Union Budget 2023-24: Something for everyone

February 1, 2023

Mumbai

Economic Policy & Research Department

Summary

- The Union Budget FY24 emphasizes inclusive growth, infrastructure investment and support to the financial sector.
- Improving the quality of expenditure by bolstering capex continues to remain the focal point. Capex now highest in 17 years, as share of GDP.
- Capitalize technology by providing smart tech-enabled support to the weaker sections, with a much-needed thrust on the transition to a green economy.
- For the financial sector, the focus remains on inclusion, credit support to MSMEs, improved governance and investor protection.
- Amendments proposed for simplifying and enabling governance in the GIFT-IFSC.
- Revised tax slabs, higher savings limit for senior citizens, and incentives for the New Tax scheme.
- All this is done with continued fiscal prudence; FY23RE at 6.4% has been in line with BE. Fiscal deficit budgeted at 5.9% for the new fiscal based on reasonable estimates. The path to fiscal consolidation has been maintained, with a target of 4.5% for FY26.
- This is a Budget that has something for everyone. It supports the Indian consumption story in a year when global growth remains muted. A resurgent economy makes this feasible.

Salient points

- ✓ **Vision:** Capital formation to resuscitate investment in the economy; create a multiplier effect on growth. A set of seven priorities, including inclusive development, infrastructure and investment, support to the financial sector, transition to green economy and youth power. The Budget articulates the government's long-term vision.
- ✓ **Fiscal Math:** Nominal FY24 GDP at Rs301.8trn, assuming 10.5% YoY. Expenditure growth 7.5% YoY funded by Tax revenue 11.7%, and Overall borrowings (gross) 9% YoY. Revenue expenditure flat (1.2%) Reasonable. FY23 fiscal deficit retained at 6.4% while FY24BE fiscal deficit. at 5.9%. Net market borrowing up 7% (Rs11.8trn). Disinvestment assumes many deals this fiscal and is budgeted at Rs610bn. Net Capex up 33.3% to Rs10trn, gross (Govt. IEBR) capex up 28% to Rs13.7trn. Overall, fiscal math looks credible.
- ✓ **Fiscal strategy:** Pump-priming with increased capex expenditure; on track for FRBM target fiscal deficit/GDP of 4.5% by FY26, with growth remaining a near-term priority. Enhance issue-based fiscal space to States to allow greater autonomy in charting a growth roadmap; higher scope for fiscal impulse with 4% fiscal deficit for States.

Salient points (Contd.)

- ✓ Making the new tax regime more attractive with changes in income tax slabs and increase in rebates.
- ✓ **Overall Impact:** Fostering much-need quality spending, especially through capex likely to reinvigorate the virtuous cycle of growth
- ✓ From senior citizens to youth, from middle class to vulnerable sections, from high salaried class to farmers, Budget manages to maintain a fine balancing act of prudence and stimulus by ensuring something for everyone.
- ✓ **Challenges:** Escalating recessionary fears in the wake of aggressive and synchronous tightening by major central banks across the globe can tighten financial conditions and in turn can put added pressure on bond markets.

Figure 1: Annual fiscal deficit trend

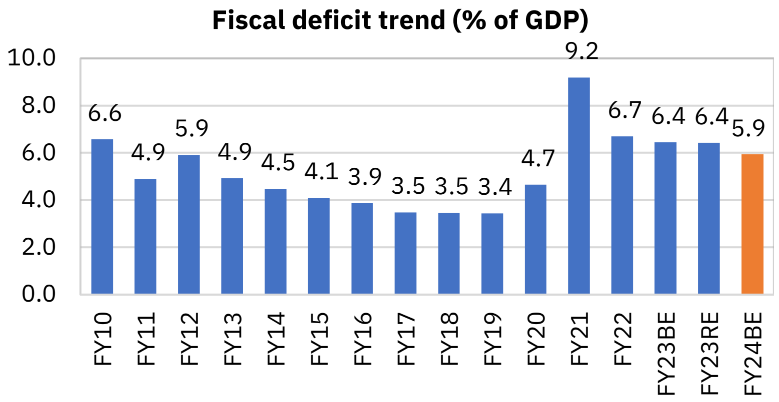


Table 1: A quick glance at fiscal balances

Rs bn	FY22RE	%YoY	FY23BE	%YoY
Net tax revenues	20,867	15.6	23,306	11.7
Non-tax revenues	2,618	-28.3	3,017	15.2
Non-debt cap receipts	835	112.1	840	0.6
Total receipts	**24,319**	**10.1**	**27,163**	**11.7**
Revenue Expenditure	34,590	8.1	35,021	1.2
Capital Expenditure	7,283	22.8	10,010	37.4
Total expenditure	**41,872**	**10.4**	**45,031**	**7.5**
Fiscal deficit	**17,553**	**10.8**	**17,868**	**1.8**
% GDP	**6.4**		**5.9**	**-7.9**

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Fiscal deficit snapshot

Table 2: Fiscal math

Items (Rs bn)	FY22A	FY22A (% YoY)	FY23BE	FY23BE (% YoY)	FY23RE	FY23RE (% YoY)	FY24BE	FY24BE over FY23RE (% YoY)
Central govt. net tax revenue	**18,048**	**26.5**	**19,348**	**7.2**	**20,867**	**15.6**	**23,306**	**11.7**
Gross tax revenues	**27,093**	**33.7**	**27,578**	**1.8**	**30,431**	**12.3**	**33,609**	**10.4**
Of which:								
Direct Tax	**14,083**	**49.0**	**14,200**	**0.8**	**16,500**	**17.2**	**18,233**	**10.5**
Corporation tax	7,120	55.6	7,200	1.1	8,350	17.3	9,227	10.5
Income tax	6,962	42.9	7,000	0.5	8,150	17.1	9,006	10.5
Indirect Tax	**13,010**	**20.2**	**13,378**	**2.8**	**13,931**	**7.1**	**15,376**	**10.4**
Goods and service tax	6,981	27.2	7,800	11.7	8,540	22.3	9,566	12.0
Custom Duties	1,997	48.2	2,130	6.6	2,100	5.1	2,331	11.0
Excise Duties	3,946	1.3	3,350	(15.1)	3,200	(18.9)	3,390	5.9
States Share	(8,984)	51.0	(8,166)	(9.1)	(9,484)	5.6	(10,214)	7.7
Transferred to NCCD	(61)	5.3	(64)	4.4	(80)	30.5	(88)	9.7
Non-Tax Revenue	**3,651**	**75.8**	**2,697**	**(26.1)**	**2,618**	**(28.3)**	**3,017**	**15.2**
Dividends and profits	1,606	65.8	1,139	(29.1)	840	(47.7)	910	8.4
Central govt. revenue receipts	**21,699**	**32.8**	**22,044**	**1.6**	**23,484**	**8.2**	**26,323**	**12.1**
Non-Debt Capital Receipts	394	(31.7)	793	101.4	835	112.1	840	0.6
Divestment proceeds	146	(61.4)	650	344.0	600	309.9	610	1.7
Total Receipts	**22,093**	**30.6**	**22,837**	**3.4**	**24,319**	**10.1**	**27,163**	**11.7**
Revenue Expenditure	**32,009**	**3.8**	**31,947**	**(0.2)**	**34,590**	**8.1**	**35,021**	**1.2**
Interest Payments	8,054	18.5	9,407	16.8	9,407	16.8	10,800	14.8
Subsidy outgo	5,039	(33.5)	3,556	(29.4)	5,621	11.5	4,031	(28.3)
Capital Expenditure	**5,929**	**39.1**	**7,502**	**26.5**	**7,283**	**22.8**	**10,010**	**37.4**
Total Expenditure	**37,938**	**8.1**	**39,449**	**4.0**	**41,872**	**10.4**	**45,031**	**7.5**
Fiscal Deficit	**15,845**	**(187.1)**	**16,612**	**4.8**	**17,553**	**10.8**	**17,868**	**1.8**
Fiscal Deficit/GDP	**6.7**		**6.4**		**6.4**		**5.9**	

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Fiscal deficit snapshot (% of GDP)

Table 3: Fiscal math (% of GDP)

