

ERGO

BUDGET 2024 | DIRECT TAX PROPOSALS





The Indian Government presented the interim budget for FY 2024-25, with a strong impetus on all-round economic development. The Government's roadmap to making India 'Viksit Bharat' (Developed India), encompasses a renewed focus on critical areas like technology and innovation, employment generation, infrastructure development, education, green energy amongst others. It is heartening to note that the Government is negotiating several bilateral investment treaties to boost an already steady flow of capital into the country, recognising that investor protection is key to the sustainability of a buoyant economy. While there are limited proposals in view of this being an interim budget given the impending elections, it strongly resonates the Government's resolve to 'Reform, Perform and Transform'.

As its an interim budget 2023 as opposed to a full-fledged budget, given the impending General Elections, only few amendments are proposed in the tax law. A comprehensive budget will be tabled by the next Government later this year.

Sun to set another day!

Proposal to extend sunset clause by a year to 31 March 2025 for the following tax benefits:

- ▶ GIFT city is an attractive destination to lease aircrafts and ships from foreign lessors. Foreign lessors are exempt from any income-tax on income earned from such leasing. However, the GIFT city unit must commence its operations by 31 March 2024 for the foreign lessors to claim the tax exemption. The Bill proposes to grant another year to such GIFT city units to set up operations by 31 March 2025. Additionally, the GIFT city units that are engaged in leasing of aircrafts or ships are themselves exempt from any income on transfer of the leased aircrafts and ships. Again, such exemption is only available where the GIFT city unit had commenced operations by 31 March 2024, which is now proposed to be extended to 31 March 2025.
- ▶ Investment divisions of offshore banking units set up in GIFT city are exempt from returns on certain investments including (i) Rupee Denominated Bonds, Global Depository Receipts, derivatives etc. listed on a recognised stock exchange in the GIFT city and transacted in convertible foreign currency, (ii) transfer of Indian securities (other than shares), (iii) income from foreign securities and (iv) securities receipts in Indian Asset Restructuring Companies etc. Currently, the exemption is only available for offshore banking units that commence their operations by 31 March 2024. The proposal extends the time limit to 31 March 2025.
- ▶ Foreign sovereign wealth funds (SWF) and pension funds (PF) are not taxed on any returns made on investments in infrastructure sector in India. The exemption extends to income in the nature of interest, dividends, long-term capital gains etc. However, the exemption is only available in investments made by 31 March 2024. The proposal is to extend the investment window for SWF and PF to 31 March 2025.
- ▶ Start-ups are granted a tax holiday for any 3 consecutive financial years out of their initial 10 years. The tax holiday is only available where the start-up is incorporated by 31 March 2024. The Bill proposes to extend the tax holiday to new start-ups to be incorporated by 31 March 2025.



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