Union Budget 2022-23: Pump priming

February 1, 2022

Mumbai

Economic Policy & Research Department

Salient points

- ✓ **Focus:** Support capital formation to guide the economy through the recovery until private investment resumes. Provide a blueprint for a 25-year trajectory (‘Amritkaal’). Maintain stable tax regime. Improve connectivity and logistics, and ease of doing business. Nod to new technologies, greater reliance on domestic manufacturing.
- ✓ **Fiscal Math:** Nominal FY23 GDP at Rs258trn, assuming 11.1% YoY. Expenditure growth 4.5% YoY funded by Tax revenue 9.5%, and Overall borrowings (gross) 4.4% YoY. Revenue expenditure flat (0.9%) Reasonable. FY22 fisc at 6.9% vs. 6.8% est. FY23BE fisc. at 6.4%. Net market borrowing up 43% (Rs 10.4trn to Rs14.9trn). Disinvestment assumes LIC IPO this fiscal. Net Capex up 24.5% to Rs7.5trn, gross (Govt. IEBR) capex up 10.3% to Rs12.2trn. Overall, fiscal math looks credible.
- ✓ **Fiscal strategy:** Pump-priming with increased capex expenditure without incremental channels revenues to keep fiscal math stretched for longer, but on track for FRBM target fisc/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% fisc for States.

Salient points (Contd.)

- ✓ No change in personal and corporate taxes, customs duty changes towards greater reliance on domestic manufacturing. Tax on digital assets (Crypto/NFT). Easier tax compliance.
- ✓ **Overall Impact:** Much-need spending in the recovery, especially through capex focus on specific areas. However, spending remains the key here.
- ✓ Budget manages to push for growth at a critical time in the recovery, when the pandemic remains, inflation is on the rise, and aggregate demand remains weak.
- ✓ **Challenges:** Market borrowing remains high; policy normalisation over the next quarters likely to maintain pressure on yields across the term structure. Revival of private sector capex, especially with rising cost of funds locally and globally; spur domestic demand; revive employment conditions.

Figure 1: Annual fiscal deficit trend

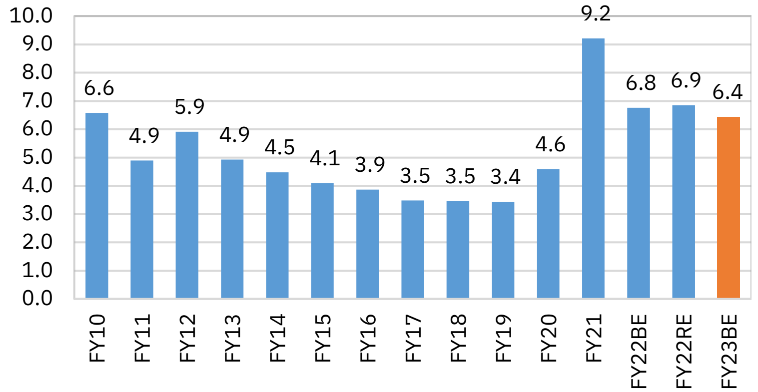


Table 1: A quick glance at fiscal balances

Rs bn	FY22RE	%YoY	FY23BE	%YoY
Net tax revenues	17,651	23.8	19,348	9.6
Non-tax revenues	3,138	51.1	2,697	-14.1
Non-debt cap receipts	1,000	73.5	793	-20.7
Total receipts	**21,789**	**28.8**	**22,837**	**4.8**
Revenue Expenditure	31,673	2.7	31,947	0.9
Capital Expenditure	6,027	41.4	7,502	24.5
Total expenditure	**37,700**	**7.4**	**39,449**	**4.6**
Fiscal deficit	**15,911**	**-12.5**	**16,612**	**4.4**
% GDP	**6.9**		**6.4**	

