

Brief Summary of Changes in Union Budget 2024 made in Direct Tax Law presented in July 2024 (MODI-3.0)

1. Enhanced Limit of Standard Deduction and Family Pension Deduction Under New Regime.

- Under the new regime, the standard deduction for salaried individuals has been increased to Rs.75,000 from Rs.50,000. Similarly, a deduction on family pension for persons having pension income has been increased to Rs. 25,000 from Rs. 15,000 if they file taxes under the new regime.
- **Changes in Tax Structure under the New Regime.**

Under the New tax regime, the tax structure is revised as follows:

Income Tax Slabs	Tax Rate
0-3,00,000	Nil
3,00,000-7,00,000	5%
7,00,000-10,00,000	10%
10,00,000-12,00,000	15%
12,00,000-15,00,000	20%
Above 15,00,000	30%

Note: As a result of the above changes, a salaried employee in the new tax regime can Save up to **Rs. 17,500** in taxes.

2. Simplification of Taxation of Capital Gains

- For classifying assets into long-term and short-term, there will only be two holding periods: 12 months and 24 months. The 36-month holding period has been removed.
- The holding period for all listed securities is 12 months. All listed securities with a holding period exceeding 12 months are considered Long-Term. The holding period for all other assets is 24 months.

- Unlisted bonds and debentures are brought in line with the taxation on debt mutual funds and market-linked debentures. They will attract tax on capital gains at applicable slab rates. (i.e., they will be treated as short-term irrespective of the period of holding.)
- The taxation of Short-Term Capital Gain for listed equity shares, a unit of an equity-oriented fund, and a unit of a business trust has been increased to 20% from 15%. Other financial and non-financial assets which are held for short term shall continue to attract the tax at slab rates.
- For the benefit of the lower and middle-income classes, the limit on the exemption of Long-Term Capital Gains on the transfer of equity shares or equity-oriented units or units of Business Trust has increased from Rs.1 Lakh to Rs.1.25 lakh per year. However, the rate at which it is taxed has increased from 10% to 12.5%.
- The exemption limit to Rs. 1.25 lakhs has been increased for the whole of the year, whereas the tax rate changed on 23rd July 2024.
- The tax on long-term capital gains on other financial and non-financial assets is reduced from 20% to 12.5%. While on the other hand, the indexation benefit that previously was available on sale of long-term assets, has now been done away with. So, any sale of long term asset made from 23rd July, 2024, will attract tax rate of 12.5% only without indexation benefit.
- However, it is to be noted that the provision regarding availing the benefit of FMV of asset as on 01.04.2001 as cost while selling the asset, is still available even after the recent changes.

3. Introduction of TDS on Payments Made to Partners by Firms (Section 194T)

- This budget introduced a new TDS provision for payments made by the firms (i.e., it covers both partnership firms as well as LLPs), to the partners by way of salary, remuneration, interest, bonus or commission.
- **So, now any payment by a firm of the above nature exceeding Rs. 20,000 shall be subjected to the TDS at the rate of 10% u/s 194T.**

4. Increase in limit for Partner's Remuneration

- Under section 40(b), the partner's limit for remuneration has been increased in the Budget 2024 as follows,

<u>Book Profit</u>	<u>Limit</u>
On the first Rs.6,00,000 of book profit or loss	Rs.3,00,000 or 90% of the book profit, whichever is higher
On the remaining balance of book-profit	60% of the book-profit

5. Abolishment of Angel Tax

- The Angel tax provisions of Section 56(2)(viib) has been proposed to be removed.
- Angel Tax is a tax levied on companies that issue fresh shares to investors at a price above the company's Fair Market Value. The excess of the Issue Price over and above the FMV was made taxable u/s 56(2)(viii) as an angel tax in the hands of the Company. This provision is proposed to be removed.

- The startup ecosystem will benefit considering the frequent fund raise that can happen in startups and the compliance cost and the time that is consumed by the said provision while conducting a fund raise in start up.

6. Corporate Taxes on Foreign Companies

- Corporate taxes are imposed on the company's net income or profit. In the Budget 2024, Finance Minister Nirmala Sitharaman has proposed to reduce the corporate tax on foreign companies from 40% to 35%.