

BUDGET 2022-23



2022-23 BUDGET PROPOSALS, RECENT MONETARY POLICY SET TONE FOR BROAD- BASED ECONOMIC REVIVAL: RBI

"The Union Budget 2022-23 and the monetary policy announcement of February 10, 2022, have set the tone for a durable and broad-based revival," said the RBI's February bulletin. The renewed emphasis on public investment in the Budget through infrastructure development is expected to crowd in private investment and strengthen job creation and demand in 2022-23, it said.

***“DRAWING WISDOM FROM OUR ANCIENT
TEXTS, WE CONTINUE ON THE PATH TO
PROGRESS,”***



ANALYSIS OF BUDGET 2022-23

With the Indian economy projected to retain the tag of a fastest-growing major economy, despite the pandemic, the industry draws comfort from the Union Budget 2022-23 which has prioritized long-term growth by boosting consumption. It has taken a commendable and bold step in significantly increasing capital expenditure by 35.4%.

The economic survey had indicated a smaller economic impact of “second wave”, even as the damage on the health front was severe. With activity in most sectors regaining pre-pandemic levels, It pegged FY22 GDP growth at 9.2%. Housing loans, the largest constituent of personal loans, had registered an annual growth of 8% in Nov 2021. Bank lending to commercial real estate also increased by 0.4%. Overall, the survey indicated that the Indian economy was well placed to witness GDP growth of 8.0-8.5% in FY23.

The budget speech by the Hon. Finance Minister, one of the shortest among her four speeches, clearly focussed on creating broad-based platforms for the long run rather than immediate quick-fixes. Infrastructure development, along with further boost to manufacturing remained at the heart of the budget. Considerable impetus has been given to the Gati Shakti masterplan with focus on expressways, cargo terminals and multi-modal national logistic parks to boost long-term investment and development. Digitisation of payment infrastructure including a proposal to issue a central bank backed blockchain currency were critical new economy focus areas.

Moreover, the reiteration of commitment to circular economy, incentives for solar panel manufacturing, policy focus on EVs, incentives for private firms to partner in defence sector R&D, etc., highlight the approach of creating avenues which will eventually benefit the economy as well as open investments in industrial and commercial real estate. This is also in alignment with the proposal to connect villages through digital networks

“One reason people resist change is because they focus on what they have to give up, instead of what they have to gain.”



IMPACT ON COMMON MAN

India's finance minister Nirmala Sitharaman delivered her shortest ever budget speech and presented the budget of 2022-23 on February 1. With a view to providing impetus to the country's GDP growth, this budget is deemed to be pro-growth with a focus on substantial government expenditure on capital expenditure and investments

No change in existing income tax slabs:

Given the impact of rising inflation levels and the ongoing pandemic, it was expected that the budget will provide some relief to the common man with respect to tax liability. It did not have much to offer. The status quo was maintained and no new changes were introduced in the personal income tax slabs category or the standard deduction.

Updated ITR filing window:

The finance minister allowed updated tax returns to be filed within two years from the end of the assessment year in case the earlier returns filed were incorrect. This is an attempt to provide an option to taxpayers to declare any income that they had not included in their earlier-filed returns.

Housing:

In a boost to affordable housing, the budget announced an allocation of Rs 48,000 crore to complete 80 lakh houses in 2022-23 under the PM Awas Yojana. This move showcases the government's commitment to building affordable housing and is expected to give a push to the real-estate sector and developers who are building affordable homes.

Focus on mental health issues:

Owing to the negative impact of Covid-19 on mental health, the budget announced the roll-out of the national tele-mental health program. This program will be operated under a network of 23 mental health centers of excellence under the country's premier mental health institute – NIMHANS. It's important that mental health policies are integrated into public health policy and general social policy, primarily due to the following reasons: (1) mental disorder may be a heavy burden on societies, and (2) that mental disorder hinders the development of other health and development targets by contributing to poverty and affects the poor if not treated in time.

India to introduce its own Central Bank Digital Currency (CBDC):

India joined the bandwagon of countries having their own digital currency. Using Blockchain technology, this currency will be introduced by RBI making it the only recognized digital currency in India. Central Bank Digital Currency (CBDC) has the potential to promote financial inclusion and its introduction will give a big boost to the digital economy.

Surcharge on long-term capital gains across all asset classes to be capped at 15 percent:

The budget has uniformly capped surcharge @15% on long-term capital gains (LTCG) across all asset classes. Earlier, except equity shares, equity-oriented mutual fund units, etc, surcharge on LTCG on all other assets was charged @37%. This is probably the only welcome news for individuals and is a 16% reduction in the effective tax rate.

