KEY AMENDMENTS OF BUDGET 2024

SECTOR: ENERGY

BDO

POLICY ANNOUNCEMENTS

Balancing economic growth and energy transition, the Government has made numerous policy announcements in the Union Budget 2024-25 to give a fillip to the energy sector. Some of the key announcements are:

- **Fund Allocation**

  The Government has allocated INR 191,000mn to the Ministry of New and Renewable Energy against the allocation of INR 78,480mn in the Union Budget 2023-24. This marks a remarkable increase of 143% compared to the previous Union Budget.

- **Energy Transition**

  The Government will release a policy document on appropriate energy transition pathways that balance the imperatives of employment, growth and environmental sustainability.

- **Nuclear Energy**

  The Government plans to collaborate with the private sector on several fronts, including the development of Bharat Small Reactors and Bharat Small Modular Reactors. This initiative aims to bolster the energy mix for a developed India.

- **Pumped Storage Policy**

  A new policy for promoting pumped storage projects will be introduced for electricity storage and for facilitating the smooth integration of the growing share of renewable energy with its variable and intermittent nature in the overall energy mix.

- **Exemption of Custom Duties**

  Budget 2024-25 proposes to fully exempt customs duties on 25 critical minerals, including lithium, copper, cobalt, and rare earth elements, to support the development of nuclear energy, renewable energy, and other strategic sectors.

- **Green Hydrogen Mission**

  The Government will spend INR 6,000mn on the National Green Hydrogen Mission, compared to the revised estimates of the Budget 2023-2024 that stood at INR 1,000mn.

- **Bio Energy Programme**

  The Government has allocated INR 3,000mn to the bioenergy programme against INR 750mn last year.

- **Thermal Power**

  A joint venture between the National Thermal Power Corporation (NTPC) and Bharat Heavy Electricals Limited (BHEL) will establish a commercial plant using Advanced Ultra Super Critical (AUSC) technology, aiming for higher efficiency in power generation.

- **Energy Audit**

  The Government will facilitate investment-grade energy audit in 60 clusters followed by further expansion to 100 clusters, and provide financial support to micro and small industries for shifting to cleaner forms of energy.

- **Roadmap for ‘hard to abate’ industries**

  The Government would formulate a roadmap for moving ‘hard to abate’ industries from ‘energy efficiency’ targets to ‘emission targets’. Regulations for a transition from the current ‘Perform, Achieve and Trade’ mode to the ‘Indian Carbon Market’ mode would be put in place.

TAX PROPOSALS

CORPORATE TAX PROPOSALS

- **Corporate tax rates**

  No changes have been announced in the headline corporate tax rates for Indian companies. The concessional tax regime of 15% for the new manufacturing sector has not been extended. The corporate tax rate for foreign companies has been reduced from 40% to 35% (excluding applicable surcharge and cess).

- **Abolition of Angel tax**

  Angel Tax as imposed by the Finance Act, 2012 is proposed to be abolished; the same will not be applicable from 1 April 2024.

- **Tax on Buyback of shares**

  It has been proposed to tax the sum paid by a domestic company for the purchase of its shares as dividends in the hands of shareholders, and it shall be charged to tax under the head as Income from other sources at applicable rates. Further, no expenses can be claimed against the said dividend. However, it has been proposed to grant relief to the extent of the cost of acquisition of such shares bought back at the time of the subsequent sale of balance shares held by the shareholder. Since the income is proposed to be taxed as dividends, a corresponding amendment has been made in section 194 of the IT Act whereby the said income will be subject to withholding of tax at source @ 10%. This amendment will be effective from 1 October 2024.

- **Rationalisation of tax on capital gains**

  It is proposed to rationalise capital gains by aligning the period of holding and the tax rates for various classes of assets. The period of holding has been standardised as long-term assets, short-term assets and deemed short-term assets depending on the nature of the asset and the period of holding. Similarly, the tax rates have been standardised at 12.5% and 20%. We have tabulated below the tax rates and period of holding for financial instruments.

Particulars	Period of holding [Short-term / Long-term]		Tax Rates			
	Existing	Proposed	Existing - STCG	Proposed - STCG	Existing - LTCG	Proposed - LTCG
Listed Equity Shares / Units of Equity oriented Mutual Funds*	Less than or equal to 12 Months / more than 12 months	No Change	15%	20%	10%	12.50%
Unlisted Shares	Less than or equal to 24 Months / more than 24 months	No Change	Applicable rates	Applicable rates	10%/20%**	12.50%
Listed Bonds / debentures	Less than or equal to 12 Months / more than 12 months	No Change	Applicable rates	20%	10%	12.50%
Unlisted Bonds / debentures	Less than or equal to 36 months / more than 36 months	Deemed Short Term***	Applicable rates	Applicable rates	20%	Applicable rates

**The exemption available under section 112A of the IT Act is proposed to increase to INR 0.125mn from its existing limit of INR 0.1mn.*

***10% without indexation and 20% with indexation.*
****Unlisted debentures/bonds are proposed to be brought under the purview of section 50AA of the IT Act, and accordingly deemed to be short-term capital assets.*
Further, the benefit of indexation as provided for the computation of any long-term capital gain has been removed.
The above-tabulated proposals are intended to be given effect immediately, i.e., w.e.f. 23 July 2024.

