global growth of 3.2% in 2024.
- ▶ In FY25, the IMF has projected India's real growth at 7.0%.

Source (basic data): Economic Survey 2022-23, Union Budget FY24, IMF, World Bank and ADB | \*data pertains to fiscal year

# Fiscal imbalance: major slippage in Covid year and subsequent step-wise improvement

**Gol's fiscal deficit relative to GDP - glide path**



**Gol and combined debt (% to GDP)**

Years	Gol's RD/FD ratio	Centre	Combined*
		% to GDP	
FY15	71.6	50.1	67.1
FY16	64.3	50.1	69.0
FY17	58.9	48.3	68.9
FY18	76.0	48.2	69.7
FY19	70.1	48.1	70.4
FY20	71.3	50.7	75.0
<b>FY21</b>	<b>79.8</b>	<b>60.7</b>	<b>88.4</b>
FY22	65.1	57.4	83.5
FY23	61.7	56.5	81.7
FY24 (RE)	46.3	58.2	82.7
FY25 (BE)	36.0	55.7	82.5

Source (basic data): Union budgets, MoSPI

\*sourced from IMF WEO - April 2024

- ▶ After a major slippage in the Covid year of FY21, when Gol's fiscal deficit to GDP ratio reached 9.2%, it has taken four years to incrementally bring down Gol's fiscal deficit to GDP ratio to 5.6% in FY24.
- ▶ Gol's fiscal deficit to GDP ratio is budgeted to fall to 4.9% in FY25 (BE), a reduction of 0.7% points as compared to FY24 (CGA).
- ▶ An annual reduction of about 0.6% points would enable fiscal deficit to reach 3% of GDP by FY28.



# Centre's tax revenues: Budget shows a buoyancy of higher than 1 for Gol's gross tax revenues in FY24 and FY25

Fiscal Year	Direct tax	Indirect taxes	Gross taxes	Nominal growth
<i>Growth (% annual)</i>				
FY18 to FY20 (avg.)	7.9	3.5	5.6	9.3
FY23	17.8	7.2	12.7	14.2
FY24 (CGA actuals) over FY23 Actuals	17.9	8.2	13.4	9.6
FY25 (BE) over FY24 (CGA actuals)	12.9	8.2	10.8	10.5
<i>Buoyancy</i>				
FY18 to FY20 (avg.)	0.56	0.36	0.45	
FY23	1.25	0.51	0.90	
FY24 (CGA act.)	1.86	0.85	1.40	
FY25 (BE)	1.22	0.78	1.03	

- ▶ GTR growth is budgeted to be lower at 10.8% in FY25 (BE) as compared to 13.4% in FY24.
- ▶ Growth in Gols GTR is primarily driven by higher buoyancy of direct taxes at 1.86 in FY24 and 1.22 in FY25 (BE).
- ▶ Direct tax growth is budgeted at 12.9% in FY25 (BE) as compared to 17.9% in FY24.
- ▶ Indirect tax growth is budgeted to be unchanged at 8.2% in FY25 (BE).
- ▶ Indirect tax buoyancy is estimated to be lower than 1 at 0.85 in FY24, falling further to 0.78 in FY25 (BE) owing to subdued performance of UED as well as customs duty revenues.

Source (basic data): Union budgets, MoSPI, RBI, CGA

**Notes:** To make the union budget magnitudes of DT and IDT comparable with those of CGA, the following adjustments have been made

1. Taxes of the UTs, which are a part of IDT in the union budget documents, need to be added to the IDT magnitudes of the CGA. Since CGA does not give data on this entry, we have assumed this to be equal to the FY24 RE as given by the union budget.
2. We have assumed that taxes of the UTs are part of the 'Other taxes' (STT, banking cash transaction tax, wealth tax, fringe benefit tax and others), an entry given by the CGA but not in the union budget documents. Since taxes of the UTs have already been accounted for in the IDT magnitudes (step 1), the balance of other taxes has been added to the DT magnitudes as given by CGA.

# Budget FY24: capital expenditure growth continues to exceed that in revenue expenditure

## Structure and growth of centre's expenditure: revenue and capital

Expenditure items	FY23	FY24 (RE)	FY25 (BE)	FY23	FY24 (RE) over FY23 actuals	FY25 (BE) over FY24 (RE)
	% of total expenditure			growth (% ann.)		
<b>Total Expenditure</b>				<b>10.5</b>	<b>7.1</b>	<b>--</b>
Revenue Expenditure	82.4	78.8	77.0	7.9	2.5	--
Interest Payments	22.1	23.5	24.1	15.9	13.7	10.0
Pension	5.8	5.3	5.0	21.4	-1.5	2.2
Defence Services	6.1	6.7	5.9	12.1	16.6	-5.3
Education	1.2	1.8	1.2	15.4	54.2	-25.4
Medical, public health et.al.	0.9	0.9	0.9	-46.7	4.0	9.1
Capital expenditure of which	17.6	21.2	23.0	24.8	28.4	--
Capital Outlay	14.9	18.0	19.1	16.8	29.2	13.8
Capital outlay on non-defence	11.5	14.5	15.5	21.5	34.9	14.9
Capital outlay on defence	3.4	3.5	3.6	3.6	10.0	9.4
<b>Memo items</b>						
Major subsidies as % of total expenditure	12.7	9.2	7.9			
Interest Payments as % of revenue receipts	39.0	39.1	37.2			
Total expenditure as % to GDP	15.4	15.2	14.8			