*“If we command our wealth, we shall be rich and free.
If our wealth commands us, we are poor indeed.”*

IMPACT ON IMPORT EXPORT

The government will replace the Special Economic Zones (SEZ) Act with new legislation that will enable states to become partners in the “development of enterprise and service hubs,” Finance Minister Nirmala Sitharaman said on Tuesday presenting the Union Budget 2022-23. “This will cover all large existing and new industrial enclaves to optimally utilize the available infrastructure and enhance the competitiveness of exports,” she said in her Budget speech.

Jain’s views have many takers across sectors. The list of industries depending on China for essential supplies includes mobile phone components, auto components, solar photovoltaic cells, and pharmaceutical ingredients. For instance, China makes up 80% of the total imports for the Indian renewables industry. Some like the auto component industry have been aiming to cut dependence on Chinese imports, especially in the face of severe component shortages in the aftermath of the pandemic.

One way to deal with the situation is to have PLI schemes focused on multiple sectors, says Anil G Verma, Executive Director & President at Godrej & Boyce, a manufacturer of industrial solutions. “The government should increase the scheme’s ambit to include other sectors such as furniture and leather.



Government reforms are a tailwind to domestic manufacturing. It will take some time before companies can install capacities and generate output. Since India is largely inwardly focused, it is the domestic demand that will create the primary market for new investors,” he says.

The industry experts are of the view that there are two major measures that India needs to take to boost local manufacturing and reduce dependence on imports. “First, industries such as textiles, packaging, specialty chemicals, and electronic goods — that have both the infrastructure and technology available to scale — need to be incentivized so that they can increase their output and win a part of China’s share in the global market.



“Every cent you own and every moment you spend is always an investment.”



CHANGE IN POLICIES FOR MICRO & SMALL BUSINESS

The government announced the ECLGS scheme to provide support to the MSMEs during the initial lockdown days under the Atmanirbhar Bharat Abhiyan. The expectation from the Budget will be to further provide support to these businesses through policies that drive a reduction in interest rates on loans and enhance the loan procurement process to help walk on the road to recovery and subsequent business growth.

Reduction in duties and taxes

To accelerate Make-in-India, and Made-for-India schemes the government must revisit and reduce the duties and taxes on capital goods to encourage small enterprises to invest more and produce more. The reduction in taxes and duty will motivate MSMEs to undertake to manufacture locally and fall further in line with the Atmanirbhar Bharat campaign. A significant takeaway of the FM's Budget speech was that she extended the Emergency Credit Line Guarantee Scheme (ECLGS) to March 2023. Besides, the guaranteed cover has also been extended by an additional Rs 50,000 crore.

The total allotment under the scheme would increase to Rs 5 lakh crore. In the previous Budget, the finance minister unveiled ECLGS of Rs 20 lakh crore to help the Covid-hit MSMEs

One key highlight of the FM's announcement was the increase in budgetary allocation for MSMEs from last year's Rs 15,699.65 crore to Rs 21,422 crore now (up by 26.71%).

Availability to low-cost tech access

MSMEs in India took a severe blow in 2020 and 2021. The lockdowns and Covid waves have led to a need for investment in technology, which has increased the spending on the technology and infrastructure for these small and medium businesses in the country. The sector expects the government to devise policies that make technology dearer to them. These reduced technology costs will empower small and medium businesses to adopt technology and grow faster.

The last two years have brought about a sea change in the MSME sector. The small and medium business ecosystem has turned more towards digitization and is looking for ways to transform their businesses in times to come. The MSME sector is optimistic about getting policies and subsidies that will boost their growth.

“Budgeting is not just for people who do not have enough money. It is for everyone who wants to ensure that their money is enough.”



SCHEMES FOR FARMERS

Union Budget 2022: Rs 2.37 lakh cr for MSP, tech usage, and chemical-free farming for the Agri sector

Kisan Drones for crop assessment, land records, and spraying of insecticides would be promoted, Finance Minister Nirmala Sitharaman said on Tuesday. "Use of Kisan Drones for crop assessments, land records, spraying of insecticides, are expected to drive a wave of technology in the Agriculture and farming sector," the Finance Minister said as she read out Budget 2022-23 provisions. Inclusive development is the government's priority, which includes farmers for Paddy, Kharif & Rabi crops, under which 1,000 lakh metric tonnes (LMT) paddy is expected to be procured benefiting over one crore farmers, the Finance Minister said.

