



BUDGET: A PUSH FOR A SUSTAINABLE ECONOMY

2023

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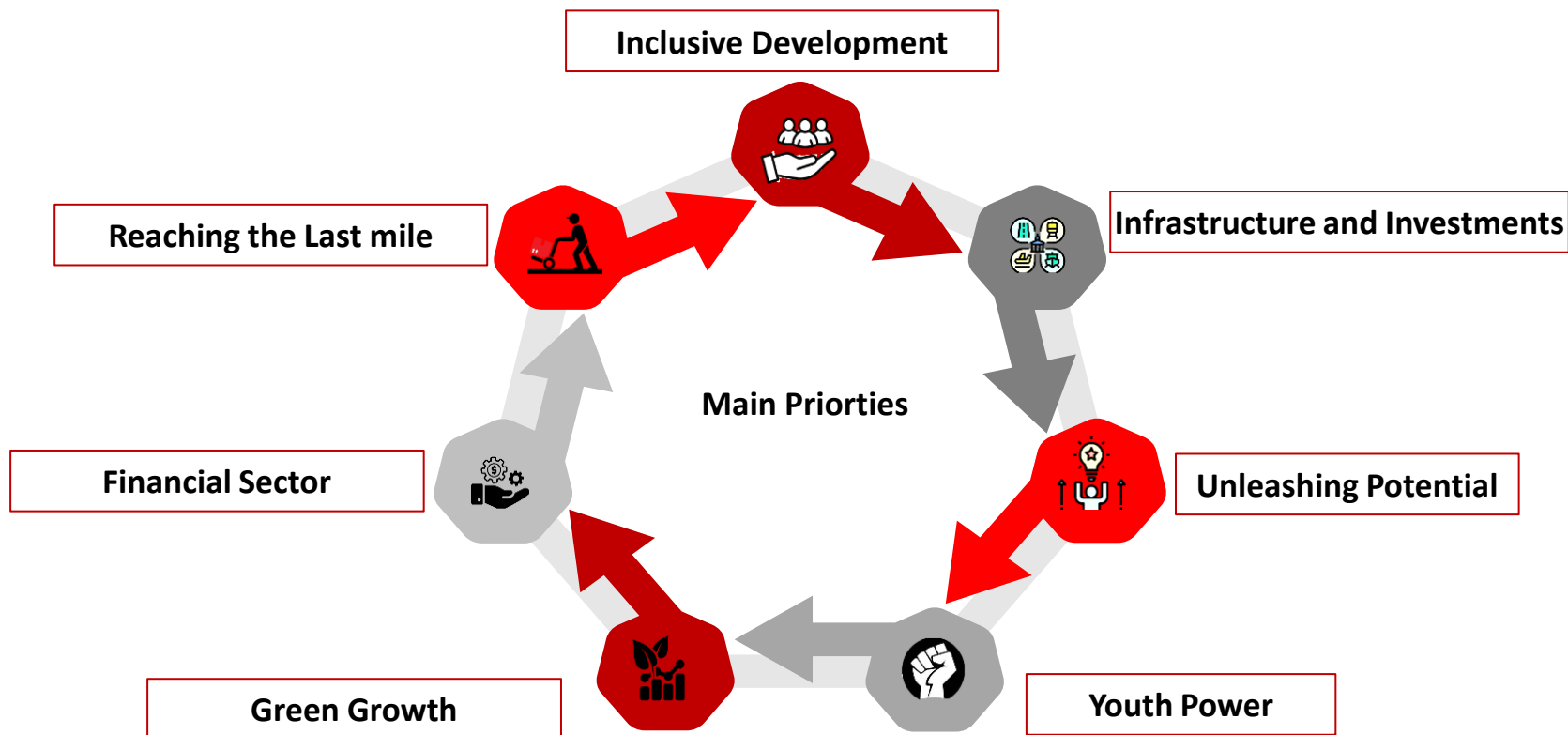


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BUDGET

Budget's vision includes technology-driven and knowledge-based economy with strong public finances, and a robust financial sector. To achieve this, Jan Bhagidari through Sabka Saath Sabka Prayas is essential."