Items (% of GDP)	FY21	FY22	FY23BE	FY23RE	FY24BE
Central govt. net tax revenue	**7.2**	**7.6**	**7.5**	**7.6**	**7.7**
Gross tax revenues	**10.2**	**11.4**	**10.7**	**11.1**	**11.1**
Of which:					
Direct Tax	**4.8**	**6.0**	**5.5**	**6.0**	**6.0**
Corporation tax	2.3	3.0	2.8	3.1	3.1
Income tax	2.5	2.9	2.7	3.0	3.0
Indirect Tax	**5.5**	**5.5**	**5.2**	**5.1**	**5.1**
Goods and service tax	2.8	3.0	3.0	3.1	3.2
Custom Duties	0.7	0.8	0.8	0.8	0.8
Excise Duties	2.0	1.7	1.3	1.2	1.1
States Share	-3.0	-3.8	-3.2	-3.5	-3.4
Transferred to NCCD	0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	**1.0**	**1.5**	**1.0**	**1.0**	**1.0**
Dividends and profits	0.5	0.7	0.4	0.3	0.3
Central govt. revenue receipts	**8.3**	**9.2**	**8.5**	**8.6**	**8.7**
Non-Debt Capital Receipts	0.3	0.2	0.3	0.3	0.3
Divestment proceeds	0.2	0.1	0.3	0.2	0.2
Total Receipts	**8.5**	**9.3**	**8.9**	**8.9**	**9.0**
Revenue Expenditure	15.6	13.5	12.4	12.7	11.6
Interest Payments	3.4	3.4	3.6	3.4	3.6
Subsidy outgo	3.8	2.1	1.4	2.1	1.3
Capital Expenditure	2.2	2.5	2.9	2.7	3.3
Total Expenditure	**17.7**	**16.0**	**15.3**	**15.3**	**14.9**
Fiscal Deficit	**9.2**	**6.7**	**6.4**	**6.4**	**5.9**

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Tax collections realistic, in tandem with growth

- Net tax collections in FY23RE are expected to surpass BE by 7.9%, with growth pegged at 15.6% (vs. 7.2% in BE), as better-than-expected economic recovery (nominal GDP: +15.4%) led to higher tax buoyancy.
- FY24BE net tax collection target of 11.7% over a high base is quite realistic and reflective of current macro-economic environment.
- Direct tax receipts are budgeted to grow at 10.5% in FY24BE, while indirect tax receipts growth is pegged at a tad lower 10.4%, with the latter benefiting from continued uptick in GST collections (+12%).

Figure 2: Annual net tax collections trend

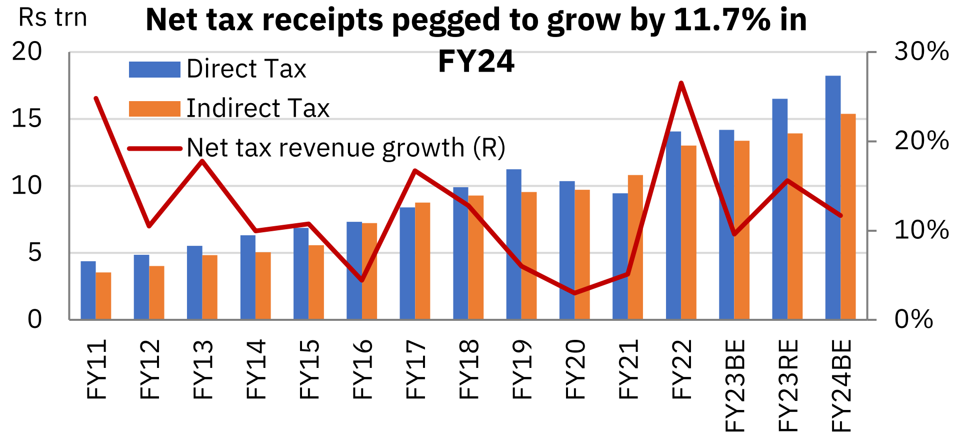


Table 4: Tax revenue assumptions seem quite realistic and achievable

Rs bn	FY22A	FY22A (% YoY)	FY23BE	FY23BE (% YoY)	FY23RE	FY23RE (% YoY)	% chg. From BE	FY24BE	FY24BE over FY23RE (% YoY)
Direct Tax	**14,083**	**49.0%**	**14,200**	**0.8%**	**16,500**	**17.2%**	**16.2%**	**18,233**	**10.5%**
Corporation tax	7,120	55.6%	7,200	1.1%	8,350	17.3%	16.0%	9,227	10.5%
Income tax	6,962	42.9%	7,000	0.5%	8,150	17.1%	16.4%	9,006	10.5%
Indirect Tax	**13,010**	**20.2%**	**13,378**	**2.8%**	**13,931**	**7.1%**	**4.1%**	**15,376**	**10.4%**
Goods and service tax	6,981	27.2%	7,800	11.7%	8,540	22.3%	9.5%	9,566	12.0%
Customs	1,997	48.2%	2,130	6.6%	2,100	5.1%	-1.4%	2,331	11.0%
Union excise duty	3,946	1.3%	3,350	-15.1%	3,200	-18.9%	-4.5%	3,390	5.9%
Gross tax collections	**27,093**	**33.7%**	**27,578**	**1.8%**	**30,431**	**12.3%**	**10.3%**	**33,609**	**10.4%**
Net tax collections	**18,048**	**26.5%**	**19,348**	**7.2%**	**20,867**	**15.6%**	**7.9%**	**23,306**	**11.7%**

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate, A – Actual

Higher non-tax revenues, aided by surge in telecom receipts

- Non-tax revenues in FY23 fell by 28.3%, a tad higher than budgeted drop of 26%. This was primarily due to lower than estimated profit transfer by the Reserve Bank of India, partly offsetting strong receipts from communication services.
- In FY24, non-tax revenues are expected to grow by 15.2%. This assumes an 8.4% YoY jump in dividend and profit transfer from PSBs/RBI and significantly higher telecom receipts (+30.1%), possibly factoring in another spectrum sale.

Figure 3: Annual non-tax collections trend

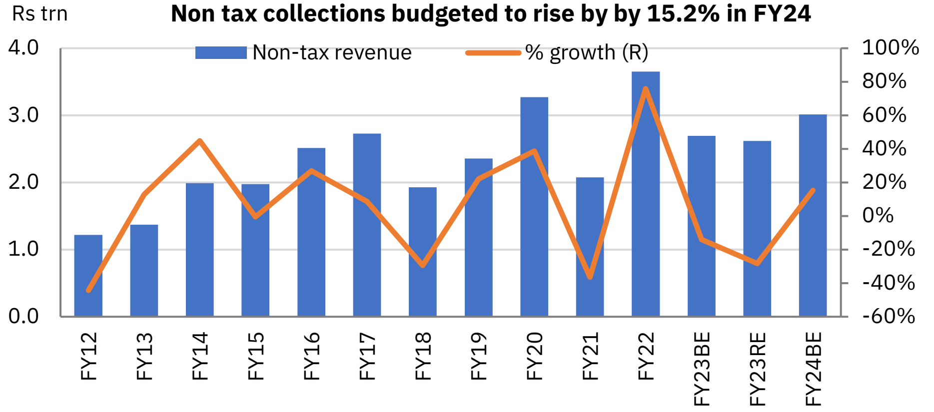


Table 5: Surge in telecom receipts to result in a strong growth in non-tax revenues in FY24

Rs bn	FY22A	FY22A (% YoY)	FY23BE	FY23BE (% YoY)	FY23RE	FY23RE (% YoY)	% chg. From BE	FY24BE	FY24BE over FY23RE (% YoY)
Non-tax revenue	**3,651**	**75.8%**	**2,697**	**-26.1%**	**2,618**	**-28.3%**	**-2.9%**	**3,017**	**15.2%**
Interest receipt	219	27.8%	180	-17.7%	246	12.6%	36.9%	248	0.7%
Dividends and profits	1,606	65.8%	1,139	-29.1%	840	-47.7%	-26.3%	910	8.4%
Union Territories	17	9.2%	28	60.9%	22	28.1%	-20.3%	23	3.5%
Other non-tax revenue	1,808	96.5%	1,349	-25.4%	1,509	-16.5%	11.9%	1,835	21.6%
Fiscal services	2	-83.5%	13	570.6%	13	577.2%	1.0%	14	9.3%
General services	398	182.7%	199	-50.0%	232	-41.7%	16.7%	243	4.7%
Social and community services	48	25.6%	29	-38.1%	40	-15.6%	36.5%	40	-1.4%
Economic services	1,348	89.2%	1,101	-18.3%	1,198	-11.1%	8.8%	1,517	26.6%
Communication	858	88.6%	528	-38.5%	688	-19.9%	30.3%	895	30.1%

