

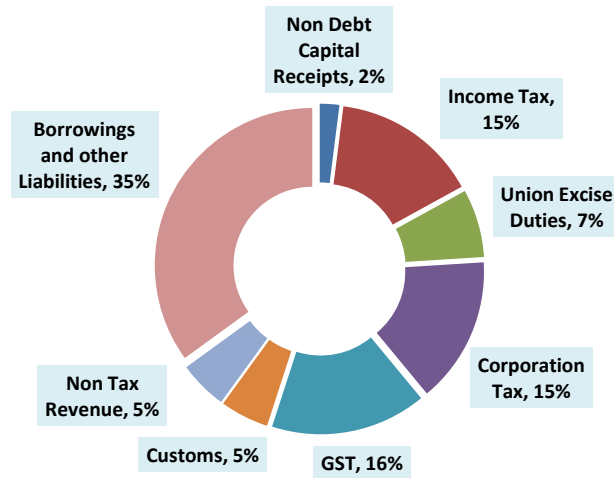


The Goodies

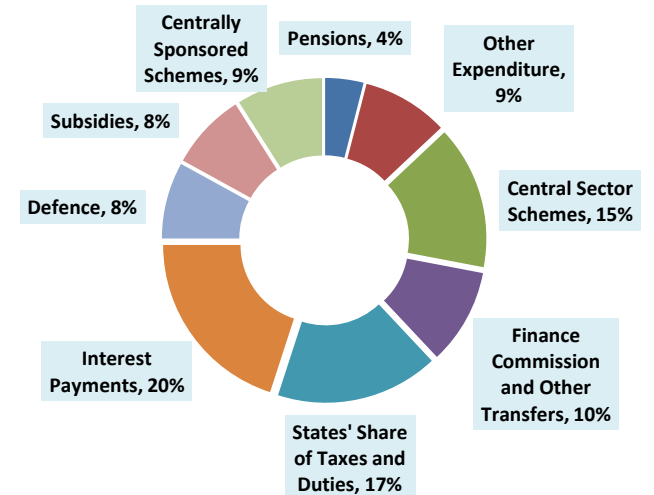
- The huge thrust on capex will boost earnings of Corporate India and together with the paradigm change seen towards Housing & Urban Development promises a multiplier effect on the economy.
- The big Tech push coupled with productivity boost through digital initiatives was indeed a big takeaway as was the clarity given on crypto taxation together with launching of a blockchain powered digital rupee.
- Tax payers can now avail of a 2 year window to file an updated return which clearly signals the trust reposed on the tax payer.
- Capping the surcharge on LTCG for financial assets @15% is a welcome step.
- Absence of populist measures ahead of state elections clearly signals the arrival of New India.
- Expanding the guarantee cover of the ECLGS and extending it by an year should help MSME.

- FY22/FY23 Fiscal Deficit Target - 6.9% / 6.4% of GDP
- FY22/FY23 Market Borrowings - ₹8.75 tn/ ₹11.6 tn

Rupee Comes From



Rupee Goes To





Direct Taxes

- **Voluntary Tax Compliance** - Option for taxpayers to file an updated return within 2 years from end of relevant Assessment Year to declare the income which have been missed out while filing the return.
- **MAT for Cooperative Societies** - Reduction in Alternative Minimum Tax for co-operative societies to 15% from 18.5% to create a level playing field with companies. Also reduction of surcharge to 7% from 12% for those having total income of more than ₹10 mn and up to ₹100 mn.
- **Tax relief for persons with disability**: Proposal to allow the payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/guardians, i.e., on parents/guardians attaining the age of sixty years.
- **State Government Employee NPS deduction** - Increase in tax deduction to employer contribution for NPS for state government employees to 14% from 10% to create parity between employees of State and Central government.
- **Startups Tax Benefit** - Extension in the period of incorporation of the eligible start-up by one more year, that is, up to 31.03.2023 for providing tax incentive for three consecutive years out of ten years from incorporation.
- **New Manufacturing Companies Tax benefits** - Extension of the last date of concessional tax regime of 15% tax rate for commencement of manufacturing or production for newly incorporated domestic manufacturing companies under section 115BAB by one year i.e. from 31st March, 2023 to 31st March, 2024.



- **Taxation on VDAs** - Income Tax at the rate of 30% for income from transfer of virtual digital assets (VDA) will be levied. Also, no deduction to be allowed except cost for computing income for VDA and no loss set off allowed. Gift of VDA is also proposed to be taxable in the hands of recipient. TDS at the rate of 1% is proposed on transfer of VDA above the monetary threshold.
- **Bonus and Dividend Stripping** will no longer be allowed for all types of financial instruments. Section 94 of the IT Act has been amended to include securities and units of Companies, MF, InvIT, REIT, AIFs or pooled investments.
- Income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax, subject to specified conditions.
- Proposal to cap the surcharge of AOP's at 15%.
- Surcharge on LTCG on any type of assets to be capped at 15%
- Clarified that any surcharge or cess on income and profits is not allowable as business expenditure.
- No setoff of any loss will be allowed against any undisclosed income during search and seizure operations
- Incentives provided to the agents as a business promotion strategy as taxable at the hands of the agent. To track such transactions tax deduction is being proposed to the person giving benefits, if the aggregate value of such benefits exceeds ₹20,000 during the financial year.



