The Union Budget 2024 has focussed on fostering economic growth and creating ample opportunities including productivity and resilience in agriculture, employment, skilling and services.

1. Capital Markets/Securities Market

1.1 Amendments

- Investment in unlisted bonds and debentures, debt mutual funds, and market-linked debentures shall attract tax on capital gains at applicable rates, irrespective of the holding period.
- The rate for short term capital gains on certain financial assets such as listed equity shares, units of equity mutual fund etc. has been revised to 20% (twenty per cent) from 15% (fifteen per cent). The rate for long term capital gains on all categories of assets has been revised to 12.5% (twelve decimal five per cent) without any indexation benefit.
- The STT has also been increased for sale of options and securities.
- Introduction of pooling of funds of private equity by way of a 'variable company structure'.
- Income from buyback of shares by companies, be chargeable in the hands of the recipient investor instead of the company and to be taxed as dividend income. Also, cost of acquisition in respect of shares bought back to be treated as NIL and the shareholders shall be able to claim capital loss in respect of the shares bought back by the company. No further deduction shall be allowed against such dividend income.

Analysis:

- The changes related to holding period on unlisted bonds may lead to listed bond investments becoming more attractive.
- The changes related to removal of indexation benefits may see an increase in investments in units of REITs instead of physical real estate.
- The increase in STT is another measure to address the concerns of the regulators such as RBI and SEBI on the retail investors participating in future and options trading.
- The 'variable company structure' could prove to be beneficial for alternate investment funds.
- This may significantly reduce the investor appetite for participating in share buy backs by domestic shareholders. Non-resident investors may still take benefit under tax treaties. This may also have significant impact on promoter exit strategies and strategies of companies for returning surplus capital. May see an

increase in complex schemes of arrangement as means of returning cash to promoters.

2. Financial Inclusion

2.1 Amendment

- **Easing norms for foreign investment**

  Certain amendments will be made to the rules and regulations governing the foreign direct investment. These amendments will be made to facilitate the simplification of foreign investment and promoting the use of INR for overseas investments. It is likely that an FPI may be allowed to exceed current 10% (ten per cent) limit by combining FDI and FPI route including by participation in IPOs.

- **Abolition of 'angel tax'**

  It is proposed that tax levied on the capital raised by unlisted companies through the issue of shares at a valuation above fair market value will be eliminated.

Analysis

This move is a very positive move for the growing Indian economy. By easing the norms of foreign investment, the government is keen to open the doors for more foreign capital inflow and making India a more attractive destination for global investors. The encouragement to use INR for overseas investment is a much-needed step to strengthen the use of INR. With the abolishment of the angel tax, the government has given a major boost and win for start-ups ecosystem.

3. Digital Developments

3.1 Amendment

The Union Budget 2024 puts forth the government's vision to create a technology-driven and knowledge-based Indian economy. An integrated technology platform will be created to improve the outcomes of the IBC.

Analysis

An integrated platform is crucial at this moment. This step will significantly benefit all stakeholders by reducing delays and boosting the overall efficiency of the IBC framework.

4. Aircraft and Ship Leasing

4.1 Propositions

It is intended to pursue legislative approval to establish an adaptable financing method for leasing aircraft and ships.

Analysis

Such change could provide a much-needed impetus to the aviation and shipping sectors, which rely heavily on leasing.

5. Project Finance

5.1 Propositions

- VGF and enabling policies and regulations are intended to incentivize private sector investment in infrastructure. A market-based financing framework is proposed to be introduced.
- VGF support is proposed for facilitating PPPs in designated rental housing projects.

Analysis

PPP projects may thrive under market-oriented frameworks as they align incentives for both public and private stakeholders.

6. GIFT-IFSC

6.1 Proposed Amendments

- Tax exemption on income from transfer of capital asset extended to retail schemes and exchange traded fund which are certified and regulated under IFSC Fund Management regulations. Specified funds already had similar exemption under the Income Tax Act.
- Tax exemptions for certain income of core settlement guarantee fund set up by a clearing corporations set up in IFSC.
- No restriction on finance companies in IFSC as regards deduction of interest expenses on debt issued by its non-resident associated enterprise. Under Section 94B of the Income Tax Act, such deduction otherwise limited to 30% of EBITDA.