~ Nirmala Sitharaman, Finance Minister, India



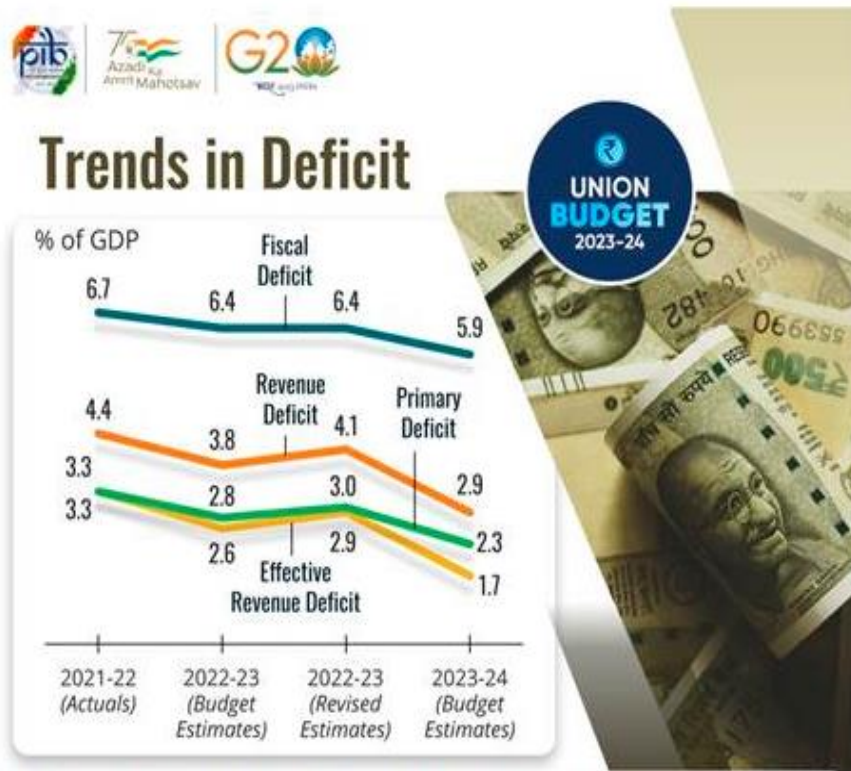
A. FISCAL ESTIMATES

▪ Budget Estimates 2023-24:

- The total receipts other than borrowings is estimated at **INR 27.2 lakh crore** and the total expenditure is estimated at **INR 45 lakh crore**.
- The net tax receipts are estimated at **INR 23.3 lakh crore**.
- The **fiscal deficit** is estimated to be **5.9 % of GDP**.
- To finance the fiscal deficit in 2023-24, the net market borrowings from dated securities are estimated at INR 11.8 lakh crore.
- The gross market borrowings are estimated at INR 15.4 lakh crore.

▪ Revised Estimates 2022-23:

- The total receipts other than borrowings is INR 24.3 lakh crore, of which the net tax receipts are Rs 20.9 lakh crore.
- The total expenditure is INR 41.9 lakh crore, of which the capital expenditure is about INR 7.3 lakh crore.
- The fiscal deficit is 6.4% of GDP, adhering to the Budget Estimate.



Source: <https://pib.gov.in/PressReleasePage.aspx?PRID=1895320>



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B. INFRASTRUCTURE PUSH

- ❖ Investment of INR 75,000 crore, including INR 15,000 crore from private sources, for 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors.
- ❖ **Railways**
 - ✓ Capital outlay of INR 2.40 lakh crore has been provided for the Railways
- ❖ **Housing for All**
 - ✓ **Urban Infrastructure Development Fund (UIDF)** will be established through use of priority Sector Lending shortfall, which will be managed by the national Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
 - ✓ Outlay for PM Awas Yojana is being enhanced by 66% to over INR 79,000 crore.

