

FIN-O-SCOPE

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Key Highlights from the Ministry of Finance Year Ender 2024 – Department of Revenue

Press Release | Dated: 24th Dec, 2024

As 2024 draws to a close, the Ministry of Finance, through the Department of Revenue, has successfully implemented numerous reforms and initiatives to streamline taxation systems, enhance efficiency, and improve taxpayer facilitation. These efforts have made a significant impact on direct and indirect tax systems, customs procedures, and financial intelligence. Below are some of the key achievements from this year:

Top Trends

- The government may cut personal income tax for individuals earning up to ₹1.5 million to boost middle-class consumption.
- India surpasses China as Asia's top IPO market in 2024, driven by major equity fundraising.

Top Trends

- Dr. Arunish Chawla appointed as Secretary, Department of Revenue, Ministry of Finance.
- The Ministry of Finance and Asian Development Bank sign a \$500 million loan for sustainable infrastructure projects aligned with India's climate commitments.
- BJP reports ₹2,244 crore in contributions for 2023-24; Congress receives ₹289 crore.
- India set to become Apple's third-largest market by 2026 as iPhone sales surge.
- Tax refunds of ₹3.08 lakh crore issued, a 46% increase compared to the previous year.
- India's economic growth projected at 6.5% for FY 2024-25 despite global uncertainties.
- CBDT launches an electronic campaign to address income and transaction mismatches for FY 2023-24 and FY 2021-22.

Central Board of Direct Taxes (CBDT):

- Focused on taxpayer outreach through helpdesks and faceless processes, processing over 3.87 crore Income Tax Returns (ITRs) in just 7 days, with refunds totaling Rs. 2.35 lakh crore.
- Innovations like TIN 2.0, pre-filing of ITRs, and updated returns contributed to improved efficiency, with 47.52 lakh updated returns filed.
- 8.50 crore ITRs filed, marking a 7.32% increase from the previous year.
- The launch of #SpecialCampaign4.0 helped clean 3.2 lakh physical files and resolve 53,000 public grievances.

Central Board of Indirect Taxes and Customs (CBIC):

- Strengthened the GST system with innovations such as AI, geo-tagging, and automated refund processing.
- Introduced reforms like the simplification of GST compliance and the reduction of litigation.
- Implemented operational improvements through ICEGATE 2.0, ensuring smooth customs operations.

Financial Intelligence Unit (FIU):

- Contributed to the detection of Rs. 10,998 crore of undisclosed income and the seizure of 461 kg of narcotics.
- The FIU's efforts were pivotal in India's placement in the highest category of the Financial Action Task Force (FATF) in the fight against money laundering.

Customs and GST Reforms:

- Conditional waiver of interest/penalty for GST demands from FY 2017-18 to FY 2019-20 if taxes are paid by 31st March 2025.
- Reduced TCS rate for e-commerce operators and extended due date for GST returns from 30th April to 30th June for composition taxpayers.

Transparency and Efficiency:

- Nearly 98% e-verification adoption by taxpayers and 21% of ITRs processed within a day.
- Continued focus on reducing pending demands and improving taxpayer services, ensuring a smoother tax experience.

These initiatives and reforms reflect the Ministry of Finance's commitment to enhancing the ease of doing business in India, improving transparency, and promoting compliance among taxpayers. The Department of Revenue's efforts in embracing technology, improving infrastructure, and implementing effective policies have made 2024 a year of significant progress in tax administration and financial intelligence.

GST Council's 55th Meeting Highlights

Press Release | Dated: 21st Dec, 2024

The 55th GST Council meeting, held on December 21, 2024, in Jaisalmer, The meeting focused on a series of key recommendations aimed at streamlining GST regulations, providing relief to individuals, and facilitating trade. The meeting covered a range of issues, including rate cuts, exemptions, and measures to ease compliance for businesses, making the tax system more efficient. Following are the proposed key changes to GST rates and compliance measures:

GST Rate Reductions & Exemptions:

- Fortified Rice Kernel (FRK): GST rate reduced to 5%.
- Gene Therapy: Fully exempt from GST.
- Third-party Motor Vehicle Premiums: Exempt from GST on contributions to the Motor Vehicle Accident Fund.
- Vouchers: No GST on transactions involving vouchers.
- Penal Charges: No GST on penal charges by banks and NBFCs.