Source: Budget Documents, NSE EPR. BE – Budget Estimate, RE – Revised Estimate, A – Actual

FY24 divestment target pegged slightly higher than FY23RE

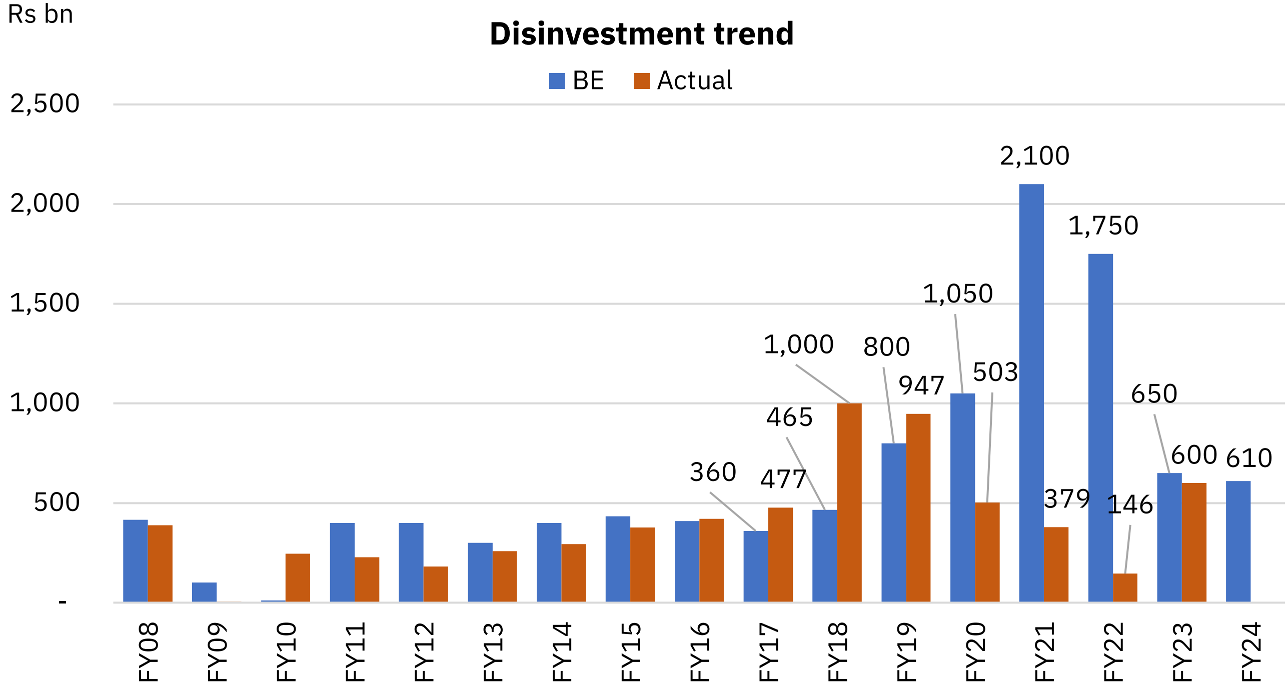
- FY23RE disinvestments pegged at Rs600bn, falling short of BE by Rs50bn. This compares with mere Rs387bn garnered during Apr-Dec'22.
- In FY24, the Government aims to raise Rs610bn through divestments.
- According to the varied news sources, divestments of IDBI Bank Ltd., Container Corp. of India Ltd., BEML Ltd., Shipping Corp. of India, NMDC Steel Ltd., HLL Lifecare Ltd., and Projects & Development India Ltd., among others, are expected go on floor in FY24.

Table 6: Key disinvestments in FY23 thus far

Name	% of Govt. stake sold	Method	Receipts (Rs bn)	Govt. stake post disinvestment
ONGC	1.5	OFS	30.3	58.9
ONGC	0.0	Employee OFS	0.3	0.0
LIC	3.5	IPO	205.2	96.5
PPL	19.6	OFS	4.7	0.0
GAIL	0.0	BB	5.0	0.0
NINL	0.0	SD	0.0	0.0
Others (Sale of Axis Bank Shares held by SUUTI)	0.0	Others	38.4	0.0
IRCTC	0.0	OFS	27.2	0.0
Enemy Shares Sale	0.0	Others	0.0	0.0
Total			**311.1**	

Source: DIPAM

Figure 4: Annual trend of revenue proceeds through the disinvestment route



Source: Budget Documents, NSE EPR.
Data for FY23 is RE (Revised Estimate) and FY24 is (Budget Estimate)

Steep rise in capex continues

- Budgeted capital expenditure increased steeply for third year in a row by 33% to Rs. 10trn—3.3% of GDP (3x of that in 2019).
- Share of Capex now at 22.2% of total expenditure—the highest since FY00—meaningfully higher than revised estimate of 17.4%, implying improving quality of expenditure
- Roads, transport and Railways continue to remain the focus areas with Railways receiving the highest ever outlay of Rs.2.4trn in FY24, nearly 9x of that in FY14.

