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MVIRDC Proposes Tax Procedure Streamlining Ahead of FY25 Budget

The Memorandum suggests the government to extend the time limit for setting up manufacturing operations by newly incorporated companies to avail concessional corporate tax to Mar 31, 2025 in order to promote Make in India Programme and Atmanirbhar Bharat campaign

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MVIRDC World Trade Center Mumbai has proposed 25 policy measures in the area of direct and indirect taxation, in its Memorandum for Interim Budget 2024-25, which will be presented by Hon'ble Finance Minister in the Parliament on February 1, 2024. Out of these 25 measures, 16 are in the area of direct taxation and nine in indirect taxation.

The Memorandum suggests the government to extend the time limit for setting up manufacturing operations by newly incorporated companies to avail concessional corporate tax to March 31, 2025 in order to promote Make in India Programme and Atmanirbhar Bharat campaign. The current deadline for setting up operations is March 31, 2024. It has also been suggested to introduce centralised GST registration for large taxpayers in certain service sectors as the current requirement of separate registrations in all states of business operations increases the administrative and compliance cost.

WTC Mumbai has also recommended the government to merge GST tax rate 12% and 18% or introduce a single average tax rate slab of 15%. Currently, there are four tax rate slabs under GST regime, viz. 5%, 12%, 18% and 28%. There is also a cess on luxury and de-merit goods such as automobile, tobacco and aerated drinks. On precious stones and metals, special rates of 0.25% and 3%, respectively are applicable. Multiple tax slabs defeat the purpose of the introduction of GST.

In order to ease compliance burden on small taxpayers, the Memorandum has suggested the government to integrate E-invoicing and E-way bill into one. The government may replace the existing procedure of generating E-way bill with E-invoicing to improve ease of compliance. E-way bill and E-invoicing require companies to install appropriate ERP software and information technology tool, which increases the cost of compliance.

The government may include these policy measures in the Interim Budget to promote ease of filing taxes, rationalizing tax rates, streamlining compliance procedure, reducing scope for ambiguity and tax litigation, which adds to the cost of doing business. At a time when India is positioning itself as an attractive destination for foreign direct investment, these measures will improve ease of doing business and send a positive signal to the foreign and domestic private sector investors.

On direct taxation, the Memorandum suggests the government to allow carry forward of past years' losses for start-up companies under Section 80IAC of the Income Tax Act, extend time limit for deduction under section 80EEB for loans to purchase electric vehicles, time-bound settlement of pending appeals and introduce rules for implementing Pillar 2 rules of OECD to prevent tax evasion by multi-national companies. The Memorandum also recommends extending concessional tax regime to firms and Limited Liability Partnerships (LLPs) under Section 115BAB, which is currently available only for companies.

The Memorandum suggests the government to extend the benefits of concessional tax regime to LLPs and firms in order to support their business growth. Firms and LLPs are subject to a flat rate of 30% tax under the existing scheme as the concessional tax regime, under Section 115BAB, is currently applicable only for companies. In case this benefit of concessional tax is extended to LLPs/firms, they could opt for the same and avoid alternate minimum tax (AMT) liability, as the case may be.

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Apart from these 25 measures, it has also been suggested to bring greater clarity on exemption/waiver of cost recovery charges imposed on Inland Container Depots. The detailed list of these 26 policy suggestions are attached herewith.