- ▶ The share of revenue expenditure in total expenditure has been consistently falling creating space for an increase in capital expenditure
- ▶ Any adverse growth impact of reduction in capital expenditure growth rate may be partially neutralized by continuation of interest free loans to states for their capital expenditure and likely reduction in interest rates, facilitating private investment



# Policy announcements

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SECTION 3



# Policy announcements

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## Policy focus on 9 priority areas

- ▶ Agriculture; Manufacturing & Services; Infrastructure; Energy Security; Employment & Skilling; Inclusive HR Development and Social Justice; Urban Development; Innovation and R&D; Next Generation Reforms
- ▶ A policy paper will be released outlining suitable energy transition strategies that harmonize the needs of employment, economic development, and environmental sustainability

## Infrastructure

- ▶ CAPEX outlay consistent with Interim Budget: 11% increase to INR 11 Lakh Crore (i.e., INR 11 trillion) - 3.4% of GDP
- ▶ INR 1.5 Lakh Crore (i.e., INR 1.5 trillion) in long-term interest free loans to support State Government resource allocation

## Employment and Skilling

- ▶ New employees: Direct transfer of 1-month wage up to INR 15,000 (salary cap of INR 100,000 per month)
- ▶ Additional employees: Reimburse employers EPFO contribution up to INR 3,000 per month for 2 years

# Policy announcements

## Manufacturing and Services

- ▶ Digital Public Infrastructure application development in credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance
- ▶ Investment-ready plug and play Industrial Parks in or near 100 cities
- ▶ Internship opportunities in top-500 companies for 1 crore youth in 5 years

## Support for MSMEs

- ▶ Credit guarantee scheme for purchase of machinery and equipment without collateral or third-party guarantee.
- ▶ Help unlock working capital by converting trade receivables into cash by reducing turnover threshold on TReDS platform from INR 500 Crore (i.e., INR 5 billion) to INR 250 Crore (i.e., INR 2.5 billion)

## Innovation, Research and Development

- ▶ Anusandhan National Research Fund dedicated to fundamental research and the creation of prototypes
- ▶ Establish mechanism that encourages research and innovation driven by the private sector on a commercial scale, supported by a funding pool of INR 1 lakh crore, as declared in the interim budget

## Ease of Doing Business

- ▶ Centre for Processing Accelerated Corporate Exit (C-PACE) extended for voluntary closure of LLPs
- ▶ Strengthening NCLT and setting up additional tribunals
- ▶ Simplify FDI and OI regulations to facilitate foreign investments and use INR as currency for overseas investment
- ▶ Jan Vishwas Bill 2.0 proposed for enhancing ease of doing business

# Key direct tax proposals

SECTION 4





# Income tax: Top headline messages

## **Simplification of income tax law**

- ▶ 58% of corporate tax in FY 2022-23 collected under the new corporate tax regime
- ▶ More than 2/3<sup>rd</sup> individuals have opted for the new personal income tax regime
- ▶ Comprehensive review of the Income Tax Act, 1961 ('Act') to be completed within 6 months for:
  - ▶ Making the Act concise, lucid, easy to read and understand
  - ▶ Reducing disputes and litigation
  - ▶ Providing certainty to taxpayers
- ▶ Process has commenced immediately with simplification of:
  - ▶ Capital gains taxation
  - ▶ TDS rate structure
  - ▶ Provisions for reassessments
  - ▶ Tax regime for charitable organisations

# Individual tax proposals

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## **Changes in income tax slabs under Concessional Tax Regime (CTR) resulting in benefit of INR 17,500**

### **Increase in standard deduction under CTR**

- ▶ The existing limit for claiming standard deduction under the CTR is INR 50,000
- ▶ It is now proposed to increase this to INR 75,000. This incremental standard deduction is not eligible for taxpayers opting for the old tax regime

### **Increase in deduction for private sector employer's contribution to pension scheme**

- ▶ Currently, employer contributions towards pension scheme is deductible up to 10 per cent of the employee's basic salary
- ▶ It is now proposed to increase the deduction to 14 percent of the employee's basic salary. This benefit is available only for employees opting for deduction of tax under the CTR

# Individual tax proposals

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## **Offset of TCS against salary TDS**

- ▶ Currently, credit for TCS paid by employees is not allowed to be set off against salary TDS resulting in refund situation for employees
- ▶ It is now proposed to allow credit of TCS paid by employees for the purpose of computing TDS required to be withheld from salary
- ▶ This provision will be effective 1 October 2024

## **Reporting of foreign assets**

- ▶ Currently, failure to report / inaccurate reporting of foreign incomes / overseas assets attracts penalty of INR 10 lakhs (i.e., INR 1 million) regardless of the value of asset / income - with an exception for foreign bank account(s) with aggregate balance not exceeding INR 5 lakhs (i.e., INR 500,000)
- ▶ It is now proposed to relax this penalty provision in case of foreign assets (other than immovable property) where the aggregate value of such assets(s) does not exceed INR 20 lakhs (i.e., INR 2 million)
- ▶ This provision will be effective 1 October 2024