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

Fiscal deficit snapshot

Table 2: Fiscal math

Items (Rs bn)	FY21A	FY21A (% YoY)	FY22BE	FY22BE (% YoY)	FY22RE	FY22RE (% YoY)	FY23BE	FY23BE over FY22RE (% YoY)
Central govt. net tax revenue	**14,263**	**5.1**	**15,454**	**8.4**	**17,651**	**23.8**	**19,348**	**9.6**
Gross tax revenues	**20,271**	**0.8**	**22,171**	**9.4**	**25,161**	**24.1**	**27,578**	**9.6**
Of which:								
Direct Tax	**9,449**	**(10.0)**	**11,080**	**17.3**	**12,500**	**32.3**	**14,200**	**13.6**
Corporation tax	4,577	(17.8)	5,470	19.5	6,350	38.7	7,200	13.4
Income tax	4,871	(1.1)	5,610	15.2	6,150	26.2	7,000	13.8
Indirect Tax	**10,822**	**12.7**	**11,091**	**2.5**	**12,661**	**17.0**	**13,378**	**5.7**
Goods and service tax	5,488	(8.3)	6,300	14.8	6,750	23.0	7,800	15.6
Custom Duties	1,348	23.3	1,360	0.9	1,890	40.3	2,130	12.7
Excise Duties	3,917	62.8	3,350	(14.5)	3,940	0.6	3,350	(15.0)
States Share	(5,950)	(8.6)	(6,656)	11.9	(7,448)	25.2	(8,166)	9.6
Transferred to NCCD	(58)	134.7	(61)	4.8	(61)	5.3	(64)	4.4
Non-Tax Revenue	**2,076**	**(36.5)**	**2,430**	**17.0**	**3,138**	**51.1**	**2,697**	**(14.1)**
Dividends and profits	969	(48.0)	1,035	6.9	1,474	52.1	1,139	(22.7)
Central govt. revenue receipts	**16,339**	**(3.0)**	**17,884**	**9.5**	**20,789**	**27.2**	**22,044**	**6.0**
Non-Debt Capital Receipts	576	(16.0)	1,880	226.2	1,000	73.5	793	(20.7)
Divestment proceeds	379	(24.7)	1,750	361.8	780	105.8	650	(16.7)
Total Receipts	**16,915**	**(3.5)**	**19,764**	**16.8**	**21,789**	**28.8**	**22,837**	**4.8**
Revenue Expenditure	30,835	31.2	29,290	(5.0)	31,673	2.7	31,947	0.9
Interest Payments	6,799	11.1	8,097	19.1	8,138	19.7	9,407	15.6
Subsidy outgo	7,582	189.0	3,699	(51.2)	4,879	(35.7)	3,556	(27.1)
Capital Expenditure	4,263	27.0	5,542	30.0	6,027	41.4	7,502	24.5
Total Expenditure	**35,098**	**30.7**	**34,832**	**(0.8)**	**37,700**	**7.4**	**39,449**	**4.6**
Fiscal Deficit	**(18,183)**	**94.8**	**(15,068)**	**(17.1)**	**(15,911)**	**(12.5)**	**(16,612)**	**4.4**
Fiscal Deficit/GDP	**(9.2)**		**(6.8)**		**(6.9)**		**(6.4)**	

