



Creating a Resilient India: Increased focus on Infrastructure, Digitization and Clean Economy



“The Productivity Linked Incentive for 14 Sectors for achieving the vision of AatmaNirbhar Bharat has received excellent response, with potential to create 60 lakh new jobs, and an additional production of 30 lakh crore during next 5 years” ~ Nirmala Sitharaman, Finance Minister, India

The major focus in the Union Budget 2022 is on the AatmaNirbhar Bharat / Self Reliant India. Government of India tabled the Union Budget 2022 showcasing a renewed strive towards Inclusive development, Technology enabled Productivity enhancement, a push on infrastructure through PM Gati Shakti Scheme, transition to cleaner Energy and climate action and a further push for a Digital Economy and Fintech. India's economic growth in the current year is estimated to be around 9.2%, which could well be the highest among all large economies.

While several other positives can be glanced from the Budget, viz., rationalisation of taxes, higher capital expenditure to create assets and jobs, housing and potable water for all, and emphasis on a digital ecosystem for skilling, and livelihood enhancement, key concerns remain on several parameters viz., financing the high Fiscal Deficit of 6.4% in FY 2022-23 and large borrowing targets especially when disinvestment targets has been lowered for the coming fiscal.

Economy

- Budget Estimates on Expenditure 2021-22: INR 34.83 lakh crore
- Revised Estimates on Expenditure 2021-22: INR 37.70 lakh crore
- Total expenditure in 2022-23 estimated at INR 39.45 lakh crore
- Total receipts other than borrowings in 2022-23 estimated at INR 22.84 lakh crore
- Fiscal deficit in current year: 6.9% of GDP (against 6.8% in Budget Estimates)
- Fiscal deficit in 2022-23 estimated at 6.4% of GDP
- Enhanced outlay for 'Scheme for Financial Assistance to States for Capital Investment': - From INR 10,000 crore in Budget Estimates to INR. 15,000 crore in Revised Estimates for current year
- Allocation of INR 1 lakh crore in 2022-23 to assist the states in catalysing overall investments in the economy: fifty-year interest free loans, over and above normal borrowings.
- In 2022-23, States will be allowed a fiscal deficit of 4% of GSDP, of which 0.5% will be tied to power sector reforms
- Public Capital Investment:
 - Public investment to continue to pump-prime private investment and demand in 2022-23 through:
 - a. Outlay for capital expenditure stepped up sharply by 35.4% to Rs. 7.50 lakh crore in 2022-23 from Rs. 5.54 lakh crore in the current year.
 - b. Outlay in 2022-23 to be 2.9% of GDP.
 - 'Effective Capital Expenditure' of Central Government estimated at Rs. 10.68 lakh crore in 2022-23, which is about 4.1% of GDP.



Infrastructure

❖ PM GatiShakti

- 7 engines that will drive PM Gati Shakti are Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics infrastructure
- It will encompass the 7 engines for economic transformation, seamless multimodal connectivity and logistics efficiency.
- The projects pertaining to these 7 engines in the National Infrastructure Pipeline will be aligned with PM GatiShakti framework.

**PM Gatishakti, is a transformative approach for economic growth and sustainable development. The seven engines as mentioned above will pull forward the economy in unity.*

▪ Road Transport

- National Highways Network to be expanded by 25000 Km in 2022-23.
- Mobilisation of INR 20,000 Crore for National Highways Expansion

▪ Multimodal Logistics

- Awarding of Contracts in PPP mode in 2022 – 23 for implementation of Multimodal Logistics Park in four locations
- National Ropeways Development Plan
- Capacity Building for Infrastructure Projects

▪ Railways

- One Station One Product concept to help local businesses & supply chains.
- Manufacturing of 400 new generation Vande Bharat Trains during the next three years
- Integration of Postal and Railways Networks

❖ Housing and Potable Water for all

- INR 60,000 Crore Allocated for 'Har Ghar, Nal se Jal' Scheme ; 3.8 Crore households to be covered
- Housing for All - 80 lakh houses to be completed under PM Awas yojna with an outlay of INR 48,000 crore

❖ Prime Minister's Development Initiative for North East Region (PM – DevINE)

- New scheme PM-DevINE launched to fund infrastructure and social development projects in the North-East.
- An initial allocation of Rs. 1,500 crore made to enable livelihood activities for youth and women under the scheme.