She said, "The procurement of wheat in rabi 2021-22 and the estimated procurement of paddy in kharif 2021-22 will cover 1208 lakh metric tonnes of wheat and paddy from 163 lakh farmers, and Rs 2.37 lakh crore direct payment of MSP value to their accounts."

She further said chemical-free natural farming would be promoted throughout the country with a focus on farmers' lands in 5-km wide corridors along river Ganga, at the first stage.

She said 2023 has been announced as the International Year of Millets. "Support will be provided for post-harvest value addition, enhancing domestic consumption, and for branding millet products nationally and internationally," she said.

She said a scheme in PPP mode would be launched for delivery of digital and hi-tech services to farmers with the involvement of public sector research and extension institutions along with private agri-tech players and stakeholders of the agri-value chain.

In a major announcement, Sitharaman said the use of 'Kisan Drones' would be promoted for crop assessment, digitization of land records, spraying of insecticides, and nutrients. "States will be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero-budget and organic farming, modern-day agriculture, value addition, and management," she said.

She said the Centre would provide a comprehensive package with the participation of state governments for farmers to adopt suitable varieties of fruits and vegetables, and to use appropriate production and harvesting techniques.

“Don’t tell me what you value, show me your budget, and I’ll tell you what you value.”



NEW SCHEME FOR START-UPS

Budget 2022: Govt allocates Rs 283.5 crore for Startup India Seed Fund Scheme

New Delhi: The government has allocated Rs 283.5 crore for the Startup India Seed Fund Scheme in the Budget 2022-23, which is higher than the Revised Estimate of about Rs 100 crore. The budgetary allocations for the Fund of Funds for Startups stood at Rs 1,000 crore. The government has set up a Fund of Funds for Startups (FFS) with a corpus of Rs 10,000 crore. The Small Industries Development Bank of India (SIDBI) is the operating agency for the FFS.

In April 2021, the government rolled out the Startup India Seed Fund Scheme (SISFS), which aims to provide financial assistance to start-ups for proof of concept, prototype development, product trials, market-entry, and commercialization.

The Startup India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to the growth of budding entrepreneurs.

The budget for the Petroleum and Explosives Safety Organisation (PESO) has also been enhanced to Rs 66.16 crore for the next financial year as against Rs 60.67 crore in the Revised Estimate of this fiscal.

Budget 2022: Tax holiday of five years for startups remains unanswered in Nirmala Sitharaman's announcements

Union Budget 2022-23: The finance minister may not have relieved us of greater tax burdens, but some respite was given to businesses, startups

Startups have emerged as a growth driver for the economy. Tax incentives for startups increased from three years to four years of incorporation, in view of the pandemic, the finance minister announced in Union Budget 2022. The key benefits for startups offered redemption of taxes for three years consecutively have been extended until March 31, 2022.

It is indeed gratifying to acknowledge that India has more than 61,400 startups recognized by the Department for Promotion of Industry and Internal Trade (DPIIT). More than 14,000 were added in the fiscal year 2021-2022, with most of them in the IT/Knowledge-based sectors which have remarkably grown in the past six years. Around 555 districts have at least one new startup.

Boon and Bane

Announcing the production linked Incentive Scheme (PLI) that is well appreciated, the finance minister (FM) said it has the prospect of creating more jobs and additional production of 30 lakh crore during the next keycap digits five years. This scheme will create a bursary effect on the Atma Nirbhar Bharat Abhiyan.

“The budget is not just a collection of numbers, but an expression of our values and aspirations.”



IMPACT ON STOCK MARKET

MOVEMENT OF STOCKS

If the share market perceives the Union Budget positively, the stocks are set to go up. However, if the market feels Budget 2022 is not in its favor, there will be a downfall in stocks.

EXEMPTION IN INCOME TAX

If FM Sitharaman in her budget speech announces changes in income tax slabs or increases exemption limits, the stock market will be on the positive side.

Higher tax deduction at source for non-filers

Last year's Budget had doubled the TDS rate (1-10 percent) for those who had not filed their tax returns in the past two years. Budget 2022 has tightened this window. Now, even if you haven't filed your tax returns in the past year, then you pay a higher TDS.

Budget 2022 provides that even if you have claimed expenses that are questionable, such returns can now also be opened (or reassessed) for up to 10 years, from the date of filing.