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)	FY20	FY21A	FY22BE	FY22RE	FY23BE
Central govt. net tax revenue	**6.7**	**7.2**	**6.9**	**7.6**	**7.5**
Gross tax revenues	**9.9**	**10.3**	**9.9**	**10.8**	**10.7**
Of which:					
Direct Tax	**5.2**	**4.8**	**5.0**	**5.4**	**5.5**
Corporation tax	2.7	2.3	2.5	2.7	2.8
Income tax	2.4	2.5	2.5	2.6	2.7
Indirect Tax	**4.7**	**5.5**	**5.0**	**5.5**	**5.2**
Goods and service tax	2.9	2.8	2.8	2.9	3.0
Custom Duties	0.5	0.7	0.6	0.8	0.8
Excise Duties	1.2	2.0	1.5	1.7	1.3
States Share	-3.2	-3.0	-3.0	-3.2	-3.2
Transferred to NCCD	0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	**1.6**	**1.1**	**1.1**	**1.4**	**1.0**
Dividends and profits	0.9	0.5	0.5	0.6	0.4
Central govt. revenue receipts	**8.3**	**8.3**	**8.0**	**9.0**	**8.5**
Non-Debt Capital Receipts	0.3	0.3	0.8	0.4	0.3
Divestment proceeds	0.2	0.2	0.8	0.3	0.3
Total Receipts	**8.6**	**8.6**	**8.9**	**9.4**	**8.9**
Revenue Expenditure	11.6	15.6	13.1	13.6	12.4
Interest Payments	3.0	3.4	3.6	3.5	3.6
Subsidy outgo	1.3	3.8	1.7	2.1	1.4
Capital Expenditure	1.6	2.2	2.5	2.6	2.9
Total Expenditure	**13.2**	**17.8**	**15.6**	**16.2**	**15.3**
Fiscal Deficit	**-4.6**	**-9.2**	**-6.8**	**-6.9**	**-6.4**

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

Tax collections realistic

- Net tax collections in FY22 are expected to surpass budget estimates by 14.2%, with growth pegged at 11-year high of 23.8%, thanks to a faster-than-expected economic recovery leading to higher tax buoyancy.
- FY22 net tax collection target of 9.6% over a high base is quite realistic and reflective of current macro-economic environment.
- While direct tax receipts are expected to grow at 13.6% in FY23, indirect tax collection growth is pegged at much lower 5.7%, thanks to a 15% budgeted drop in excise duty collections, reflecting recent excise duty cuts on petrol and diesel.

Figure 2: Annual net tax collections trend

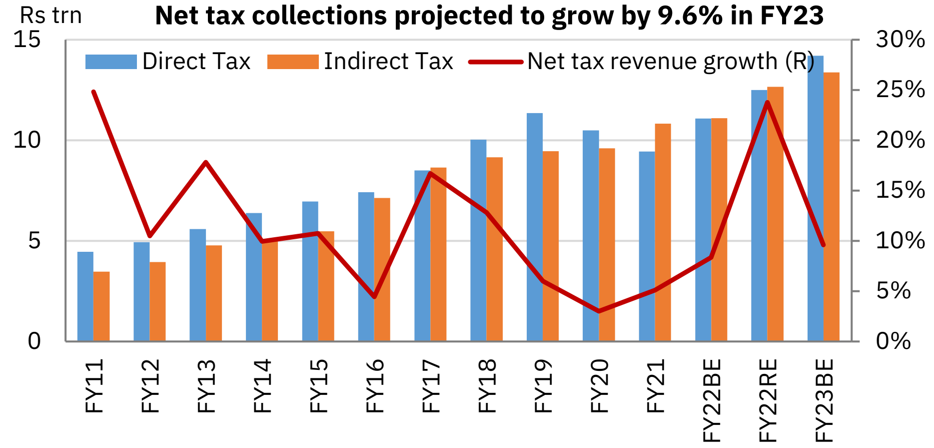


Table 4: Tax revenue assumptions seem quite realistic and achievable

Rs bn	FY21A	FY21A (% YoY)	FY22BE	FY22BE (% YoY)	FY22RE	FY22RE (% YoY)	% chg. From BE	FY23BE	FY23BE over FY22RE (% YoY)
Direct Tax	**9,449**	**-10.0%**	**11,080**	**17.3%**	**12,500**	**32.3%**	**12.8%**	**14,200**	**13.6%**
Corporation tax	4,577	-17.8%	5,470	19.5%	6,350	38.7%	16.1%	7,200	13.4%
Income tax	4,871	-1.1%	5,610	15.2%	6,150	26.2%	9.6%	7,000	13.8%
Indirect Tax	**10,822**	**12.7%**	**11,091**	**2.5%**	**12,661**	**17.0%**	**14.2%**	**13,378**	**5.7%**
Goods and service tax	5,488	-8.3%	6,300	14.8%	6,750	23.0%	7.1%	7,800	15.6%
Customs	1,348	23.3%	1,360	0.9%	1,890	40.3%	39.0%	2,130	12.7%
Union excise duty	3,917	62.8%	3,350	-14.5%	3,940	0.6%	17.6%	3,350	-15.0%
Gross tax collections	**20,271**	**0.8%**	**22,171**	**9.4%**	**25,161**	**24.1%**	**13.5%**	**27,578**	**9.6%**
Net tax collections	**14,263**	**5.1%**	**15,454**	**8.4%**	**17,651**	**23.8%**	**14.2%**	**19,348**	**9.6%**