Analysis

Bar on thin capitalisation done away. May positively impact aircraft and ship financings.

7. Real Estate (Land Reforms)

7.1 Amendment

Rural	Urban
ULPIN or Bhu-Aadhar for all lands.	Digitization of land records in urban areas with GIS mapping.

Rural	Urban
Survey of map sub-divisions as per current ownership.	Establishment of an IT based system for property record administration, updating and tax administration purposes.
Establishment of land registry and linking it to the farmers registry.	

Analysis

The rural and urban land related actions will facilitate better credit flow and a better market given ease of access of information due to better record keeping infrastructure.

8. Space Economy

8.1 Proposition

A venture capital fund of INR 1,000 crores is proposed to be set up.

Analysis

The proposal draws the attention back to the amendment made to the FDI policy on space sector, approved by the Union Cabinet on 21st February 2024. Whereby 100% (one hundred per cent) FDI through the automatic route in its space sector was allowed. Facilitating and promoting investment in the space sector.

9. Environmental, Social and Governance

9.1 Propositions

- **Taxonomy for climate finance** will be developed and introduced to support climate commitments and enhancing the availability of capital for adapting to climate change and reducing greenhouse gas emission.
- **Investment-grade energy audit** of traditional micro and small industries in 60 clusters in the present phase and 100 clusters in the subsequent phase, including brass and ceramic, will be facilitated to enable the micro and small industries to transition to cleaner forms of energy.
- **Roadmap for 'hard to abate sectors'.** The performance metrics for hard to abate sectors shall shift focus from energy efficiency targets to setting emissions targets so that they can transition to emission reduction activities.
- **PM Surya Ghar Muft Bijli Yojana** has been launched to install rooftop solar plants to enable 1,00,00,000 (one crore) households to obtain free electricity up to 300 (three hundred) units every month.

Analysis

The introduction of a clear taxonomy will provide a road map for reporting norms and regulations prohibiting greenwashing, although this necessitates careful deliberation. Investment-grade energy audits will lead businesses to embrace sustainable practices. Nonetheless, challenges may arise in implementation due to financial constraints or the absence of suitable technologies. These initiatives are a positive step towards India's goal to achieve net zero.

We also expect to this resulting in greater usage of and trading in carbon credits.

10. MSMEs

10.1 Amendment

- **Credit Guarantee**

  In order to facilitate borrowings by the MSMEs, following credit guarantee and support will be provided:

  Standard borrowings: Term loans without collateral and guarantee to MSMEs for the purchase of machinery and equipment, will be guaranteed by a self-financing guarantee fund. The fund will provide guarantees of up to INR 100 crore to each applicant in exchange of fees.

  SMA borrowings: A government promoted fund shall provide guarantee to enable MSME to have continued supply of funds, even if the MSME has been categorized as an SMA, to avoid it turning into an NPA.

  In-house assessment: In-house ability to assess MSMEs to be developed by government owned banks. Further, the scoring of MSMEs digital footprints will be used to develop a new credit assessment model.

- **Accessibility of TReDS**

  The government has slashed the turnover thresholds from INR 500 crores to INR 250 crores for mandatorily onboarding on the TReDS platform.

10.2 Analysis

Provision of credit guarantee schemes, along with the facilitation of collateral-free term loans shall greatly boost the MSME sector. Further, the easy access to TReDS platform shall enable MSME to meet their working capital requirements.

GLOSSARY OF TERMS

Abbreviation	Meaning
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GIFT	Gujarat International Finance Tec-City
GIS	Geographic Information System
IBC	Insolvency and Bankruptcy Code, 2016
IFSC	International Financial Services Centres
INR	Indian Rupees
Income Tax Act	Income Tax Act, 1961
IPO	Initial public offering
IT	Information Technology
MSMEs	Micro, Small, & Medium Enterprises
NPA	Non-Performing Asset
PM	Prime Minister
PPPs	Public Private Partnerships
RBI	Reserve Bank of India
REITs	Real Estate Investment Trusts
SEBI	Securities and Exchange Board of India
SMA	Special Mention Account
STT	Securities Transaction Tax
TReDs	Trade Receivables electronic Discounting System
ULPIN	Unique Land Parcel Identification Number
VGF	Viability Gap Funding

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