



# Transformative changes in direct taxation

The 2024 Budget has ushered in a wave of transformative changes to direct taxation, promising to redefine the tax landscape for individuals and businesses alike. With an emphasis on stimulating economic growth and streamlining tax administration, the Budget aims to simplify tax processes, provide relief to taxpayers, and streamline litigation, heralding a new era of tax administration that promises both efficiency and fairness.

## CAPITAL GAINS OVERHAUL

One of the most notable shifts is the removal of the indexation benefit on the sale of capital assets. The FM's announcement means that taxpayers can no longer adjust the purchase price adjusted for inflation, which previously reduced taxable capital gains. For example, if you bought a property for ₹60 lakh and sold it for ₹90 lakh, the full ₹30 lakh gain will now be taxable, rather than a reduced amount after inflation adjustment. Despite a lower tax rate being introduced, this change is likely to dampen real estate investment.

The Budget also revises capital gains tax rates: short-term gains on certain financial assets will face a 20 per cent tax rate, while long-term gains on financial assets held over a year will be taxed at 12.5 per cent. For unlisted financial and non-financial assets, a minimum holding period of two years is required to qualify for long-term tax treatment. Furthermore, the exemption limit for capital gains on specific financial assets has been raised to ₹1.25 lakh per year. The absence of grandfathering for accumulated gains could stir investor concerns about fairness and future tax hikes.

## RELIEF FOR INDIVIDUALS

In a nod to personal tax relief, the Budget introduces significant changes to income tax slabs. The nil tax rate for income up to ₹3 lakh remains unchanged. For annual earnings between ₹5 lakh and ₹15 lakh, the revised slabs could result in lower tax rates compared to the previous range of 5 per cent to 20 per cent. Moreover, the standard

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deduction for salaried employees is set to increase from ₹50,000 to ₹75,000, benefiting around four crore salaried individuals and pensioners.

However, the middle class may be disappointed as the limit for deductions under Section 80C remains static at ₹1.5 lakh for those sticking with the

old tax regime, with no provisions in the new regime for this deduction. The Budget proposes several reforms aimed at simplifying tax administration. One major change is the reduction in Tax Deducted at Source (TDS) rates from 5 per cent to 2 per cent, designed to ease tax obligations and create a more business-friendly environment. The Budget also seeks to address inconsistencies in interest rates related to late payments by aligning TCS and TDS rates.

Another significant proposal allows TCS credits to be claimed by individuals other than the collector, such as parents in cases involving minors. This move is intended to prevent misuse by ensuring TCS credits are only granted when the minor's income is included with the parent's income. Additionally, an amendment to Section 276B provides exemptions from prosecution if the TDS due for a quarter is paid by the filing deadline, aiming to prevent undue consequences for late payments.

## REVOLUTIONISING TAX LITIGATION

Reassessment procedures are set to undergo a major overhaul. The new rules restrict reassessment to cases where escaped income exceeds ₹50 lakh and reduce the time limit for reassessment from ten to six years in search cases. The monetary thresholds for departmental appeals have also been significantly raised — ₹60 lakh for Tax Tribunals, ₹2 crore for High Courts, and ₹5 crore for the Supreme Court — aiming to reduce legal disputes and enhance clarity. In summary, the 2024 Budget is set to drive business growth and bolster economic health with its strategic reforms. The elimination of angel tax and reduced corporate tax rates for foreign companies position India as a prime destination for investment. These measures are expected to create jobs, foster a competitive business environment, and strengthen the Indian economy overall.