C. DIGITAL PUSH

- ❖ One stop solution for reconciliation and updation of identity and address of individuals to be established using **DigiLocker** service and Aadhaar as foundational identity.
- ❖ **PAN will be used as the common identifier for all digital systems** of specified government agencies to bring in Ease of Doing Business.
- ❖ 100 labs to be setup for **5G services-based application development** to realize a new range of opportunities, business models, and employment potential.
- ❖ Pradhan Mantri Kaushal Vikas Yojana 4.0, to be launched to skill lakhs of youth within the next three years covering new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills.
- ❖ Digital public infrastructure for agriculture to be built as an open source, open standard and inter operable public good to enable inclusive farmer centric solutions and support for growth of agri-tech industry and start-ups.
- ❖ Three centres of excellence for Artificial Intelligence to be set-up in top educational institutions to realise the vision of **“Make AI in India and Make AI work for India”**.
- ❖ A unified Skill India Digital platform to be launched for enabling demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.

D. UPSKILLING & PRODUCTIVITY ENHANCEMENT, ENERGY TRANSITION, & CLIMATE ACTION

- ✓ INR 15,000 crore for implementation of Pradhan Mantri PVTG Development Mission over the next 3 years under the Development Action Plan for the Scheduled Tribes.
- ✓ Annual production of 5 MMT under **Green Hydrogen Mission** to be targeted by 2030 to facilitate transition of the economy to low carbon intensity and to reduce dependence on fossil fuel imports.
- ✓ **Battery energy storage systems** to be promoted to steer the economy on the sustainable development path.
- ✓ 30 Skill India International Centres to be set up across different States to skill youth for international opportunities.
- ✓ R & D grant for Lab Grown Diamonds (LGD) sector to encourage indigenous production of LGD seeds and machines and to reduce import dependency.



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E. EDUCATION – MORE NEEDS TO BE DONE

- A National Digital Library for Children and Adolescents to be set-up for facilitating availability of quality books across geographies, languages, genres and levels, and device agnostic accessibility. 157 new nursing colleges to be established in co-location with the existing 157 medical colleges established since 2014.
- Centre to recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students over the next three years.

F. BANKING AND FINANCIAL REFORMS

- National Financial Information Registry to be set up to serve as the central repository of financial and ancillary information for facilitating efficient flow of credit, promoting financial inclusion, and fostering financial stability.
- Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.
- Permitting acquisition financing by IFSC Banking Units of foreign bank.
- Establishing a subsidiary of EXIM Bank for trade re-financing.
- Amendments proposed to the Banking Regulation Act, the Banking Companies Act and the Reserve of India Act to improve bank governance and enhance investors' protection.

G. HEALTH – MORE FOCUS NEEDED



H. INDUSTRY

AGRICULTURE AND FOOD PROCESSING

- 500 new 'waste to wealth' plants under GOBARDhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme to be established for promoting circular economy at total investment of INR 10,000 crore.
- Centre to facilitate one crore farmers to adopt natural farming over the next three years. For this, 10,000 Bio-Input Resource Centres to be set-up, creating a national-level distributed micro-fertilizer and pesticide manufacturing network.
- Agriculture Accelerator Fund to be set-up to encourage agri-startups by young entrepreneurs in rural areas.
- To make India a global hub for 'Shree Anna', the Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level.

MSME

- Entity **DigiLocker** to be setup for use by MSMEs, large business and charitable trusts to store and share documents online securely.
- Revamped credit guarantee scheme for MSMEs to take effect from 1st April 2023 through infusion of INR 9,000 crore in the corpus. This scheme would enable additional collateral-free guaranteed credit of INR 2 lakh crore and also reduce the cost of the credit by about 1 per cent.

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I. TAXATION

DIRECT TAX

- Next generation **Common IT Return Form**, along with plans to strengthen grievance redressal mechanism
- **Rebate limit of Personal Income Tax increased to INR 7 lakh from the current INR 5 lakh in the new tax regime.**
- Tax structure in new personal tax regime – **reducing the number of slabs to 5 and increasing the tax exemption limit to INR 3 Lakhs**

Total Income	Rate (per cent)
Up to 3,00,000	Nil
From 3,00,001 to 6,00,000	5
From 6,00,001 to 9,00,000	10
From 9,00,001 to 12,00,000	15
From 12,00,001 to 15,00,000	20
Above 15,00,000	30

