

Union Budget 2022-23



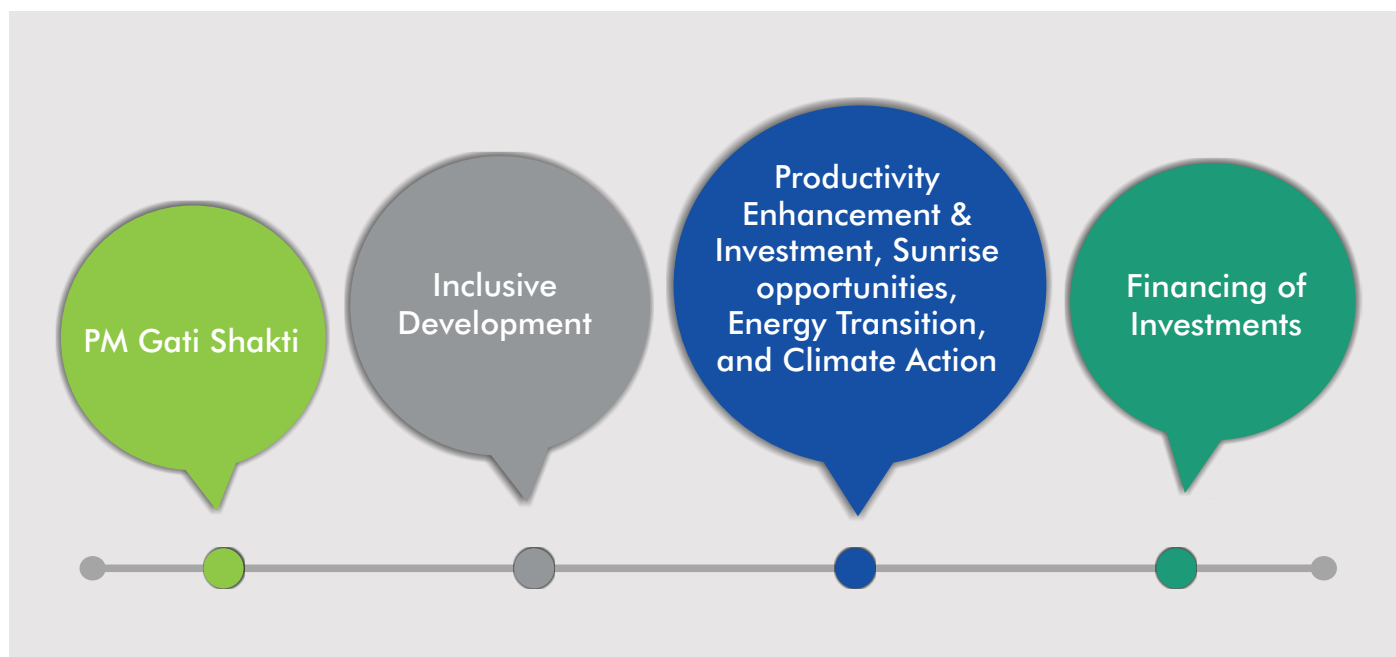
ANALYSIS REPORT
ON
UNION BUDGET
2022-23

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While on the path of recovery from the deadly Covid 19 pandemic, the finance minister, the Government of India has presented Union Budget, an Annual Financial Statement for the fiscal year 2022-23 before the parliament on 1st February 2022. The budget is expected to provide stability to the economic growth of the country while ensuring speedy recovery and fundamental reforms such as labor laws, ease of doing business, cryptocurrency, etc.