# Rationalisation of capital gains taxation

## Capital gains tax rates

- ▶ Currently, short-term capital gains is taxed at 15% or applicable slab rate and long-term capital gains is taxed at 10% or 20%, depending on residential status of the taxpayer and category of asset
- ▶ Now, with an intent to rationalise the tax rates, following changes will be made:
  - ▶ Short-term capital gains tax on STT paid equity shares, units of equity oriented mutual fund and unit of a business trust will be raised from 15% to 20%. Other short-term capital gains shall continue to be taxed at applicable slab rate
  - ▶ Long term capital gains tax on all category of assets will be 12.5%
- ▶ This amendment will be effective 23 July 2024

# Rationalisation of capital gains taxation

## **Holding period of assets**

- ▶ Currently, holding period for different classes of assets varies from 12 months to 36 months
- ▶ Now, there will be only two holding periods, 12 months and 24 months, for determining short-term and long-term capital gains
- ▶ For all listed securities, the holding period will be 12 months and for all other assets, it will be 24 months
- ▶ Unlisted bonds and debentures will be deemed to be short-term irrespective of the holding period
- ▶ This amendment will be effective 23 July 2024

## **Indexation benefit for capital gains computation**

- ▶ Currently, indexation is available for all assets except units, bonds and debentures
- ▶ Now, indexation will be removed for all category of assets
- ▶ This amendment will be effective 23 July 2024

# Rationalisation of TDS rates

## Payments to residents (other than salaries)

Section	Nature of payment	Existing rate	Proposed rate	Effective from
194D	Payment of insurance commission to a person other than company	5%	2%	1.04.2025
194DA	Payment in respect of life insurance policy	5%	2%	1.10.2024
194G	Payment of commission, remuneration or prize on sale of lottery tickets	5%	2%	1.10.2024
194F	Payments for re-purchase of units of mutual fund or Unit Trust of India	20%	Omitted	1.10.2024
194H	Payment of commission or brokerage	5%	2%	1.10.2024
194-IB	Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
194M	Payment of contractual fee, commission, brokerage or professional fee by individual/ HUF	5%	2%	1.10.2024
194-O	Payment by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
194T	Payment of salary, remuneration, interest, bonus or commission by partnership firm to partners	NIL	10%	1.04.2025



# Foreign taxpayers

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## **Corporate tax rate for foreign companies reduced**

- ▶ Corporate tax rate for foreign companies reduced from 40% to 35%
- ▶ Effective headline tax rate of 38.22% (including surcharge and health and education cess)

## **Abolishment of 2% equalisation levy**

- ▶ Currently, 2% equalisation levy is applicable on consideration received or receivable by a non-resident e-commerce operator from e-commerce supply or services
- ▶ In light of ambiguity and increased compliance burden, it is now proposed that 2% equalisation levy will no longer be applicable
- ▶ This provision is effective 1 August 2024

# Widening of tax base

## **Taxation of buy-back proceeds as dividend for shareholders**

- ▶ Currently, buy-back tax is payable by domestic companies at the rate of 23.30% on buy-back of shares and the same is exempt in the hands of shareholders
- ▶ Now, buy-back tax will be abolished and such income will be taxable in the hands of the shareholders as “deemed dividend”
  - ▶ No deduction for expenses will be available against such dividend income
  - ▶ Domestic company to withhold tax at 10% from payment to resident shareholders
  - ▶ Cost of acquisition of shares will result in capital loss and allowed to be set-off and carry forward against capital gains
- ▶ This provision is effective 1 October 2024

## **Capital gains tax exemption for corporate gifts removed**

- ▶ Currently, transfer of a capital asset under a gift or will or an irrevocable trust is not considered as transfer for purpose of capital gains
- ▶ This exemption will now be applicable only to such transfers by individuals and HUFs
- ▶ Gifts by corporates will be considered taxable
  - ▶ Fair value provisions will apply for computation of capital gains

# Widening of tax base

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## **Cost of acquisition for equity shares under offer for sale in an IPO**

- ▶ On withdrawal of long-term capital gain exemption on listed shares in 2018, specific provisions were introduced to provide for the computation of cost of acquisition, considering fair market value as on 31 January 2018
- ▶ The provisions created ambiguity for computation of such fair market value of equity shares transferred pursuant to an offer for sale under an IPO
- ▶ Now, fair market value of such equity shares will be the cost of acquisition adjusted with the Cost Inflation Index upto FY 2017-18
- ▶ The amendment will take effect retrospectively from AY 2018-19

# Reducing tax litigation

## Vivad se Vishwas Scheme, 2024

Nature of tax arrears	Appeal filing period	If scheme availed on or before 31 December 2024	If scheme availed on or after 1 January 2025
Tax, interest and penalty	After 31 January 2020 but on or before 22 July 2024	Disputed tax	Disputed tax + 10% of disputed tax
Tax, interest and penalty	On or before 31 January 2020	Disputed tax + 10% of disputed tax	Disputed tax + 20% of disputed tax
Interest or penalty	After 31 January 2020 but on or before 22 July 2024	25% of disputed interest or penalty	30% of disputed interest or penalty
Interest or penalty	On or before 31 January 2020	30% of disputed interest or penalty	35% of disputed interest or penalty