Figure 5: Annual revenue and capital expenditure trend

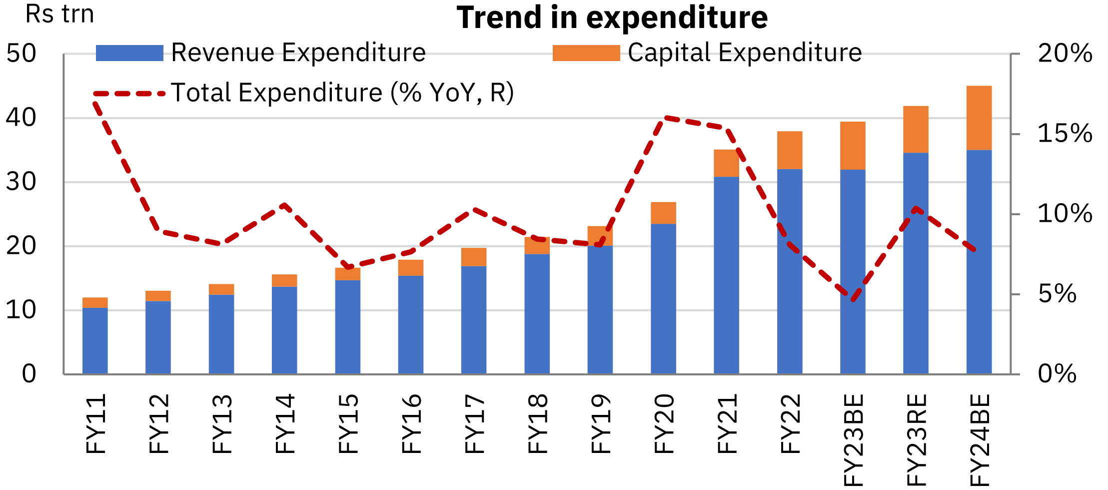


Figure 6: Share of capex in overall expenditure has improved meaningfully…

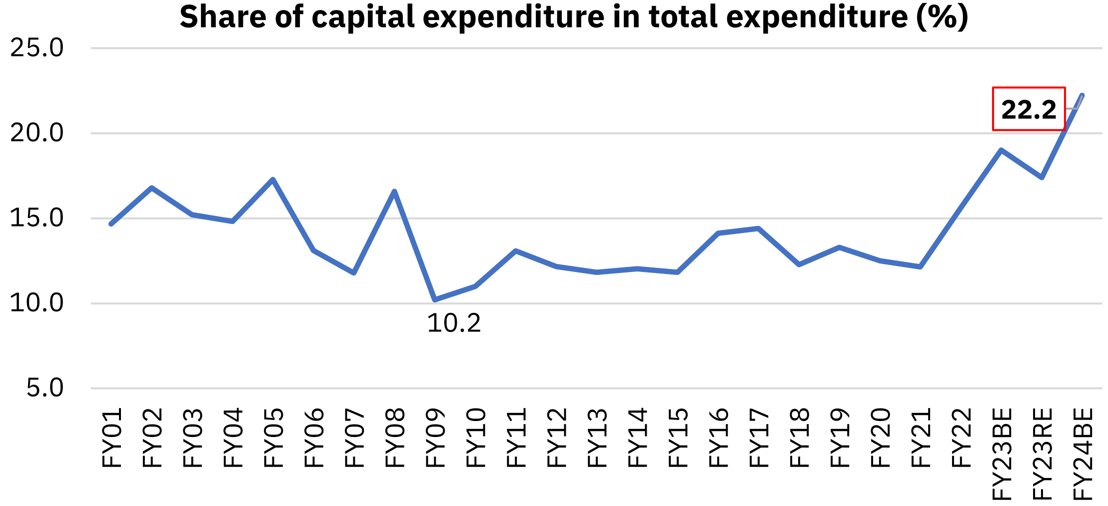
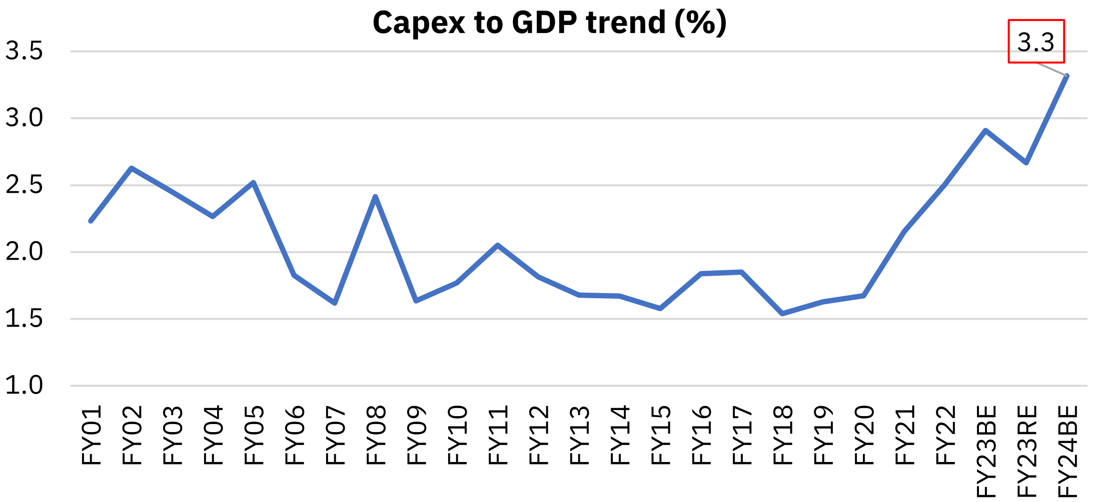


Figure 7: …And so as a % of GDP



Source: Budget Documents, NSE EPR.
*IEBR – internal and Extra Budgetary Resources GBS – Gross Budgetary Support

Ministry-wise outlay

Table 7: Ministry-wise total outlay (includes IEBR*)

	FY22			FY23RE			FY24BE				
Departments	**Revenue**	**Capital**	**IEBR**	**Revenue**	**Capital**	**IEBR**	**Revenue**	**Capital**	**IEBR***	**Total outlay**	**% YoY**
Food and Public Distribution	3,017	26	612	2,943	20	553	2,054	2	1,454	3,509	-0.2%
Road Transport & Highways	102	1,133	652	107	2,063	8	118	2,586	0	2,704	24.2%
Railways	180	1,173	734	32	1,591	959	13	2,400	528	2,941	13.9%
Defense	3,559	1,448	29	4,268	1,580	28	4,222	1,714	31	5,966	1.5%
Rural Development	1,604	0	0	1,811	0	0	1,575	0	0	1,575	-13.0%
Telecommunications	285	33	72	446	372	55	359	617	66	1,042	19.4%
Power	188	28	481	131	0	529	207	0	608	815	23.5%
New and Renewable Energy	40	26	159	70	0	275	102	0	378	481	39.0%
Housing & Urban Affairs	809	259	100	509	237	194	504	260	170	934	-0.6%
Labour and Employment	240	0	0	161	0	0	132	0	0	132	-18.0%
Health and Family Welfare	787	31	5	728	36	1	809	53	1	862	12.8%
MSMEs	148	2	0	152	5	2	215	6	3	224	41.1%
Drinking Water & Sanitation	663	0	0	600	0	0	772	0	0	772	28.6%
Others	20,388	1,769	1,533	22,632	1,378	1,406	23,940	2,372	1,639	27,951	10.0%
Total	**32,009**	**5,929**	**4,376**	**34,590**	**7,283**	**4,011**	**35,021**	**10,010**	**4,877**	**49,908**	**8.8%**

Source: Budget Documents, NSE EPR.
*IEBR – internal and Extra Budgetary Resources.

NSE

India@75 A guiding light, shining bright

Revenue expenditure remains flat

- While capex expanded substantially, revenue expenditure remained flat for FY24BE, growing by a modest 1.2%.
- Amidst rising interest rates, interest payments of the Centre are budgeted to increase by 14.8% in FY24.
- While subsidy bill for FY23RE surpassed BE by 58% on account of higher food and fertilizer subsidies, it is budgeted to drop by 28% in FY24BE. This would translate into share of subsidies in overall expenditure falling from 13.5% to 9%.
- Oil subsidy recorded the highest decline by 75.4% in FY24BE