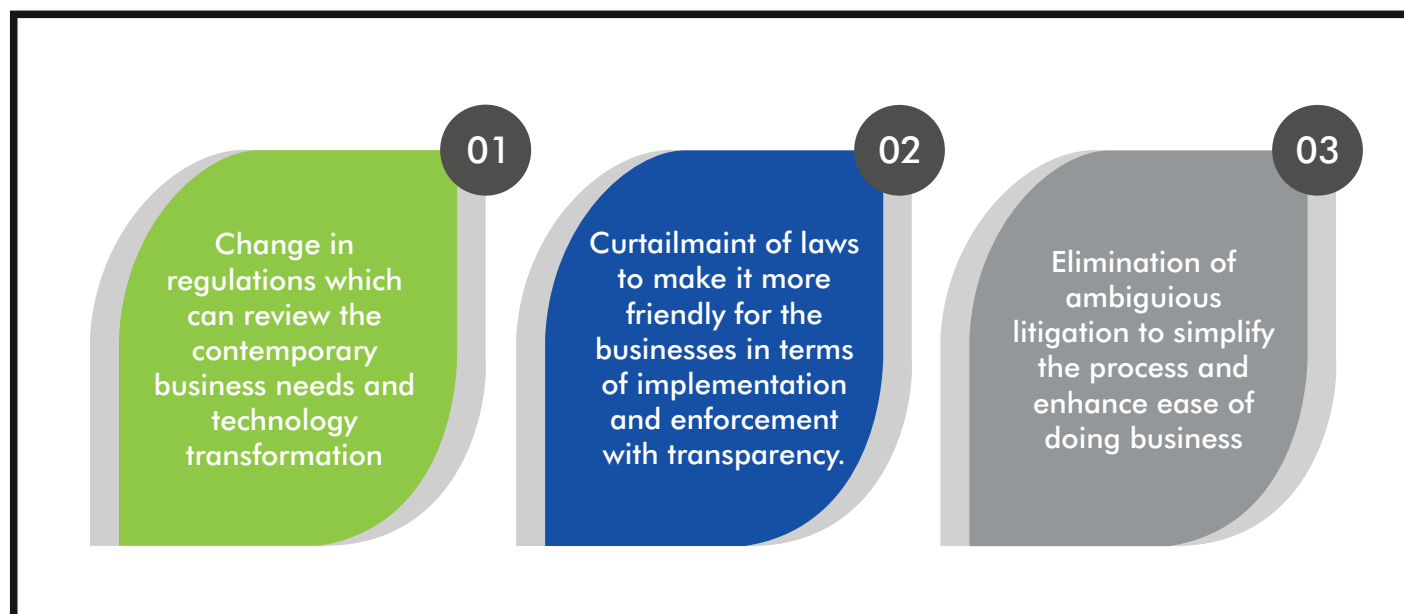
The union budget has estimated the growth of the economy for the fiscal year 2022-23 at 9.2% which is to be the highest among all the major economies of the world and this is a great sign for recovery. Along with this, the document has the provision of creating a total of 60 lakh new jobs across 14 sectors of the Indian economy through a Productivity-linked Incentive (PLI) scheme.

The Union Budget 2022-23 is set to provide momentum of the Indian economy through identifying the following 4 priority areas:



This year union budget has allocations focused towards the macro-economic growth of the country with the eyes on the welfare of one and all at the microeconomic level. Prime Minister Gati Shakti National Master Plan, thus talks about the inclusive 7 engines of the growth and transformation ride of the Indian economy through provisions in the areas of Roads, Indian Railways, Airports, Ports, Mass Transport, Waterways, and logistic Infrastructure.

The focus of the budget is on creating larger investments from both public and private sources and to give thrust to the big reforms and projects, which will eventually help in creating jobs, supporting agriculture and farmers, an amalgamation of technology in the society, and widening of the scope of the flagship Atmanirbhar Bharat Programme of Government of India. The budget document has set the roadmap by taking the following actions:



The government has intelligently emphasized to increase the capital expenditure in the budget without focusing on the launch of many new major schemes. This is showing the strong political will to implement and achieve the set targets of ongoing schemes and programs by the Government of India and provide a strong fundamental to the Indian economy.

"This Budget seeks to lay the foundation and give a blueprint to steer the economy over the Amrit Kaal of the next 25 years-from India at 75 to India at 100. It continues to build on the vision drawn in the budget of 2021-22. Its fundamental tenets, which included transparency of financial statement and fiscal position, reflect the government's intent, strengths, and challenges. This continues to guide us." – Smt Nirmala Sitaraman, Finance Minister, Government of India.