"The scope of escaping income has been widened and if your books of account exceed Rs 50 lakh, then more re-assessments can be issued for up to 10 years," points out Savla.



Cryptocurrency Tax News: India has finally introduced a crypto tax regime! IN Budget 2022-22, the Government took a conservative stand on taxation by announcing a flat 30% on income from digital virtual assets or crypto. In her Budget Speech 2022, Finance Minister Nirmala Sitharaman said that 30% tax would be charged on income from the transfer of virtual digital assets. She further said no set-off will be allowed in case of losses. Also, gifts in virtual digital assets would be taxed in the hands of the recipient.

The crypto industry and experts welcomed the 30% tax rule for digital assets income. Not just this, there was no negative impact on prices of most of the popular crypto tokens including Bitcoin, ETH, WRX, SOL, ADA, DOGE, MATIC listed on Indian exchanges.

Accordingly, for the taxation of virtual digital assets, I propose to provide that any income from transfer of any virtual digital asset shall be taxed at the rate of 30 percent," the Finance Minister said. Sitharaman further said that no deduction in respect of any expenditure or allowance shall be allowed while computing such income except the cost of acquisition. The loss from the transfer of virtual digital assets cannot be set off against any other income.



IMPACT ON ECONOMY

The budget has a substantial impact on the economy, both in terms of expenditure allocations (capital and income) and the impact of tax plans on economic development, as well as in terms of describing how the fiscal deficit would be filled. The size of the fiscal deficit and the resources available to finance it have an impact on the money supply and interest rate during the fiscal year. The widespread assumption is that the government would stick to its existing strategy of increasing capital expenditures. However, bringing steps to boost private sector engagement, which continues to be low, according to an RBI assessment, would be critical. To tide over the SPV-based infra contracts, tax policies such as group taxation might assist make private players more feasible and increase their involvement; a policy that is already popular in Malaysia and other Southeast Asian nations. This will augment the current finances from banks and NBFCs which otherwise have shorter liability profiles with an asset-liability mismatch. This creates stress on the system.

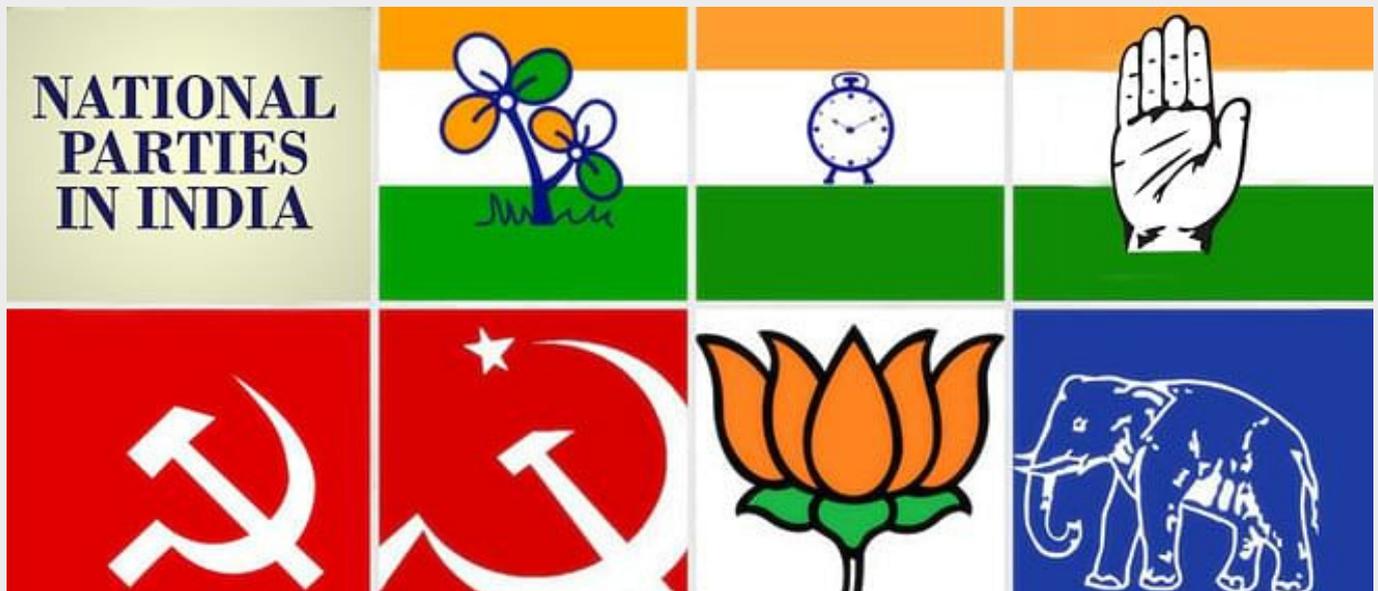
India is home to more than 1300 Global Capability Centres (GCCs), employing more than 13 lakh people directly and generating over \$33.8 billion in annual revenue. The government could consider widening as well deepening it further to increase global share from 52 percent to almost 65-70 percent, with some support in infrastructure development, increased investment in skill development, creating an ecosystem that fosters innovation, and of course consistent tax policies.