Figure 8: Annual revenue expenditure trend

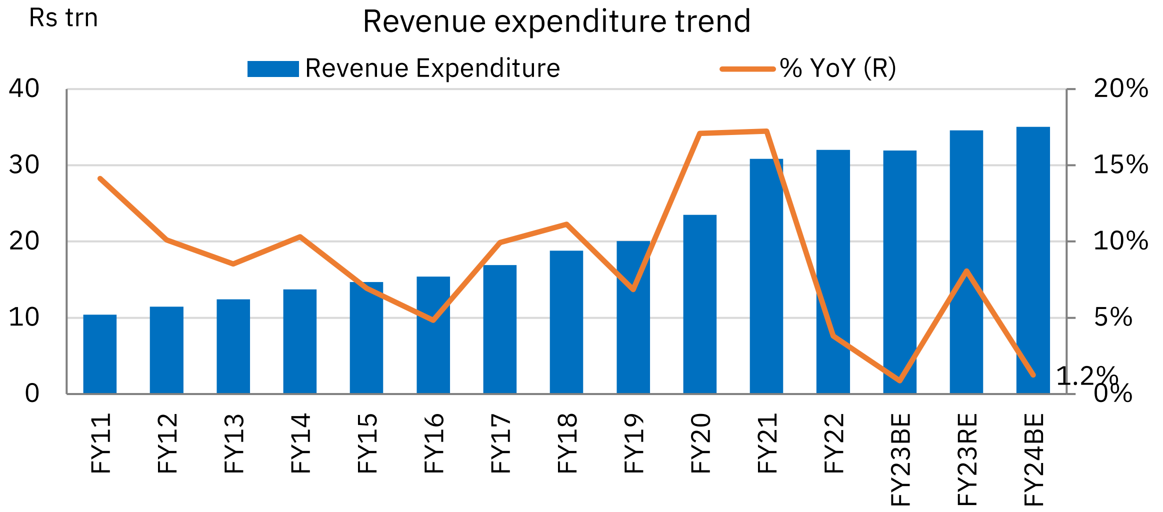


Figure 9: Share of subsidies in Government expenditure

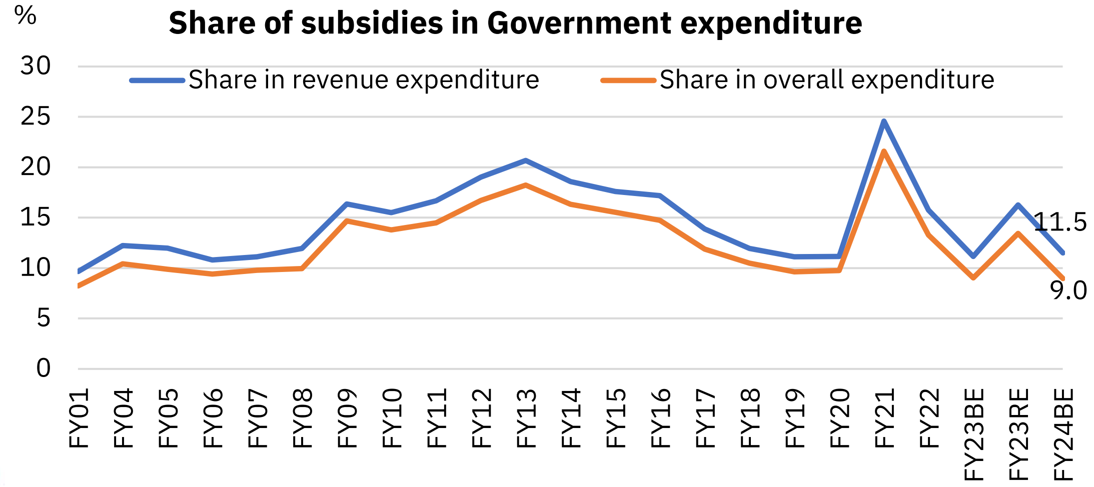
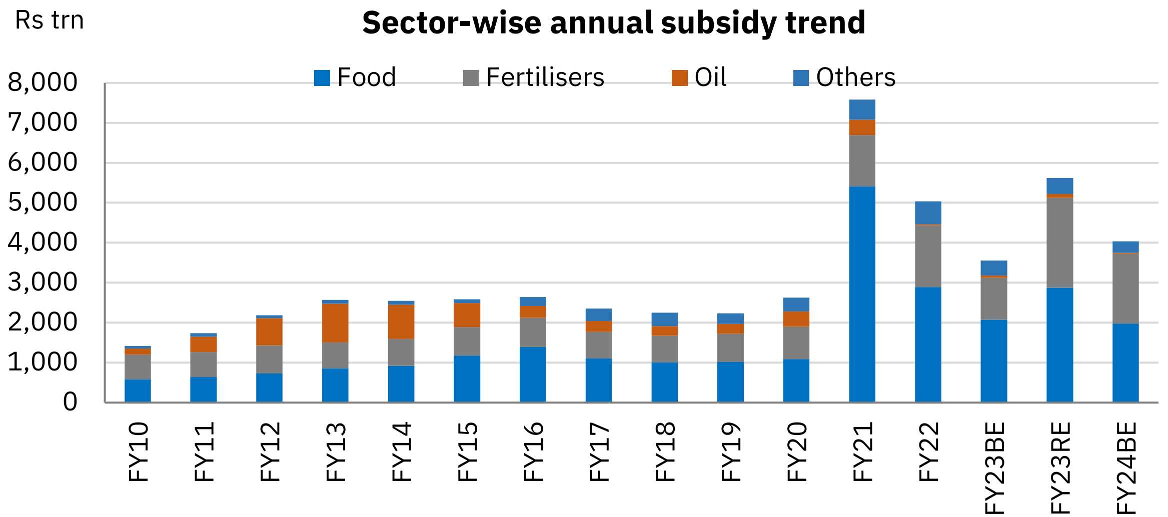


Figure 10: Subsidy expenditure declined by 28% in FY24BE



Source: Budget Documents, NSE EPR.
*IEBR – internal and Extra Budgetary Resources GBS – Gross Budgetary Support

Spending in social programs remains intact

Figure 11: Rural employment (MGNREGS Scheme)

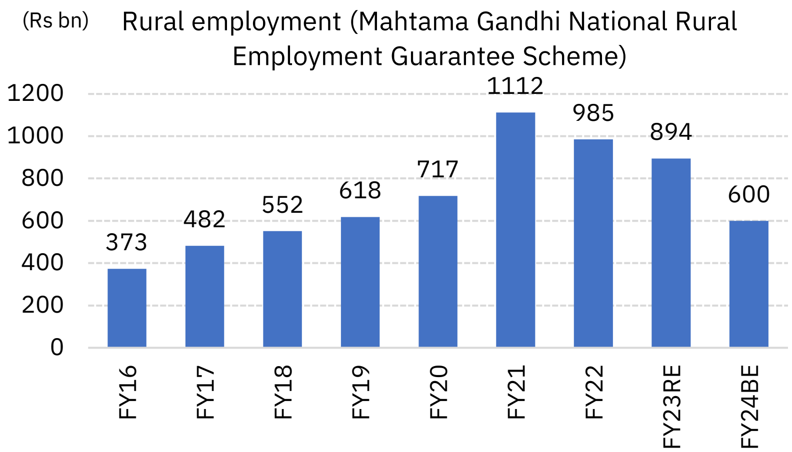


Figure 12: Housing for All (PMAY*)

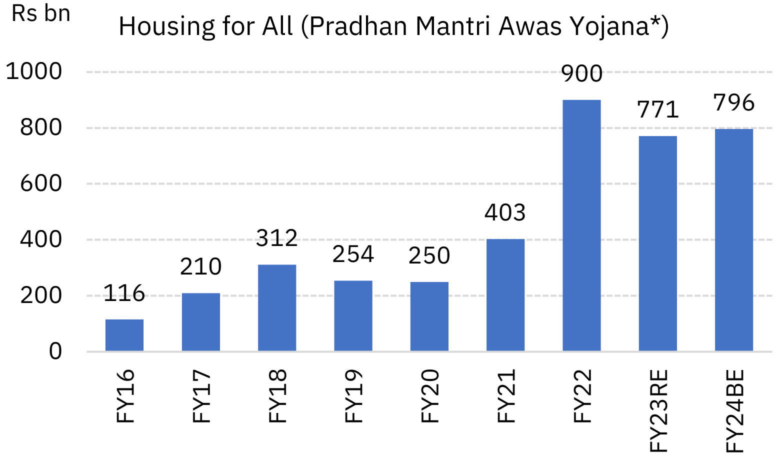


Figure 13: Rural Infrastructure (PMGSY)

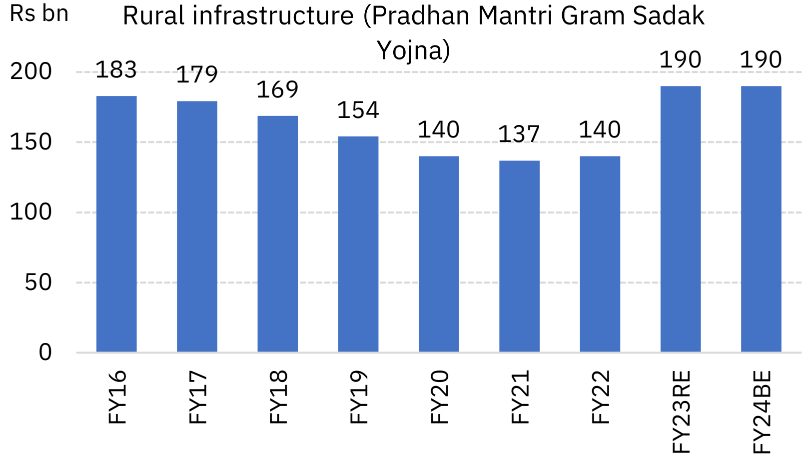


Figure 14: Education (NEM)