❖ Northern Border Villages to be developed under **Vibrant Villages Programme**

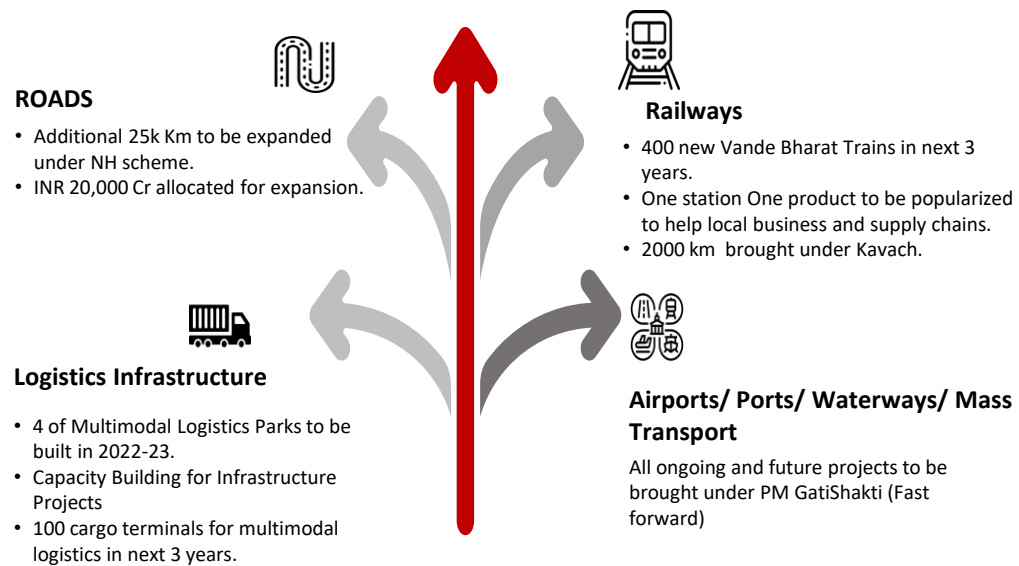
❖ **Aspirational Blocks Program**: Develop economically backward blocks under Aspirational Blocks Programme

**Aspirational Blocks Programme is an Government initiative to improve the quality of life of citizens in the blocks of most backward districts of the country.*

❖ Telecom

- Design – led manufacturing scheme proposed by budget – 2022 – 23 to build a strong ecosystem for 5G
- Required spectrum auctions to be conducted in 2022 to facilitate rollout of 5G Mobile services within 2022-23
- 5% of annual collections under USOF (Universal Service Obligation Fund) to be allocated to enable affordable broadband and mobile service proliferation in rural & remote areas
- Contracts for laying optical fibre in all villages to be awarded under the Bharatnet project through PPP in 2022-23

PM GatiShakti- Allocation



Digitization

❖ Broad Push

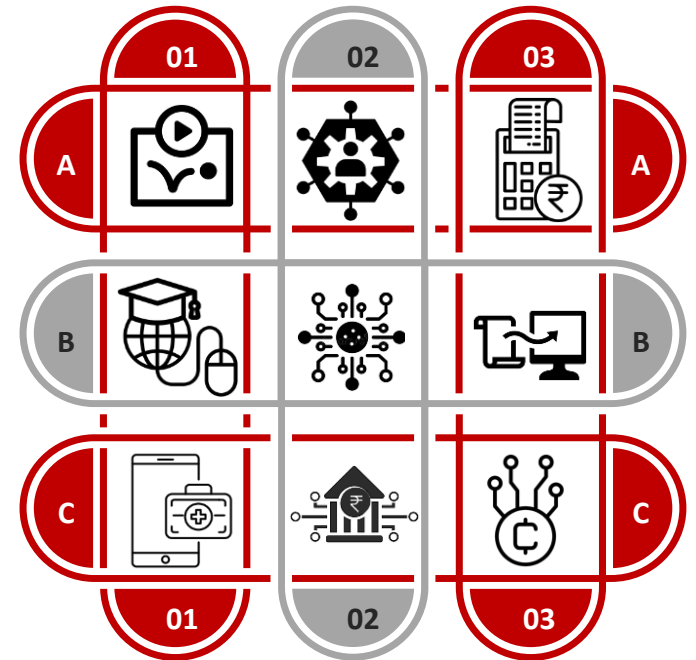
- Integration of Central and State Level systems through IT Bridges
- Unique Land Parcel Identification Number for IT based management of land records
- Establishing C-PACE to facilitate voluntary winding up of companies in less than 6 months
- End to end online e-Bill system and utilising surety bonds in government procurement as a substitute for Bank Guarantee
- Animation, Visual effects, Gaming and Comic (AVCG) promotion task force for exploring youth employment opportunities
- E-passport - e-Passports with embedded chip and futuristic technology to be rolled out in 2022-23