GST on Goods:

- Old and Used Vehicles: GST rate increased from 12% to 18% for all except specific vehicles.
- Autoclaved Aerated Concrete (ACC): Clarified classification under HS 6815.
- Popcorn: GST rate clarification for various types (5%, 12%, 18%).

GST on Services:

- Sponsorship Services: Brought under Forward Charge Mechanism.
- Insurance Contributions: Exempt GST for contributions to accident fund.
- Hotel Services: Changes to GST rates for accommodation and restaurant services effective from April 2025.

Compliance Measures:

- Track and Trace Mechanism: Legal provision for specified evasion-prone commodities.
- Vouchers: Clarified GST treatment for voucher transactions and associated services.
- Pre-Deposit for Appeals: Reduced pre-deposit to 10% for penalty-only appeals.

Top Trends

- Banking system faces a liquidity deficit of ₹2.43 trillion, prompting calls for remedial measures.
- Indian stock markets projected to grow by 9% in 2025 despite challenges like slowing demand.
- Rupee hits a new low against the US Dollar, recording its biggest single-day drop in two years.
- The Indian rupee strengthens after hitting a record low due to RBI's intervention.
- Former PM Manmohan Singh cremated with full state honors, including a 21-gun salute.
- Net direct tax collections surged over 16% YoY, totaling ₹15.8 trillion by December 2024.
- Finance Minister Smt. Nirmala Sitharaman announced that 15th Finance Commission funds to States in 45 months exceed those under the 14th, and introduced ₹30,000 crore for capital investment and disaster-hit States.

Top Trends

- In 2024, Indian companies raised a record ₹10.67 trillion through corporate bonds, marking a 9% increase from 2023. This trend is expected to continue in 2025 as firms diversify funding sources amid moderated bank lending.
- Despite projections of robust economic growth, concerns are rising about India's vulnerability to climate change. Extreme weather events pose significant risks to sectors like agriculture and energy, potentially hindering long-term growth.
- The Reserve Bank of India is expected to relax its control over the rupee in 2025, potentially allowing for more fluctuation in the currency's value. This shift could impact export competitiveness and import costs.
- No TDS on payments to Credit Guarantee Fund Trust for MSEs referred in Sec. 10(46B): CBDT

Trade Facilitation:

- SEZ Warehousing: Transactions not treated as supply before export or domestic clearance.
- Online Services: Clarified recording of unregistered recipients' details.

Law & Procedure:

- Changes to GST Act: Amendments in various sections for better clarity on compliance, appeals, and invoicing.
- ISD Mechanism: Changes to include inter-state RCM transactions.

Other Measures:

- IGST Settlement: Committee to address IGST-related issues by March 2025.
- GST Compensation Restructuring: Extended timeline for review until June 2025.

This meeting focused on tax rate revisions, GST exemptions, clarifications on existing provisions, and streamlining trade and compliance procedures.

Chamber of Tax Consultants v. Director General of Income-tax

Case Law | Court: High Court of Bombay | Case No.: Public Interest Litigation (L) No. 32465 of 2024 | Dated: Dec 20th, 2024

This case deals with a petition filed by the Chamber of Tax Consultants challenging a modification in the online income tax return filing utility, which inadvertently disabled taxpayers from claiming the Section 87A rebate. The modification, implemented on July 5, 2024, hindered eligible assesseees from availing of their statutory rebate.

Key Facts:

- The Revenue modified the utility for filing income tax returns online, effective from July 5, 2024.
- This modification disabled assesseees from claiming the rebate under Section 87A for the assessment year 2024-2025.
- Eligible taxpayers were deprived of the rebate due to a technical issue in the filing system.
- The Chamber of Tax Consultants filed a petition seeking to amend the utility and allow assesseees to claim the rebate.

Legal Question:

- Whether procedural changes, such as modifications to the filing utility, could override the substantive right of assessees to claim the rebate under Section 87A.
- Whether such a procedural change violated the statutory rights of taxpayers to claim the rebate.

Judgment:

- The Court ruled that procedural changes could not override the substantive right to claim the rebate under Section 87A.
- The Court held that any action by tax authorities limiting taxpayers' ability to claim the rebate is arbitrary and violates the rule of law.
- The Court directed the CBDT to issue a notification under Section 119 to extend the e-filing deadline for assessees required to file by December 31, 2024, at least until January 15, 2025.