The government could consider bringing fast-track APAs for this segment to bring more tax certainty. The basic objective should be to bring more regional headquarters of MNEs to India; Singapore gets a fair share of that at present. This will bring higher-end jobs, and also more revenues to the country.

Finally, attention to improving private consumption cannot be emphasized enough. The Indian growth story has so far been propelled by consumption only. On that, increasing standard deductions will definitely help in putting more money in the pocket of individuals. Increasing interest deduction limit on home loans can have twin benefits, give a fillip to real estate (a crucial sector) and consumption growth.



“Budgeting isn’t about limiting yourself – it’s about making the things that excite you possible.”



POLITICAL (CITIZEN) INVOLVEMENT

Union Budget disappointing, nothing in it for common people: Kejriwal

Delhi Chief Minister Arvind Kejriwal on Tuesday dubbed the Union Budget 2022-23 as "disappointing" and said it has nothing for the common people.

In a tweet in Hindi, the Aam Aadmi Party (AAP) national convenor noted that people had "high expectations" from the Union Budget during the corona period but there is nothing in it either for the common people or to reduce the price of rice.

"People had high expectations from the Budget during the corona period. The Budget has disappointed the people. There is nothing in the Budget for the general public. Nothing to reduce price rise," Mr. Kejriwal said.- PTI

JD-U calls the Budget "disappointing"

BJP's ruling alliance party in Bihar JD-U termed the union budget "disappointing". Party's parliamentary board chairman Upendra Kushwaha said, "union budget is historic for developed states but for Bihar it is disappointing".

Finance minister Nirmala Sitharaman disappointed Biharis by not saying anything on our demand of granting special status to Bihar, he added.- Amarnath Tewary

Visionary Budget outlines govt's focus on making India self- reliant: BJP

Hailing the Union Budget as 'visionary', top BJP leaders on Tuesday said it outlines the Narendra Modi government's focus on a self-reliant India and is growth-oriented, with a focus on harnessing the energies of New India.

Union Minister Nitin Gadkari praised the budget for giving impetus to infrastructure development, and said, "It is a budget to promote modern infrastructure in the country, which will lay the foundation for a new India and improve the lives of 130 crore Indians."

*With a little creativity and resourcefulness,
you can upcycle anything into beautiful
holiday ornaments.*

By **2030** the world's population is projected to rise by more than **1 billion**



SOCIAL AND DEMOGRAPHIC CHANGE

What are Demographics? The impact of demographic change on our economy.

Demographics are the characteristics of populations that change over time. Demographic change is about people and their lives. It is about what we do, how we work, and where we call home. It is about our communities and the way we all live together. It is about embracing the variety of people and backgrounds that enrich and shape our societies.

As a result, major demographic trends offer both unique challenges and opportunities for businesses, societies, and investors.

The impact of demographic change can be felt right across our economy and society. This has become evident in recent months with large parts of the economy brought to a standstill and necessary social distancing measures affecting our everyday lives. It has implications for the future of our welfare and health systems, budgets, housing, and infrastructure needs. Our cities and urban areas will potentially become more crowded and rural areas will face their own set of challenges. Our careers will continue to change and we will have to find solutions to ensure every individual stays competitive in the face of a shrinking working-age population.

What is social change? How Does Social Change Play a Part?

Social change is the evolution of people's behaviors or cultural norms over time. Sociologists define social change as changes in human interactions and relationships that transform cultural and social institutions. These changes occur over time and often have profound and long-term consequences for society.

Strong social change movements have often been influenced by demographic changes, including:

- Ending poverty and hunger
- Expanding healthcare in developing nations
- Reforming education quality and accessibility
- Championing gender and racial equality

Examples of major human rights movements include creating stronger environmental policies and securing women's right to vote.

