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SITG No. 219



Important amendments in Finance
Act, 2024 for non-resident.

17.08.2024

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Changes in tax rate of Foreign Company

- ❖ Finance Act, 2024 has introduced an amendment in the form of reduction of tax rate for Foreign company wherein the corporate tax rate for foreign company has been reduced from 40% to 35% applicable from FY 2024-25.
- ❖ Please note that this reduction of tax and this tax rate is only applicable to foreign companies which does business in India i.e. business connection in India or having permanent establishment in India.
- ❖ A subsidiary of foreign company in India will be considered as separate legal entity and taxed at normal corporate tax rate as applicable to domestic companies and not this special rate.

Change in Capital gain tax rate

- ❖ Since, many non-resident's are investing in shares in securities in India there is a change in tax rate by Finance Act, 2024 which is as under:

Capital Asset	STCG/LTCG	Section	Holding		Tax Rate	
			Present	Proposed	Present	Applicable from 23 rd July, 2024
Listed Equity Shares (STT Paid)	LTCG	112A	> 12 months	> 12 months	10% (without indexation)	12.5% (without indexation)
	STCG	111A	≤ 12 months	≤ 12 months	15.00%	20.00%
Listed Equity Shares (STT not paid and not covered u/s. 112A)	LTCG	112	> 12 months	> 12 months	10% (without indexation)	12.5% (without indexation)
					20% (with indexation)	12.5% (without indexation)
	STCG	Rates as per First Schedule of FA (No. 2), 2024	≤ 12 months	≤ 12 months	applicable rate	applicable rate

Change in Capital gain tax rate

Capital Asset	STCG/LTCG	Section	Holding		Tax Rate	
			Present	Proposed	Present	Applicable from 23 rd July, 2024
Listed Units of Business Trust (InVITs and REITs)	LTCG	112A	> 36 months	> 12 months	10% (without indexation)	12.5% (without indexation)
	STCG	111A	≤ 36 months	≤ 12 months	15.00%	20.00%
Immovable Properties	LTCG	112	> 24 months	> 24 months	20% (with indexation)	12.5% (without indexation)*
	STCG	Rates as per First Schedule of FB (No. 2), 2024	≤ 24 months	≤ 24 months	applicable rate	applicable rate
Unlisted Equity shares	LTCG	112	> 24 months	> 24 months	20% (with indexation)	12.5% (without indexation)
	STCG	Rates as per First Schedule of FA (No. 2), 2024	≤ 24 months	≤ 24 months	applicable rate	applicable rate

Indexation in Long term capital gain

- ❖ Indexation benefit has been removed from Income tax act for any long term asset where the sale transaction is incurred after 23rd July 2024.
- ❖ Hence, any sale of asset such as immovable property, gold or any other long term capital asset wherein indexation benefit was available earlier will not be available now after 23rd July, 2024.
- ❖ Please note that the amendment wherein it has been mentioned that indexation relief shall be available to assets purchased before 23rd July, 2024 is **only available to resident Individual and HUF** and **not to non-residents**.
- ❖ However, still benefit of first proviso to section 48 is available which deals with providing benefit of conversion of gain into foreign exchange and then calculating capital gain.
- ❖ In case of LTCG for listed securities from FY 2024-25, Rs.1.25lakh deduction shall be available from long term gain instead of Rs.1lakh

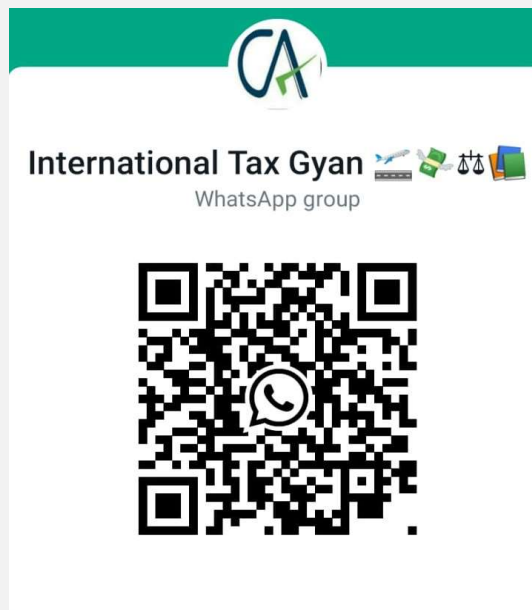
Removing angel tax from Income tax act

- ❖ Section 56(2)(viib) which deals with taxation on premium received by company on issue of its shares was inserted in Income tax act, for share premium received from non-resident, from Finance Act, 2023 w.e.f. 01.04.2024.
- ❖ Now, vide Finance Act, 2024, provision of Section 56(2)(viib) has been deleted after 01.04.2025 and accordingly such provision of premium received by company will not be applicable after 01.04.2025 irrespective of whether the share premium is received from resident or non-resident shareholder.
- ❖ Hence, the company can raise money at any valuation as per their valuation mechanism. However, please note that for raising money from non-resident, companies will have to still get their share valuation report done as per FEMA provisions.

Following are the revised rates as per section 115BAC(1A)(ii) will take effect from Assessment year 2025-26 applicable for individual, HUF, AOP, BOI and AJP

OLD Slab Rates (as per sub section 1A)		REVISED Slab Rates (as per sub section 1A clause ii)	
Up to Rs. 3,00,000	Nil	Up to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs.6,00,000	5%	From Rs. 3,00,001 to Rs.7,00,000	5%
From Rs.6,00,001 to Rs.9,00,000	10%	From Rs.7,00,001 to Rs.10,00,000	10%
From Rs.9,00,001 to Rs.12,00,000	15%	From Rs.10,00,001 to Rs.12,00,000	15%
From Rs. 12,00,001 to Rs.15,00,000	20%	From Rs. 12,00,001 to Rs.15,00,000	20%
Above Rs.15,00,000	30%	Above Rs.15,00,000	30%





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