- ▶ Settlement amount payable to be reduced to 50% in following cases
  - ▶ Where appeal/ writ/ SLP is filed by tax authorities
  - ▶ Where the issue is covered by a favourable ITAT/ High Court decision in taxpayer's own case
- ▶ This Scheme shall come into effect from the date on which it is notified by the Central Government



# Rationalisation measures

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## **Rationalisation of reassessment provisions**

- ▶ Time limit for issue of notice for reassessment proceedings reduced from 10 years to 5 year 3 months
- ▶ The amended provisions will apply from 1 September 2024

## **Rationalisation of prosecution provisions for delay in deposit of TDS**

- ▶ Currently, the Act contains prosecution provisions for delay in deposit of TDS within the prescribed time limit
- ▶ Now, an exemption from such prosecution provisions has been introduced where TDS has been deposited on or before the due date for filing the TDS return for that quarter
- ▶ This amendment will take effect from 1 October 2024

## **Rationalizing provisions for treating a person as assessee in default**

- ▶ Currently, limitation for passing order deeming an assessee to be in default for failure to deduct tax is seven years from end of financial year in case of resident payees
- ▶ Now, the scope has been expanded to cover non-resident payees, as well
- ▶ Further, time limit for passing such order is reduced to six years from seven years

# Rationalisation measures

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

- ▶ Currently, the application for a nil/ lower tax deduction certificate under Section 197 can be filed only for certain specified payments
- ▶ Now, the scope of such specified payments has been expanded to payments for purchase of goods of value exceeding INR 50 Lakh which are subject to TDS
- ▶ This amendment will take effect from 1 October 2024

## **Withdrawal of Applications pending before Board for Advance Ruling (BAR)**

- ▶ Currently, withdrawal applications before BAR are pending disposal due to various reasons
- ▶ Now, Applicants are given a window to withdraw applications filed before erstwhile Advance Ruling Authority and pending admission, up-to 31 October 2024
- ▶ BAR to pass such withdrawal orders by 31 December 2024

## **Removal of angel tax provisions**

- ▶ Currently, angel tax is applicable for companies on receipt of consideration in excess of fair market value for issue of shares to investors
- ▶ Now, angel tax has been proposed to be removed

The background features a stack of coins at the bottom, with several upward-pointing arrows of varying heights and colors (light blue, dark blue, grey) overlaid. A line graph with data points and percentage labels (+2%, +4%, +6%, +8%) is also visible, set against a dark blue background with a grid pattern.

# Key indirect tax proposals

SECTION 5

# Customs proposals

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## **Exemption widened for goods used by Oil & Gas sector**

- ▶ Additional goods have been included in the exemption entry for petroleum exploration operations (S No 404 of Notification no 50/2017-customs)
- ▶ Some of such additional goods specified include Equipment required for process and production platform, Sub-sea valves, Subsea/ onshore Production System including Structures, Christmas tree, Articles of Copper, Special Lubricants, Software required for petroleum operations - Refer Annexure 2 for detailed comparison
- ▶ The customs exemption under S No 404 (for petroleum exploration operations) is proposed to be extended till 31 March 2026 only - Refer Annexure 1 for chronology of sunset clause

## **Trade facilitation measures effective from 24 July 2024**

- ▶ Initial period for re-export of articles of foreign origin [vessels and aircrafts] imported into India for repairs extended from six months to 1 year
- ▶ Time limit for duty free re-import of goods (other than those under export promotion schemes) exported under warranty, increased from three years to five years, further extendable by two years



# Customs proposals

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## Other changes

- ▶ Proposal to enable acceptance of different types of proof of origin provided in trade agreements, to align with new trade agreements which provide for self-certification
- ▶ Proposal to empower the Central Government to specify certain manufacturing and other operations in relation to a class of goods that shall not be permitted in a warehouse
- ▶ Modification in certain tariff entries under First Schedule to the Customs Tariff Act, 1975, effective from 1 October 2024

# GST proposals - Future litigation framework

## **Introduction of Section 74A - Determination of tax short paid/ unpaid/ excess refunds or ITC**

- ▶ Single limitation period of 3.5 years (from date of annual return filed) for all cases
- ▶ Staggered relaxation of penalty to continue - distinct for fraud and other cases
  - ▶ 60 days from SCN/ Order for making payment of tax and interest
- ▶ Definitive time limit set for passing orders - 12 months from the date of notice (discretion to extend by 6 months)
- ▶ No ITC restriction for taxes paid under this recovery provision u/s 17(5)

## **Reduction in the amount of pre-deposit for filing of appeals**

- ▶ Maximum amount for filing appeal with appellate authority reduced from Rs. 25 crores (CGST and SGST each) to Rs. 20 crores (CGST and SGST each)
- ▶ Amount of pre-deposit for filing appeal with the Appellate Tribunal reduced from 20% with a maximum amount of Rs. 50 crores (CGST and SGST each) to 10% with a maximum of Rs. 20 crores (CGST and SGST each)

