



BUDGET 23

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The Union Finance Minister Nirmala Sitharaman presented the Union Budget for the fiscal year 2023–24. The Union Budget builds on the vision set in previous budgets and foundation laid since 2014 and aims to provide stability and continuity, improve ease of doing business, and augment domestic value addition. A technology-driven, knowledge-based economy with sound public finances and a thriving financial sector is part of vision for the Amrit Kaal. ‘Sabka saath, sabka prayaas’ is crucial for achieving this ‘janbhagidari,’ said Finance Minister.

India Budget 2023 Overview

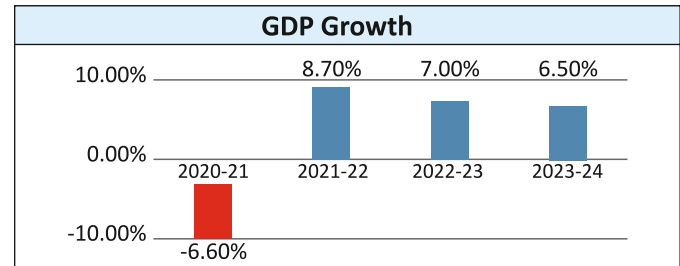
In these nine years, the size of the Indian economy has increased from being tenth to the fifth largest in the world. Important Highlights of the Budget :

- The per capita income in India has more than doubled to ₹ 1.97 lakh over the past nine years.
- EPFO membership has more than doubled to ₹ 27 crore.
- ₹ 7,400 crore digital payments of ₹ 126 lakh crore has taken place through UPI in 2022.
- Insurance cover for 44.6 crore persons under PM Suraksha Bima and PM Jeevan Jyoti Yojana.
- Cash transfer of ₹ 2.2 lakh crore to over 11.4 crore farmers under PM Kisan Samman Nidhi.

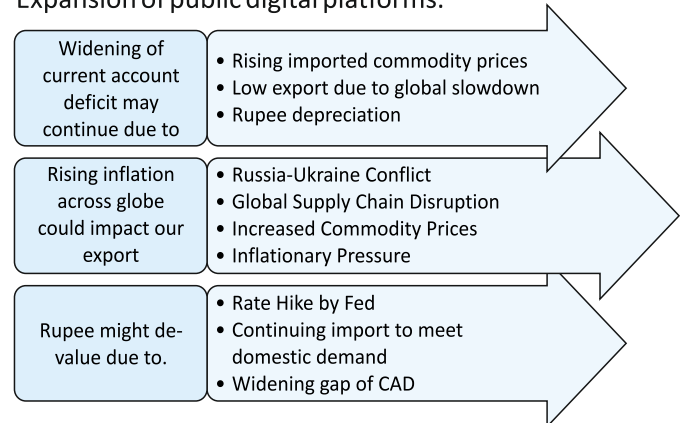
In Revised Estimate (RE) 2022-23, of the total expenditure has been estimated at 41,87,232 crore which is more than the Actuals of FY 2021-22 by 3,93,431 crore. The total capital expenditure in RE 2022-23 is estimated at 7,28,274 crore. The total expenditure in Budget Estimate (BE) 2023-24 is estimated at 45,03,097 crore of which total capital expenditure is 10,00,961 crore. Budget 2023-24 reflects continuing strong commitment of the Union Government to boost economic growth by investing in infrastructure development leading to an increase in capital expenditure by 37.4 percent over RE 2022-23. Effective Capital Expenditure, at 13,70,949 crore in BE 2023-24, shows an increase of 30.1 percent over RE 2022-23. Total resources being transferred to the States including the devolution of State’s share, Grants/Loans and releases under Centrally Sponsored Schemes, etc. in BE 2023-24 is

17,97,537 crore, which shows an increase of 1,43,056 crore over Actuals of FY 2021-22.

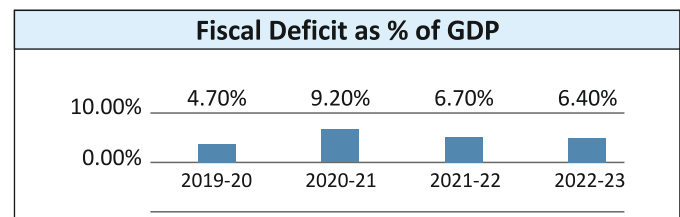
India’s GDP is projected to grow by 6.5% in 2023-24 bringing it closer to becoming a USD 5tn economy. Factors driving growth



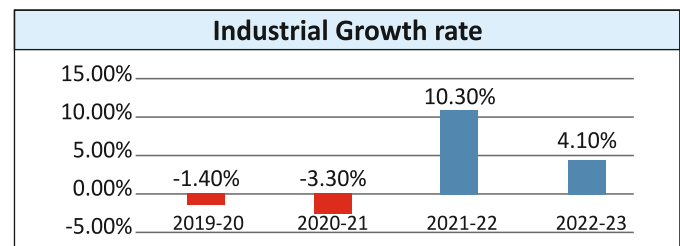
includes Vigorous credit disbursal, Strong Lenders, Government initiatives, Increased private consumptions, Expansion of public digital platforms.



The government is on track to achieve the fiscal deficit target in FY 23. The Fiscal reserve is USD 563bn covering



9.3 months of imports. M-O-M Inflation fell below 6% as of Dec 2022 (tolerance limit of RBI) despite high Inflation.



Significant announcements :

- Railways receive ₹ 2.4 lakh crore, the largest amount in history.
- The objective for agricultural loans has been raised to ₹ 20 lakh crore.
- Mobility Infrastructure : 50 new airports and heliports.
- 50 places will be chosen using the challenge method for tourism.
- Mahila Samman Savings Certificates with deposits of up to ₹ 2 lakh and 7.5% interest would be made available.
- The Senior Citizens Savings Scheme deposit cap was increased from ₹ 15 lakh to ₹ 30 Lakh

G20 Presidency: Steering the global agenda through challenges

In these times of global challenges, the G20 Presidency gives India a unique opportunity to strengthen India's role in the world economic order. With the theme of 'Vasudhaiva Kutumbakam', India are steering an ambitious, people-centric agenda to address global challenges, and to facilitate sustainable economic development said FM in the Budget Speech.

Priorities of Budget 2023-24 :

The Budget 2023-24 adopts the following seven priorities. They complement each other and act as the 'Saptarishi' guiding us through the Amrit Kaal.

- Inclusive Development
- Reaching the Last Mile
- Infrastructure and Investment
- Unleashing the Potential
- Green Growth
- Youth Power
- Financial Sector

Highlights of the Direct Tax Proposals of Finance Bill 2023

The tax proposals in the Budget were focused on rationalisation and simplification albeit with some

important changes. Apart from an overhaul of the new tax regime applicable to individuals, an increase in the tax-exempt income slab, an increase in the tax-exempt leave encashment limit, and so on. In addition, the benefit of the standard deduction has been extended to salaried and pensioner taxpayers, and the highest surcharge rate has been reduced under the new tax regime. The FM proposed introducing a next-generation "Common Income Tax Return (ITR) Form" for the convenience and benefit of taxpayers

The Budget maintained its focus on supporting MSMEs and startups.

Highlights of the Indirect Taxes Proposals

The indirect tax proposals are mainly focused on 'Make in India' initiative of the Government to promote exports, boost domestic manufacturing, enhance domestic value addition, with special emphasis on green energy and green mobility. The number of basic customs duty rates on goods has been reduced from 21 to 13, other than textiles and agriculture. The basic customs duties, cess, and surcharges on items like toys, bicycles, automobiles, and naphtha have been slightly modified. To avoid tax cascading on blended compressed natural gas, excise duty on GST-paid compressed biogas contained in it has been waived.

The customs duty exemption on the import of specified capital goods and machinery required for the manufacture of lithium-ion cells used in the batteries of electrically powered vehicles (EVs) has been extended until March 31, 2024. In order to increase domestic value addition in the manufacture of mobile phones, the FM announced a reduction in customs duty on certain parts and inputs, such as camera lenses. Customs duties on camera lenses and their parts that are used to make camera modules for cell phones have been cut to zero, and the reduced duty on lithium-ion cells used in batteries has been extended for another year. Denatured ethyl alcohol used in the chemical industry is set to be duty-free.

From a Goods and Services Tax (GST) standpoint, most of the amendments such as decriminalisation of offences, clarity in definitions of OIDAR/ nontaxable online recipient, etc. have been aligned to GST Council recommendations made in December 2022. Few major

changes include provisions empowering common GST portal to share data with other notified systems and restriction of input tax credit on goods/services used for Corporate Social Responsibility (CSR) activities.

The primary expectation from this budget was prompt implementation of an Amnesty plan to address any procedural GST issues that have emerged since its launch in 2017, particularly those arising as a result of difficulties in the GSTN interface and migration to the GST law. The Budget totally disappointed in this front.

There was no mention of GST Tribunal in the Budget. It is imperative that GST Tribunals would need to be up and running across the country at the earliest. The delay in setting up these Tribunals is because the Madras High Court has ruled that the number of technical members in

the Tribunal should not exceed the number of judicial members. As is their wont, the GST Council has referred the matter to a Group of Ministers who are yet to submit their recommendations. This delay is reminding taxpayers of the saying, "Justice delayed is justice denied".

I hope the monthly "Insight" which we are sharing is of help and trust that the current edition serves as a useful reference document. Comments and suggestions for improving our next edition are sincerely welcome.

Regards,

S. L. Jain

S. L. Jain



The Economic Survey 2022-23

The Economic Survey comes when global uncertainties are rife. Barely had the pandemic receded, and the war in Ukraine broke out in February 2022. Prices of food, fuel and fertilizer rose sharply. As inflation rates accelerated, central banks of advanced countries responded with tightening monetary policy. Many developing countries, in the South Asian region, faced severe economic stress due to weaker currencies, a stronger dollar, higher import prices, the rising cost of living, making debt servicing more expensive. Slowdown led by United States (USA) effected economies of other countries including European Countries. Created a fear for recession. Fear of War prevailing further adversely effected economies.



In general, global economic shocks happens to be severe but spaced out in time. Three shocks hit the global economy since 2020, pandemic-induced contraction of the global output, followed by the Russian-Ukraine conflict leading to a worldwide surge in inflation and then, the central banks across economies led by the Federal Reserve responded with synchronised policy rate hikes to curb inflation. The rate hike by the US Fed drove capital into the US markets causing the US Dollar to appreciate against most currencies. This led to the widening of the Current Account Deficits (CAD) and increased inflationary pressures in net importing economies. The rate hike and persistent inflation also led to a lowering of the global growth forecasts for 2022 and 2023 by the IMF in its October 2022 update of the World Economic Outlook. The frailties of the Chinese economy further contributed to weakening the growth forecasts. Slowing global growth apart from monetary tightening

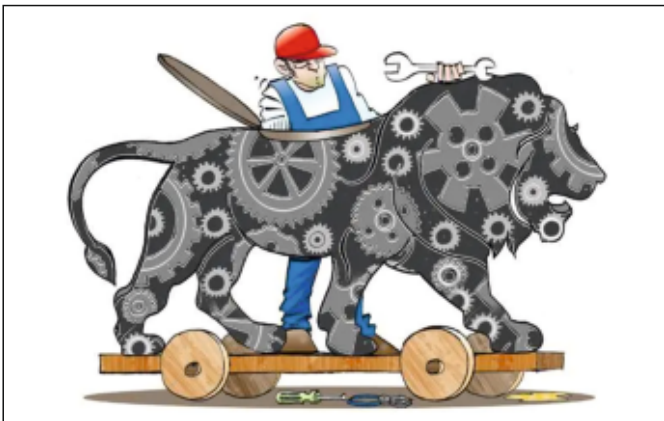
may also lead to a financial contagion emanating from the advanced economies where the debt of the non-financial sector has risen the most since the global financial crisis. With inflation persisting in the advanced economies and the central banks hinting at further rate hikes, downside risks to the global economic outlook appear elevated.



For India, 2022 is special. It marked the 75 th year of India's Independence. India became the world's fifth-largest economy, measured in current dollars. Come March, the nominal GDP of India will be around US\$ 3.5 trillion. In real terms, the economy is expected to grow at 7 per cent for the year ending March 2023. This follows an 8.7 per cent growth in the previous financial year. The rise in consumer prices has slowed considerably. The annual rate of inflation is below 6 per cent. Wholesale prices are rising at a rate below 5 per cent. The export of goods and services in the first nine months of the financial year (April – December) is up 16 per cent compared to the same period in 2021-22. Although the high oil price this year compared to last inflated India's import bill and caused the merchandise trade deficit to balloon, concerns over the current account deficit and its financing have ebbed as the year rolled on. Foreign exchange reserve levels are comfortable and external debt is within low range.

India had a good monsoon, and reservoir levels are higher than last year and the 10-year average. The fundamentals of the Indian economy are sound as it enters its Amrit Kaal, the 25-year journey towards its centenary as a modern, independent nation. Policies pursued carefully and consciously have ensured that the recovery is robust and sustainable.

While reforms after 2014 have emphasised enhancing the ease of living and doing business to improve, use of technology and are not limited product and capital markets, creating economic efficiency. The key principles anchored are creating public goods, adopting trust-based governance, partnering with the private sector for development and improving agricultural productivity. With cleaner, leaner and stronger balance sheets and payoffs flowing from reforms, India's potential growth stands elevated, and the ability of the economy to grow at its potential is enhanced.