Indirect Taxes

- National Capital Goods Policy, 2016 aims at doubling the production of capital goods by 2025.
- Proposal to phase out the concessional rates in capital goods and project imports gradually and apply a moderate tariff of 7.5%. Certain exemptions for advanced machineries that are not manufactured within the country shall continue.
- **Changes in Custom Duties**
 - **Electronic Manufacturing Sector** - Continues calibration of Custom duty and additional concessions to the Electronic manufacturing industry and particularly to manufacturing of wearable devices, hearable devices, electronic smart meters, parts of transformer of mobile phone chargers, camera lens of mobile camera module and certain other items.
 - **Diamonds & Gemstones** - Customs duty on cut and polished diamonds and gemstones is being reduced to 5%. Simply sawn diamond would attract nil customs duty.
 - **Imitation Jewellery** - To disincentivise import of undervalued imitation jewellery, the customs duty on imitation jewellery is being prescribed in a manner that a duty of at least ₹400 per Kg is paid on its import.
 - **Critical Chemicals** - Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining are being reduced, while duty is being raised on sodium cyanide for which adequate domestic capacity exists.
 - **Umbrellas** - Duty on umbrellas is being raised to 20%. Exemption to parts of umbrellas is being withdrawn.



- **Agri-sector** - Exemption is also being rationalized on implements and tools for agri-sector which are manufactured in India.
 - **Steel Scrap** - Customs duty exemption given to steel scrap last year is being extended for another year to provide relief to MSME secondary steel producers.
 - **Stainless Steel products** - Certain Anti- dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are being revoked in larger public interest considering prevailing high prices of metals.
 - **Aquaculture** - Duty is being reduced on certain inputs required for shrimp aquaculture so as to promote its exports.
- Export exemptions are being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes that may be needed by bonafide exporters of handicrafts, textiles and leather garments, leather footwear and other goods.
- Blending of fuel is a priority of this Government. To encourage the efforts for blending of fuel, unblended fuel shall attract an additional differential excise duty of ₹2/ litre from the 1st day of October 2022.



BFSI

→ Public Sector Banks – No Proposal for fresh capital infusion

- The FM did not earmark any specific amount for PSBs for FY22-23. The Budget did not give any clarity on the roadmap for PSB privatization as well.
- Govt. has infused ₹2.86tn in PSBs over last five years, yet the capital needs of state - run banks are high due to bad loans and requirement for growth capital.

→ Emergency Credit Line Guarantee Scheme (ECLGS) extended till March – 2023

- ECLGS, which was introduced by the Finance Ministry in 2020 to help MSMEs amid COVID, has been extended till March – 2023.
- The guarantee cover has been expanded to ₹500bn to the total cover of ₹5tn. The ECLGS was launched as part of ₹20tn COVID relief package.

→ 100% post offices to come under core banking system.

- Almost all the existing post offices will come under core banking system to enable online access to account and also transfer of funds between commercial banks and post office .

→ RBI to issue its own Crypto based on block chain technology.

- A new crypto tax will be introduced under which virtual digital assets will be taxed at 30%.



Infrastructure, Housing & urban planning

- Capex target expanded by 35.4% from ₹5.54 tn to ₹7.5 tn. FY23 effective capex seen at ₹10.7 tn. This is extremely positive for companies in the infra, cement, capital goods and engineering sectors.
- National Highway network to be expanded by 25,000 km during FY 22-23
- 2000 km to be brought under 'KAVACH' by FY22-23.
- PM 'Gatishakti' masterplan for expressways will be formulated in next financial year, under which 100 PM 'Gatishakti' terminals will be set up in next 3 years.
- One product one railway station to be popularized, 400 Vande Bharat trains to be introduced.
- ₹480bn is allocated for PMAY, the affordable housing scheme. 60,000 houses will be identified as beneficiaries for this scheme in rural and urban areas, while 80 lakh households will be identified for the affordable housing scheme in 2022-23.
- ₹600bn allocated for providing access to tap water to 38 mn households.



Rural and Agriculture

- Government to pay ₹2.37 tn towards procurement of wheat and paddy under MSP operations. This step is positive for rise in farm income and thereby positive for companies in the FMCG, auto, consumer durables and tractors.
- Railways will develop new products for small farmers and MSMEs
- In an attempt to reduce dependence on imports, a rationalized scheme to increase oilseed production will be implemented.
- Kisan Drones for crop assessment, land records, spraying insecticides is expected to drive a wave of technology in agriculture. Also under tech initiative by the government, a completely paperless, e-bill system will be launched by ministries of procurement.
- Under the River-Linking project, government plans to link the Ken Betwa river at an outlay of ₹446 bn. It has also planned a Draft DPR for linking 5 main rivers in South India



Defense

- Defense sector allocation stands at ₹5.25 tn
- 68% of capital for defense sector to be earmarked for domestic players in FY 23 (up from 58% last fiscal), which implements strong positive trends for the domestic defense companies.
- Government is committed to reduce imports and promote indigenization in defense sector.
- 25% of defense budget will be allocated for R&D , while Defense R&D will be opened up for industry, startups and academia.



Automobiles

- Battery swapping policy to allow EV charging stations for automobiles will be framed.
- Private sector will be encouraged to create sustainable and innovative business models for battery and energy as a service, improving the efficiency in EV system
- This move seems to be very positive for those automobile companies who have taken a step forward towards EV.



Education

- States to be encouraged to revise syllabi of agricultural universities to meet needs of natural, zero-budget & organic farming, modern-day agriculture.
- One class one TV channel program under the PM e-Vidya scheme will be expanded from 12 to 200 TV channels.
- This will enable all states to provide supplementary education in regional languages for class 1 to 12.
- Making the best use of technology, Digital university is to be set up to provide education to be built up on hub and spoke model.



Telecom

- Spectrum auction will be conducted in 2022 for the rollout of 5G. Positive for listed telecom companies.
- Scheme for design led manufacturing to be launched for 5G ecosystem as a part of PLI scheme to enable affordable broadband and mobile communication in rural and remote areas.
- 5% of USO fund shall be allocated to R&D and technology upgradation.
- Contracts for laying optical fibre in villages to be awarded under BharatNet project under PP in 2022-23.

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