CALCUTTA CHAMBER OF COMMERCE

PRE-BUDGET MEMORANDUM

ON

UNION BUDGET

2024-25

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Suggestions on Direct Taxes

1. **Section 269ST- Mode of undertaking transactions**

No persons shall receive in cash an amount of Rs.2 lakhs or more in aggregate from a person in a single day or in respect of single transaction or transactions relating to one event.

The aforesaid provision creates numerous problems for a person undergoing medical treatment.

We therefore suggest that the payment of medical expenses should be excluded from purview of Section 269ST.

2. **Handling of Grievances**

Grievances uploaded in the portal are closed without proper remedial action by the appropriate authorities. This practice should be stopped and rechecking parameters need to be set before finally disposing off the grievances.

3. **Section 10(32) Income of Minors**

At present, income of minors included in the hands of parents is exempted to the extent of Rs.1500 for each minor.

Considering the increase in the average expenditure the parents have to incur on minor educations, health and living expenses etc. The said limit of Rs.1500/- for each minor is inadequate

We suggest that this limit should be increased to Rs.10,000/-.

4. **Section 37 Gender**

Under the provision of Income Tax Act, the expenses incurred by the tax payers on activities relating to CSR (corporate social responsibility) referred to in Section 135 of the Companies Act 2013 shall not be deemed to be incurred for the purpose of business and hence CSR expenses are not allowable as deduction for computation of taxable income.

Firstly, the expenses are connected to social and charitable causes and not for any personal gain. The CSR expenses are generally incurred through registered charitable trusts or societies. In practice it is seen that the Directors/Promoters of the company are directly or indirectly connected with such charitable trusts or societies.

Since spending on CSR by the corporate sector is effectively assisting the government in undertaking social projects for the country, it is suggested that the expenditure incurred on CSR activities should be considered as expenditure allowable as deduction in computation of taxable income.

It is also suggested that the corporate sector should be allowed to directly incur the expenditure instead of routine through the charitable trusts/societies.

5. **Section 43B(h) – payment to MSMEs**

Under the provision of section 43B(h), any sum payable by the assessee to a micro or small enterprises paid beyond the stipulated period of 45 days shall not be entitled to any deduction under this section in computing the taxable income. The said section was inserted in the Finance Act 2023.

The Corporate sector is facing numerous problems in maintaining records of the transactions carried on micro or small enterprises and complying with the aforesaid provisions. Moreover, the stipulated period of 45 days is also causing financial difficulties upto some extent.

Keeping in mind the difficulties faced by the organised sector, it is suggested that the period of 45 days be increased to 90 days and some mechanism should be introduced to gradually reduce the period of payment in a phased manner.

6. **Section 2(22) (e) – Deemed dividend**

Provisions of section 2(22)(e) of the act of deemed dividend has a plethora of litigation between the assessee and department.

It is suggested that this provisions should be abolished.

7. **AIS/TIS/26AS**

The information captured by AIS/TIS/26AS on the basis of data uploaded by various agencies sometimes creates problems to the assessee. For example Mr. A is a land owner who enters into a joint venture agreement with M/s. D on the area allocation basis for construction of residential/commercial complex. After completion of the construction, the developer M/s D sold his portion of constructed area and execute a sell deed where the land owner Mr. A is the confirming party. It is noticed that the transaction of sell is reported in AIS/TIS/26AS of the land owner Mr. A as well as the developer M/s. D. In this case, the land owner Mr. A is only the confirming party and nothing to do with profit or loss resulting from such sell of construction area.

Since the AIS data of the land owner Mr. A is showing transaction of sell of property, he is subjected to enquiry by the Income Tax department causing harassment.

8. General

a) There should be time limit for disposal of appeals by CIT(A)/ITAT.

b) There should be time limit for giving appeal effects and ensuring service of the appeal effect order to the assessee.

c) The effective rate of tax u/s 115BBE, which was announced at the time of demonetisation of Rupee in November, 2016 works out at 85% of the income, which is too high as compared to the rate of tax under other sections. This should be reviewed and basic rate of 60% should be reduced and brought back to the normal rates.

d) Delay in filing the TDS returns (Late fee): The levy of late fee was introduced by Finance Act, 2012 @Rs.200 per day for delay submission of statement without giving any opportunity of hearing to the assessee. This causes genuine hardship to the assessee and subject matter of controversy where stay has been granted by various courts.

e) The suitable amendment should be made in Section 64 - income of individuals to include income of spouse, of minor child etc. to exclude the son's wife of such individual from the applicability of the provisions.

f) The deduction u/s 80G is subject to the ceiling of 10% of gross total income. This ceiling gives additional tax burden for generous donors. It is suggested that the ceiling of 10% of gross total income may be reconsidered.

g) In the new tax regime, the deduction for medical insurance premium paid by the tax payers should be allowed. This will help the tax payers to keep their medical policies alive in view of exorbitant medical expenses.

h) The concept of accountability may be established in the faceless assessment scheme especially in the cases where the faceless assessment are completed, imposing unrecoverable tax demand of the assessee without any supporting evidences causing unnecessary harassment to the assessee.

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