

Interim Budget FY 2024-25

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A. Setting the context

The year 2024, being the year for the Lok Sabha Elections, the Hon'ble Union Finance Minister, Ms. Nirmala Sitharaman presented the Interim Budget of the Government of India for FY 2024-25. In this budget, the Hon'ble Minister emphasized on 'Governance, Development and Performance' (GDP) in achieving its objectives of inclusive development, growth, social justice and *Nari Shakti*.

The Government with the 'whole of nation approach' envisages an all-round, all-pervasive and all-inclusive development, working to make India '*Viksit Bharat*' by the year 2047, with the vision of a 'Prosperous *Bharat* in harmony with nature, with modern infrastructure, and providing opportunities for all citizens and all regions to reach their potential'.

In continuance on the path of fiscal consolidation, the fiscal deficit is aimed to be reduced below 4.5% by FY 2025-26, given that the estimate for FY 2024-25 shall be at 5.1% of GDP. Furthermore, the scheme of fifty-year interest free loan for capital expenditure to States will be continued this year with a total outlay of INR 1.3 Lakh Crore.

In light of the above, the key features of the interim budget 2024 are enunciated as under:

B. Sector-wise highlights

(1) Infrastructure

- Three major railway corridor programmes for improving logistics efficiency and reduction of cost to be implemented under the *PM Gati Scheme*.
- High traffic corridors to be decongested in order to improve the operations of passenger trains, resulting in safety and higher travel speed for passengers.
- Forty Thousand normal rail bogies will be converted to the Vande Bharat standards to enhance safety, convenience, and comfort of passengers.
- Existing airports to be expanded and new airports to be developed under the UDAN Scheme.
- Urban transformation to be promoted via Metro rail and *NaMo Bharat*.
- Assistance will be provided to states for the development of aspirational districts and blocks which will generate employment opportunities.
- Bilateral investment treaties to be negotiated for attracting more foreign investment.

(2) Healthcare

- Setting up of more medical colleges through utilization of existing infrastructure, and appointment of a committee to deliberate on the issues in relation to such medical infrastructure and provide relevant recommendations.
- Encouraging vaccination of girls of the age bracket of 9-14 years for preventing cervical cancer.
- Expediting upgradation of *Anganwadi* centres under '*Saksham Anganwadi and Poshan 2.0*' thereby improving nutrition, early childhood care and development.
- Rolling out of the *U-WIN* platform for management of immunisation and efforts in relation to Mission Indradhanush to be expedited.
- Insurance coverage under *Ayushman Bharat* to be extended to all ASHA workers, *Anganwadi* workers and helpers.

(3) MSME

It is an important policy priority for our Government to ensure timely and adequate finances, relevant technologies and appropriate training for the Micro, Small and Medium Enterprises (MSME) to grow and also compete globally. Orienting the regulatory environment to facilitate their growth will be an important element of this policy mix.

(4) Defense

New scheme to be introduced in the form of deep tech technology for strengthening the defense sector. Defense spending is targeted at 6.2 Lakh Crore.

(5) Women Empowerment

Target for *Lakshpati Didi*, a scheme of empowerment and self-reliance, to harness the entrepreneurial skills of women and ensure a sustainable income for them has been enhanced from INR 2 Crore to INR 3 Crore.

(6) Agriculture and Allied Sectors

- Promotion of private and public investment in post-harvest activities, i.e. aggregation, efficiency of supply chains, contemporary storage mechanisms, primary and secondary processing and branding and marketing.
- Expansion of application of Nano DAP on various crops in all agro-climatic zones.
- Formulation of *Atmanirbhar Oilseeds Abhiyaan* – a strategy to achieve ‘*atmanirbharta*’ in respect of oil seeds, being mustard, groundnut, soybean, sesame, and sunflower, which shall include research on high-yielding varieties of seeds, market linkages, adoption of modern farming techniques, value addition and crop insurance.
- Building on the success of the existing schemes such as *Rashtriya Gokul Mission*, National Livestock Mission and Infrastructure Development Funds for animal husbandry and processing of dairy, a comprehensive programme to be formulated to support dairy farmers.
- Implementation of the Pradhan Mantri Matsya Sampada Yojana to be enhanced so as to (a) boost aquaculture productivity from the existing 3 tons per hectare to 5 tons per hectare; (b) double exports to INR 1 Lakh Crore; and (c) generate about 55 Lakh employment opportunities.
- Establishment of five integrated aquaparks.
- Launching of a scheme for restoration and adaptation measures, coastal aquaculture and mariculture with an integrated and multi-sector approach so as to promote climate resilient activities for the Blue Economy 2.0.