## **Other amendments:**

- ▶ Time for filing appeals in GSTAT: Three-month time period for filing appeals before GSTAT to start from a date to be notified
- ▶ Authorised representatives allowed to appear for summons before proper officer

# GST proposals - Resolving past tax controversy

## **Waiver of interest and penalty - *to be effective from date to be notified***

- ▶ Period covered from 1 July 2017 to 31 March 2020
- ▶ Benefit available :
  - ▶ For matters under Section 73 (at any stage) ie for non-fraud cases
  - ▶ Includes proceedings ultimately concluded as per Section 73
  - ▶ Payment of full tax demand by notified date
  - ▶ Additional conditions to be prescribed
- ▶ Erroneous refund cases excluded
- ▶ Refund of interest and penalty already paid not available
- ▶ Appeals or writ petitions need to be withdrawn
- ▶ Matters concluded under this provision cannot be appealed
- ▶ For department appeals upheld, remaining tax to be paid in three months from the date of order

# GST proposals - Resolving past tax controversy

## **Power to Government to waive taxes on account of general trade practice**

- ▶ Introduction of Section 11A empowering the GST Council to regularize non-levy or short levy of GST, where tax was being short paid or not paid due to generally prevalent trade practice

## **ITC for 1 July 2017 to 31 March 2021**

- ▶ Time limit to avail ITC extended to 30 November 2021
- ▶ No refund of tax paid or input credit reversed before the relaxation

## **Other amendments:**

- ▶ Time of supply for reverse charge services from unregistered suppliers to be date of payment or the date of self-invoice. Government to prescribe time-limit to issue self-invoice in case of RCM supplies received from unregistered persons.



# Relevant Circular issued pursuant to 53rd GST Council Meeting

## **Valuation - Import of services by related person [Circular 210/4/2024-GST]**

- ▶ In case of import of services where recipient is eligible for full ITC, value of supply of services declared in invoice by related domestic entity may be deemed as OMV in terms of second proviso to rule 28(1).
- ▶ If invoice is not issued by related domestic entity with respect to any service provided by foreign affiliate to it, value of such services may be deemed to be declared as Nil and may be deemed as OMV.

## **Taxability of re-imburement of cost of ESOP/ESPP/RSU allocated by an overseas entity to employees of its Indian group/ subsidiary company [Circular No. 213/07/2024-GST]**

- ▶ No supply of service where the domestic company reimburses cost of such securities to foreign holding company on cost-to-cost basis (ie basis market value without any additional amount being charged)
- ▶ In cases where an additional amount is charged over and above the cost of securities GST would be leviable under RCM on such additional amount charged as consideration for supply of services of facilitating/ arranging the transaction in securities/ shares by the foreign holding company to the domestic subsidiary company

# Other Updates from 53<sup>rd</sup> Council meeting

## **Valuation of Corporate Guarantee services between related persons**

- ▶ W.e.f 26 October 2023, Rule 28(2) of the CGST Rules, 2017 was inserted to prescribe the valuation methodology for the activity of providing corporate guarantees to any banking company/ financial institution
- ▶ Value of such CG prescribed to be 1% p.a. of guarantee offered or actual consideration, whichever is higher
- ▶ Circular issued to clarify various issues regarding valuation :
  - Not to be applicable in case of export of such services.
  - Not to also apply where the recipient is eligible for full input tax credit

## **Interest where balance is available in Electronic Cash Ledger**

- ▶ Amendment in Rule 88B to provide that interest is not leviable on amount available in cash ledger and utilised while filing GSTR-3B return belatedly [Effective from 10 July 2024]



Questions?