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

Non-tax revenues boost in FY22; pegged to drop in FY23

- Non-tax revenues in FY22 saw a 51% jump vs. BE of +17%. This was due to windfall gains from an 89% higher-than-budgeted profit transfer by the RBI and higher telecom receipts due to prepayment of deferred liabilities by telecom operators from previous spectrum auctions.
- In FY23, non-tax revenues are expected to normalise and drop by 14.1%, albeit off a high base, despite the planned 5G auctions in 2022. This assumes much lower dividend and profit transfer from PSBs/RBI and lower telecom receipts.

Figure 3: Annual non-tax collections trend

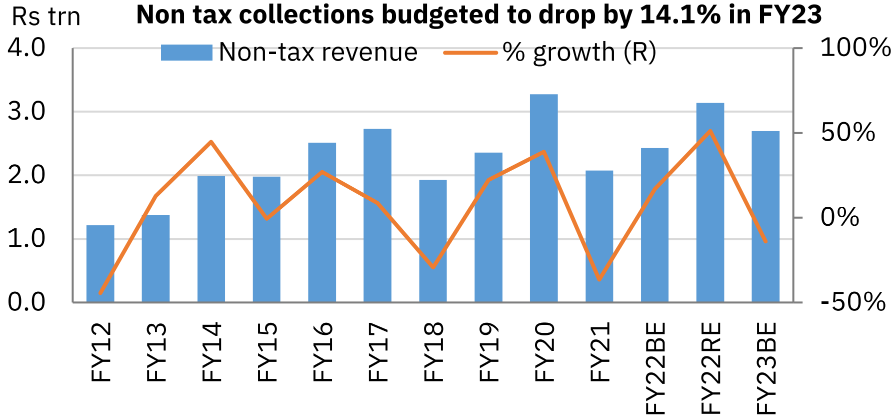


Table 5: Lower telecom receipts and surplus transfer by RBI to result in a drop in non-tax revenues in FY23

Rs bn	FY21A	FY21A (% YoY)	FY22BE	FY22BE (% YoY)	FY22RE	FY22RE (% YoY)	% chg. From BE	FY23BE	FY23BE over FY22RE (% YoY)
Non-tax revenue	**2,076**	**-36.5%**	**2,430**	**17.0%**	**3,138**	**51.1%**	**29.1%**	**2,697**	**-14.1%**
Interest receipt	171	38.6%	115	-32.6%	209	22.1%	81.0%	180	-13.9%
Dividends and profits	969	-48.0%	1,035	6.9%	1,474	52.1%	42.3%	1,139	-22.7%
Union Territories	16	-9.3%	25	58.3%	25	58.3%	0.0%	28	10.9%
Other non-tax revenue	920	-27.5%	1,254	36.3%	1,430	55.4%	14.0%	1,349	-5.7%
Fiscal services	12	12.3%	7	-39.9%	12	1.3%	68.6%	13	9.5%
General services	141	-30.7%	207	47.3%	161	14.3%	-22.4%	199	23.7%
Social and community services	38	11.4%	29	-24.0%	34	-11.0%	17.2%	27	-18.7%
Economic services	713	-30.0%	1,004	40.8%	1,210	69.8%	20.6%	1,101	-9.0%
Communication	455	-34.9%	540	18.7%	720	58.1%	33.3%	528	-26.6%