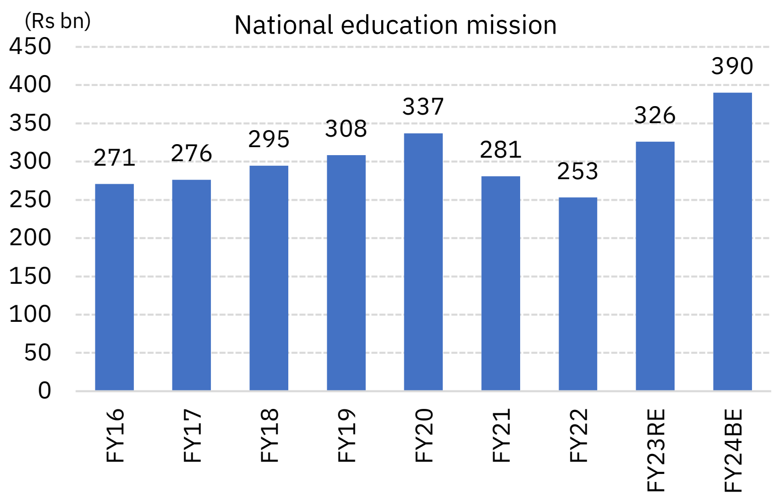


Figure 15: Swachh Bharat Mission

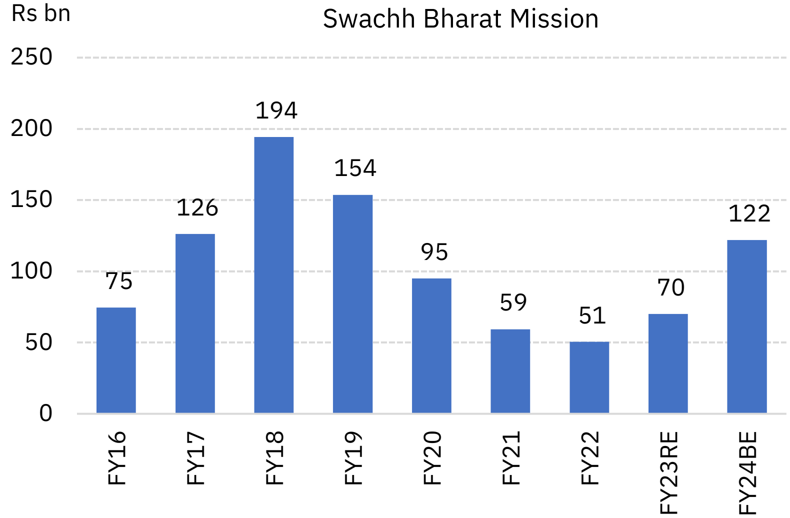
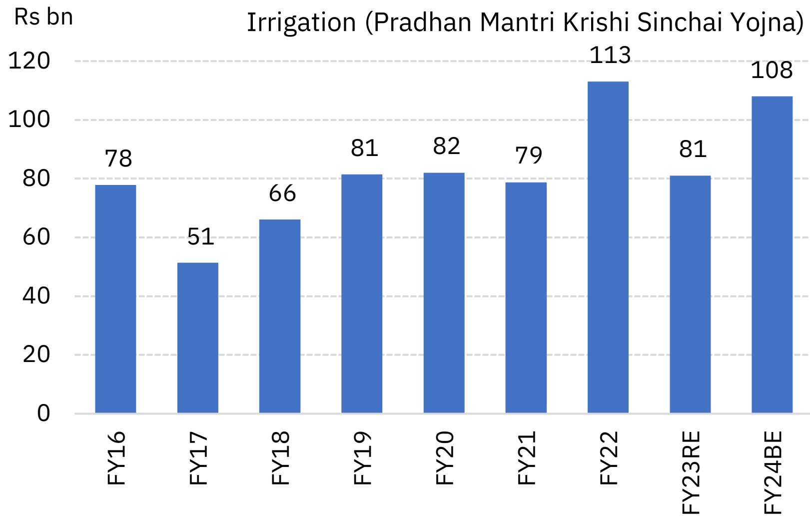


Figure 16: Irrigation (PMKSY)



Source: Budget Documents, NSE EPR
* Erstwhile Indra Awas Yojna

Fiscal transparency improving

- Although capex through IEBR is up 21.6% in FY24, it is only ~4% higher than last year's BE and remain much lower than the pre-pandemic level.
- Share of capex through IEBR has been declining since FY21 indicating government's intent of not resorting to off balance sheet borrowings, thereby bringing about transparency in its finances.
- The effective capital spending stands at Rs. 13.7trn for FY24BE, up 30.1% YoY.

Figure 17: Trend of capital outlay breakup

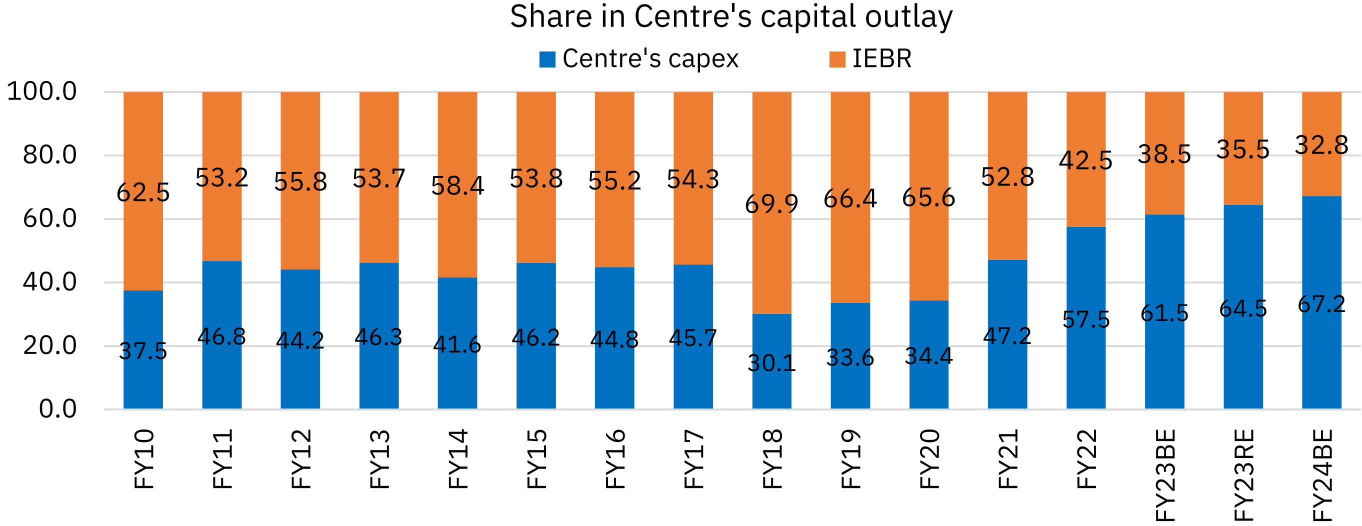


Table 8: Centre's total capital outlay

Rs bn	FY20	FY21	FY22	FY23BE	FY23RE	FY24BE
1. Budgetary capex	3,357	4,263	5,929	7,502	7,283	10,010
% YoY	*9.1%*	*27.0%*	*39.1%*	*24.5%*	*22.8%*	*37.4%*
2. Grant to states	1,856	2,309	2,426	3,176	3,256	3,700
% YoY	*-3.2%*	*24.4%*	*5.1%*	*33.6%*	*34.2%*	*13.6%*
3. Effective capex (1 + 2)	**5,214**	**6,572**	**8,355**	**10,679**	**10,539**	**13,709**
% YoY	*4.4%*	*26.0%*	*27.1%*	*27.1%*	*26.1%*	*30.1%*
4. IEBR	6,416	4,776	4,376	4,695	4,011	4,877
% YoY	*5.5%*	*-25.5%*	*-8.4%*	*-6.6%*	*-8.3%*	*21.6%*
5. Total capex (3 + 4)	**11,629**	**11,348**	**12,731**	**15,373**	**14,550**	**18,587**
% YoY	*5.0%*	*-2.4%*	*12.2%*	*14.5%*	*14.3%*	*27.7%*
6. Centre's capital outlay (1 + 4)	**9,773**	**9,040**	**10,305**	**12,197**	**11,294**	**14,887**
% YoY	*6.7%*	*-7.5%*	*14.0%*	*10.4%*	*9.6%*	*31.8%*

Source: Budget Documents, NSE EPR.
*IEBR – internal and Extra Budgetary Resources GBS – Gross Budgetary Support

Public debt in check

- Even as growth remains the priority for now, the Government remains on track to achieve the FRBM target of 4.5% by FY26.
- General Government liabilities to GDP ratio is pegged to drop from 92% in FY21 to 83.8% in FY23 and is set to fall further in FY24.
- As per the Economic Survey, India's public debt to GDP witnessed a modest increase of 4 percentage points over the last 16 years, much lower than peers.