STATE OF THE ECONOMY (2/2)
ECONOMY RECOVERS PAST PRE-PANDEMIC LEVEL

India Projected as Fastest Growing Major Economy in World
GDP Projected to Grow by 8.0-8.5% in 2022-23

- World Bank's projection of India's GDP: **8.7%**
- Asian Development Bank's projection of India's GDP: **7.5%**
- World Economic Outlook's projection of India's GDP: **9%**

The general Indian people amid the third wave of the Covid 19 pandemic welcomed the Union Budget 2022-23 with some expectations and hopes of rebate on tax and new policies to provide ease to their financial and social sufferings during the pandemic. While the five of the Indian states Celebrated the biggest festival of democracy i.e., Legislative Assembly Elections, the expectation from the budget from the general public to industrialists was on high.



The Finance Minister, Government of India also had a consultation from different stakeholders before budget as it will be going to fuel up the energy to the Vision India@ 2047. The government's vision to make India a \$4 trillion economy, doubling the income of Indian farmers, generating more education and employment opportunities for women in India are providing thrust to these expectations some of which are as follows:

Tax Slab Revision

The expectation to revise the individual tax slab rates as done with the corporate tax rates to give more liquidity in the hands of general public.

Exemption to Taxed PF Contribution

The tax withholding to the PF balance at the time of withdrawn should be exempted in case the employer has contributed more than the specified limits/ no continuous service period of 5 years, etc.

Provision of Additional Deduction of "Work From Home" Allowances

In the new normal world post pandemic, the "work from home" allowances incurred by employees such as internet charges, electricity, telecom, rent, etc upto Rs 5000 should be deducted in the tax computation.

The other expectations floating in the market and giving hope to various stakeholders from the industry as well as the general public are:

Reforms in the energy sector to meet out climate change

Big Boost to infrastructure with a holistic roadmap

More thrust to Startups through provision of funds and announcement of tax reforms

Higher allocation to the Health, Education, and Defence sector

Focus on Agriculture, Rural Infrastructure including digital infrastructure in the rural areas.

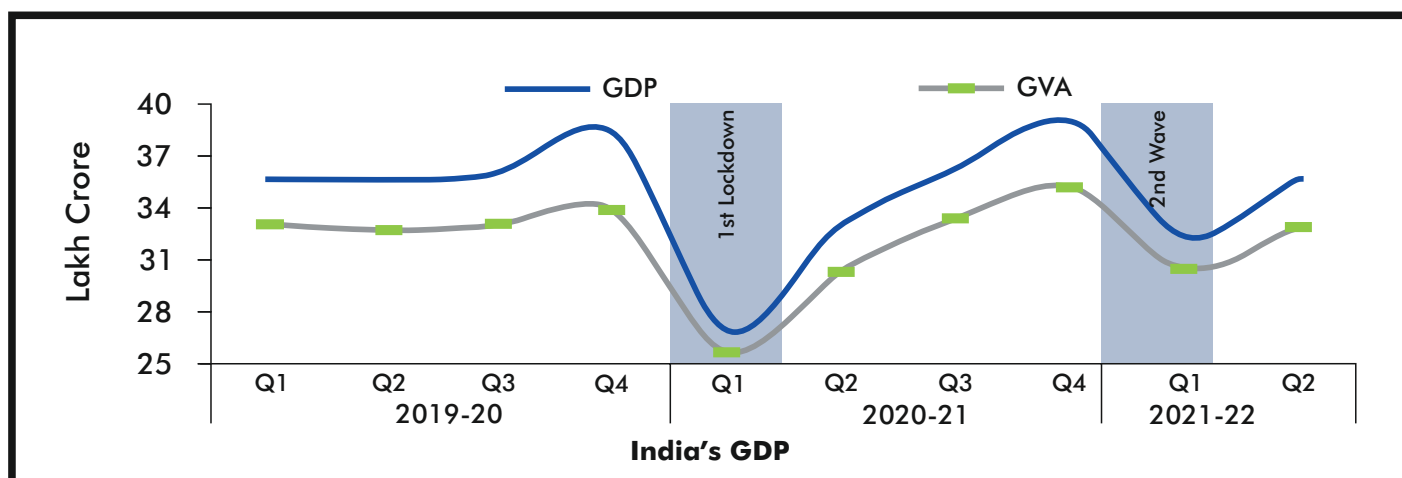
Sustainable Climate Financing to meet out the targets of Sustainable development Goals

Expansion of Production Linked Incentive (PLI) Scheme to new sectors to generate more employment opportunities overall

The budget has tried to meet many expectations of the individual taxpayers to industry giants through a positive implementation blueprint with a focus on higher receipt of investment from various stakeholders. It is having a clear roadmap to provide sustainable growth to the Indian economy while paving the way for a digital society.