# Annexures





## Annexure 1 - Details of Sunset Clause (second proviso to NN. 50/2017 dated 30 June 2017)

Date	Provisions covered	Remarks
Notification prior to 1 Feb 2022	S. No. 404 has no Sunset clause in Notification no. 50/2017 dated 30 June 2017	
Inserted vide Notification No. 02/2023-Customs dated 01-02-2023 w.e.f. 02-02-2023	Provided further that nothing contained in the entries against serial numbers 17, 80A,90, 104,133,139,150, 155, 164, 165, 172,183, 184, 188,191, 204, 212A, 213, 238, 253, 254, 255, 257, 257A, 257B, 257C, 258, 259, 260, 261, 265,269, 271, 276, 277A,279, 280, 290, 292, 293A, 296A, 326, 329, 333, 334, 339, 345A, 353, 364A, 378, 379, 380, 381, 387, 392, 415, 415A, 416, 417, 418, 419, 420, 421, 422, 423, 426, 428, 429,435, 441, 442, 446, 451, 462, 463, 464,464A, 467, 468, 471, 472, 475, 476, 477, 478, 480, 482, 489B, 495, 497, 504, 509, 510, 511, 512, 512A, 515A, 516,517, 519, 523A, 527, 534, 535, 535A, 536, 537, 538, 539, 539A,540, 542, 543, 544,546, 548, 549, 550, 551, 553, 555, 565, 566, 567, 568, 569, 570, 575, 577, 578A,579, 580, 581, 583, 591,593, 607, 607A, 611 and 612shall have effect after 31st March 2024.	There is no reference of S. No. 404
Vide Notification No. 06/2024-Customs dated 29-01-2024	The sunset clause extended till 30th September 2024	
Vide Notification No. 30/2024-Customs dated 23-07-2024	Provided further that nothing contained in the entries against serial numbers 17, 80A, 90, 104, 133, 139, 150, 155, 164, 165, 172, 183, 184, 188, 191, 204, 253, 257, 257A, 257B, 257C, 258, 259, 260, 261, 265, 269, 271, 276, 279, 280, 290, 292, 293A, 296A, 326, 329, 333, 334, 345A, 364A, 378, 379, 380, 381, 392, 404, 415, 415A, 416, 417, 418, 422, 423, 426, 435, 442, 446, 451, 462, 463, 464, 464A, 467, 471, 472, 476, 477, 480, 489B, 504, 509, 510, 511, 512, 512A, 515A, 516, 517, 519, 523A, 527, 534, 535, 535A, 536, 537, 538, 539, 539A, 540, 542, 543, 544, 546, 548, 551, 553, 555, 567, 569, 570, 575, 578A, 580, 581, 583, 591 and 593 shall have effect after the 31st March, 2026."	S. No. 404 included, and the sunset clause extended till 31 Mar 26 and

## Annexure 1 - Details of Sunset Clause

- ▶ Section 25(4A) of Customs - inserted vide Finance Act 2021  
*[(4A) Where any exemption is granted subject to any condition under sub-section (1), such exemption shall, unless otherwise specified or varied or rescinded, be valid upto 31st day of March falling immediately after two years from the date of such grant or variation:  
Provided that in respect of any such exemption in force as on the date on which the Finance Bill, 2021 receives the assent of the President, the said period of two years shall be reckoned from the 1st day of February, 2021.]*
- ▶ Sr no 404 conditional exemption valid till 31 March 2023 by virtue of above insertion of provision
- ▶ Amendment happened in Sr no 404 on 2 Feb 2022 - changes in condition and pruned List 33. Hence, Sr no 404 valid till **31 March 2024** [by virtue of Section 25(4A)]
- ▶ Another amendment happened in FY 2022-23 [July 2022 and Sept 22 - rate increased and HSN code added in List 33]. Hence, Sr no 404 valid till **31 March 2025** [by virtue of Section 25(4A)]
- ▶ No amendment in FY 2023-24. Now Vide Notification No. 30/2024-Customs dated 23-07-2024 Sr no 404 inserted in 2<sup>nd</sup> Proviso of 50/2017. Hence, entry 404 valid till 31 March 2026

## Annexure 2 - Concessional BCD rate entry 404 - existing v/s new (changes highlighted in RED)

S. No.	Chapter or heading or sub-heading or tariff item		Description of goods		Basic Customs duty rate	IGST rate	Condition No.
	As per Amendment vide Customs notification no 30/2024 dated 23.7.24 [Effective from 24.07.2024]	Previously as per Customs Notification no 50/2017 dated 30.6.17 [as applicable up to 23.07.2024]	As per Amendment vide Customs notification 30/2024 dated 23.7.24	Previously as per Customs Notification 50/2017 dated 30.6.17			
404	25, 27, 28, 29, 31, 34, 35, 36, 38, 39, 40, 56, 69, 73, 74, 82, 84, 85, 87, 89 or 90	27,31,38,39,73,82,84, 85,87,89 or 90.	Same as before	Same as before	NIL  (No change)	12%  (No change)	48  (No Change)

## Annexure 2 - Comparison of List 33 items - existing v/s new (changes highlighted in RED)

Previously as per Customs Notification 50/2017 dated 30.06.17 (up to 23.07.24)			As per Amendment vide Customs notification 30/2024 dated 23.07.24 (with effect from 24.07.24)		
S. No	Heading / Tariff Item	Description	S.No.	Heading/Tariff Item	Description
1	7304	i. Premium/Chrome Casing pipes and Tubing's along with accessories, connections, crossovers, couplings  ii. Sub-sea pipelines including weight coating and wrapping- API 5L (American Petroleum Institute) Line Pipe complying requirement of Annexure-J and Annexure-H of API list	1.	Same as before	Same as before
2	8207	Drilling bits for earth boring and rock drilling tools	2.	Same as before	Same as before
3.	8413, 8414 or 8481	Equipment like water injection, Gas turbine, sub-surface pumps and all type of Compressor for process and production platforms and subsurface pumps and sucker rod pumps, High pressure Valves	3.	Added - 842129, 843143, 847989, 847990, 842199, 730799, 854999, 853710, 841989, 842123	Equipment required for process and production platform like water injection, Gas turbine, sub-surface pumps and all type of Compressor <del>for process and production platforms</del> , sub-surface pumps and sucker rod pumps, High pressure Valves, Equipment / Units for MEG Reclamation & Regeneration Facilities and Gas Dehydration Unit, Gas Engine, Gas Generators, filters and filtering equipment, Amine Plant
4.	8430	Oil and Gas Rigs (Onshore) Petroleum and Gas well Drilling Machinery and Equipment/Units for specialised services for Offshore and Onshore petroleum operations	4.	Same as before	Same as before
5.	8475	High Temp Valve	5.	Added - 848180	High Temp Valve, sub-sea valves