The Indian economy, however, appears to have moved on after its encounter with the pandemic, staging a full recovery in FY22 ahead of many nations and positioning itself to ascend to the pre-pandemic growth path in FY23. Yet in the current year, India has also faced the challenge of reining in inflation that the European strife accentuated. Measures taken by the government and RBI, along with the easing of global commodity prices, have finally managed to bring retail inflation below the RBI upper tolerance target in November 2022. However, the challenge of the depreciating rupee, although better performing than most other currencies, persists with the likelihood of further increases in policy rates by the US Fed. The widening of the CAD may also continue as global commodity prices remain elevated and the growth momentum of the Indian economy remains strong. The loss of export stimulus is further possible as the slowing world growth and trade shrinks the global market size in the second half of the current year.

Despite these, agencies worldwide continue to project India as the fastest - growing major economy at 6.5-7.0

per cent in FY23. These optimistic growth forecasts stem in part from the resilience of the Indian economy seen in the rebound of private consumption seamlessly replacing the export stimuli as the leading driver of growth. The uptick in private consumption has also given a boost to production activity resulting in an increase in capacity utilisation across sectors. The rebound in consumption was engineered by the near-universal vaccination coverage overseen by the government that brought people back to the streets to spend on contact-based services, such as restaurants, hotels, shopping malls, and cinemas, among others. The world's second-largest vaccination drive involving more than 2 billion doses also served to lift consumer sentiments that may prolong the rebound in consumption. Vaccinations have facilitated the return of migrant workers to cities to work in construction sites as the rebound in consumption spilled over into the housing market. This is evident in the housing market witnessing a significant decline in inventory overhang to 33 months in Q3 of FY23 from 42 months last year.



India's economic growth in FY23 has been principally led by private consumption and capital formation. It has helped generate employment as seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund. Still, private capex soon needs to take up the leadership role to put job creation on a fast track. Recovery of MSMEs is proceeding apace, as is evident in the amounts of Goods and Services Tax (GST) they pay, while the Emergency Credit Linked Guarantee Scheme (ECLGS) is easing their debt servicing concerns. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has been directly providing jobs in rural areas and indirectly

creating opportunities for rural households to diversify their sources of income generation. Schemes like PM Kisan and PM Garib Kalyan Yojana have helped in ensuring food security in the country, and their impact was also endorsed by the United Nations Development Programme (UNDP). The results of the National Family Health Survey (NFHS) also show improvement in rural welfare indicators from FY16 to FY20, covering aspects like gender, fertility rate, household amenities, and women empowerment.

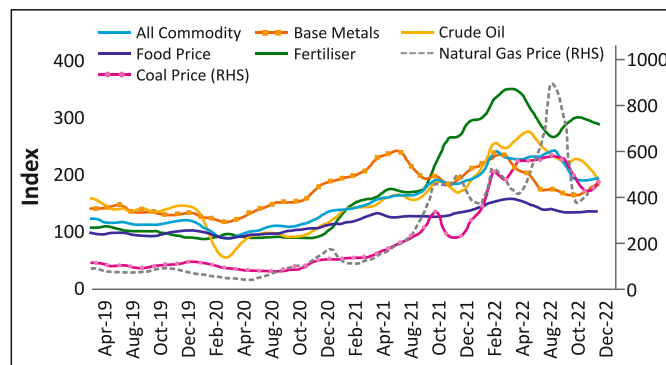


Global growth has been projected to decline in 2023 and is expected to remain generally subdued in the following years as well. The slowing demand will likely push down global commodity prices and improve India's CAD in FY24. However, a downside risk to the Current Account Balance stems from a swift recovery driven mainly by domestic demand and, to a lesser extent, by exports. The CAD needs to be closely monitored as the growth momentum of the current year spills over into the next. Growth is expected to be brisk in FY24 as a vigorous credit disbursement, and capital investment cycle is expected to unfold in India with the strengthening of the balance sheets of the corporate and banking sectors. Further support to economic growth will come from the expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the Production - Linked Incentive schemes to boost manufacturing output.

Global economic recovery was well on track until the Russia-Ukraine conflict broke out in February 2022. The conflict has now continued for almost a year, disrupting

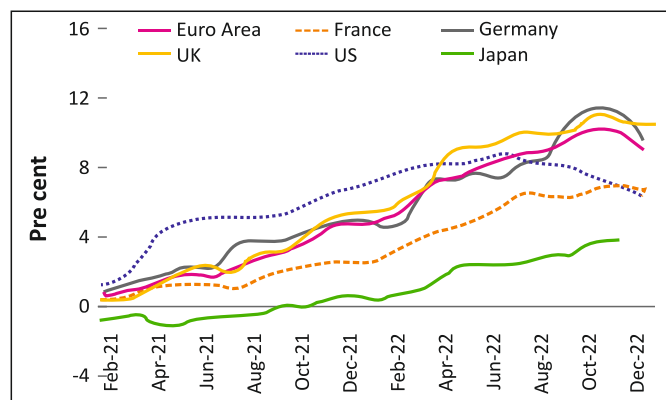
the restoration of the supply chains disrupted earlier by lockdowns and limited trade traffic. In the last eleven months, the world economy has faced almost as many disruptions as caused by the pandemic in two years. The conflict caused the prices of critical commodities such as crude oil, natural gas, fertilisers, and wheat to soar. This strengthened the inflationary pressures that the global economic recovery had triggered, backed by massive fiscal stimuli and ultra-accommodative monetary policies undertaken to limit the output contraction in 2020. Inflation in Advanced Economies (Aes), which accounted for most of the global fiscal expansion and monetary easing, breached historical highs. Rising commodity prices also led to higher inflation in the Emerging Market Economies (EMEs), which otherwise were in the lower inflation zone by virtue of their governments undertaking a calibrated fiscal stimulus to address output contraction in 2020.

Sharp rise in commodity prices due to the Russia-Ukraine conflict

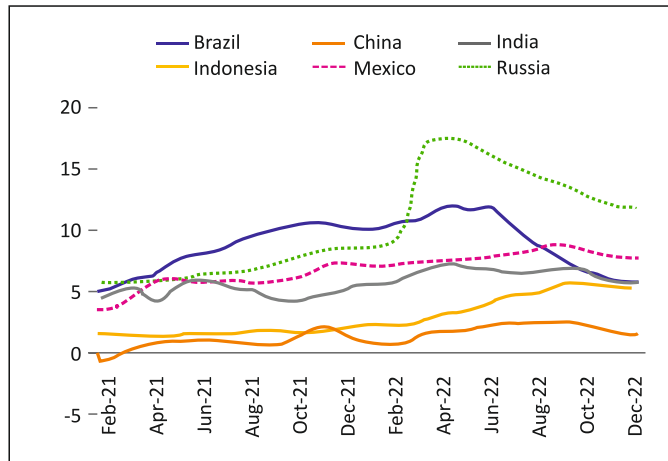


Inflation stays high, driven by high food and energy prices

Advanced Economies



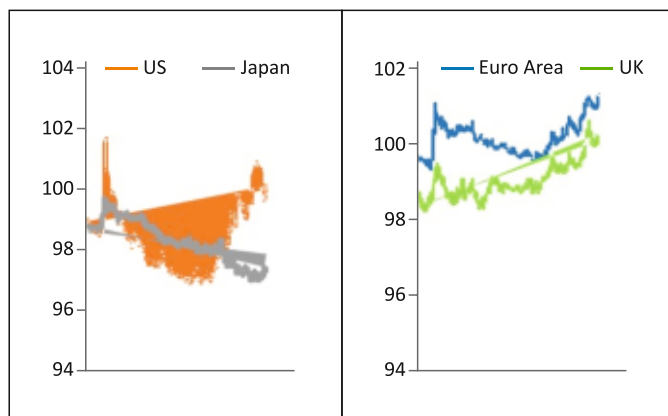
Emerging Market Economies



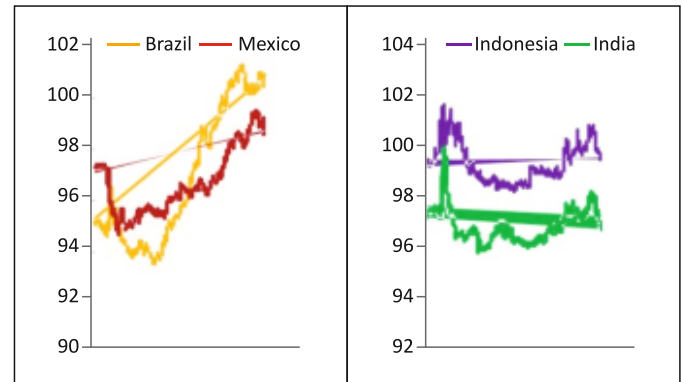
Central banks, which were slow to react to price pressures, realise, belatedly, the necessity and the inevitability of a strong monetary policy response. Led by the US Federal Reserve, central banks have been hiking policy rates and rolling back liquidity to rein in inflation synchronously. The pace of this tightening cycle has been rapid - the Federal Reserve's pace of rate hikes is the quickest since the inflationary episode of the 1970s, with the central bank having raised interest rates by 425 basis points since March 2022. As the impact of monetary policy actions is felt with a lag, inflation rates remained stubbornly high during the early phase of the rate hike cycle but have begun to decline lately. At the same time, synchronised rate hikes by the central banks have not tightened financial conditions sufficiently enough for central banks to end their tightening campaign.

Financial Conditions tighten

Advanced Economies



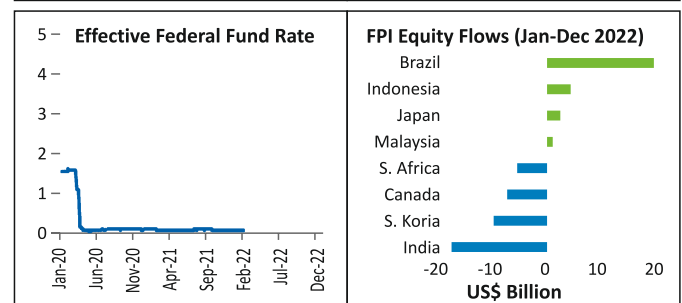
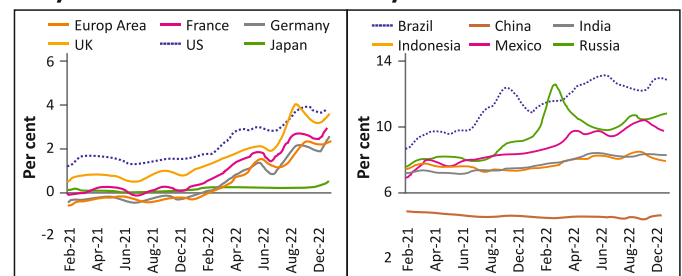
Emerging Market Economies



Inflation and monetary tightening led to a hardening of bond yields across economies and resulted in an outflow of equity capital from most of the economies around the world into the traditionally safe-haven market of the US. Unlike the past when the capital flight was more out of the EMEs given their relatively greater vulnerabilities, or the perception thereof, this time around, capital has also flown out from the advanced economies. The capital flight subsequently led to the strengthening of the US Dollar against other currencies - the US Dollar index strengthened by 16.1 per cent between January and September 2022. The consequent depreciation of other currencies has been widening the CAD and increasing inflationary pressures in the net importing economies.

Hardening of bond yields across economies

10-year Bond Yield in AEs 10-year Bond Yield in EMEs



The Federal Funds Rate was raised by a cumulative 425 basis points since Jan 2022 leading to capital flight from EMEs and Aes

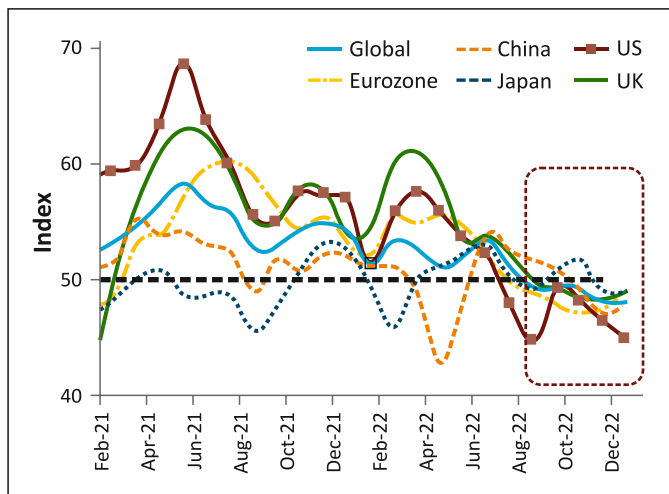
Rising inflation and monetary tightening led to a slowdown in global output beginning the second half of 2022. The global PMI composite index has been in the contractionary zone since August 2022, while the yearly growth rates of global trade, retail sales, and industrial production have significantly declined in the second half of 2022. The consequent dampening of the global economic outlook, also compounded by expectations of a further increase in borrowing costs, was reflected in the lowering of growth forecasts by the IMF in its October 2022 update of the World Economic Outlook (WEO).

Global economic challenges led to a downward revision in growth forecast across countries

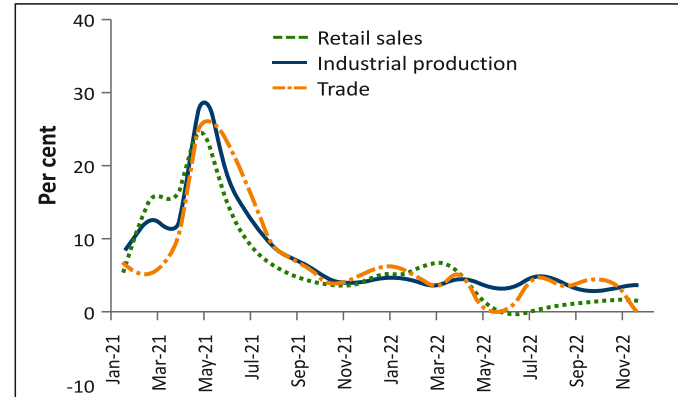
| | Growth Projections (per cent) | | Change from WEO Update (July 2022) (per cent) | |
|-------------------------|-------------------------------|------|---|------|
| | 2022 | 2023 | 2022 | 2023 |
| World | 3.2 | 2.7 | 0 | -0.2 |
| Advanced Economies | 2.4 | 1.1 | -0.1 | -0.3 |
| United States | 1.6 | 1 | -0.7 | 0 |
| Euro Area | 3.1 | 0.5 | 0.5 | -0.7 |
| UK | 3.6 | 0.3 | 0.4 | -0.2 |
| Japan | 1.7 | 1.6 | 0 | -0.1 |
| Emerging Mkt. Economies | 3.7 | 3.7 | 0.1 | -0.2 |
| China | 3.2 | 4.4 | -0.1 | -0.2 |
| India* | 6.8 | 6.1 | -0.6 | 0 |

Note: *Projection for India is for its fiscal year (Apr-Mar), while for the other economies, it is from Jan-Dec.