Condonation of Delay in Filing Form 9A for Trust Claiming Deduction under Section 11

Case Law | Court: High Court of Bombay | Case No.: Writ Petition No. 470 of 2024 | Dated: Dec 20th, 2024

The case involves the assessee-trust, which filed a nil return of income along with Form 10B for exemption under section 11 of the Income-tax Act. However, there was a delay in filing Form 9A due to the transition from manual to electronic filing procedures.

Key Facts:

- The assessee-trust filed a revised return during the assessment proceedings, claiming depreciation and revised capital expenditure under section 11.
- Form 9A was filed on December 20, 2019, with the revised computation of income.
- Due to procedural changes from manual to electronic filing, the delay in submission occurred.
- The assessee-trust filed an application for condonation of delay, but the Assessing Officer rejected it, stating the delay wasn't a procedural lapse.

Legal Question:

Whether the delay in filing Form 9A, which was caused by procedural changes, could be condoned under section 119(2) (b) of the Income-tax Act, especially since it was filed within three days of the extension granted by the CBDT.

Top Trends

- Moody's Ratings projects India's economy to grow by 7.2% in 2024, driven by a gradual recovery in household spending and easing inflation pressures. Growth rates of 6.6% and 6.5% are projected for 2025 and 2026, respectively
- No relief to be granted for 403 days delay in filing appeal against cancellation of GST registration
- Exclusion of Composition Dealers from Reverse Charge Mechanism (RCM) on Renting of Commercial Property
- RBI mandates banks to report 'over-the-counter' transactions in gold derivatives from February 1, 2025
- CBDT notifies 'Central Silk Board, Bengaluru' for Sec. 10(46A) Exemption
- Purchase of off-the-shelf software products isn't royalty; no withholding tax obligation u/s 195: ITAT

Top Trends

- India household spending on non-food items rises as urban-rural gap narrows
- Health insurers disallowed claims worth Rs 15,100 cr during FY24: Irdai
- RBI forms a committee to develop the Framework for Responsible and Ethical Enablement of AI in the financial sector
- Companies with turnover above Rs 250 crore must get onboarded on 'Trade Receivables Discounting Platforms' by 31.03.2025
- Banks need not file fresh applications for extending SARFAESI possession orders; Magistrate can grant extensions-HC
- Adani Enterprises to exit consumer goods joint venture with Wilmar Intl
- Indian firms raise record funds via corporate debt in 2024; to rise further

Judgment:

- The High Court ruled that the delay in filing Form 9A was supported by sufficient cause and should be condoned.
- It noted that the delay occurred within three days of the extension provided by the CBDT Circular.
- The Court emphasized the importance of considering the legislative intent to avoid hardship for taxpayers and found the Assessing Officer's approach overly technical.
- The judgment concluded that the delay should be condoned in favor of the assessee-trust.

Condonation of Delay in Reassessment Beyond Four Years

Case Law | Court: High Court of Bombay | Case No.: Writ Petition No. 1783 of 2022 | Dated: Dec 20th, 2024

The case pertains to the reassessment of Imperial Consultants and Securities Ltd. for AY 2013-14, where the Assessing Officer issued a reopening notice under Section 148 beyond the four-year limitation period. The reopening was based on materials already available during the original assessment under Section 143(3).

Facts:

- The assessee, engaged in infrastructure services and securities trading, filed a return declaring a loss of ₹78.81 lakh.
- The assessment order under Section 143(3) disallowed expenses under Section 14A.
- Five years later, the Assessing Officer issued a notice claiming interest-free advances to related parties from borrowed funds were disallowed under Section 36(1)(iii).
- The reopening relied on the same materials submitted during the original assessment.

Judgment:

The High Court held the reopening notice invalid, as:

- 1.No New Material: The reopening relied entirely on records already reviewed during the original assessment.
- 2.No Failure to Disclose: The assessee had fully disclosed all relevant facts during the initial proceedings.
- 3.Change of Opinion: The reopening amounted to a change of opinion, which is impermissible under settled legal principles.

The Court emphasized that reassessment after four years is permissible only if the assessee failed to disclose material facts, which was not the case here. The writ petition was allowed, and the reopening notice was set aside.

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