- **Rationalisation of TDS rates**

  It has been proposed to rationalise and merge the 5% TDS rate on many payments with the 2% TDS rate.
- **Tax amnesty scheme**

  For the resolution of certain income tax disputes pending in appeal, it is proposed to introduce a new scheme namely the 'Vivad se Vishwas Scheme, 2024' for settlement of pending appeals. The proposed date from which the scheme is to be notified is yet to be specified.

TRANSFER PRICING PROPOSALS

- **Specified Domestic Transactions**

  The Transfer Pricing Officer is now empowered to determine the arm's length price of Specified Domestic Transactions that have not been referred to him or for which an audit report under section 92E of the IT Act has not been furnished [Applicable AY 2025-26 onwards].
- **Reduction in Litigation**

  For reducing litigation and providing certainty in international taxations –

  - Safe Harbour Rules will be revisited, and
  - Transfer pricing assessment procedure will be streamlined

INDIRECT TAX PROPOSALS

KEY CHANGES IN CUSTOMS DUTY RATES

- **Expanding list of exempted capital goods**

  The Customs duty is reduced from 7.5% to 'Nil' on specified goods or their parts used in the manufacture of photovoltaic cells and modules, such as wafer texture machines, laser cutting machines, passivation tools, etc.

- **Exemption withdrawn for solar glass and tinned copper interconnect**

  Customs duty has been increased from 'Nil' to 10% and 5% on solar glass and tinned copper interconnect, respectively, used for the manufacture of solar cells or solar modules.

- **Exemption for critical minerals used in renewable and nuclear energy**

  Customs duty has been exempted on various minerals such as Copper, Cobalt, Tin, etc. Further, the customs duty has been reduced to 2.5% on Natural Graphite, Artificial Graphite or other preparations based on Graphite and Silicon Dioxide.

- **Changes in existing exemptions**

  The reduced customs duty rate of 5% for machinery/ components for the initial setting-up of non-conventional power generation plants has been extended to 31 March 2026.

  The customs duty exemption on Active Energy Controller (AEC) for use in the manufacture of Renewable Power System (RPS) inverters will lapse on 30 September 2024.

OTHER KEY MEASURES

An amendment has been proposed to empower the Central Government to specify manufacturing and other operations in relation to certain goods which would not be permitted in a warehouse under section 65 of the Customs Act, 1962.

A retrospective amendment to central excise exemption notification will provide for an extended period for submission of the final Mega Power Project certificate from 120 months to 156 months.

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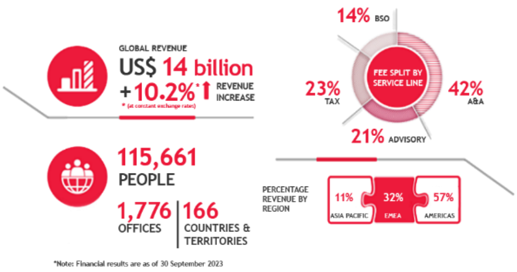

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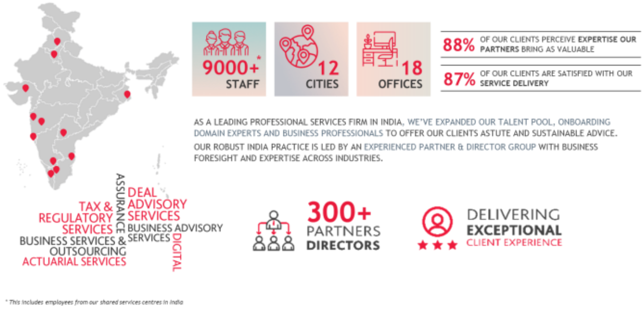
BDO in India offers Assurance, Tax, Advisory, Business Services & Outsourcing and Digital Services for both domestic and international clients across industries. The team at BDO in India consists of over 9,000 professionals led by more than 300 partners and directors operating out of 18 offices, across 12 key cities.



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- Financial Services Tax
- Global Employer Services
- International Tax Services
- Private Client Services
- Tax Outsourcing
- Transfer Pricing
- Customs & International Trade
- Goods & Services Tax (GST)
- Indirect Tax Assessment & Litigation Assistance
- Incentives & ESG
- Tax Technology

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For queries regarding our services, please get in touch with us

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