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

FY23 divestment target lower than the revised FY22

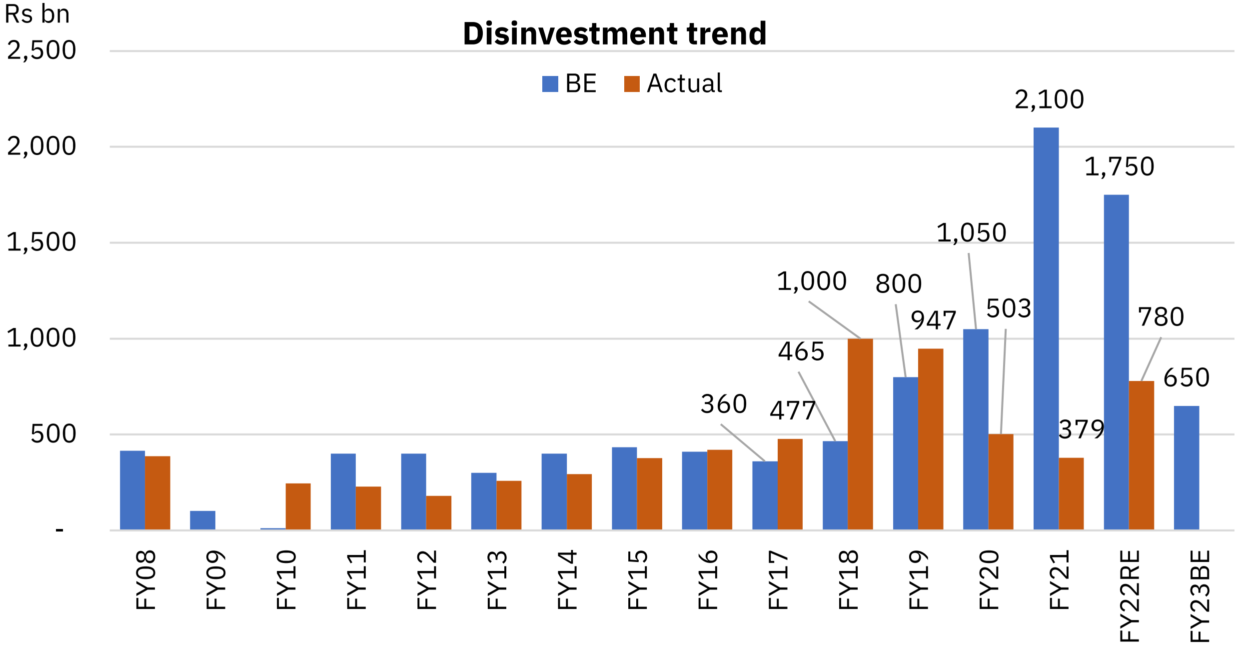
- FY22 RE target for proceeds through disinvestments is pegged at Rs780bn vs. BE of Rs1.75trn. This compares with a mere Rs120.3bn garnered during Apr-Dec'21.
- In FY23, the Government aims to raise only Rs650bn through divestments in FY23, which is lower than the revised estimates of FY22. The LIC IPO is therefore likely to happen this fiscal.
- According to the news sources, divestments of BPCL, BEML, Pawan Hans and Shipping Corp. of India are likely to take place in FY23, with the sale of BPCL expected to fetch Rs500-600bn alone.

Table 6: Disinvestments in FY22 thus far

Name of CPSEs	% of GOI's Shares Disinvested	Method of Disinvestment	Receipts (in Rs.bn)	GOIs share holding Post Disinvestment
Others (SUTTI Axis Bank)	0.0	OFS	40	0.0
NMDC	7.5	OFS	37	60.8
NMDC	0.0	EMP OFS	0.02	60.8
HUDCO	8.0	OFS	7	81.8
HUDCO	0.0	Employee OFS	0	81.8
HCL	6.6	OFS	7	66.2
IPCL(now RIL)	0.4	Sale of shares through stock exchange	2	0.0
Air India	100.0	Strategic Disinvestment	3	0.0
Disinvestment till Dec FY22			**120**	

Source: DIPAM

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



Source: Budget Documents, NSE EPR. BE – Budget Estimate.
*FY22 actual number is the revised estimate.