The strong political will, clear economic fundamentals, and higher domestic demand has proved the robustness and resilience of the Indian economy in the testing times of the Covid-19 pandemic. The economy has shown recovery trends after each pandemic phase and utilized the potential of a large population base.



Source: <https://www.india.gov.in/spotlight/union-budget-fy-2022-2023>

To understand the growth trajectory of the Indian economy in more detail let's take a look at some key economic indicators over the last 3 fiscal years and budget estimates of the fiscal year 2022-23:

S. No.	Key Indicators	2019-20	2020-21	2021-22	2022-23
1	GDP Growth Rate	4%	-7.2%	9.2%	8.5%
2	Fiscal Deficit to GDP	4.6%	9.2%	6.9%	6.4%
3	Total Budgetary Allocation to GDP	13.2%	17.8%	16.2%	15.3%
4	Debt to GDP	50.4%	61.1%	58.5%	59%
5	Capital Expenditure to GDP	1.7%	2.2%	2.6%	2.9%
6	Tax Revenue to GDP	6.7%	7.2%	7.6%	7.5%

As a whole, the Indian economy was better absorbing the shocks of Covid-19 waves and heading high in the growth trajectory with increasing capital expenditure and decreasing the fiscal deficit to GDP ratio.

The Union Budget 2022-23 with a strong fundamental foundation complementing the macroeconomic growth vision has provided the inclusive push to the Indian economy without making a big bang reform statement. This will provide impetus to microeconomic level welfare to all the sectors of the Indian economy along with the growth of every stakeholder involved.



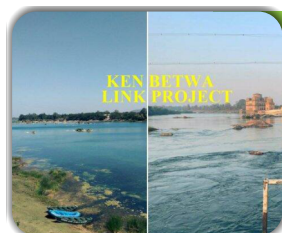
Infrastructure

Announcement under
PM Gati Shakti Plan



Agriculture

Kisan Drones



Ken Betwa Project

Allocation of 1400
crore will benefit 9.08
lakh hectare farmer's
land through irrigation



MSME

Emergency Credit Link
Guarantee Scheme
received additional
allocation



Skill Development

Launch of Digital
Ecosystem for Skilling
and Livelihood



Education

One class-One TV
channel' programme of
PM eVIDYA extended
from 12 to 200 TV
channels



Health

Rolling out of an open
platform for National
Digital Health
Ecosystem



Region Specific Devt.

PM-DevINE launched
to fund infrastructure
and social
development projects



Banking

100% of 1.5 lakh post
offices will become part
of core banking system



Export Promotion

States allowed to
become partner in
'Development of
Enterprise and Service
Hubs'.