Global Composite PMI in the contractionary zone since August 2022



YoY growth in retail sales, industrial production and trade falling



China's Retail Sales Growth (YoY) moderating

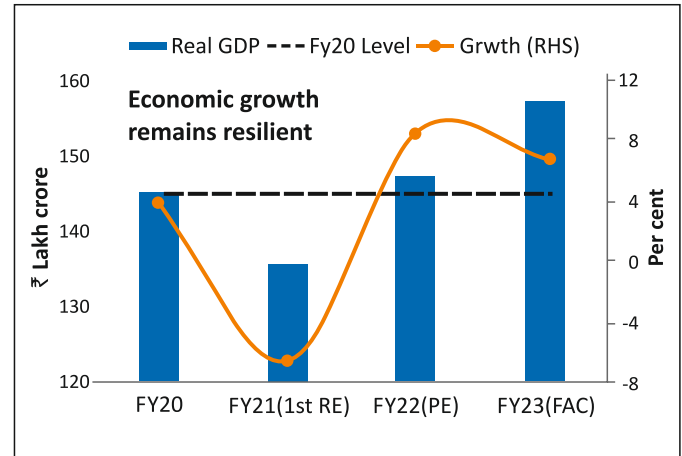
Further tightening of monetary policy may aggravate fragilities built up in the financial system over the years, such as private and government debt structures, the effects of which could trigger financial contagion. Non financial sector debt of most economies has increased considerably as a percentage of GDP since Q1 of 2008 when the global financial crisis struck. India is, however, one of the few countries whose debt burden has declined over this period, mainly because of the country's banking sector balance sheet clean-up and the corporate sector's deleveraging exercise undertaken during the last decade. Yet, an increase in the general government debt burden in India has attracted much attention, even as systemic risks of a financial breakdown are concentrated in other parts of the world.

| Core Debt of most major economies except India is higher as compared to 2008 | | | | | | | | |
|--|-------------|-------------------|------------|-------|----------------------|-------------------|------------|-------|
| Core debt of the non-financial sector (Q2 2022, % of GDP) | | | | | Change since Q2 2008 | | | |
| Debt/GDP (Avg %) | Ho use hold | Pvt Non-Financial | Government | Total | House hold | Pvt Non Financial | Government | Total |
| Global Avg | 62 | 160 | 88 | 248 | -4 | 15 | 27 | 38 |
| Australia | 117 | 181 | 52 | 232 | 7 | -9 | 42 | 33 |
| Brazil | 35 | 88 | 91 | 179 | 17 | -36 | 28 | 66 |
| Mainland China | 62 | 220 | 74 | 295 | 43 | 107 | 47 | 155 |
| France | 67 | 231 | 114 | 345 | 19 | 71 | 47 | 118 |
| Germany | 56 | 128 | 67 | 195 | -4 | 0.4 | 2 | 3 |
| India | 36 | 88 | 82 | 170 | -7 | -17 | 16 | -7 |
| Italy | 43 | 113 | 151 | 264 | 4 | -4 | 47 | 43 |
| Japan | 69 | 187 | 238 | 426 | 9 | 29 | 94 | 122 |
| South Korea | 106 | 222 | 45 | 268 | 35 | 61 | 23 | 84 |
| Mexico | 16 | 40 | 41 | 81 | 3 | 12 | 20 | 33 |
| South Africa | 35 | 67 | 71 | 138 | -9 | -13 | 45 | 32 |
| Spain | 57 | 155 | 118 | 273 | -26 | -56 | 82 | 26 |
| UK | 84 | 150 | 107 | 257 | -11 | -28 | 62 | 34 |
| US | 76 | 155 | 108 | 264 | -22 | -15 | 48 | 33 |

In the developed world, inflationary pressures are abating but they are still on the higher side historically and relative to the inflation targets that many countries have adopted. Major central banks have reduced the pace of interest rate hikes in their latest rounds of monetary policy reviews to assess the impact thus far. Still, they have reiterated that terminal policy rates will be significantly higher than market expectations. Strong employment data and sharply lower headline inflation for December have raised hopes of the US economy achieving a softer landing. Similarly, in Europe, warmer winter weather has neutralised the risk of a near-term energy crisis. Lately, however, banks have reported much weaker earnings growth, and technology companies have begun to announce layoffs in America. Therefore, on balance, downside risk to the global economic outlook dominates.

Macroeconomic and Growth Challenges in the Indian Economy

The impact of the pandemic on India was seen in a significant GDP contraction in FY21. The following year, FY22, the Indian economy started to recover despite the Omicron wave of January 2022. This third wave did not affect economic activity in India as much as the previous waves of the pandemic did since its outbreak in January 2020. Mobility enabled by localised lockdowns, rapid vaccination coverage, mild symptoms and quick recovery from the virus contributed to minimising the loss of economic output in the January-March quarter of 2022. Consequently, output in FY22 went past its pre-pandemic level in FY20, with the Indian economy staging a full recovery ahead of many nations. The experience with the Omicron variant engendered a cautious optimism that it was possible to stay physically mobile and engage in economic activities despite the pandemic. FY23 thus opened with a firm belief that the pandemic was rapidly on the wane and that India was poised to grow at a fast pace and quickly ascend to the pre-pandemic growth path.



Broad-based growth driven by Demand and Investment

However, the conflict in Europe necessitated a revision in expectations for economic growth and inflation in FY23. The country's retail inflation had crept above the RBI's tolerance range in January 2022. It remained above the target range for ten months before returning to below the upper end of the target range of 6 per cent in November 2022. During those ten months, rising international commodity prices contributed to India's retail inflation as also local weather conditions like excessive heat and unseasonal rains, which kept food prices high. The government cut excise and customs duties and restricted exports to restrain inflation while the RBI, like other central banks, raised the repo rates and rolled back excess liquidity.

With monetary tightening, the US dollar has appreciated against several currencies, including the rupee. However, the rupee has been one of the better-performing currencies worldwide, but the modest depreciation it underwent may have added to the domestic inflationary pressures besides widening the CAD. Global commodity prices may have eased but are still higher compared to pre-conflict levels. They have further widened the CAD, already enlarged by India's growth momentum. For FY23, India has sufficient forex reserves to finance the CAD and intervene in the forex market to manage volatility in the Indian rupee.

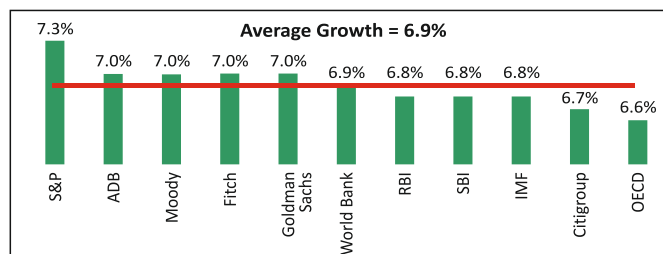
For many countries around the world, including India, 2021 was a period of recovery for health and economies from the impact of the pandemic. For the advanced

economies, in particular, the enormous fiscal stimulus earlier injected by their governments supported a strong demand revival. Growth in world trade subsequently followed, of which India was also a beneficiary. India's exports surged in FY22, and the momentum lasted up to the first half of FY23. Export growth was strong enough to increase India's share in the world market of merchandise exports. However, due to aggressive and synchronised monetary tightening, global economic growth has started to slow, and so has world trade. As per United Nations Conference on Trade and Development (UNCTAD) latest global trade update, global trade growth turned negative during the H2:2022, and geopolitical frictions, persisting inflationary pressures, and subdued demand are expected to suppress global trade further in 2023. This is likely to affect many countries, including India, with the prospects of sluggish exports continuing into FY24, compared to the promise shown at the beginning of the current year.

India's Economic Resilience and Growth Drivers

Monetary tightening by the RBI, the widening of the CAD, and the plateauing growth of exports have essentially been the outcome of geopolitical strife in Europe. As these developments posed downside risks to the growth of the Indian economy in FY23, many agencies worldwide have been revising their growth forecast of the Indian economy downwards. These forecasts, including the advance estimates released by the NSO, now broadly lie in the range of 6.5-7.0 per cent. Despite the downward revision, the growth estimate for FY23 is higher than for almost all major economies and even slightly above the average growth of the Indian economy in the decade leading up to the pandemic. IMF estimates India to be one of the top two fast-growing significant economies in 2022. Despite strong global headwinds and tighter domestic monetary policy, if India is still expected to grow between 6.5 and 7.0 per cent, and that too without the advantage of a base effect, it is a reflection of India's underlying economic resilience; of its ability to recoup, renew and re-energize the growth drivers of the economy.

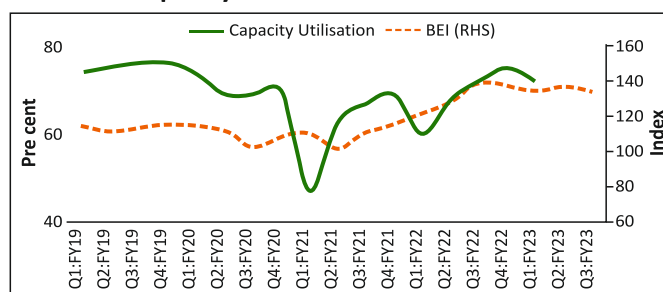
India growth projections by various agencies for FY23



India's economic resilience can be seen in the domestic stimulus to growth seamlessly replacing the external stimuli. The growth of exports may have moderated in the second half of FY23. However, their surge in FY22 and the first half of FY23 induced a shift in the gears of the production processes from mild acceleration to cruise mode. Manufacturing and investment activities consequently gained traction. By the time the growth of exports moderated, the rebound in domestic consumption had sufficiently matured to take forward the growth of India's economy. Private Consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the highest among the second quarters of all the years since 2013-14, supported by a rebound in contact-intensive services such as trade, hotel and transport, which registered sequential growth of 16 per cent in real terms in Q2 of FY23 compared to the previous quarter.

Although domestic consumption rebounded in many economies, the rebound in India was impressive for its scale. It contributed to a rise in domestic capacity utilisation. Domestic private consumption remains buoyant in November 2022, as indicated by Motilal Oswal's Economic Activity Index. The index estimates that private consumption grew at a five-month high pace of 5.6 per cent YoY, driven by auto sales and broad-based expansion of services.

Enhanced capacity utilisation and business sentiments



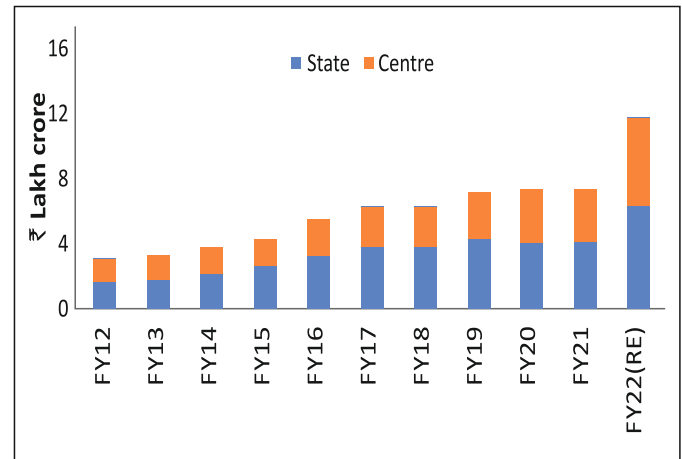
The near-universal coverage of vaccination in India overseen by the government was the single most important reason that brought people out to the streets to re-experience the “bazaar” as the marketplace was rapidly populated with service providers returning to resume business. The contact-based service providers like restaurants, hotels, shopping malls, cinemas, and tourist destinations, among others, soon ran up a thriving business and have significantly contributed to keeping up the consumer sentiments, as captured in repeated surveys. If, on the one hand, the universal vaccination coverage saved lives, on the other, it served as a health stimulant to raise consumer sentiments and thus the recovery and growth of the economy demand, a phenomenon not again unique to India but nonetheless exhibiting a local phenomenon influenced by a rise in the share of consumption in disposable income. Since the share of consumption in disposable income is high in India, a pandemic-induced suppression of consumption built up that much greater recoil force. Hence, the consumption rebound may have lasting power. Accelerating growth in personal loans in India testifies to an enduring release of “pent-up” demand for consumption. RBI’s most recent survey 3 of consumer confidence released in December 2022 pointed to improving sentiment with respect to current and prospective employment and income conditions.

The “release of pent-up demand” was reflected in the housing market too. Demand for housing loans picked up. Consequently, housing inventories have declined, prices are firming up, and construction of new dwellings is picking up pace. This has stimulated innumerable backward and forward linkages that the construction sector is known to carry. The universalisation of vaccination coverage also has a significant role in lifting the housing market as, in its absence, the migrant workforce could not have returned to construct new dwellings.