## Annexure 2 - Comparison of List 33 items - existing v/s new (changes highlighted in RED)

Previously as per Customs Notification 50/2017 dated 30.06.17 (up to 23.07.24)			As per Amendment vide Customs notification 30/2024 dated 23.07.24 (with effect from 24.07.24)		
S. No	Heading / Tariff Item	Description	S.No.	Heading/Tariff Item	Description
6.	85311090	Fire prevention signalling apparatus	6.	Same as before	Same as before
7.	87053000	Fire fighting vehicles	7.	Same as before	Same as before
8.	8905	i. Oil and Gas Rigs (Offshore), Process and Production Platforms and Marine Vessels and Barges ii. Equipment for Oil and Gas Rigs and Specialised Services, Light Vessels, dredges, floating cranes and other vessels, the navigability of which is subsidiary to their main function; floating docs; Floating and submersible drilling or production platforms - Mooring ropes, Chains, Shackles, Coupling Marines hoses and connected equipment	8.	Added - 898598, 890120, 890400, 732698, 732690, 890790, 560750, 731581, 401693, 847990, 401699, 732690, 843143	Oil and Gas Rigs (Offshore), Process and Production Platforms and Marine Vessels and Barges including Tugs, Security Boats, accommodation Work Barge, Geotechnical investigation and Geophysical Survey Vessel, Support vessel, FPSO, Turret Bouy Mooring System, Equipment for Oil and Gas Rigs and Specialized Services, Remote Operated Vehicle, Light Vessels, dredges, floating cranes and other vessels, the navigability of which is subsidiary to their main function, floating docs, Floating and submersible drilling or production platforms - Mooring ropes, Chains, Shackles, Coupling Marines hoses, Buoyancy Modules and connected equipment
9.	8906 90 00	Life Boats, Survival craft, Life craft, Vessel for Pollution control	9.	Same as before	Same as before
10.	8907	Oil tanker to be used for oil storage and connected equipment, other floating structures (for example rafts, tanks, coffer dams, landing stages, buoys and beacons)	10.	Same as before	Same as before
11.	9015	Geological and Geophysical Equipment, Logging Units, Survey Vessel required for petroleum operations	11.	Added - 870590, 841350	Geological and Geophysical Equipment, Logging units, Vehicle mounted Logging Units, Survey Vessel required for petroleum operations



## Annexure 2 - Comparison of List 33 items - existing v/s new (changes highlighted in RED)

Previously as per Customs Notification 50/2017 dated 30.06.17 (up to 23.07.24)			As per Amendment vide Customs notification 30/2024 dated 23.07.24 (with effect from 24.07.24)		
S. No	Heading / Tariff Item	Description	S.No.	Heading/Tariff Item	Description
12.	90200000	Breathing appliances and gas masks	12.	Same as before	Same as before
13.	90301000	Fire and gas detection equipment including H2S monitoring equipment	13.	Same as before	Same as before
14.	2710 3811 3824 3905 3104 20 00 2915	Oilfield chemicals namely Potassium Formate, Hollow Glass Sphere Grade-IV, Aqueous Film Forming Foam 6% US Mil., Glutaraldehyde, Hydroxymethyl Phosphonium Sulphate, Ammonium Persulphate, Demulsifier Low Temperature, Potassium Chloride, Partially Hydrolysed Poly Acrylamide, Xanthum Gum polymer and Oil and Gas wells specific Cement Additives and Cesium Formate	14.	Same as before	Same as before
15.	73, 84, 85, 87, 89 and 90	Spares and accessories for the parts specified at S. No. 3, 4, 7, 8, 9, 10, 11 and 13.]	23.	Same as before	Spares, accessories, Tools, Consumables, Sub-assemblies, test equipment, stores, parts, proprietary software and accessories for running, repairing or maintenance of the goods for the parts specified at S. No. 3, 4, 7, 8, 9, 10, 11 and 13
			15.	732690, 391729, 730429	Perforation Guns/carriers & accessories, Carbon / GRE Drill Pipes, Drill Collars