“Don't make money, create wealth. Making money is easy. Being able to create and sustain wealth is what will set you apart from the rest.”



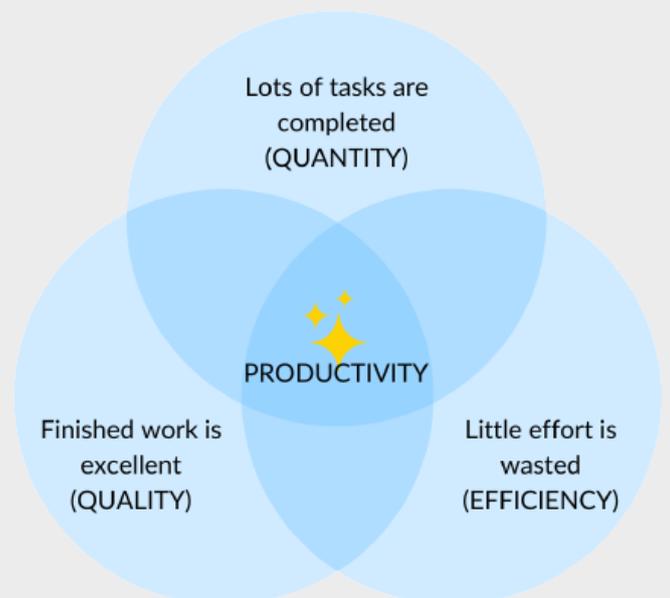
FACTORS AFFECTING EMPLOYMENT

A closer look at the industries shows that the manufacturing sector has lost 9.8 million jobs, the CMIE report said. Around 5 million jobs were lost in the hotels and tourism industry while the education sector saw another 4 million job losses. The overall services sector reported a net decline of 1.8 million on the jobs front. The losses were offset by 7.8 million employment opportunities created in the retail trade segment.

A mere increase in employment, as it happened in December 2021, is not good enough, the CMIE report argued.

A recent analysis by Motilal Oswal also indicated that the apparent rise in formal employment seen in EPFO monthly payroll data might be mere eyewash. Economists at the market research firm stated that since every new EPFO subscriber does not represent new employment, it is very difficult to comment on overall employment generation in the country.

“With due respect to all kinds of labor, it can be argued that manufacturing jobs are usually better-quality jobs compared to construction and agricultural jobs. And, within services, employment in hotels and tourism or education is often of better quality than employment in retail trade which is mostly delivery agents,” CMIE stated.



“Compound interest is the eighth wonder of the world. He who understands it earns it, he who doesn’t, pays it.”



AMENDMENTS IN INCOME TAX.

The compilation includes all the amendments made by the Finance Act 2020, under the income tax Act relevant for the FY 20-21 and 21-22, the amendments and insertions that are considered important in my opinion have been presented in detail whereas only the reference of sections has been given for other amendments.

The Finance Act 2020 has brought various amendments in the Income Tax which are relevant for the Financial Year (FY) 2020-21 some of the major amendments and new sections inserted by the Finance Act 2020 have been discussed in detail in the compilation attached herewith.

The compilation has been prepared on the basis of the information as collected from the Finance Act 2020 and the memorandum explaining the finance bill 2020, the analysis portion of the compilation is completely personal opinion framed on the basis of interpretation of the law.

The Compilation also consists of discussions for certain relaxations granted under Direct Taxes due to the COVID pandemic.

- Rate of Income Tax
- Sec 80 IAC- Rationalization of provisions of start-ups.
- Sec 80IBA – Deduction to Builders under Affordable Housing
- Sec 80EEA- Deduction for interest on loan taken for House Property
- Sec 43CA, 50C, and 56- Increase in safe harbor limit of 5 percent to 10 percent
- Section 35 AD-Providing an option to the assessee for not availing deduction.
- Sec 115A- Exempting non-residents from the filing of Income-tax returns in certain
- Sec 192-Deferring TDS or tax payable in respect of income pertaining to ESOP of start-ups.
- Sec 194J- Reducing the rate of TDS on fees for technical services
- Sec 206C- Widening the Scope of Sec 206C for TCS levy on certain other transaction
- Section 17- Rationalization of the tax treatment of employer's contribution to RPF, superannuation funds, and NPS.
- Section 6- Modifications of Residency Provisions
- Sec 194C- Amending definition of Works under Sec 194C

“A budget isn’t about restricting what you can spend. It gives you permission to spend without guilt or regret.”



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“A budget doesn’t limit your freedom; it gives you freedom.”