Centre steps up capex again

- ❖ Central government continues to focus on fostering capital expenditure, as indicated by the budget FY23.
- ❖ Share of Capex now at 19% of overall expenditure—the highest since FY00—meaningfully higher than last year's 16%.
- ❖ Spending remains skewed towards Railways and road, transport and highways (18%).
- ❖ IEBR allocation has been reduced by 6.6% as per FY23BE, thereby clearly indicating the intent of government towards not resorting to off balance sheet borrowings anymore.

Figure 5: Annual revenue and capital expenditure trend

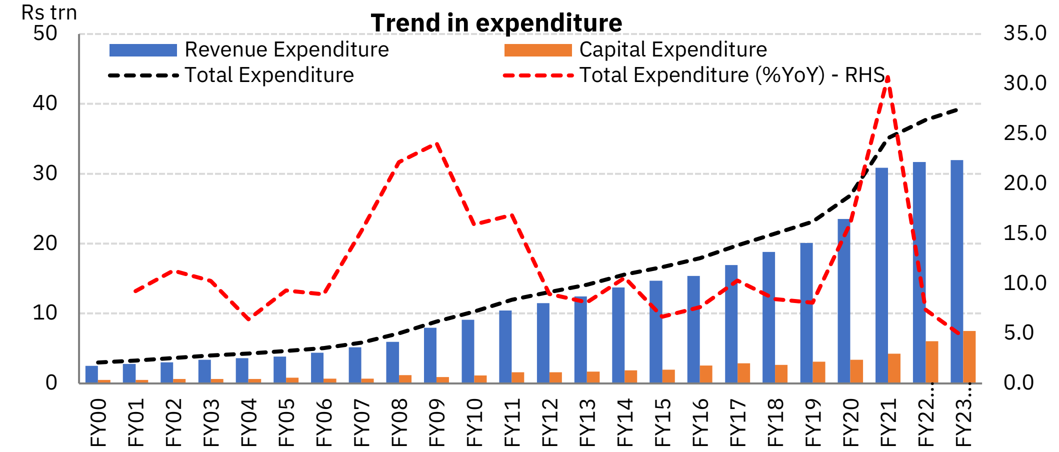


Table 7: Ministry-wise capital expenditure (includes IEBR*):

Rs bn	FY21A		FY22RE			FY23BE		
	GBS	IEBR	GBS	IEBR	%YoY (for total GBS+IEBR)	GBS	IEBR	%YoY (for total GBS+IEBR)
Ministry of Railways	1093	1252	1171	977	-8	1371	1085	14
Ministry of Petroleum and Natural Gas	7.28	1111	5	1035	-7		1113	7
Department of Food and Public Distribution	10	569	25	892	58	193	877	17
Ministry of Roads, Transport and Highways	461	650	651	650	17	1340		3
Ministry of Power	0.65	472		490	4		515	5
Ministry of Housing and Urban Affairs	87	103	233	122	87	238	18	-28
Department of Telecommunications	1	86	0.8	110	27	449	3	308
Total	4263	4777	6027	5025	22	7502	4695	10

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

Spending in social programs remains intact

Figure 6: Rural employment (MGNREGS Scheme)

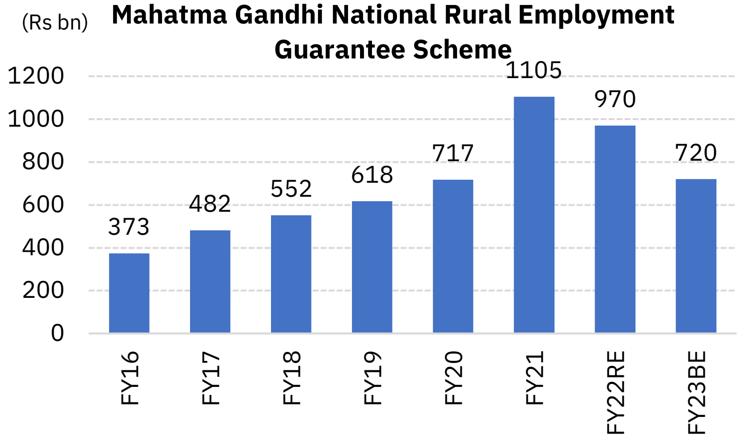


Figure 7: Housing for All (PMAY*)