Figure 18: Public debt to GDP for India relative to peers

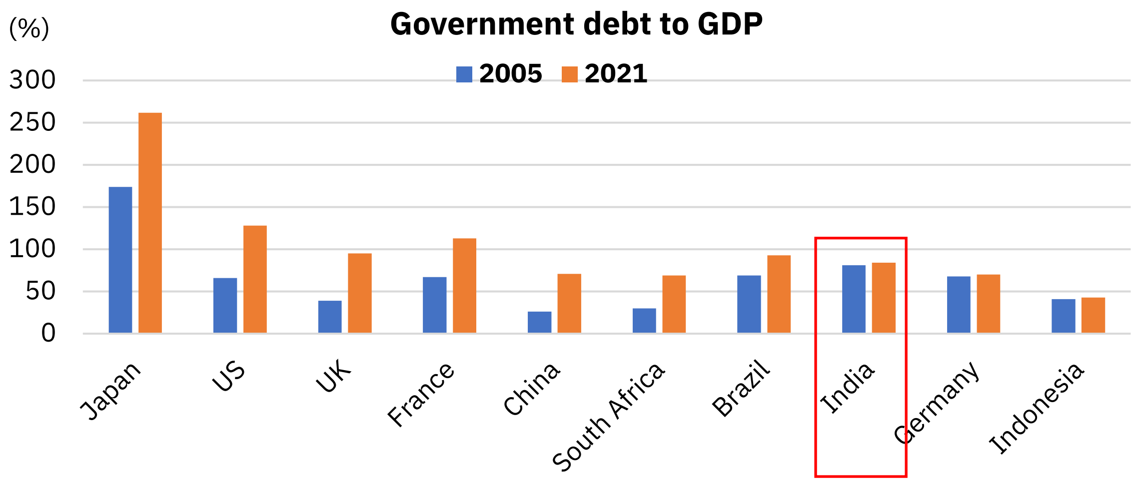
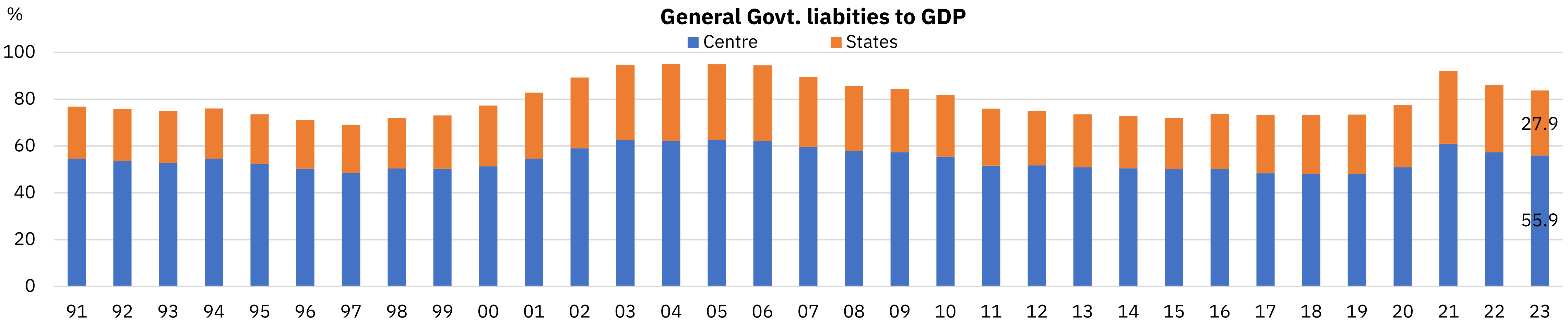


Figure 19: General Government liabilities to GDP ratio slowly coming off from pandemic peak levels (fiscal years)



Source: Budget Documents, RBI, CMIE, NSE EPR. *Excludes switching of securities.

Market loans and small savings to fund 92% of fiscal deficit

- Market borrowings (dated) are expected to fund ~66% of the deficit in FY24, with the balance to be funded by small savings (26%).
- Gross market borrowing for FY24 pegged at Rs15.4trn, in line with market expectations (+8.5% vs. FY24RE). Net market borrowings to rise by 7% to Rs11.8trn.
- Nearly 58% of the Centre's debt is maturing over the next 10 years, with the share of maturities in 20+ years bucket rising from 16% a year ago to 20% now.

Table 9: Sources of funding the deficit

Rs bn	FY23BE	FY23RE	% of total	% YoY	FY24BE	% of total	% YoY
Gross market borrowings*	14,950	14,210		47%	15,430		9%
Net market borrowings	11,186	11,058	63%	51%	11,809	66%	7%
Short-term borrowings	500	1,000	6%	29%	500	3%	-50%
External assistance (net)	193	239	1%	-34%	221	1%	-7%
Small savings (net)	4,254	4,389	25%	-20%	4,713	26%	7%
State provident funds (net)	200	200	1%	94%	200	1%	0%
Draw down of cash balance	8	-32	0%	-227%	-118	-1%	264%
Other capital receipts	271	700	4%	-60%	543	3%	-22%
Total	**16,612**	**17,553**	**100%**	**11%**	**17,868**	**100%**	**2%**

Figure 20: Nearly 58% of Centre's debt is maturing over the next 10 years

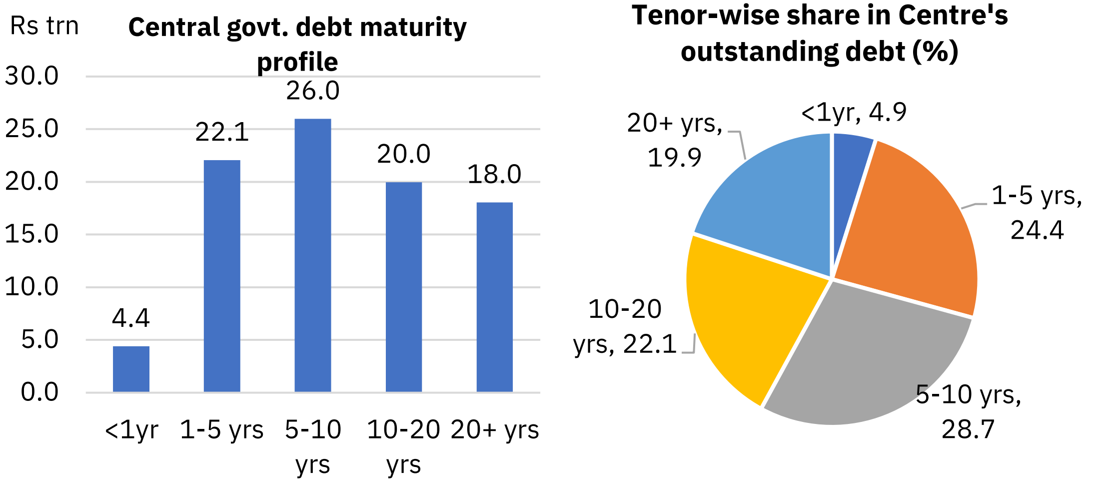
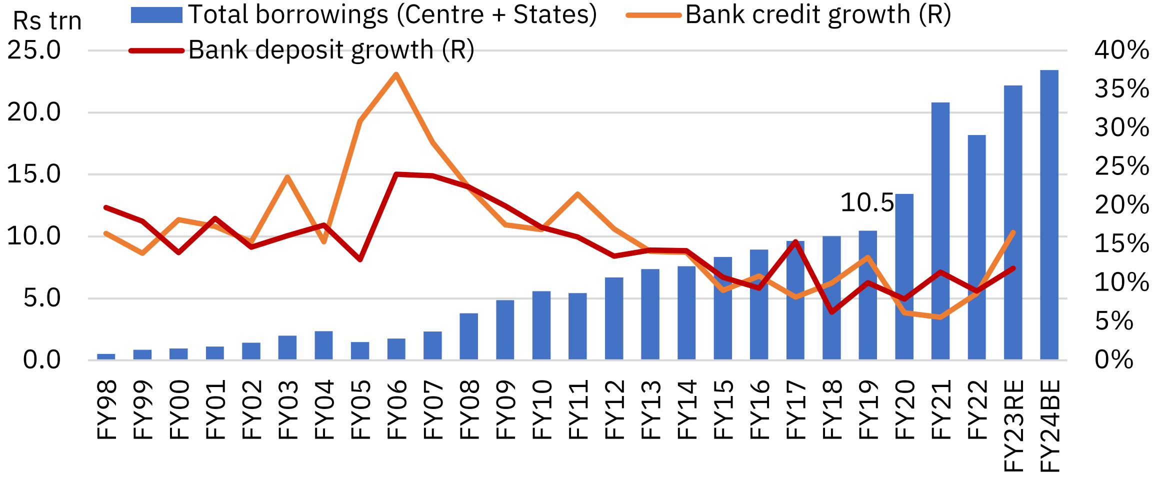


Figure 21: Centre's gross borrowings pegged at Rs15.4trn in FY24



Notes: 1. Credit and deposit growth for FY22 is as of January 13th, 2023.
2. State borrowings for FY23 is a sum of actual borrowings over Apr-Dec'22 and borrowing calendar for Q4FY23.
3. Figure for FY24 is sum of the Centre's BE of Rs15.4trn and our estimate of Rs8trn for state borrowings.

Source: Budget Documents, RBI, CMIE, NSE EPR. *Excludes switching of securities.

Key announcements for the financial sector

Announcements	Implications
Credit guarantee for MSMEs – Infusion of Rs90bn in the corpus – effective from 1st April 2023	Will reduce the cost of credit by 1%
Setup National Financial Information Registry to act as a central repository	Will facilitate effective flow of credit, promote financial inclusion
Comprehensive review of the existing regulations by financial sector regulators in consultation with public entities	Will help in reducing the cost of compliance
Proposal of amendments to the Banking Regulation Act, the Banking Companies Act and the RBI Act	Will improve bank governance and enhance investors' protection
Empowering SEBI to develop, regulate, maintain and enforce norms for education in NISM	Will build human capital and financial awareness in the securities market
An integrated IT portal to reclaim shares and unpaid dividends from the Investor Education and Protection Fund Authority	

Source: Budget documents, NSE EPR.