❖ Education

- Universalization of quality education through digitization
- 'One class-One TV channel' programme of PM eVIDYA to be expanded to 200 TV channels.
- 750 Virtual labs in Science and Maths and 75 skilling e-labs to be set up to promote critical thinking skills and simulated learning environment.
- Digital University for world-class quality universal education with personalised learning experience to be established.
- Start-ups to facilitate Drone Shakti for Drone – As – A – Service
- Launch of DESH – Stack E-Portal : A Digital ecosystem for Skilling and Livelihood
- High quality e-content through Digital Teachers.

❖ Health

- National Digital Health Ecosystem will be rolled out



❖ Banking

- RBI to introduce Digital Rupee using Blockchain and other technologies starting 2022-23
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- 75 Digital Banking Units to be set up in 75 Districts by Scheduled Commercial banks
- 100% of 1.5 lakh post offices to be brought on the core Banking System in 2022
- Financial Support for Digital Payment Ecosystem to Continue

Industry

Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action

- Battery Swapping Policy and Inter – Operability Standards to be formulated for Electric Vehicles Ecosystem
- Budget reiterates Government's Commitment to promote Atmanirbharta in equipment for armed forces
- Earmarks 68 per cent of capital procurement budget for domestic industry in 2022-23, up from 58 per cent in 2021-22
- Defence R&D to be opened up for industry, start-ups and academia
- Sunrise Opportunities - Government contribution to be provided for R&D in Sunrise Opportunities like Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems. This will provide employment opportunities for youth and will make Indian Industry more efficient and competitive.
- Energy Transition and Climate Action:
 - Additional allocation of Rs. 19,500 crore for Production Linked Incentive for manufacture of high efficiency solar modules to meet the goal of 280 GW of installed solar power by 2030.
 - Four pilot projects to be set up for coal gasification and conversion of coal into chemicals for the industry
 - Data Centres and Energy Storage Systems to be given infrastructure status.
 - Sovereign Green Bonds to be issued for mobilizing resources for green infrastructure.

MSME

- Raising and Accelerating MSME performance (RAMP) programme with outlay of Rs 6000 Crore to be rolled out.
- Udyam, e-shram, NCS and ASEEM portals to be interlinked.
- 130 lakh MSMEs provided additional credit under Emergency Credit Linked Guarantee Scheme (ECLGS)
- ECLGS to be extended up to March 2023
- Guarantee cover under ECLGS to be expanded by Rs 50,000 Crore to total cover of Rs 5 Lakh Crore.
- Rs 2 lakh Crore additional credit for Micro and Small Enterprises to be facilitated under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).

Agriculture and Food processing

- 2.37 lakh crore direct payment of MSP to 163 lakh farmers
- Promoting chemical free Natural farming
- Promoting post harvest value addition, consumption and branding of millet products
- Delivery of Digital and Hi-Tech Services to farmers in PPP mode
- 'Kisan Drones' for crop assessment, digitization of land records, spraying of insecticides and nutrients.
- NABARD to facilitate fund with blended capital to finance startups for agriculture & rural enterprise.
- Ken Betwa Link Project to benefit 9.1 Lakh hectare farm land.
- 1400 crore outlay for implementation of the Ken – Betwa link project.

