



Tax Flash News



7 August 2024

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Amendments to the direct tax changes proposed by the Union Budget 2024

Background



The Finance (No. 2) Bill, 2024 presented by the Finance Minister on 23 July 2024, *inter alia*, proposed amendments to the Income-tax Act, 1961 ('current law'). Some of the significant amendments proposed ('original amendments') related to:

- (a) taxation of long-term capital gains (rationalisation of period of holding of a capital asset to qualify as a long-term capital asset, removal of indexation benefit along with lowering the tax rate);
- (b) taxation of the buy-back of shares;
- (c) withdrawal of the angel tax;
- (d) rationalisation of provisions relating to re-assessment;
- (e) introduction of 'The Direct Tax Vivad se Vishwas Scheme, 2024'.

The Finance Minister has proposed some amendments to the Finance (No. 2) Bill, 2024 ('revised amendments'). This flash news captures two significant revised amendments.

Long-term capital gains arising from transfer of immovable property¹ on or after 23 July 2024² by resident individual and HUF

Immovable property acquired before 23 July 2024³

Current law	Original amendment	Revised amendment
20 per cent ⁴ tax rate with indexation benefit ⁵	12.5 per cent tax rate without indexation benefit	If the tax liability computed as per the original amendment is more than that as per the current law, the excess shall be ignored

Long-term capital gains arising from transfer of unlisted shares or shares of closely-held companies on or after 23 July 2024² by non-resident

Current law	Original amendment	Revised amendment
10 per cent tax rate without forex fluctuation benefit ⁶	12.5 per cent tax rate with forex fluctuation benefit	12.5 per cent tax rate without forex fluctuation benefit

¹ Land or building or both

² Capital gains arising from the transfer before 23 July 2024 will continue to be governed by the current law

³ Immovable property acquired on or after 23 July 2024 will be taxed at 12.5 per cent without indexation benefit

⁴ Applicable surcharge and cess have been ignored for the purposes of this flash news, for the sake of simplification.

⁵ Inflation-related adjustment

⁶ Capital gains is computed in the foreign currency used for the purchase of shares and reconverted into Indian currency. This mechanism insulates the non-resident from fluctuation in foreign currency rates

Our comments



The revised amendment relating to the immovable property will have positive impact on the tax liability of the resident individuals and HUF.

The revised amendment relating to unlisted shares brings the taxation of non-residents at par with that of residents (who would be taxable at 12.5 per cent without the indexation benefit for transfers on or after 23 July 2024).



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