Green Initiatives

Battery swapping policy
to promote electrical
vehicals



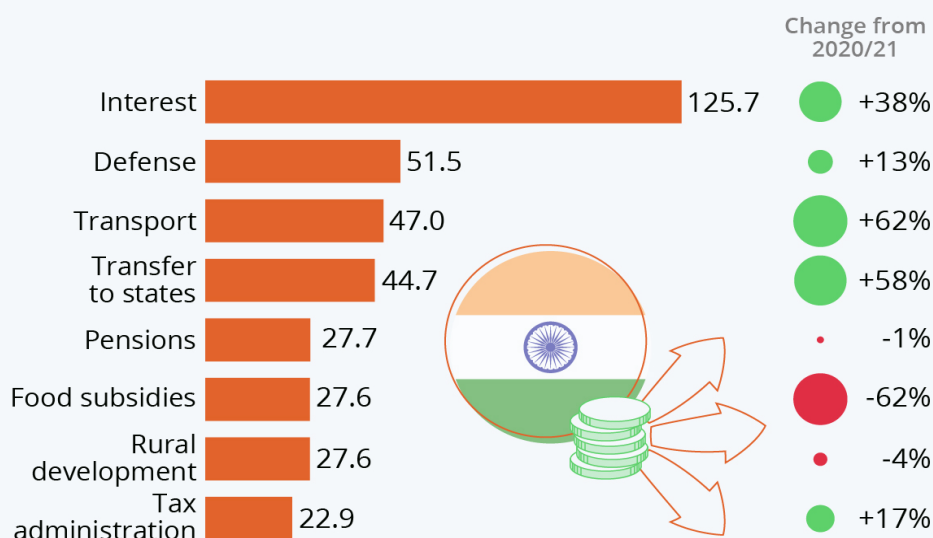
Digital Currency

Introduction of Digital
Rupee by RBI from
2022-23

To realize the vision plan of "Sabka Sath Sabka Vikas Sabka Prayas", the Government of India has planned for inclusive growth with a prime focus on the growth of major sectors of the Indian economy such as infrastructure, Defence, Health, Education, Rural Development, etc. The current allocation under the budget will push the economy on the path of a strong, sustainable, and greener India.

The Indian Budget 2022/23

Largest expenditure items in the Indian national budget for 2022/23 (in billion U.S. dollars)



Budget estimates

Source: Indian Ministry of Finance

S No	Name of the Sector	Budget Allocation (In Crores)
1	Road Transport & Highways	1,99,107
2	Railways	1,40,367
3	Defense	5,25,168
4	Agriculture & Farmer Welfare	1,32,514
5	Rural Development	1,38,203
6	Chemical & Fertilizers	1,07,715
7	Health & Family Welfare	86,201
8	Education	1,04,278
9	Communication	1,05,407
10	Housing & Urban Planning	86,201
11	Others	4,86,628

Let's have an impact analysis of some of the major budget allocations across the sectors:

1. Infrastructure

- Expansion of 25000Km National Highway in the fiscal year 2022-23 with the allocation of Rs 20,000 Crore.
- Promotion of Local and regional businesses and their supply chain under the concept of One Station One Product.
- KAVACH, the indigenous world level collision detection technology cover to 2000Km railway network in 2022-23.
- In the coming 3 years, 400 new generation Vande Bharat Trains will be manufactured in the country.
- In the coming 3 years, 100 PM Gatishakti Cargo terminals for multimodal logistics will be developed.
- National Ropeways Development Program named Parvatmala under Public-Private Partnership (PPP) mode of financing.
- Contracts related to the Implementation of 4 Multimodal Logistic Parks will be granted through the Public-Private Partnership mode of financing.

Impact:

The allocation will help to accelerate the infrastructure development in the areas of National Highways, Railways, logistics, etc to fuel up the growth and employment opportunities in the country through utilizing various modes of financing. The sector being the backbone of the Indian economy provides a big boost to other sectors too with a long-term perspective.

2. Micro, Small & Medium Enterprise (MSME)

- Interlinking of the online portals Udyam, e-Shram, National Carrier Service(NCS), and ASEEM.
- Provision of additional credit to 130lakh MSMEs through Emergency Credit Linked Guarantee Schemes (ECLGS) which is extended till March 2023.
- The guarantee cover under the scheme is also expanded to a total cover of Rs 5 lakh crore by an additional provision of 50,000 crores.

- The additional credit of 2 lakh crore for the Micro and Small Enterprises to get facilitation under Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE)
- Rs 6000 crore budget outlay under Raising and Accelerating MSME Performance Programme (RAMP) in the next 5 years.

Impact:

Being a major value addition sector of the Indian economy and source of major employment generation, the budgetary boost to this sector will have a strong effect in terms of higher productivity and competitiveness of MSMEs in India.

3. Defense

- 25% of the defense R&D budget has been unfolded for industry, academia, and startups.
- A nodal independent umbrella body has been set up to meet the testing and certification requirements in the area.

Impact:

The private industries, startups will get encouragement to work along the national defense organizations such as DRDO to strengthen domestic industries in the field of defense and aerospace. It will help in attracting private capital investment in the sector over the next 5 years.

4. Health

- Rolling out of open Platform for National Digital Health Ecosystem.
- To provide quality mental health counseling and care the “National Tele Mental Health Programme” has been launched.
- On the same line, 23 tele-mental health centers of excellence will be set up with the help of NIMHANS and IIT- Bangalore as the nodal Center and technology partner respectively.

Impact:

The first time, the mental health of the general public found its place in the budget document. The pandemic has brought a new vision to the healthcare budgetary allocation and increased the transparency, accessibility, and research in the Indian healthcare sector in a short span.