Apart from housing, construction activity, in general, has significantly risen in FY23 as the much-enlarged capital budget (Capex) of the central government and its public sector enterprises is rapidly being deployed. Going by the

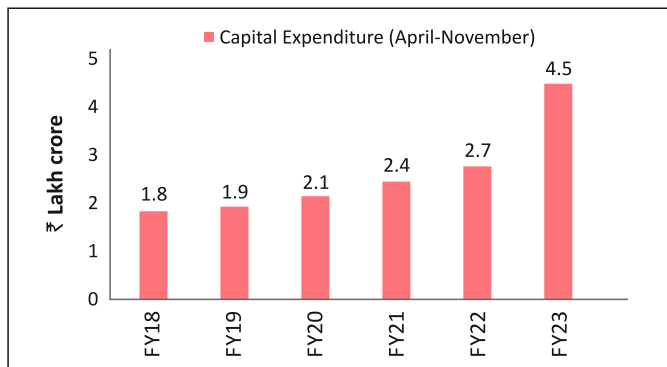
Capex multiplier estimated for the country, the economic output of the country is set to increase by at least four times the amount of Capex. States, in aggregate, are also performing well with their Capex plans. Like the central government, states also have a larger capital budget supported by the centre’s grant-in-aid for capital works and an interest-free loan repayable over 50 years.

Total Capex expenditure grew average rate of 13.0% in FY12 and FY22

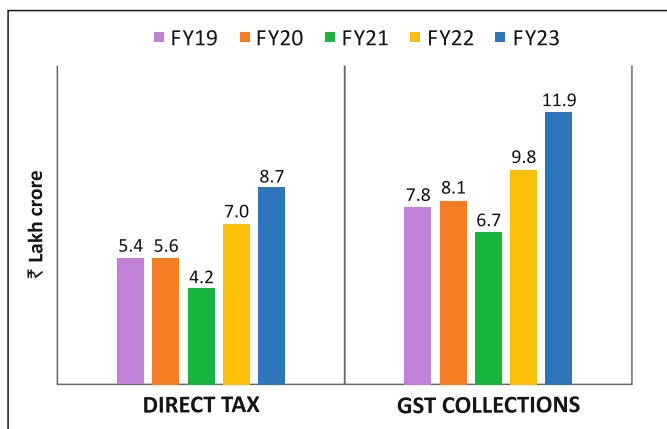


A capex thrust in the last two budgets of the Government of India was not an isolated initiative meant only to address the infrastructure gaps in the country. It was part of a strategic package aimed at crowding-in private investment into an economic landscape broadened by the vacation of non-strategic PSEs (disinvestment) and idling public sector assets. Three developments support this 6 . First, the significant increase in the Capex budget in FY23, as well as its high rate of spending. Second, direct tax revenue collections have been highly buoyant, and so have GST collections, which should ensure the full expending of the Capex budget within the budgeted fiscal deficit. The growth in revenue expenditure has also been limited to pave the way for higher growth in Capex. Third, the pick-up in private sector investment since the January-March quarter of 2022. Evidence shows an increasing trend in announced projects and capex spending by the private players. Surveys of leading industry CEOs also reveal their plans and commitment to increasing Capex.

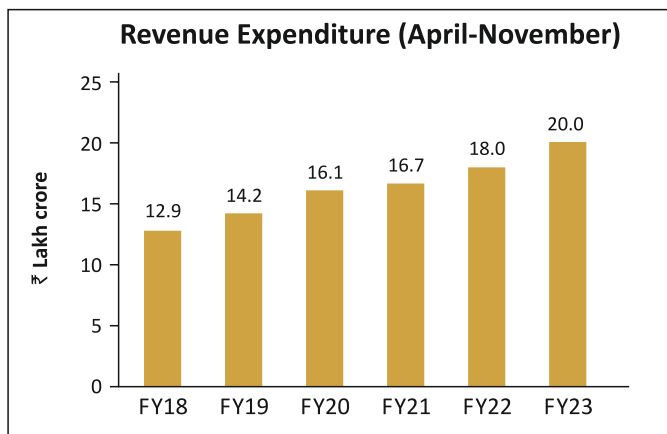
Capex doubled in the past five years



Buoyant tax collections (April-November)



Limited growth in revenue expenditure



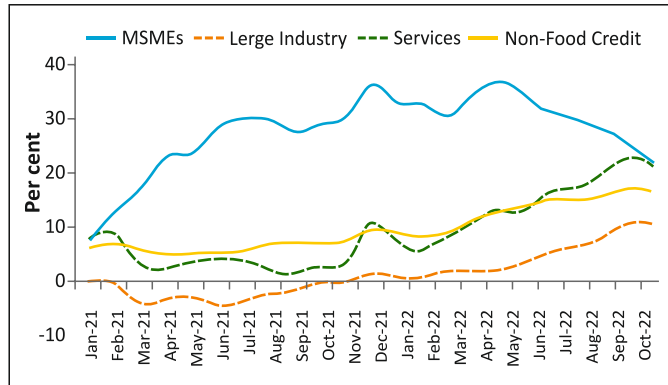
While an increase in export demand, rebound in consumption, and public capex have contributed to a recovery in the investment/manufacturing activities of the corporates, their stronger balance sheets have also played a big part equal measure to realising their spending plans. As per the data on non-financial debt from the Bank for International Settlements, in the

course of the last decade, Indian non-financial private sector debt and non-financial corporate debt as a share of GDP declined by nearly thirty percentage points. This limited the increase in interest costs, which, together with possible savings on overheads during lockdowns, contributed to the recent fortification of corporate balance sheets by higher profits. In FY22, the surge in exports also contributed to increasing profits in the corporate world. After-tax profits were also boosted by the lower taxes announced in 2019. Better profitability helped corporates pay down debt. Consequently, not only do corporates have more scope to borrow now, but their improved financial health has also reassured their prospective lenders to expand their credit portfolios. As per Axis Bank Business and Economic Research, Capex by the Corporate sector increased to ₹ 3.3 lakh crore in H1 of FY23, driven by heavy investments in electricity, steel, chemicals, auto and pharmaceuticals sectors.

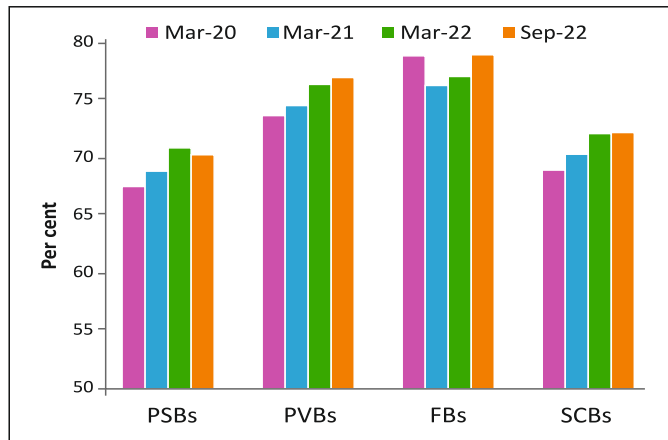
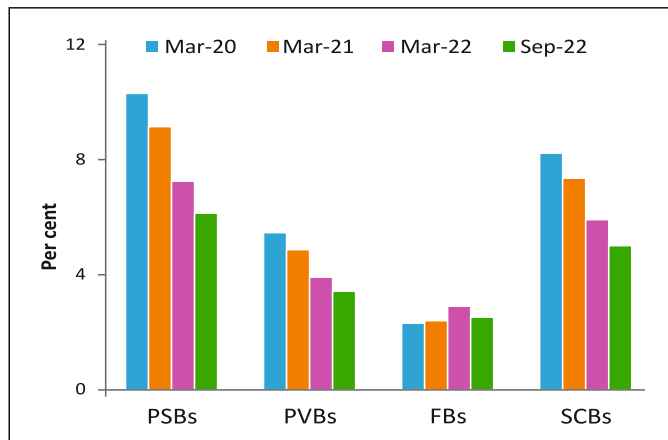
The banking sector in India has responded in equal measure to the demand for credit. The Year-on-Year growth in credit since the January-March quarter of 2022 has moved into double-digits and is rising across most sectors. The credit growth to the MSME sector has been remarkably high, over 30.5 per cent, on average, during Jan-Nov 2022, supported by the extended ECLGS of the central government. The aggressive supply of credit by the banking sector has as much been triggered by their improved financial health as that of the corporates. The finances of the public sector banks have seen a significant turnaround, with profits being booked at regular intervals and their Non-Performing Assets (NPAs) being fast-tracked for quicker resolution/liquidation by the Insolvency and Bankruptcy Board of India (IBBI). At the same time, the government has been providing adequate budgetary support for keeping the PSBs well-capitalized, ensuring that their Capital Risk-Weighted Adjusted Ratio (CRAR) remains comfortably above the threshold levels of adequacy. The successful macro stress tests performed on the banking sector further testify to its financial strength. It does help that the banking sector has negligible cross-border claims in times when currency risk is high. Nonetheless, financial strength has helped banks make up for lower debt financing provided by

corporate bonds and External Commercial Borrowings (ECBs) so far in FY23. Rising yields on corporate bonds and higher interest/hedging costs on ECBs have made these instruments less attractive than the previous year.

Double-digit growth in Bank Credit to MSMEs

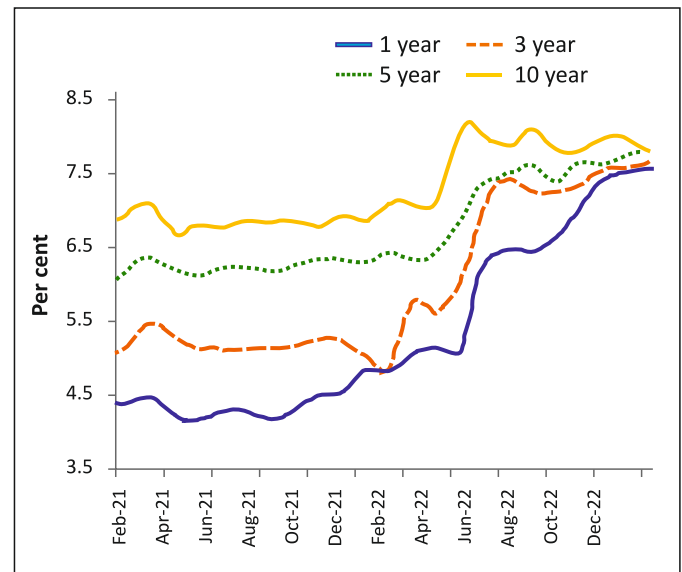


Declining SCB's GNPA Ratio Provisioning Coverage Ratio

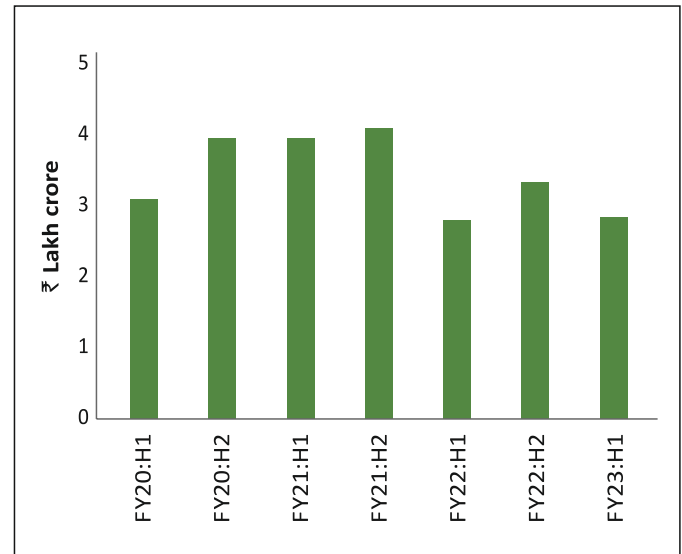


Note: SCBs stand for Scheduled Commercial Banks, PSBs stand for Public Sector Banks, PVBs stand for Private Sector Banks, FBs stands for Foreign Banks, GNPA stands for Gross Non-Performing Assets.

Rising Corporate Bond yields

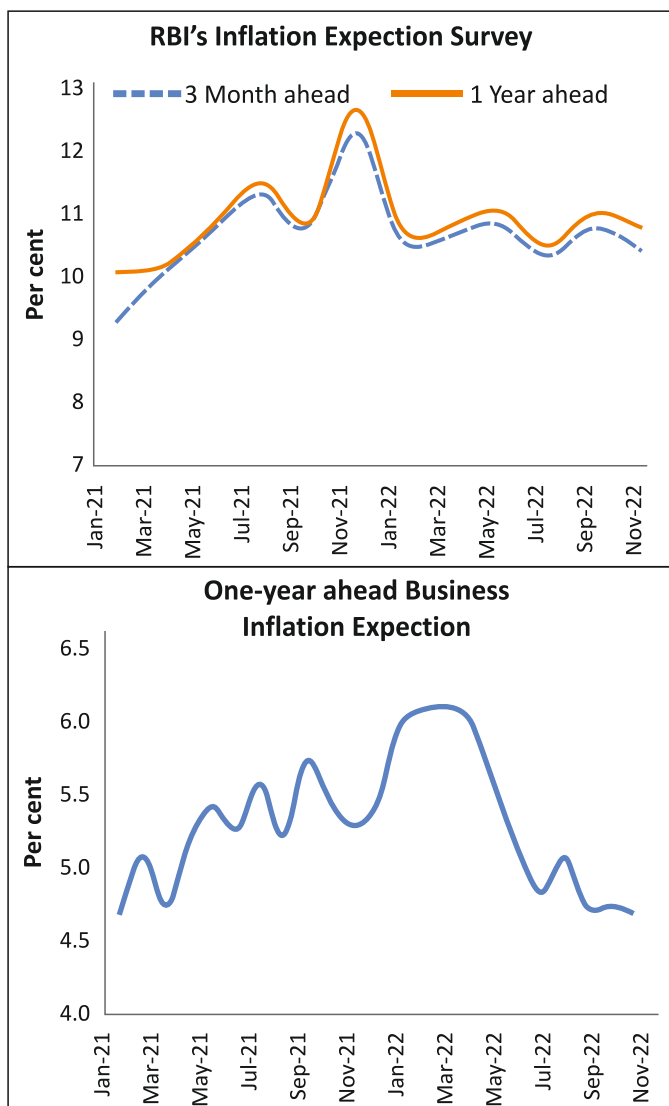


Moderation in Private Placements of Corporate Bonds



RBI has projected headline inflation at 6.8 per cent in FY23, which is outside its target range. At the same time, it is not high enough to deter private consumption and also not so low as to weaken the inducement to invest. Moderately high inflation has further ensured the anchoring of inflationary expectations preventing prices from weakening demand and growth in India. Additionally, with inflation on the declining path, the interest cost of domestic credit will likely decline, inducing a further increase in demand for credit by corporates and retail borrowers.

