

Mobility: Tax alert

February 2024

India

2024/25 Interim Budget proposals impacting individual taxpayers

Executive summary

The Finance Minister of India presented the interim Finance Bill for the fiscal year 2024/25 ('the Bill') in the Indian Parliament on 1 February 2024, proposing minimum changes to tax laws, effective from 1 April 2024 (unless specifically mentioned otherwise).

There is a national election in India will be undergoing a nation-wide election in April/ May 2024 following which the newly formed union government will announce a final budget for the entire fiscal year.

The budget proposals continue to reflect the Government's 'citizen-first' and 'minimum government, maximum governance' aim. The proposed key amendments include:

- ▶ Waiver of outstanding direct tax demands
- ▶ Ratification of the notification related to Tax Collection at Source (TCS)

Waiver of outstanding direct tax demands

Currently, there are many insignificant, non-verified, non-reconciled or disputed direct tax demands against taxpayers. Few of such tax demands are for an extended period. To provide maximum governance and ease to taxpayers, it is proposed to withdraw such outstanding tax demands up to INR 25,000 (US\$ 304) pertaining to the period up to fiscal year 2009/10 and up to INR 10,000 (US\$ 121) for fiscal years 2010/11 to 2014/15.

Ratification of Tax Collection at Source circular (TCS)

On 30 June 2023, the Government had issued a circular clarifying the applicable tax rates for foreign remittances under the Liberalized Remittance Scheme (LRS). The proposed budget aims to consolidate the circular into law. Notify such clarification in the legislation.

| Nature of payment | Rate of tax |
|--------------------------------------------------------------------|-----------------------------------------------|
| LRS for education financed by loan from financial institution | Nil up to US\$ 8,536 0.5% above US\$ 8,536 |
| LRS for medical treatment/ education (other than financed by loan) | Nil up to US\$ 8,536 5% above US\$ 8,536 |
| LRS for other purposes | Nil up to US\$ 8,536 20% above US\$ 8,536 |
| Overseas tour package program | 5% up to US\$ 8,536 20% above US\$ 8,536 |

*1 US\$ = INR 82

Tax rates applicable for fiscal year 2024/25

The Concessional tax regime (CTR) continues to apply unless an individual chooses otherwise.

CTR

| Income (in US\$*) - Approximately | Tax rate |
|-----------------------------------|----------|
| Up to 3,658 | NIL |
| 3,659 - 7,317 | 5% |
| 7,318 - 10,975 | 10% |
| 10,976 - 14,634 | 15% |
| 14,635 - 18,292 | 20% |
| Above 18,292 | 30% |

*1 US\$ = INR 82



Building a better
working world

Old tax regime

| Income (in US\$*) - Approximately | Tax rate (%) |
|-----------------------------------|--------------|
| Up to 3,048 | NIL |
| 3,049 - 6,097 | 5% |
| 6,098 - 12,195 | 20% |
| Above 12,195 | 30% |

*1 US\$ = INR 82

Next steps

The provisions of the Bill will not become law until approved by both houses of the Indian Parliament and receive assent from the President of India. Once approved, the provisions will apply for the 2024/25 Indian fiscal year (1 April 2024 to 31 March 2025).

As the changes proposed are nominal, employers and individuals should look out for the final budget to be announced after completion of the national election in April/May 2024.

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.
All Rights Reserved.

EYG no. 000918-24Gbl

2101-3682263
ED None

ey.com

Sonu Iyer
Tel: +911143633160
Email: sonu.iyer@in.ey.com

Amarpal S. Chadha
Tel: +91 80 6727 5258
Email: amarpal.chadha@in.ey.com