5. Education

- Now 200 TV channels will come under the ambit of the "One Class-One TV Channel" program under PM eVIDYA.
- Setting up Virtual labs and skilling e-labs to create a stimulating learning environment and inculcate the habit of critical thinking.
- Creation of high-quality e-content for digital teachers.
- Establishment of world-level Digital universities to provide personalized learning experiences to provide universal education.

Impact:

The increased budget allocation for the sector will provide a boost to the implementation of the National Education Policy along with skill development. Now this will give impetus to technical education in the country to reach the masses in vernacular language and thus give way to innovative solutions and research for the industry at par with global standards.

6. Agriculture

- Procurement of wheat and paddy through direct payment of Rs 2.37 lakh crore to 1.63 crore Indian farmers.
- Promotion of chemical-free farming in the country. Initially the agricultural land along the Ganga river in the 5 km wide corridors.
- Financing of startups working in agriculture and rural enterprise through NABARD.

- “Kisan Drones” to facilitate crop assessment, digitization of land records, spraying of insecticides, etc.

Impact:

The budget will promote innovations and technological intervention in Indian agriculture by increasing the income of farmers. It will also encourage startups to provide innovative solutions to the problems of Indian farmers and enhance their mental, physical and financial well-being in the coming years.

7. Energy and Climate Action

- To achieve the goal of 280 GW installed solar power capacity by 2030, an additional allocation of Rs 19,500 crore will be made under Production Linked Incentive to high-efficiency solar module manufacturers.
- 5-7% biomass pellets will be cofired in the thermal power plants of the country to achieve savings of 38 MMT CO₂ annually.
- 4 Coal gasification and coal conversion pilot projects will be set up to facilitate industry.
- Financial support to the SC/ST farmers working in the area of agro-forestry.

Impact:

The increased allocation shows a positive trend to achieve sustainable development goals and provide a way forward towards a greener economy. Along with this, the allocation will discourage the burning of waste in agricultural fields and help in increasing the income and employment opportunities for the Indian farmers and local workers. This will make a positive trend for the investments in the area of electric and green mobility in the coming years.

Thus, the union budget has a strong push towards sustainable and green economic growth with the major push to the Atma nirbhar Bharat and Make in India programs along with research & development across the sectors. It will provide impetus to skilling and innovation through additional investment and industry-academia expert support which is expected to show bright results for the Indian economy in the span of the next 3 to 5 years.

The key highlights of the tax provisions under the Union Budget 2022-23 are:

Establishment of
Trust Worthy Tax
Regime

Simplified
Tax System

Reduction in
Litigation

Tax Benefit Facility
for Eligible Startups
extended for 1 year
i.e. upto 31st March
2023

Parity in state and
Central Government
employees's
employer
contribution in NPS
Account

30% tax on the
income recived
from the transfer
of any virtual
asset

Rationalization of
Surcharge and
TDS Provisions

Tax Relief to
Persons with
Disability

Brought Down the
Alternate
Minimum tax paid
by Cooperative
Societies

Gradual Phasing
out of 350 Custom
Exemptions

Introduction of New
"Updated Return"
within 2 year from the
relevant year of
assessment

Other than the above provisions the high GST collection and faceless customs during the Covid-19 surge were well applauded by the finance minister. The overall tax provisions under the budget will make the compliances more transparent and speculation free for taxpayers by inculcating the sense of voluntary compliance and will help in bringing the compliance cost down over a year or two.

The Union Budget 2022-23, is the annual financial statement built on the directions of the previous budget documents and works as a torchbearer to accelerate the sustainable growth of the Indian economy in the coming 25 years. The formal recognition of digital currency through RBI, strong commitment towards climate action and green mobility along with the clear roadmap for 5G spectrum auction, the development led budget allocation across sectors finds the way forward to “the era of elixir”.

While surviving the multiple waves of Covid-19, the Indian economy has positively countered the major global supply chain disruption and rising inflation. Thus, it is well armored with the provisions under the union budget to strengthen the Indian economy to recover and achieve the growth rate of pre-pandemic times by stimulating the market demand and attracting investment through different possible routes. The document is capable enough of achieving quick and optimum results for all the stakeholders through collaborative efforts at the policy implementation level.



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