Taxation

Direct Taxes

- No change in the existing slab rate for Individuals
- **Simplified Tax System** – Introducing new updated return where people can file updated return within 2 years from the end of the relevant assessment year.
- **Reduced Alternate Minimum Tax** for Cooperative Societies from 18.5% to 15%
- **Reduction of surcharge of cooperative societies** from 12% to 7% for those having income of more than 1 crore and up to 10 Crore
- **Parity in National Pension Scheme Contribution** - Tax deduction limit increased from 10 per cent to 14 per cent on employer's contribution to the NPS account of State Government employees.
- **Incentives for Start-ups** - Period of incorporation extended by one year, up to 31.03.2023 for eligible start-ups to avail tax benefit.
- **Incentives under concessional tax regime** - Last date for commencement of manufacturing or production under section 115BAB extended by one year i.e. from 31st March, 2023 to 31st March, 2024.
- **Scheme for taxation of virtual digital assets** –
 - Specific tax regime for virtual digital assets introduced.
 - Any income from transfer of any virtual digital asset to be taxed at the rate of 30 per cent. (at the time of transaction TDS of 1% shall be deducted from the Monetary value of the transaction)
 - Gift of virtual digital asset also to be taxed in the hands of the recipient.
- **Litigation Management** - In cases where question of law is identical to the one pending in High Court or Supreme Court, the filing of appeal by the department shall be deferred till such question of law is decided by the court.
- **Tax incentives to IFSC**
 - The following income shall be exempt from tax subject to specified conditions:
 - a. Income of a non-resident from offshore derivative instruments.
 - b. Income from over the counter derivatives issued by an offshore banking unit.
 - c. Income from royalty and interest on account of lease of ship.
 - d. Income received from portfolio management services in IFSC.
- **Rationalization of Surcharge**
 - Surcharge on AOPs (consortium formed to execute a contract) capped at 15 per cent.
 - Surcharge on long term capital gains arising on transfer of any type of assets capped at 15 per cent.
- **Health and Education Cess** - Any surcharge or cess on income and profits not allowable as business expenditure.
- **Deterrence against tax-evasion** - No set off, of any loss to be allowed against undisclosed income detected during search and survey operations.

Indirect Taxes

- IT Driven Custom Administration in Special Economic Zones
- Phasing Out Concessional Rates in Capital Goods and Project Imports gradually and apply moderate tariff of 7.5%
- Unblended fuel to attract additional different excise duty
- Customs Duty Rates Calibrated to Provide Graded Rate Structure to facilitate Domestic Electronics Manufacturing
- Rationalization of Exemptions on Implements & Tools for Agricultural Sector Manufactured
- Extension of Customs Duty Exemption to Steel Scrap
- Reduction of Duty on Certain Inputs required for Shrimp Aquaculture
- Review of Customs Exemptions & Tariff Simplification



Acquisory's View

Budget 2022 focusses on creating economic resilience, fast tracking our economy, providing opportunities to businesses and potentially creating large job opportunities. The sectors on which more emphasis were laid viz., Infrastructure, Agriculture, healthcare, Education, and MSMEs, are likely to give a boost to economic recovery. With higher spending across several sectors from railways and highways to affordable housing with a view to fire up the key growth engines may help us towards a much required recovery from the pandemic related stress.

Overall, the government has tried to encourage Start-ups, and providing a direction towards digitization in almost all sectors of the economy. Job recovery has been sporadic so far, so, an allocation of INR 73,000 Crore for the rural jobs guarantee programme MGNREGA for 2022-23, is a much needed boost for the rural economy. Our budget proposed a massive 35% jump in capital expenditure to INR 7.5 lakh crore, along with the rationalisation of customs duty, an extension of time for setting up new manufacturing companies and plans for starting a digital currency and tax crypto assets. Taxation of virtual digital assets or crypto is a step in the right direction. It gives much-needed clarity and confidence. India's focus on digital innovation and the promotion of blockchain technology is another welcome move.

In our view the budget of 2022 has tried to bring in a balanced approach and continues the emphasis on growth – oriented approach of the last budget. In this budget, the government provided a springboard for an investment cycle with the highest ever share of capex, focus on the development of national manufacturing capabilities and clean energy, tax rationalisation with no new taxes while maintaining its continuous focus on Self Reliant India / Aatmanirbhar Bharat.

We are however concerned about two important aspects: the long periods for these allocations and the significant increase in the fiscal deficit as a portion of our GDP to 6.4% which is almost double the prescribed 3.5% as per FRBM Act 2013. The former is likely to negatively influence the impact of these apparently large allocations. The latter is of greater concern. Long periods of high fiscal deficit impacts the health of an economy. With recovery still looming, a high fiscal deficit is required and practical at this time but is unsustainable in the long term.