Key announcements for GIFT IFSC

Announcements	Implications
Single window IT system for registration and approval	Will improve the efficiency of the processes
Facilitate setting up data embassies in IFSC	Will protect nation's data from cyber and physical threats and maintain digital continuity
Delegation of power to IFSCA under the SEZ Act	Will avoid dual regulation
Revision of tax exemption on relocation of funds to IFSC from March 31^{st}, 2023 to March 31^{st}, 2025	Could bring more funds into IFSC
Recognizing offshore derivative instruments as valid contracts	Overseas retail investors can take exposure in the Indian markets without going through FIIs
Subsidiary of EXIM bank for trade re-financing	Will help companies in IFSC to get export financing
Permitting acquisition financing by IFSC Banking Units of foreign banks	Will help in expanding business

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Announcements	Implications
Agriculture	Setting up of Digital Public Infrastructure for Agriculture and Agriculture Accelerator Fund	Will help entrepreneurs in agri-tech industry get necessary information and support and attract more capital and modern technology in the agri ecosystem.
	Agriculture credit target raised to Rs20trn from Rs18trn with focus on animal husbandry, dairy and fisheries.	Will improve value chain efficiencies in the sector
	Launch of sub-scheme PM Matsya Sampada Yojana for fisheries with targeted investment of Rs60bn	
	Global Hub for Millets: The Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for promoting best international practices, research and technology	Will boost production and export of Indian millets
Infrastructure, Transportation and Logistics	Priority investment of Rs750bn for 100 critical infra projects	Will improve regional connectivity and boost domestic air travel
	50 additional airports, heliports, water aerodromes and advance landing grounds	
	Launch of Urban Infrastructure Development Fund (UIDF) using priority sector lending shortfall; to be managed by NHB.	Will improve urban infrastructure in tier 2 and 3 cities/towns
	Railway budget outlay at Rs2.4trn	Will improve rail connectivity, speed and passenger traffic

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Announcements	Implications
Information technology	Setting up of Centres of Excellence for Artificial Intelligence in top educational institutions	Will help build an AI ecosytem in the country and enhance skillsets required for AI-related jobs
Telecom	Setting up of 100 labs for developing applications using 5G services in engineering institutions	Will improve opportunities, business models, and employment potential
MSME	Government to provide 95% of the forfeited amount relating to bid or performance security for unfulfilled contracts during COVID-19.	Will provide vital relief for the sector which has been severly affected by the pandemic
	Launch of PM VIshwakarma KAushal Samman (PM VIKAS)	Will provide financial support to traditional artisans and craftspeople and improve quality and reach of their products
Pharma	Centres for excellence to promote research and innovation	Will improve investment in research and development in pharma sector
Renewable Energy	Rs350bn towards priority capital investments	Will help providing a roadmap for setting up the green hydrogen ecosystem in India.
	Launch of National Green Hydrogen Mission - target to produce 5MMT annually by 2030	

Source: Budget documents, NSE EPR.

Revision in Custom duties

Table 10: Revisions in custom duties for key products

Product	Old	New
Agricultural Products		
Pecan Nuts	100%	30%
Fish lipid oil for manufacture of aquatic feed	30%	15%
Algal Prime for manufacture of aquatic food	30%	15%
Automobiles		
Vehicle(including electric vehicles) in semi knocked form	30%	35%
Others		
Electric Kitchen Chimney	7.5%	15%
Compounded Rubber	10	25 or 30 Rs / kg whichever is lower
Toys and parts of toys (other than parts of electronic toys)	60%	70%
Gems and Jewellery Sector		
Articles of Precious Metals such as gold/silver/platinum	20%	25%
Imitation Jewellery	20 or ` 400/kg., whichever is higher	25 or ` 600/kg., whichever is higher

Source: Budget documents, NSE

Revision in excise duties

Table 11: Revision in excise duties for key products

Product	Old (`per 1000 sticks)	New (`per 1000 sticks)
Other than filter cigarettes, of length not exceeding 65 mm	200	230
Other than filter cigarettes, of length exceeding 65 mm but not exceeding 70 mm	250	290
Filter cigarettes of length not exceeding 65 mm	440	510
Filter cigarettes of length exceeding 65 mm but not exceeding 70 mm	440	510
Filter cigarettes of length exceeding 70 mm but not exceeding 75 mm	545	630
Other cigarettes	735	850
Cigarettes of tobacco substitutes	600	690

Source: Budget documents, NSE

Direct Tax Reforms

- Deduction of capital gains on investment in residential house capped at Rs 100m
- 100 Joint commissioners deployed for speedy disposal of small appeals
- Amendments to Personal Income Tax:
  - New tax regime to become default tax regime; assess to have the option to avail benefits of the old regime.
  - Tax rebate limit raised to Rs 0.7m under the new tax regime from Rs 0.5m
  - Tax slabs reduced to five from six and tax exemption limit increased to Rs 0.3m
  - Benefit of standard deduction extended to the new tax regime
  - Highest tax surcharge reduced from 37% to 25%, reducing the maximum effective tax rate to 39%.
  - Tax exemption limit on leave encashment on retirement of non-government salaried employees increased to Rs 2.5m
- To support MSMEs in timely receipt of payments, deduction for expenditure incurred on payments made to them only when payment is made
- Not treating conversion of gold into electronic gold receipt and vice versa as capital gain
- Cap on deduction from capital gains on investment in residential house under sections 54 and 54F to Rs100m
- Cost of acquisition or improvement to not include the amount of interest claimed earlier as deduction.
- Maximum deposit limit for Senior Citizen Savings Scheme enhanced from Rs 1.5m to Rs 3m.
- Maximum deposit limit for Monthly Income Account Scheme raised; Single account: Rs 0.45m to Rs 0.9m, joint account: Rs 0.9m to Rs 1.5m.

Revised Income Tax Proposals

- Amendments made to the New Tax regime, The Old Tax regime remains unchanged
- "Health and Education Cess" continued at 4% of income tax including surcharge wherever applicable

Table 12: Revision in income tax slabs in the new regime

New Tax Regime (Revised)		New Tax Regime (Previous)		Old Tax Regime (Unchanged)	
		Rs 0-2.5 l	Nil	Rs 0-2.5 l	Nil
Rs 0-3 l	Nil	Rs 2.5-5 l	5%	Rs 2.5-5 l	5%
Rs 3-6 l	5%	Rs 5-7.5 l	10%	Rs 5-10 l	20%
Rs 6-9 l	10%	Rs 7.5-10 l	15%	Above Rs 10 l	30%
Rs 9-12 l	15%	Rs 10-12.5 l	20%		
Rs 12-15 l	20%	Rs 12.5-15 l	25%		
Above Rs 15 l	30%	Above Rs 15 l	30%		

Table 13: Revision in surcharge on HNIs under the new regime

Surcharge (Revised) for New Regime		Surcharge (Previous) for both old and new regime	
Rs 5-10m	10%	Rs 5-10m	10%
Rs 10-20m	15%	Rs 10-20m	15%
Rs 20-50m	25%	Rs 20-50m	25%
Above Rs 50m	25%	Above Rs 50m	37%

*No change in surcharge for those opting for old regime

Other reforms

- Digi Lockers
  - A one stop solution for reconciliation and updating of identity and address of individuals maintained by various government agencies, regulators and regulated entities will be established using DigiLocker service and Aadhaar as foundational identity.
  - An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts. This will be towards storing and sharing documents online securely, whenever needed, with various authorities, regulators, banks and other business entities.
- The PAN will be used as the common identifier for all digital systems of specified government agencies. This will bring ease of doing business; and it will be facilitated through a legal mandate.
- A system of 'Unified Filing Process' will be set-up. Such filing of information or return in simplified forms on a common portal, will be shared with other agencies as per filer's choice.
- It is proposed to extend the date of incorporation for income tax benefits for start-ups from Mar 31st , 2023 to Mar 31st , 2024. Further, it is proposed to provide the benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years.
- National digital library to be set-up for children and adolescents.
- Teachers' training will be re-envisioned through innovative pedagogy, curriculum transaction, continuous professional development, dipstick surveys, and ICT implementation. The District Institutes of Education and Training will be developed as vibrant institutes of excellence for this purpose
- In the next three years, Centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 0.35m tribal students

Economic Policy and Research

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