## Annexure 2 - Comparison of List 33 items - existing v/s new (changes highlighted in RED)

Previously as per Customs Notification 50/2017 dated 30.06.17 (up to 23.07.24)			As per Amendment vide Customs notification 30/2024 dated 23.07.24 (with effect from 24.07.24)		
S. No	Heading / Tariff Item	Description	S.No.	Heading/Tariff Item	Description
			16.	730791, 731815, 843143, 842139, 730799, 731824, 848190, 848180, 730511, 854442, 730429, 730519, 730890, 843049, 731290, 731829, 820590	Subsea/ onshore Production System including Structures, Christmas tree, Control System (including HPU, EPU, MCS, TUTU, Subsea Control Modules, Retrievable Production Modules), Tie-in system, Jumper, HIPPS, Electrical / Fiber Optic and Steel Flying Leads, Gooseneck, PLETS, SSIVs, ILS , PLR, Wellheads, Umbilicals, Manifolds, foundation piles, hold back systems, anchor piles, fibre optic cables, Flexible risers & Flowlines, buckle arrestors, bend restrictors, umbilical termination heads, bend stiffener connectors, Separators
			17.	847990, 401693, 843143, 392690, 741529, 843139; 731815; 841221; 842129; 847989, 843049, 850511, 732690	Wireline Fishing equipment and Steel accessories used in Logging units and tools
			18.	741920, 741999, 741980	Articles of Copper
			19.	340290, 340239, 391390, 250810, 382499, 250840, 271019	Surfactant-Solvent (Micro-emulsion) used in wellbore cleaning, Water-based viscosifier, Synthetic Oil based rheology modifier, Base Oil used in SOBM, Synthetic oil based Rheology modifier and wetting agent, Organophyllis clay for conventional and HTHP well Conditions

## Annexure 2 - Comparison of List 33 items - existing v/s new (changes highlighted in RED)

Previously as per Customs Notification 50/2017 dated 30.06.17 (up to 23.07.24)			As per Amendment vide Customs notification 30/2024 dated 23.07.24 (with effect from 24.07.24)		
S. No	Heading / Tariff Item	Description	S.No.	Heading/Tariff Item	Description
			20.	390290, 340399, 392690, 39139090, 29053990, 271019, 382499, 843143, 847989, 820559	Special Lubricants used for tool/perforating gun joints, Silicone oil used in down hole Logging tools, Heat shrink sleeve & Handling tools, Go-devil-II, Blue Streak, Hyper graph Lube, Special handling tools
			21.	360200, 360320, 360360, 902789, 360300, 340399, 350691, 69149000	Perforation Explosives, Thread /silicone grease, Special Thread Locker RTV adhesive, proppant of light weight high strength 30/50 mesh and 40/70 mesh with less than 2% crushability @12000 psi
			22.	903090, 284444, 284443, 284440	Radioactive residues
			24.	852380	Software required for petroleum operations";

# Our Offices

## Ahmedabad

22nd Floor, B Wing, Privilon  
Ambli BRT Road, Behind Iskcon  
Temple  
Off SG Highway  
Ahmedabad - 380 059  
Tel: + 91 79 6608 3800

## Bengaluru

12th & 13th Floor  
"UB City", Canberra Block  
No.24 Vittal Mallya Road  
Bengaluru - 560 001  
Tel: + 91 80 6727 5000

Ground & 1st Floor  
# 11, 'A' wing  
Divyasree Chambers  
Langford Town  
Bengaluru - 560 025  
Tel: + 91 80 6727 5000

## Bhubaneswar

8th Floor, O-Hub, Tower A  
Chandaka SEZ, Bhubaneswar  
Odisha - 751024  
Tel: + 91 674 274 4490

## Chandigarh

Elante offices, Unit No. B-613 & 614  
6th Floor, Plot No- 178-178A  
Industrial & Business Park, Phase-I  
Chandigarh - 160 002  
Tel: + 91 172 6717800

## Chennai

6th & 7th Floor, A Block,  
Tidel Park, No.4, Rajiv Gandhi Salai  
Taramani, Chennai - 600 113  
Tel: + 91 44 6654 8100

## Delhi NCR

Ground Floor  
67, Institutional Area  
Sector 44, Gurugram - 122 003  
Haryana  
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1  
IGI Airport Hospitality District  
Aerocity, New Delhi - 110 037  
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B  
Tower 2, Sector 126  
Gautam Budh Nagar, U.P.  
Noida - 201 304  
Tel: + 91 120 671 7000

## Hyderabad

THE SKYVIEW 10  
18th Floor, "SOUTH LOBBY"  
Survey No 83/1, Raidurgam  
Hyderabad - 500 032  
Tel: + 91 40 6736 2000

## Jaipur

9th floor, Jewel of India  
Horizon Tower, JLN Marg  
Opp Jaipur Stock Exchange  
Jaipur, Rajasthan - 302018

## Kochi

9th Floor, ABAD Nucleus  
NH-49, Maradu PO  
Kochi - 682 304  
Tel: + 91 484 433 4000

## Kolkata

22 Camac Street  
3rd Floor, Block 'C'  
Kolkata - 700 016  
Tel: + 91 33 6615 3400

## Mumbai

14th Floor, The Ruby  
29 Senapati Bapat Marg  
Dadar (W), Mumbai - 400 028  
Tel: + 91 22 6192 0000

5th Floor, Block B-2  
Nirlon Knowledge Park  
Off. Western Express Highway  
Goregaon (E)  
Mumbai - 400 063  
Tel: + 91 22 6192 0000

3rd Floor, Unit No 301  
Building No. 1  
MindSpace Airoli West (Gigaplex)  
Located at Plot No. IT-5  
MIDC Knowledge Corridor  
Airoli (West)  
Navi Mumbai - 400708  
Tel: + 91 22 6192 0003

## Pune

C-401, 4th Floor  
Panchshil Tech Park, Yerwada  
(Near Don Bosco School)  
Pune - 411 006  
Tel: + 91 20 4912 6000

10th Floor, Smartworks  
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