- Proposal to **extend the benefit of standard deduction of INR 50,000** to salaried individual, and deduction from family pension up to INR 15,000, in the new tax regime.
- **Highest surcharge rate to reduce from 37% to 25%** in the new tax regime.
- The limit for tax exemption on **leave encashment** on retirement of non-government salaried employees to increase to **INR 25 lakh**.
- The new income tax regime to be made the **default tax regime**. However, citizens will continue to have the option to avail the benefit of the old tax regime.
- Enhanced limits for micro enterprises and certain professionals for availing the benefit of presumptive taxation proposed.
- Deduction for expenditure incurred on payments made to MSMEs to be allowed only when payment is actually made in order to support MSMEs in timely receipt of payments.
- New co-operatives that commence manufacturing activities till 31.3.2024 to get the benefit of a **lower tax rate of 15%**, as presently available to new manufacturing companies.
- A **higher limit of INR 3 crore for TDS** on cash withdrawal to be provided to co-operative societies.
- **Date of incorporation for income tax benefits to start-ups to be extended from 31.03.23 to 31.3.24.**
- **Proposal to provide the benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years.**
- Proposal to limit income tax exemption from proceeds of insurance policies with very high value. Where aggregate of premium for life insurance policies (other than ULIP) issued on or after 1st April, 2023 is above INR 5 lakh, income from only those policies with aggregate premium up to INR 5 lakh shall be exempt.
- TDS rate to be reduced from 30% to 20% on taxable portion of EPF withdrawal in non-PAN cases.
- Conversion of gold into electronic gold receipt and vice versa not to be treated as capital gain.
- Period of tax benefits to funds relocating to IFSC, GIFT City extended till 31.03.2025.
- Certain acts of omission of liquidators under section 276A of the Income Tax Act to be decriminalized with effect from 1st April, 2023.



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INDIRECT TAX

- Number of basic customs duty rates on goods, other than textiles and agriculture, reduced to 13 from 21.
- Excise duty exempted on GST-paid compressed bio gas contained in blended compressed natural gas.
- Denatured ethyl alcohol used in chemical industry exempted from basic customs duty.
- **Legislative Changes in Customs Laws**
 - Customs Act, 1962 to be amended to specify a time limit of nine months from date of filing application for passing final order by Settlement Commission.
 - Customs Tariff Act to be amended to clarify the intent and scope of provisions relating to Anti-Dumping Duty (ADD), Countervailing Duty (CVD), and Safeguard Measures.
- **CGST Act to be amended**
 - to raise the minimum threshold of tax amount for launching prosecution under **GST from one crore to two crore**;
 - to reduce the compounding amount from the present range of 50 to 150 per cent of tax amount to the range of 25 to 100 per cent;
 - decriminalise certain offences;
 - to restrict **filing of returns/statements to a maximum period of three years** from the due date of filing of the relevant return/statement; and
 - to enable unregistered suppliers and composition taxpayers to make intra-state supply of goods through E-Commerce Operators (ECOs).

OUR VIEW

Prima facie, we view this budget as pragmatic. Overall, the budget strikes a balance between the need for growth with need for inclusion. The focus is on growth driven by capital expenditure while giving an adequate push to rural economy, agriculture, infrastructure and green economy. These are welcome signs keeping the need for inclusive growth, future carbon neutrality and sustainable growth mandate in mind. The government is on a tight rope between managing fiscal deficit, now pegged at 5.9% of GDP, and giving some relief from high inflation. Higher capex spend, roadmap to reduce fiscal deficit by 2026 and boosting consumption is likely to provide confidence, both for consumers and industry, especially at a time when global growth has been hit hard by recession fears.

In the backdrop of an anticipated slowdown in global growth, reliance on public capex as a countercyclical policy will help in supporting overall growth. Less than expected market borrowings by the government is also positive as it will keep interest rates under control. Overhauling of the income tax structure, we believe will add more money into the hands of the middle-class taxpayers.

However, there are significant disappointments: the budget did not talk about increased allocation to health and education, which is a worry for future growth prospect as we remains one of the weakest spenders on these areas globally. Second, the massive increase in Capex needs to be assessed for effective allocation along with the roadmap to finance such a massive 20 year high in capital expenditure.