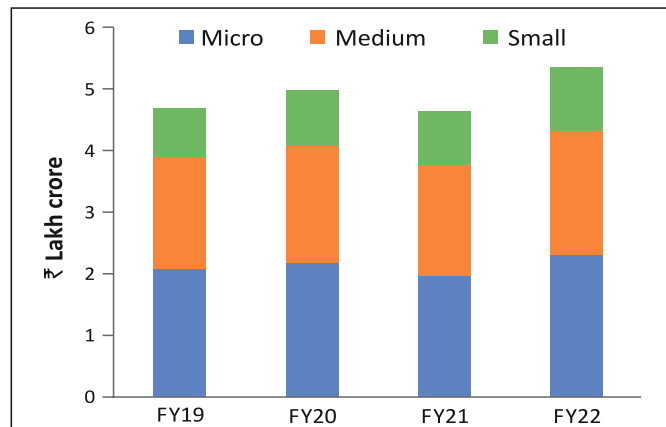
Inflation Expectations Anchoring



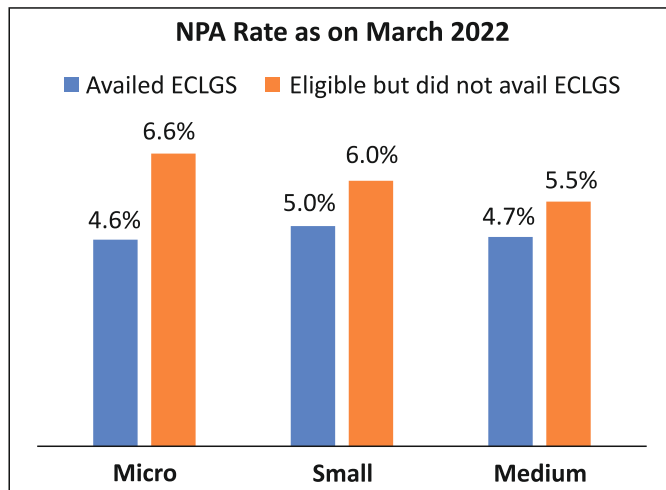
Growth is inclusive when it creates jobs. Both official and unofficial sources confirm that employment levels have risen in the current financial year. The Periodic Labour Force Survey (PLFS) shows that the urban unemployment rate for people aged 15 years and above declined from 9.8 per cent in the quarter ending September 2021 to 7.2 per cent one year later (quarter ending September 2022). This is accompanied by an improvement in the labour force participation rate (LFPR) as well, confirming the emergence of the economy out of the pandemic-induced slowdown early in FY23. Job creation appears to have moved into a higher orbit with the initial surge in exports, a strong release of the “pent-up” demand, and a swift

rollout of the capex. Since export growth is plateauing and the “pent-up” release of demand will have a finite life, it is essential that capex continues to grow to facilitate employment in the economy, at least until such time the global economy rebounds and, through the export channel, provides an additional window to India for job creation. Thankfully, the private sector has all the necessary pre-conditions lined up to step up to the plate and do the capex heavy lifting. Their internal resource generation is good, capacity utilisation is high, and the demand outlook continues to improve. Capital markets are willing to finance new investments, as are financial institutions. In FY21, the Government announced the Emergency Credit Line Guarantee Scheme. The scheme has succeeded in shielding micro, small and medium enterprises from financial distress. A recent CIBIL report (ECLGS Insights, August 2022) showed that the scheme has supported MSMEs in facing the covid shock, with 83 per cent of the borrowers that availed of the ECLGS being micro-enterprises. Among these micro units, more than half had an overall exposure of less than ₹10 lakh. Furthermore, CIBIL data also shows that ECLGS borrowers had lower non-performing asset rates than enterprises that were eligible for ECLGS but did not avail of it. Further, the GST paid by MSMEs after declining in FY21 has been rising since and now has crossed the pre-pandemic level of Fy20, reflecting the financial resilience of small businesses and the effectiveness of the pre-emptive government intervention targeted towards MSMEs.

GST paid by MSMEs in Fy22 crossed the pre-pandemic level



ECLGS aided MSMEs in improving asset quality



Outlook: 2023-24

India's recovery from the pandemic was relatively quick, and growth in the upcoming year will be supported by solid domestic demand and a pickup in capital investment. The current Economic Survey 2022-23 growth trajectory will be supported by multiple structural changes that have been implemented over the past few years. The private sector – financial and non financial – was repairing balance sheets, which led to a slowdown in capital formation in the previous decade. The financial system stress experienced in the second decade of the millennium, evidenced by rising non-performing assets, low credit growth and declining growth rates of capital formation, caused by excessive lending witnessed in the first decade-plus, is now behind us. Aided by healthy financials, incipient signs of a new private sector capital formation cycle are visible. More importantly, compensating for the private sector's caution in capital expenditure, the government raised capital expenditure substantially. Budgeted capital expenditure rose 2.7X in the last seven years, from FY16 to FY23, re-invigorating the Capex cycle. Structural reforms such as the introduction of the Goods and Services Tax and the Insolvency and Bankruptcy Code enhanced the efficiency and transparency of the economy and ensured financial discipline and better compliance.

Even as India's outlook remains bright, global economic

prospects for the next year have been weighed down by the combination of a unique set of challenges expected to impart a few downside risks. Multi-decadal high inflation numbers have compelled central banks across the globe to tighten financial conditions. The impact of monetary tightening is beginning to show in slowing economic activity, especially in Advanced Economies. Besides this, adverse spillovers from the prolonged strains in supply chains and heightened uncertainty due to geo-political conflict have further deteriorated the global outlook. Hence, global growth is forecasted to slow from 3.2 per cent in 2022 to 2.7 per cent in 2023 as per IMF's World Economic Outlook, October 2022. A slower growth in economic output coupled with increased uncertainty will dampen trade growth. This is seen in the lower forecast for growth in global trade by the World Trade Organization, from 3.5 per cent in 2022 to 1.0 per cent in 2023.

On the external front, risks to the current account balance stem from multiple sources. While commodity prices have retreated from record highs, they are still above pre-conflict levels. Strong domestic demand amidst high commodity prices will raise India's total import bill and contribute to unfavourable developments in the current account balance. These may be exacerbated by plateauing export growth on account of slackening global demand. Should the current account deficit widen further, the currency may come under depreciation pressure. Another risk to the outlook originates from the ongoing monetary tightening exercise. While the pace of rate hikes has slowed, major central banks have reaffirmed their hawkish stance on inflation.

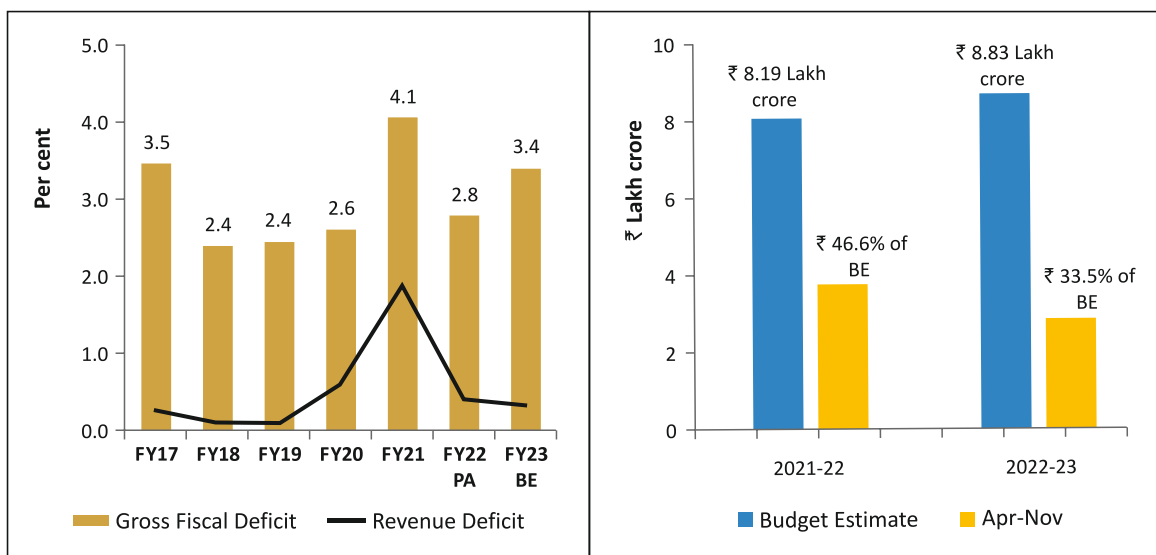
Entrenched inflation may prolong the tightening cycle, and therefore, borrowing costs may stay 'higher for longer'. In such a scenario, global economy may be characterized by low growth in FY24. However, the scenario of subdued global growth presents two silver linings oil prices will stay low, and India's CAD will be better than currently projected.




The overall external situation will remain manageable. The upside to India's growth outlook arises from (i)






limited health and economic fallout for the rest of the world from the current surge in Covid-19 infections in China and, therefore, continued normalisation of supply chains; (ii) inflationary impulses from the reopening of China’s economy turning out to be neither significant nor persistent; (iii) recessionary tendencies in major AEs triggering a cessation of monetary tightening and a return of capital flows to India amidst a stable domestic inflation rate below 6 per cent; and (iv) this leading to an improvement in animal spirits and providing further impetus to private sector investment.




Against this backdrop, the survey projects a baseline GDP growth of 6.5 per cent in real terms in FY24. The projection is broadly comparable to the estimates provided by multilateral agencies such as the World Bank, the IMF, and the ADB and by RBI, domestically. The actual outcome for real GDP growth will probably lie in the range of 6.0 per cent to 6.8 per cent, depending on the trajectory of economic and political developments globally.

Consolidation of States’ Deficits as per cent of GDP



| Sector | Highlights | Effect |
|---|--|--------|
| <p>Agriculture</p>  | <ul style="list-style-type: none"> ◆ India has been a net exporter of agricultural product in this year ◆ Fund Outlay - Agricultural credit target increased to INR 20 lakh crores; Agriculture Accelerator Fund for agri-startups; Outlay of INR2,200 crores towards Atmanirbhar Horticulture Clean Plant Program; Outlay of INR6,000 crore towards PM Matsya Sampada Yojana; Assistance of INR5,300 crore to be given to Upper Bhadra Project. ◆ Infrastructure improvements includes digital farmer centric solutions; improving supply chain; decentralization storage capacity; multipurpose co-operative societies to be set up. ◆ Green Initiatives : PM - PRANAM – Incentives to promote use of alternative fertilisers; 10,000 bio-inputs resource centres; 500 new ‘waste to wealth’ plants; Green credit programme. ◆ Skilling : Support to be given to develop Indian Institute of Millet Research; developing AI based solutions in agriculture; 5G services for precision farming. | F |
| <p>Defence</p>  | <ul style="list-style-type: none"> ◆ 6.7% increase in Capital Outlay allocation & 15.90% in revenue ◆ Basic Custom Duty, Agri Cess and SWS reduced on Aircrafts and Aircraft Tyres. Extension of certain exemptions in relation to Defence & Aerospace. ◆ Creation of Agniveer Corpus Fund ◆ INR 5,000 crore has been allocated for ‘Works under Border Roads Development Board. | F |
| <p>Banking & Finance</p>  | <ul style="list-style-type: none"> ◆ Credit guarantee scheme for MSMEs of INR 9,000 crores enabling additional collateral-free guaranteed credit of INR 2 lakh crore. ◆ Several initiatives and measures to promote the financial markets, support development of the IFSC. ◆ IFSC has been a focus area for the Government and to ensure ease of setting-up and doing business in IFSC, Powers under SEZ Act delegated to IFSCA and providing a single window for registrations. ◆ Tax proposals: introduction of a new tax treatment for MLD, coverage of shares issued to non-residents within the scope of gift tax provisions, extending the exemption from thin capitalization rules to certain classes of NBFCs, enabling Mutual Fund unit holders to adopt concessional withholding tax rates under applicable tax treaties, and removal of exemption from withholding tax interest payments made to residents on listed debentures, Non-applicability of limit on interest deduction to certain NBFCs. ◆ Pending issues not addressed: Lower tax to Foreign Banks; extension of sunset clause relating to concessional withholding tax rates on interest paid to foreign lenders and | N |