(7) Technology and Innovation

Under the slogan of ‘*Jai Jawan Jai Kisan Jai Vigyan and Jai Anusandhan*’, a corpus of INR 1 Lakh Crore will be established with 50-year interest free loans to provide long term financing and at low or nil interest rates to the private sector to scale up research in sunrise sectors which includes hydrogen fuel production, petrochemical industry, food processing industry, space tourism.

(8) Sustainable Development

- In meeting the commitment towards ‘Net Zero’ by the year 2070, (a) viability gap funding to be provided for wind energy potential; (b) coal gasification and liquefaction capacity of 100 metric tonnes to be set up by the year 2030; (c) phased blending of compressed biogas (CBG), compressed natural gas (CNG), and piped natural gas (PNG) to be mandated; and (d) financial assistance to be provided to procure biomass aggregation machinery.

- Rooftop solarisation of about 1 Crore households will be enabled to obtain up to 300 units free electricity every month. Following benefits are expected, (a) annual savings up to INR 15,000 to INR 18,000 from free solar power and selling of the surplus to distribution companies; (b) charging of electric vehicles; (c) opportunities for entrepreneurship to vendors in relation to supply and installation; and (d) generation of employment for youth with technical skills in manufacturing, installation and maintenance.
- Expansion and strengthening of e-vehicle ecosystem and greater adoption of e-buses as public transport through payment security mechanism.
- New scheme of bio-foundry and bio-manufacturing to be launched to promote green growth, providing environment friendly alternatives like biodegradable polymers, bio-pharmaceuticals, bio-plastics and bio-agri-inputs.

(9) Real Estate and Housing

- Pradhan Mantri Awas Yojana (Grameen), the social welfare programme to provide housing for the rural poor has come close to achieving target of 3 Crore houses. In a response to address the need arising from increase in number of families, the Government has decided to add 2 Crore houses in the next 5 years.
- Housing for Middle Class scheme to be launched to encourage the middle class who are living in rented houses, slums, chawls, etc. to buy/build their own houses.

(10) Tourism

- Long term interest free loans will be provided to the states encouraging them to develop iconic tourist spots in order to attract business and promote opportunities for local entrepreneurship.
- Projects for enhancing the port connectivity and tourism infrastructure will be undertaken in islands, including Lakshadweep which in turn will generate employment.

C. Tax Proposals

(1) Direct Taxes

- No change in tax rates for FY 2024-25.
- TCS rates as per CBDT circular on Liberalized Remittance Scheme and Overseas Tour Package Remittance now legislated.
- Sunset provision for exemption for, (i) IFSC banking unit (in respect of specified banking funds), (ii) royalty and interest income earned by aircraft and ship leasing company, (iii) eligible infrastructure entities like SWF/pension funds, and (iv) incorporated eligible startups, has been extended till March 31, 2025.
- In line with the Government's vision of improving ease of living, and ease of doing business and to provide relief to a large number of small, unverified, unreconciled or disputed direct tax demands, it is proposed to withdraw outstanding direct tax demands up to INR 25,000 till FY 2009-10 and up to INR 10,000 from FY 2010-11 to 2014-15.
- Since huge impetus is given to the manufacturing units, no announcement regarding any extension for concessional tax rates for new manufacturing units in terms of S 115BAB of Income Tax Act, 1961 came as a surprise. As a result, new manufacturing units not setting up by March 31, 2024 will land up paying income tax at 25%.

(2) Indirect Taxes

- No change in Goods and Services Tax and Customs Rate
- The definition of Input Service Distributor (ISD) under S 2(61) of the Central Goods and Services Tax Act, 2017 (the CGST Act, 2017) has undergone an amendment to also include receipt of invoices on which GST is payable under reverse charge mechanism. Necessary amendment will also come into force under S 20 of The CGST Act, 2017 which governs the methodology of distribution of credit by an ISD. This otherwise means that the concept of ISD has now made mandatory.

- A new provision, S 122A, has been added, stipulating that if an individual involved in the manufacturing of goods violates any special procedure regarding the registration of machines, the said individual will be subjected to a penalty of INR 1,00,000. This penalty is in addition to any penalties imposed under Chapter XV of the CGST Act, 2017. Additionally, machines not registered under the specified procedure are susceptible to seizure and confiscation.
- State Goods and Services Tax revenue buoyancy (including compensation released to States) increased to 1.22 in post-GST period (FY 2017-18 to FY 2022-23) from 0.72 in the pre-GST period (FY 2012-13 to FY 2015-16).

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