

INTERIM BUDGET 2024 NEWS FLASH



Against the backdrop of the upcoming national elections later this year, the interim budget for the financial year 2024-25 was presented by Ms. Nirmala Sitharaman, the Indian Finance Minister. This interim budget serves as a temporary financial plan until the new government is elected, which is expected to unveil the full budget around July 2024. In adherence to the customary approach for interim budgets, no significant reforms or alterations in tax policies have been announced. Instead, the budget outlines estimated receipts and expenditure, fiscal deficit targets, capital expenditure (capex) allocations, and the current government's vision for India's economic and social advancement. The vision for “Viksit Bharat” is that of prosperous Bharat, in harmony with nature, with modern infrastructure providing opportunities for all to reach their potential. The next five years will be years of “unprecedented” development and golden moments to realize the goal of developed India by 2047.

Besides delivering on high growth, the present government is equally focused on a more comprehensive GDP i.e. Governance, Development and Performance. The Budget stressed on the empowerment of the poor, women, youth and farmers. In the last 10 years, government has helped 25 crore people to get freedom from multidimensional poverty. On the global stage, the India – Middle East – Europe Economic corridor stands as a strategic and economic game-changer, not only for India but also for other nations involved. Remarkably, Foreign Direct Investment (FDI) inflows between 2014 and 2023 totaled an impressive 596 billion USD, twice the inflow observed during 2005-2014. In the pursuit of sustained foreign investment, the government is engaged in negotiating bilateral investment treaties with international partners, embodying the ethos of First Develop India (FDI). Emphasizing fiscal consolidation, the budget targets reducing the fiscal deficit to below 4.5% by 2025-26, with an estimated fiscal deficit of 5.1% of GDP for 2024-25. Over the last decade, direct tax collections have more than tripled, and the number of return filers has surged by 2.4 times. Adhering to tradition, the budget refrained from proposing any changes to taxation.

In summary, although the Budget doesn't introduce major pronouncements, it outlines the trajectory envisioned by the present Government for India's future. Beyond economic reforms, the Budget predominantly emphasizes proposals related to social justice, inclusive development, and the empowerment of various segments including youth, the impoverished, women, and farmers. Addressing areas such as physical and social infrastructure, digitization, and green energy, the Budget reflects a commendable emphasis on social welfare measures. As India prides itself on being a mixed economy, the noteworthy focus on inclusive growth, if effectively implemented, promises a bright future for the nation.

Key policy announcements:

A. Announcement of Policies/India Growth:

1. **Rooftop solarization:** Through rooftop solarization, one crore households will be enabled to obtain up to 300 units' free electricity every month. Following benefits are expected.
 - i. Savings up to fifteen to eighteen thousand rupees annually for households from free solar electricity and selling the surplus to the distribution companies;
 - ii. Charging of electric vehicles;
 - iii. Entrepreneurship opportunities for a large number of vendors for supply and installation;
 - iv. Employment opportunities for the youth with technical skills in manufacturing, installation and maintenance;
2. **Infrastructure Development:** Capital outlay for infrastructure development for the next year is increased by 11.1% to 11,11,111 crores. i.e. 3.4% of GDP.
3. **Research and innovation for catalyzing growth, employment and development:** A corpus of rupees one lakh crore will be established with fifty-year interest free loan. The corpus will provide long-term financing or refinancing with long tenors and low or nil interest rates. This will encourage the private sector to scale up research and innovation significantly in sunrise domains. A new scheme will be launched for strengthening deep-tech technologies for defense purposes.
4. **Housing for middle class:** Government will launch a scheme to help deserving sections of the middle class "living in rented houses, or slums, or chawls and unauthorized colonies" to buy or build their own houses
5. **Matsya Sampada:** Implementation of Pradhan Mantri Matsya Sampada Yojana (PMMSY) will be stepped up to: enhance aquaculture productivity from existing 3 to 5 tons per hectare, double exports to 1 lakh crore and generate 55 lakh employment opportunities in near future. Five integrated aqua parks will be setup.
6. **Railways:** Three major economic railway corridor programmes have been identified to be implemented under the PM Gati Shakti for enabling multi-modal connectivity. They will improve logistics efficiency and reduce cost.
 - i. energy, mineral and cement corridors,
 - ii. port connectivity corridors, and
 - iii. high traffic density corridors
7. **Green Energy:** Towards meeting the commitment for 'net-zero' by 2070, the following measures will be taken:
 - i. Viability gap funding for harnessing offshore wind energy potential for initial capacity of one giga-watt.
 - ii. Coal gasification and liquefaction capacity of 100 MT to be set up by 2030. This will also help in reducing imports of natural gas, methanol, and ammonia.
 - iii. Phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be mandated.
 - iv. Financial assistance to be provided for procurement of biomass aggregation machinery to support collection.

B. Direct Tax Announcements:

1. No changes have been announced proposed to the income tax slab rates.
2. Tax benefits to start-ups and investments made by sovereign wealth or pension funds as also tax exemption on certain income of some IFSC units expiring on 31.03.2024 has been proposed to extend till 31.03.2025.
3. It has been proposed to withdraw outstanding direct tax demands up to twenty-five thousand rupees (₹ 25,000) pertaining to the period up to financial year 2009-10 and up to ten-thousand rupees (₹ 10,000) for financial years 2010-11 to 2014-15. This is expected to benefit about a 100 million tax-payers.
4. To implement the changes introduced by the Press Release dated 28.06.2023 relating to TCS on foreign remittances, the Finance Bill proposed to amend the prevailing tax rate in section 206C(1G) from 20% to 5%* subject to compliance with the procedures and conditions.

** and vice-versa in certain specified cases*

C. Indirect Tax Announcements:

1. No changes have been proposed to the indirect taxes including import duties.
2. Amendments related to Input Service Distribution:
 - i. Mandating the input service Distributors registration.
 - ii. Proposed introduction of Penalty u/s 122A aiming to enforce compliance with special procedures concerning the registration of manufacturing machines as outlined in Sec 148.

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