| Sector | Highlights | Effect |
|---|--|--------|
| Infrastructure  | <ul style="list-style-type: none"> ◆ INR10 Lakh Crore allocated to capex ◆ No change in corporate tax rate or new incentive for infrastructure sector ◆ Overall, the budget proposals intend to provide impetus to growth (including green growth), job creation and strengthening macro-economic stability. This would have multiplier effect in making India reach its goal of USD 5 trillion economy by 2025. | F |
| Media & Entertainment  | <ul style="list-style-type: none"> ◆ Specific provision for taxability and WHT on winnings from “online games” ◆ The ambiguity around GST rate and valuation of services related to online gaming for the purpose of GST continues and with the WHT proposal, the online gaming industry hopes to have clarity from the GST Council soon. The expansion of scope on the GST levy would impact several businesses having customer base in India and could increase the cost of their services to Indian customers | N |
| Oil & Gas  | <ul style="list-style-type: none"> ◆ Custom duty is exempted on denatured ethyl alcohol which will facilitate Ethanol Blending Program and excise exemption on CGN to the extent of GST paid on bio-gas. ◆ In addition to Green Hydrogen Mission, the Budget provides INR35,000 crore allocation towards energy transition, net-zero objectives and energy security by Ministry of Petroleum & Natural Gas. ◆ 500 new waste-to-wealth (biogas) plants at an investment of INR10,000 crore to be established. Additionally, 5% CBG mandate to be introduced for all organizations marketing natural and biogas. ◆ The government will return 95% of the forfeited amount relating to bid or performance security to MSMEs where there was failure to execute contracts during the covid period. This will provide relief to MSMEs operating in oil and gas sector | F |
| Life-Science  | <ul style="list-style-type: none"> ◆ The government health expenditure has been increased from 1.4% of GDP in FY 19 to 2.1% of GDP in FY 23. ◆ 157 new nursing colleges to be set up in co-location with existing 157 medical colleges established since 2014. Customs Duty exemption extended for life saving drugs, specified drugs, Human Embryo. | N |
| Telecom  | <ul style="list-style-type: none"> ◆ Extension of concessional duty on Lithium-ion cell for use in the manufacture of battery or battery pack of cellular mobile ◆ Specific inputs and sub-parts for use in manufacture of telecommunication grade optical fibre or optical fibre cables extended up to 31 March 2025 ◆ Customs duty reduced on Camera lens for camera module and input/ sub parts for lens of camera module of cellular mobile phone ◆ In the current Budget, the sector was eyeing for further capex support from the Government and addressal of the liquidity crunch in form of blocked capital as GST credits. | N |

| Sector | Highlights | Effect |
|---|---|--------|
| Automobiles  | <ul style="list-style-type: none"> As per paragraph 9.39 of the Economic survey 2022-23, the significance of this sector can be seen in its impact on the economy, where it accounts for 7.1% to the total GDP and a substantial 49 % of the manufacturing GDP. Increased non-creditable custom duty rates by 2%~ / 4%~.on SKD vehicles Additional budget allocation to support scrappage of old vehicles of Central and State Government. | N |
| Real Estate  | <ul style="list-style-type: none"> Outlay for PM Awas Yojana has been enhanced to INR 79,000 crores which demonstrates that the Government is cognizant of the need to increase investments for growth of affordable housing in the country. Restriction of capital gains tax exemption on re-investment of consideration in residential property to INR 10 crores Value of sale consideration widened with respect to asset transfer under JDA | F |
| Technology  | <ul style="list-style-type: none"> Changes introduced in section 10AA for Sez units E-Commerce Operator liable to penalty for allowing supplies by unregistered persons or inter-sate supplies by composition taxpayers. Composition dealer permitted to make intra-state supply of goods through E-Commerce Operator. Scope of OIDAR services expanded The enhanced focus on digitalisation such as setting up of digital libraries, digi-locker to be a one-stop KYC maintenance system, setting up centre of excellence for AI and promoting PAN as a common identifier for all digital systems will create more jobs in the technology sector | N |
| F – Favorable. U – Unfavorable. N – Neutral | | |

INCOME TAX PROPOSALS

3.1. Rate of Income tax, Surcharge and cess kept unchanged for consistency to be maintained.

NEW TAX REGIME : The Rate of Tax applicable for the Assessment year 2024-25, which is also the default rate provided under the proposed sub-section (1A) of section 115BAC of the Act for determining the income-tax payable in respect of the total income of a person, being an individual or HUF, AOP, [other than a cooperative society], or BOI or an artificial juridical person :

| Income Range | New Rate | Income Range | Old Rate |
|--------------|----------|--------------|----------|
| Up to 3L | Nil | Up to 2.50 L | Nil |
| 3-6L | 5% | 2.50-5 L | 5% |
| 6-9L | 10% | 5-7.50 L | 10% |
| 9-12L | 15% | 7.50 -10L | 15% |
| 12-15L | 20% | 10-12.50 L | 20% |
| Above 15L | 30% | 12.50-15 L | 25% |
| | | Above 15 L | 30% |

Person who has exercised an option under sub-section (6) of section 115BAC, tax shall be computed without allowing for any exemption or deduction as provided under clause (i) of subsection (2) of section 115BAC of the Act.

A new section 115BAE of the Act is proposed to be introduced, for a new manufacturing co-operative society set up on or after 01.04.2023, which commences manufacturing or production on or before 31.03.2024 and does not avail of any specified incentive or deductions, may opt to pay tax at a concessional rate of 15% for assessment year 2024-25 onwards. Surcharge would be at 10% on such tax.

Rebate under section 87A : From assessment year 2024-25 onwards, an assessee, being an individual resident in India whose income is chargeable to tax under the proposed sub-section (1A) of section 115BAC, shall now be entitled to a rebate of 100 per cent of the amount of income-tax payable on a total

income not exceeding Rs 7 lakh as against Rs.5 lakhs presently. A salary employee be entitled to claim Standard Deduction Rs 50,000/-

Reduction in surcharge on HNIs, brings down India's highest income tax rate to 39% : from 42.74 per cent at present, by reducing the surcharge applicable on high income individuals. The highest surcharge rate from 37 per cent is reduced to 25 per cent under the new tax regime.

| Surcharge | New Rate | Surcharge | Old Rate |
|------------|----------|------------|----------|
| Above 50 L | 10% | Above 50 L | 10% |
| Above 1 Cr | 15% | Above 1 Cr | 15% |
| Above 2 Cr | 25% | Above 2 Cr | 25% |
| | | Above 5 Cr | 37% |

The Scenarios in new regime is illustrated as under:

| Particulars of Income | Scenario | Scenario | Scenario | Scenario |
|-----------------------|------------|------------|------------|------------|
| Total Earning | 10,00,000 | 25,00,000 | 60,00,000 | 5 crores |
| Standard Deduction | 50,000 | 50,000 | 50,000 | 50,000 |
| VIA / 80C | 1,50,000 | 2,00,000 | 2,00,000 | 1,50,000 |
| HRA / Other Allowance | 25,000 | - | 6,00,000 | 10,000 |
| Home Loan Interest | 50,000 | 2,00,000 | - | 2,00,000 |
| 80D | 25,000 | 50,000 | 50,000 | 75,000 |
| Total Deduction | 3,00,000 | 5,00,000 | 9,00,000 | 4,85,000 |
| Taxable Income | 7,00,000 | 20,00,000 | 51,00,000 | 4.95 L |
| Total Tax | | | | |
| Old Regime | 54,600 | 4,29,000 | 14,69,000 | 2.51 cr |
| New Regime | 54,600 | 4,52,400 | 16,98,840 | 2.29 Cr |
| Preferable | Old Regime | Old Regime | Old Regime | New Regime |

3.2 Promoting timely payments to MSM

In order to promote timely payments to micro and small enterprises, it is proposed to include payments made to such enterprises within the ambit of section 43B of the Act. by inserting a new clause (h) in section 43B of the Act to provide that any sum payable to a micro or small enterprise

beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development (MSMED) Act 2006 shall be allowed as deduction only on actual payment. The proviso to section 43B of the Act shall not apply to such payments, as a result even if payment made before due date of Return of Income, it will not be allowable and be allowable in year of payment. Section 15 of the MSMED Act mandates payments to micro and small enterprises within the time as per the written agreement not more than 45 days. If no written agreement, the payment shall be made within 15 days. Applicable from the A.Y. 2024-25.



3.3. Policy and tax reforms impacting Start-up sector :

Key amendments - for start-up entities

- ✓ Proposal to extend the period of incorporation for start-ups to 1 April 2024 from the present 1 April 2023
- ✓ Section 80-IAC provides for 100% deduction on profits and gains generated by an eligible start-up for three consecutive assessment years out of ten years beginning from the year of incorporation.
- ✓ This amendment also means that the eligible start-ups which are incorporated before 1 April 2024 also stand to enjoy other beneficial tax measures which are currently available such as deferral of ESOP taxation under Section 192(1C), relaxation on carry-forward and set-off of losses

under Section 79, angel tax exemption

- ✓ Section 79 restricts carry-forward and set-off of losses in case of closely held companies in the event of change in shareholding and beneficial ownership beyond 51%. However, a relaxation is available in case of start-ups which provides that business losses can be carried forward and set off on satisfaction of either of the following conditions:
 - Continuity of 51% beneficial shareholding or voting power
 - Continuity of 100% of original shareholders
- ✓ The above relaxation is currently available only for losses for the first seven years from the year of incorporation. The relaxation with respect to carry-forward and set-off of losses is proposed to be increased from a period of seven years to ten years.
- ✓ For start-up founders/investors:
 - Widening of the scope of angel tax to include non-resident investors
 - Section 56(2)(viib) provides for levy of angel tax in the hands of private companies where consideration for issue of shares is higher than fair market value. The scope of this angel taxation as per the said section specifically included only residents thus far.
 - However, the budget proposes to omit 'resident' from the said section with effect from 01 April 2024 thereby widening the ambit of taxation in the hands of startups to include investment received from non-residents. However eligible Start Up can claim exemption from the provision in compliance of existing CBDT circular.

3.4. Presumptive taxation schemes :

Under Sec 44AD and Sec 44ADA presumptive taxation limits for FY 2023-24 (AY 2024-25) which are to be revised as follows :

| Category | Previous limits | Revised limits |
|---|-----------------|----------------|
| Sec 44AD: For small businesses | Rs. 2 crore | Rs. 3 crore* |
| Sec 44ADA: For professionals like doctors, lawyers, engineers, etc. | Rs. 50 lakh | Rs. 75 lakh* |

*The increase in limits is subject to a condition that the 95% of the receipts must be through online modes.

Presumptive taxation u/s 44 BB/44 BBB:

To avoid misuse of these Presumptive taxation schemes it is proposed to provide that if an assessee shift from Normal tax system to Presumptive taxation under these sections, notwithstanding anything contained in subsection (2) of section 32 and sub-section (1) of section 72, no set off of unabsorbed depreciation and brought forward loss shall be allowed to the assessee for such previous year.

3.5. Reducing the time provided for furnishing TP report :

The time allowed to an assessee to furnish transfer pricing documentation and information u/s 94D during the course of relevant proceedings to be reduced from 30 days to 10 days. The assessee’s right to seek extension of up to 30 days continues.



3.6. 15% concessional tax to promote new manufacturing co-operative society :

Concessional tax regime of 15% for setting-up of new manufacturing units extended to cooperative societies set up and registered on or after 1 April 2023, and commence manufacturing on or before 31 March 2024. A new section 115BAE inserted.

3.7 Penalty for cash loan/ transactions :

For primary Agricultural credit co-operatives and primary co-operative agricultural and rural development bank: the provisions to section 269SS and 269T are proposed to be amended to increase the limit of Rs. 20,000 to Rs. 2 lakh.

3.8. Excluding non-banking financial companies (NBFC) from restriction on interest deductibility :

Owing to reclassification of NBFCs by the RBI, relevant NBFCs categorisation to be notified for to align with it. Applicability of special provisions for interest income earned on bad and doubtful debts by a NBFC and Interest deduction in the hands of borrowers on payment basis.



3.9. Amortization of preliminary expenditure sec 35D

For the purposes of deductibility of preliminary expenses, requirement of service providers being approved by CBDT done away with certain New filing requirements. W.e.f. Ay2024- 2025.

3.10 Non-Banking Financial Company (NBFC) categorization :

It is proposed to amend section 4B and section 43D of the Act, to substitute the words, “a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company”.

3.11 Providing clarity on benefits and perquisites in cash :

A business perquisite received in cash or convertible in cash does not fall under sec 28(iv) as held by the Courts. In order to align with the intention of the legislature it is proposed to clarify that Section 28 (iv) also applies any perquisite

(a) convertible in cash or not (b) or partly in cash or kind. A similar amendment is made in section 194R to provide that TDS @ 10% under this section even perquisite is in cash.



3.12. Conversion of Gold to Electronic Gold Receipt and vice versa :

In order to promote the concept of Electronic Gold, it is proposed to exclude the conversion of physical form of gold into EGR and vice versa by a SEBI registered Vault Manager from the purview of 'transfer' for the purposes of Capital gains.

3.13 Limiting the roll over benefit claimed under section 54 and section 54F :

Deduction under sections 54 and 54F available for reinvestment in a residential house to be capped at INR 10 crore. effect from AY 2024-25.

3.14. Special provision for taxation of capital gains in case of Market Linked Debentures :

It is proposed to insert a new section 50AA. In case of MLD ie Quoted Debentures falling in that category, CG will be taxable as Short tern CG. Gain after reducing cost and expenditure incurred. No deduction for STT Bonds. Till now taxable as LTCG as quoted debentures.



3.15. Prevention of double deduction claimed on interest on borrowed capital for acquiring, renewing or reconstructing a property :

It is clarified that if interest is claimed as deduction under section 24 or Chapter VIA it will not be a part of the cost of acquisition or improvement for Capital Gain Computation

3.16. Defining the cost of acquisition in case of intangible assets for computing capital gains :

In case of intangible assets or any sort of right for which no consideration has been paid for acquisition, the cost of acquisition not clearly defined as 'nil' in the present provision. Therefore a new clause in section 55 to provide that to provide that the 'cost of improvement' or 'cost of acquisition' of a capital asset being any intangible asset or any other right (other than those mentioned in the said sub-clause or clause, as the case may be) shall be 'Nil'.



3.17. Alignment of provisions of section 45(5A) Consideration Explained :

It is clarified that full value of consideration under JDA will includes cash, cheque or any other mode of payments and the stamp duty value of constructed area .

3.18. Standard Deduction on salary :

The Budget today proposed to extend the benefit of standard deduction to the new tax regime.

3.19. Rationalization of provisions related to the valuation of residential accommodation provided to employees :

Accommodation provide to employees at

concessional rent or free of rent, Perquisite are valued under different methodologies . It is proposed to amend the rule to enable a just valuation of perquisite in both situations.

3.20. Extending deeming provision under section 9 to gift to not-ordinarily resident :

It is proposed to amend clause (viii) of sub-section (1) of section 9 of the Act so as to extend this deeming provision to tax ,a sum of money exceeding Rs.50000/-, received by a not ordinarily resident, without consideration from a person resident in India, not being a relative u/s 56(2).



3.21. Tax avoidance through distribution by business trusts to its unit holders :

Income distributed, by business trusts like REITs and InVITs in addition to interest, dividend or rent, in the form of debt repayments to unit-holders, be taxable. !st it will reduce cost of units and balance income is to be taxed under Clause (xii) proposed to be inserted in Section 56(2).

3.22. Section 56(2) (viib) to apply even to Non Residents on issue of shares :

Issuance of shares to non-residents brought under the ambit of section 56(2)(viib) where issuance is at a price which exceeds fair value computed as per prescribed Rules. It will apply in relation to the assessment year 2024-25.

3.23. Increasing threshold limit for co-operatives to withdraw cash without TDS :

Section 194N of the Act is proposed to be amended by inserting a new proviso to provide that where the recipient is a co-operative society,

the provisions of this section shall have effect, as if for the words “one crore rupees”, the words “three crore rupees” had been substituted. This amendment will take effect from 1st April, 2023.



3.24. Extending the scope for deduction of tax at source to lower or nil rate :

It is proposed to amend sub-section (1) of section 197 of the Act to provide that the sums on which tax is required to be deducted under section 194LBA on income distributed by a Business Trust to a non resident of the Act shall also be eligible for certificate for deduction at lower rate. W.e.f 1.4.2023.

3.25. Removal of exemption from TDS on payment of interest on listed debentures to a resident :

Tax be deducted out of interest paid on debenture quoted on stock exchange u/s 193 of the Act.

3.26. 30% TDS on net winnings in online games, removes threshold for TDS levy :

The new provisions of section 194B and 194BB for Tax Deducted at Source (TDS) on online gaming for levy of 30 per cent on payment of aggregate winnings in a financial year of Rs 10,000/- and removal of the current Rs 10,000 threshold for the levy of TDS on each payment.

3.27. Increasing rate of TCS of certain remittances under LRS :

Overseas Tour Package 20% from present 5%; In case of remittance in LRS –(I) Education/Medical - 5%(no change) (II) Any Other - 20% (present 5%).

3.28. Amendments in consequence to new provisions of TDS :

Presently, the provisions for penalty and prosecution do not clearly mandate a penalty or prosecution for a person who does not pay or fails to ensure that tax has been paid in a situation where the benefit or perquisite is passed in kind u/s.194R. Therefore, to enable such penalty and prosecution, it is proposed to amend section 271C to enable levy of penalty.

3.29 Tax treaty relief at the time of TDS under section 196A of the Act :

Section 196A of the Act provides for TDS on payment to a non-resident (not being a company) or to a foreign company, at the rate of 20% in case of distribution in respect of units of a Mutual Fund specified under clause (23D) of section 10 of the Act or from the specified company referred to in the Explanation to clause (35) of section 10 of the Act. Proviso is inserted to provide that the TDS would be at the rate which is lower of the rate of 20% and the rate or rates provided in treaty subject to filling of TRC.

3.30. TDS on payment of accumulated balance due to an employee :

Even if a low-paid employees do not have PAN TDS is to be deducted at the maximum marginal rate out of withdrawal from PF Fund under section 192A. Hence, it is proposed to omit the second proviso to section 192A of the Act, so that on payment of accumulated balance due to him, tax will be deducted at the rate of 20% as in others.



3.31. Facilitating TDS credit for income already disclosed in the return of income of past Year :

Assessee, following accrual method, disclosed income in earlier years in their return of income, but, tax is deducted by the deductor in the year in which the income is actually paid to the assessee.. In order to enable credit of TDS to assessee, it is proposed to insert a new sub-section (20) in section 155 of the Act. W.e.f 1 October 2023, on, an application to claim TDS credit for income already disclosed in the return of income of past years in the prescribed form to the Assessing Officer within 2 years from the end of the financial year in which such tax was deducted at source. to enable the Officer to pass rectification order granting credit.



3.32. Relief from special provision for higher rate of TDS/TCS for non-filers of income-tax Returns :

In sections 206AB and 206CCA of the Act, in case of the "specified person", non filler TDS is deducted at higher rate. The persons who are not required to furnish the return of income such persons are proposed to be omitted from the definition of the "specified person", enable TDS to be deducted at normal rate.

3.33. Rationalisation of exempt income under life insurance policies :

Maturity proceeds, on insurance policies issued on or after 1.4.2023 (other than ULIP for which separate provisions already exists) be taxable, if, aggregate premium paid exceeds Rs. 5 lac in a year. Income is proposed to be exempt if received

on the death of the insured person. Income be taxable u/s 56 after deducting premium paid, if not claimed as deduction.

3.34. Specifying time limit for bringing consideration against export proceeds into India :

It is proposed to provide that Deduction under section 10AA of the Act to SEZ shall be available for such unit, if the proceeds from sale of goods or provision of services is received in, or brought into, India by the unit in convertible foreign exchange, within a period of six months from the end of the previous year or, within such further period as the competent authority may allow in this behalf.

3.35. Agnipath Scheme, 2022

A new section 10(12C) to provide exemption for payment received by the 'Agniveers' from the Agniveer Corpus Fund from tax. A new section 80CCH provide that an assessee, an Agnipath making contribution to the Agniveer Corpus Fund shall be allowed a deduction of the whole of the amount contributed by him. These amendments will take effect from the 1st day of April, 2023 and will apply w.e.f. assessment year 2023-24



3.36. Rationalization of the provisions of Charitable Trust and Institutions :

Procedure for implementation of exemption regime provided under section 10(23C) and section 12AA/12AB is amended. Principal proposed amendment along with others are :

- i. Cash expense exceeding 10000/- prohibited.
- ii. Donation by a trust to another Trust be considered as expenditure only to the extent of 85%

iii. If expenses incurred out of corpus donation or borrowed funds claimed as application, same be not allowed as application of income ,once again on deposit of corpus donation or repayment of borrowed funds.

iv. Procedural amendment in registration procedure.

3.37. Removal of exemption of news agency under clause (22B) of section 10 :

The exemption available to news agencies under clause (22B) of section 10 of the Act is proposed to be withdrawn from the assessment year 2024-25.

3.38. Tax Incentives to International Financial Services Centre :

- ✓ Relocation of Fund: Sunset clause on tax exemption on relocation to IFSC by offshore funds further extended to 31 March 2025.
- ✓ Tax exemption on income from ODI : In order to avoid double taxation, exemption provided to non-resident Offshore Derivative Instrument (ODI) holder on distribution of income by an Offshore Banking Unit (OBU) of a IFSC subject to OBU discharging the tax on the underlying transaction from ODI.
- ✓ All approvals from RBI , SEBI and SEZ authorities under a single window.



3.39. Removal of certain funds from section 80G :

The fund based on names has been omitted.

3.40. Clarification regarding advance tax while filing Updated Return :

Interest payable under section 234B shall be computed on an amount equal to the assessed tax as reduced by the amount of advance tax, the credit for which has been claimed in the earlier return for making payment of tax sub-section (4) of section 140B of the Act, on updated return filled.

3.41. Provisions relating to reassessment proceedings

Amendments have been proposed in the provisions relating to conduct of reassessment proceedings under the Act to further streamline them and facilitate their conduct and completion in a seamless manner.

3.42. Modification of directions related to faceless schemes and e-proceedings :

It is proposed to amend the relevant provisions to provide that where any direction has been issued for the purposes of giving effect to the scheme under that section before the expiry of limitation, i.e., 31st March, 2022 or 31st March, 2023, as the case may be, the Central Government may, amend such direction at any time by notification in the Official Gazette.



3.43. Proposal to prevent undervaluation of inventory

It is proposed to amend the provisions of section 142 of the Act to authorise the Assessing Officer to direct the taxpayer to get the inventory valued from a cost accountant as nominated by the prescribed tax authorities.

3.44. Assistance to authorised officer during search and seizure :

Authorised Tax officers now permitted to seek assistance of domain experts, data forensics, advance technology for decoding, valuers, locksmith, carpenters and other professionals necessary to undertake the search and seizure.

3.45. Alignment of timeline provisions under section 153 of the Act :

Time limit for completing the pending assessment and reassessment proceedings extended to 12 months from 9 months. Time for filling return in response to 148 notice enhance to 3 months and be extended on application, if extended no notice u/s 143(2) be issued. Meaning of 'last authorisation' in case Search, is provided for the purpose of reckoning the timelines for completing assessment or reassessment in search cases. In case last authorisation' is after 15 th March time for notice u/s 148 be extended.



3.46. Set off and withholding of refunds in certain cases :

It is proposed to integrate the two sections 241A & 245A by substituting section 245. Sec 245 now proposed to provide that a refund due can be adjusted against a pending demand after giving intimation in writing. Refund can also be detained, on approval as provided if proceeding for assessment/reassessment are pending and in opinion of Assessing officer refund is likely to adversely effect revenue.

3.47. Joint Commissioner (Appeals) :

A new authority for appeals is being proposed to be created at Joint Commissioner / Additional

Commissioner level to handle certain class of cases involving small amount of disputed demand.

3.48. Rationalisation of Appeals to the Appellate Tribunal :

It is proposed that an amendment may be made in sub-section (4) of section 253 to enable filing of memorandum of cross-objections in all classes of cases against which appeal by Assessing Officer.

3.49. Extension of time for disposing pending rectification applications by Interim Board for Settlement :

Where the time-limit for amending an order or for making an application under sub-section (6B) to sec 245A expires on or after 01.02.2021 but before 01.02.2022, such time-limit shall stand extended to 30.09.2023.

3.50. Provisions related to business reorganization :

In case of Amalgamation/Demerger or any other reorganization sec 170A propose to provide that

an amended return be filled within 6 months of order of NCLT/Court and if assessment is completed a rectification order be passed.

3.51. Rationalization of the provisions of the Prohibition of Benami Property Transactions Act, 1988 (the PBPT Act) :

It is proposed that the provisions of section 46 of the PBPT Act may be amended to allow the filing of appeal against the order of the Adjudicating authority within a period of 45 days from the date of receipt of order in the office of the Initiating Officer or the aggrieved person as the case may be. Similar change is also proposed with reference to the order passed by an authority under section 54A of the PBPT Act.

3.52. Decriminalization of section 276A of the Act :

It is proposed to amend section 276A by providing a sunset clause on the section with effect from 31.03.2023.



INDIRECT TAX PROPOSALS

Indirect tax proposals are aligned with the Government vision to promote 'make in India' and the emphasis is on 'atmanirbhar bharat', affirmative action on climate changes and ease of doing business.

4.1 Goods and Services Tax

On the GST front the changes in law are largely to give effect to decisions made by the GST Council held in December 2022. Indirect tax collection estimate for FY 24 is moderate as compared to a robust growth rate experienced in FY 23 and seems quite achievable. What is disappointing is the absence of any customs dispute settlement scheme or a GST late fee / interest waiver scheme which is very much needed at this point of time. Also, the Budget speech unfortunately did not even mention about Goods and Services Tax Appellate Tribunal which has led to burdening the High Courts and is a significant shortfall.



E-Commerce Sector :

Composition taxpayers engaged in the supply of goods, would be allowed to make intra-state supply through E-commerce operators. This will open huge E-commerce market for small suppliers availing composition scheme to sell their goods on the E-commerce platform. A new sub section(1B) in section 122 of the CGST Act, dealing with penalty for certain offences, is being inserted so as to provide for penal provisions applicable to E-Commerce Operator in case of contravention of provisions relating to supplies of goods made through them by unregistered persons or composition taxpayers.

Sales from Customs Bonded Warehouse :

Section 17 of the CGST Act, restricted the amount of ITC proportionately, where the goods or services are used by a registered person for effecting taxable supplies and Exempt supplies. Now through the amendment proposed, it shall also include supply of warehoused goods before clearance for home consumption. This will amount to further restricting the ITC for a person making supply warehoused goods. Input tax credit restricted on goods/services in relation to supply of warehoused goods.



ITC restricted on CSR activities :

Section 17(5) of the CGST Act, specifies goods or services on which ITC shall not be available. Through the amendment proposed, the Government intends to restrict the ITC also on goods or services or both received by a taxable person which are used or intended to be used for activities relating to his obligations under corporate social responsibility under the Companies Act, 2013.

Restriction on filing Returns :

The threshold of time limit of three years has now been prescribed for furnishing GSTR 1, GSTR 3B and GSTR 9/9C. Earlier, there was no time limit to furnish returns and a taxpayer could furnish belated returns with late fees and interest. However, the returns older than 3 years would be locked henceforth for filing.

Decriminalization of offences :

Increase in threshold for launch of prosecution and reduction in the amount for compounding for

various offences and Prosecution provisions not to be initiated in case of:

- Obstruction or preventing any officer in discharge of his duties;
- Tampering of material evidence;
- Failure to supply information or furnishing incorrect information.

OIDAR:

The definition of OIDAR services is being amended to omit the words “Essentially automated and involves minimum human intervention”. This will result in reduction in disputes that have arisen in determining whether supplies which are impossible to ensure in the absence of information technology do involve any human intervention or not.

4.2 CUSTOMS/EXCISE

This year’s budget has been largely customs centric, and a perusal of the fine print of the budget documents clearly exemplifies Government’s intent to promote domestic manufacturing, with special focus on Green mobility.

CHANGES IN CUSTOMS DUTY TARIFF

| | |
|---|--|
| In order to promote green fuel, central excise duty exemption is being provided to blended Compressed Natural Gas; with effect from 2 February 2023. | so much of the amount as is equal to the GST paid on Bio Gas/ Compressed Bio Gas contained in the blended CNG |
| Denatured ethyl alcohol for use in manufacture of industrial chemicals. Exemption on Denatured ethyl alcohol most prominent input used in chemical industry is proposed to support the Ethanol Blending Programme and facilitate Government’s endeavour for | Present 5% to Nil (subject to compliance with IGCR provisions) [HSN 2207 2000]. Notification no.02/2023- Customs dated 01 February 2023 w.e.f. 2.2.2023. |

| | |
|--|-----------------|
| energy transition and promote petroleum blending. Such exemption is a major impetus to the exporters manufacturing ‘ethyl acetate’ ‘ethanol and di-acetane alcohol’ ‘cosmetic and skincare products such as toners’ | |
| Reduction in BCD for acid grade fluorspar to make the domestic fluorochemicals industry competitive. | From 5% to 2.5% |
| Reduction in rate on Heat coils, certain parts of mobile phones like camera lens, TC panels, and seeds of Lab grown Diamonds, capital goods/ machinery for manufacture of lithium-ion cells for use in EVs to incentivize domestic value addition. Impetus has also been provided to consumer electronics sector with major exemptions being continued for parts used in mobile manufacturing for another year, and Customs duty cut for import of parts used in manufacturing open cell for TV panels | |
| To promo domestic manufacturing Camera lens and its inputs/parts for use in manufacture of camera module of cellular mobile phone | 2.5% to Nil |
| TV Panel | 5% to 2.5% |

| | |
|--|---|
| Heat Coil for use in the manufacture of Electric Kitchen Chimneys | 20% to 15% |
| To provide impetus to the domestic manufacturing and the domestic value addition, the rate of Customs duty has been increased for following items: | |
| Toys | 60% to 70% |
| Electrical kitchen chimneys. | 7.5% to 10% |
| Bicycles [Bicycles and other cycles (including delivery tricycle), not motorised] HSN 87120010 w.e.f. 2.2.2023 | BCD from present 33% to 35 |
| Compounded rubber (HSN 4005) | BCD from 10% to 25% or Rs 30/kg, whichever is lower] |
| Styrene; Vinyl Chloride Monomer | 2% to 2.5% |
| Naphtha | 1% to 2.5% |
| Basic Customs Duty exemption is introduced on import of specified capital goods/ machinery for manufacture of Lithium-ion cell for use in EV batteries <ul style="list-style-type: none"> On import of lithium-ion cell for manufacture of battery or battery packs of EV /Hybrid Vehicles; On import of other specified parts, components & sub-parts (excluding (PCBA) for manufacture of lithium-ion battery or battery pack; On import of inputs, parts or sub-parts for use in manufacturing of PCBA (falling under tariff item 8507 | The concessional BCD rate is extended upto 31 March 2024: |

| | |
|---|------------------------------------|
| 90 90) of Lithium-ion battery and battery pack | |
| Seeds for use in manufacturing of rough lab-grown diamonds | 5% to nil |
| Silver (including silver plated with gold or platinum), unwrought or in semi manufactured forms, or in powder form | 7.5% to 10% |
| Silver Dore | 6.1% to 10% |
| BCD rate reduced for various products as under with effect from 2 February 2023 | From To |
| HSN Description | 100% 30% |
| 0802 99 00 Pecan nuts | 30% 15% |
| 1504 20 Fish lipid oil for use in manufacture of aquatic feed | 7.50% 2.50% |
| 1520 00 00 Crude glycerine for use in manufacture of Epichlorohydrin | 30% 15% |
| 2102 20 00 Algal Prime (flour) for use in manufacture of aquatic feed | 15% 5% |
| 2301 20 Fish meal for use in manufacture of aquatic feed | 15% 5% |
| 2301 20 Krill meal for use in manufacture of aquatic feed | 15% 5% |
| 2309 90 90 Mineral and Vitamin Premixes for use in manufacture of aquatic feed | |
| In order to promote domestic manufacturing, non-creditable custom duty rates (after factoring effect of SWS) on vehicles covered under HSN 8703 increased: SKD vehicles including EV (CBU EV having CIF value up to \$40K; and other CBU vehicle having CIF value up to \$40K or/ and engine capacity up to 3000 cc for | from 33% to 35% from 66% to 70% |

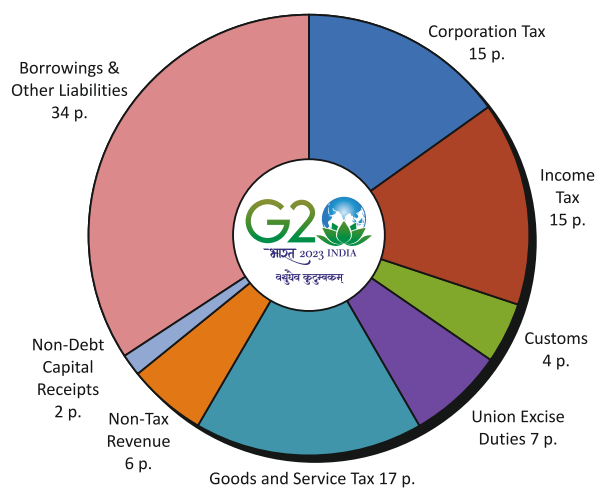
| | |
|---|--|
| <p>petroleum vehicles/ up to 2500 cc for diesel-run vehicles). W.e.f. 2.2.2023</p> | |
| <p>Solar power projects being excluded from Project Import benefits, The heading 9801 of the first schedule of Customs Tariff Act, 1975 is being amended to exclude solar power plant/solar power project. while creating some cost related hardship for these projects, will promote in-house solar module manufacturing and reduce dependance on other nations.</p> | |

Section 127 C of the Customs Act, pertaining to settlement of cases is being amended by way of insertion of sub-section (6) to specify time limit of 9 months from the date of application, for disposal of the application filed before the settlement commission. This will ensure time bound resolution.



1. Budget at a Glance presents broad aggregates of the Budget for easy understanding. This document shows receipts and expenditure as well as the Fiscal Deficit (FD), Revenue Deficit (RD), Effective Revenue Deficit (ERD) and the Primary Deficit (PD) of the Government of India. It gives an illustrative account of sources of receipts and their expenditure through graphs and infographics. In addition, the document contains details with respect to the resources transferred to the States and UTs with legislature. The document also encompasses extracts of allocations for programme and schemes and giving insights on sources of deficit financing and composition of important budgetary variables.
2. Fiscal Deficit (FD) is the adverse fiscal balance which is a difference between the Revenue Receipts Plus Non-Debt Capital Receipts (NDCR) i.e. total of the non-debt receipts and the total expenditure. FD is reflective of the total borrowing requirement of Government. Revenue Deficit (RD) refers to the excess of revenue expenditure over revenue receipts. Effective Revenue Deficit (ERD) is the difference between Revenue Deficit and Grant-in-Aid for Creation of Capital Assets. Primary Deficit is measured as Fiscal Deficit less interest payments. Effective Capital Expenditure (Eff-Capex) refers to the sum of Capital Expenditure and Grants-in-Aid for Creation of Capital Assets.

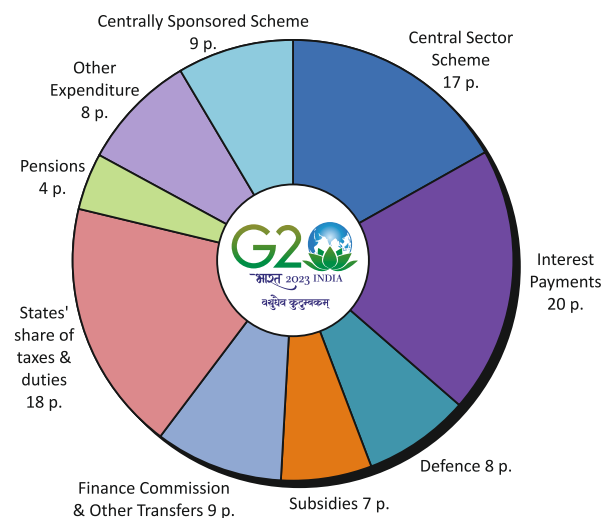
Rupee Comes From (Budget 2023-24)



- Notes:
1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 1.
 2. Figures have been rounded off.

3. The receipts and expenditure depicted in this document are net of receipts and recoveries as explained in the reconciliation statements provided in the Receipt Budget (Annex-3) and Expenditure Profile Document (Statement No. 17).
4. In RE 2022-23, the total expenditure has been estimated at ₹ 41,87,232 crore and is more than Actuals of FY 2021-22 by ₹ 3,93,431 crore. The total capital expenditure in RE 2022-23 is estimated at ₹ 7,28,274 crore.
5. The total expenditure in BE 2023-24 is estimated at ₹ 45,03,097 crore of which total capital expenditure is ₹ 10,00,961 crore. Budget 2023-24 reflects continuing strong commitment of the Union Government to boost economic growth by investing in infrastructure development leading to an increase in capital expenditure by 37.4 per cent over RE 2022-23. Effective Capital Expenditure, at ₹ 13,70,949 crore in BE 2023-24, shows an increase of 30.1 per cent over RE 2022-23.
6. Total resources being transferred to the States including the devolution of State's share, Grants / Loans and releases under Centrally Sponsored Schemes, etc. in BE 2023-24 is ₹ 17,97,537 crore, which shows an increase of ₹ 1,43,056 crore over Actuals of FY 2021-22.

Rupee Goes To (Budget 2023-24)



- Notes:
1. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 1.
 2. Figures have been rounded.

(In crore of Rupees)

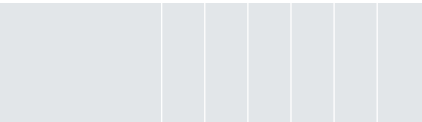
| Particulars | 2021-2022 Actuals | 2022-2023 Budget Estimates | 2022-2023 Revised Estimates | 2023-2024 Budget Estimates |
|--|-------------------------|----------------------------------|-----------------------------------|----------------------------------|
| 1. Revenue Receipts | 2169905 | 2204422 | 2348413 | 2632281 |
| 2. Tax Revenue (Net to Centre) ¹ | 1804793 | 1934771 | 2086662 | 2330631 |
| 3. Non Tax Revenue | 365112 | 269651 | 261751 | 301650 |
| 4. Capital Receipts | 1623896 | 1740487 | 1838819 | 1870816 |
| 5. Recovery of Loans | 24737 | 14291 | 23500 | 23000 |
| 6. Other Receipts | 14638 | 65000 | 60000 | 61000 |
| 7. Borrowings and Other Liabilities ² | 1584521 | 1661196 | 1755319 | 1786816 |
| 8. Total Receipts (1+4) | 3793801 | 3944909 | 4187232 | 4503097 |
| 9. Total Expenditure (10+13) | 3793801 | 3944909 | 4187232 | 4503097 |
| 10. On Revenue Account of which | 3200926 | 3194663 | 3458959 | 3502136 |
| 11. Interest Payments | 805499 | 940651 | 940651 | 1079971 |
| 12. Grants in Aid for creation of capital assets | 242646 | 317643 | 325588 | 369988 |
| 13. On Capital Account | 592874 | 750246 | 728274 | 1000961 |
| 14. Effective Capital Expenditure (12+13) | 835520 | 1067889 | 1053862 | 1370949 |
| 15. Revenue Deficit (10-1) | 1031021 (4.4) | 990241 (3.8) | 1110546 (4.1) | 869855 (2.9) |
| 16. Effective Revenue Deficit (15-12) | 788375 (3.3) | 672598 (2.6) | 784958 (2.9) | 499867 (1.7) |
| 17. Fiscal Deficit [9-(1+5+6)] | 1584521 (6.7) | 1661196 (6.4) | 1755319 (6.4) | 1786816 (5.9) |
| 18. Primary Deficit (17-11) | 779022 (3.3) | 720545 (2.8) | 814668 (3.0) | 706845 (2.3) |

- RE 2022-23 is reduced by ₹ 32,607 crore on account of net amount payable by Centre for prior years. Growth in BE 2023-24 over RE 2022-23 is 10% excluding prior year adjustments.
- Includes drawdown of Cash Balance.

Notes: (i) Nominal GDP for BE 2023 - 2024 has been projected at ₹ 3,01,75,065 crore assuming 10.5% growth over the estimated Nominal GDP of ₹ 2,73,07,751 crore as per the First Advance Estimates of FY 2022 - 23.

(ii) Individual items in this document may not sum up to the totals due to rounding off.

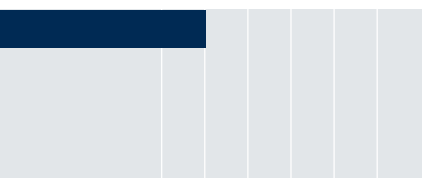
(iii) Figures in parenthesis are as a percentage of GDP.



2023 BUDGET

NOTES

Lined area for notes, consisting of approximately 30 horizontal lines.



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