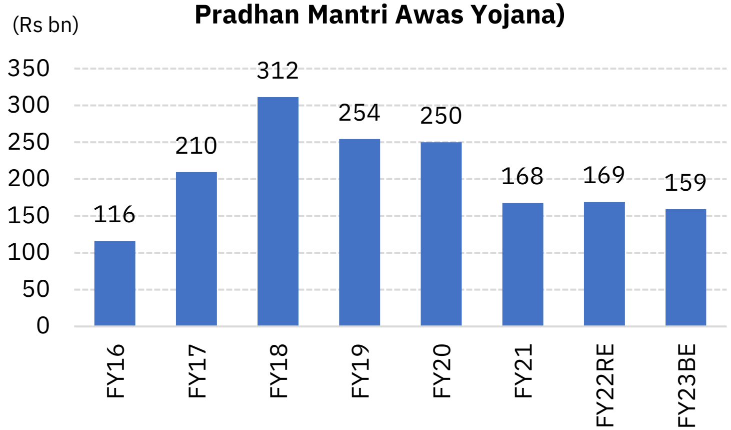


Figure 8: Rural Infrastructure (PMGSY)

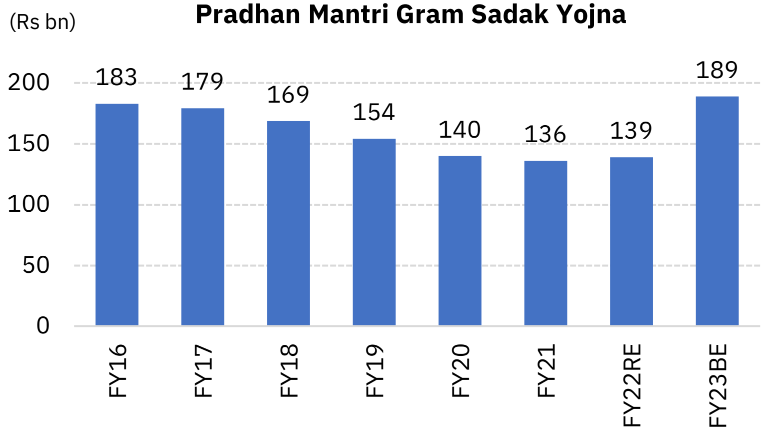


Figure 9: Education (NEM)

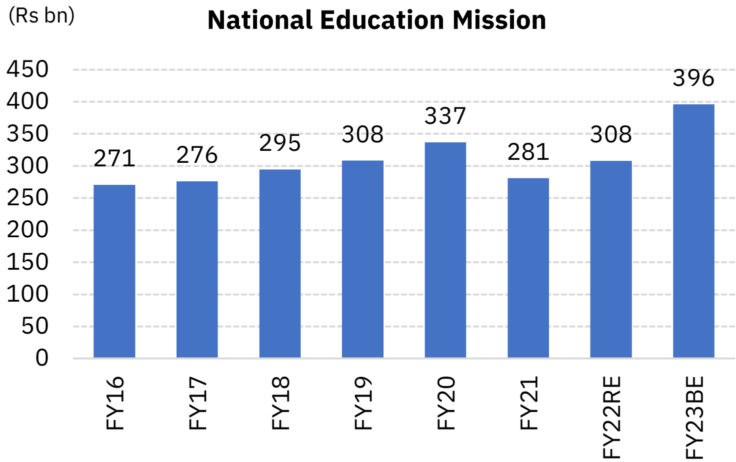


Figure 10: Swachh Bharat Mission

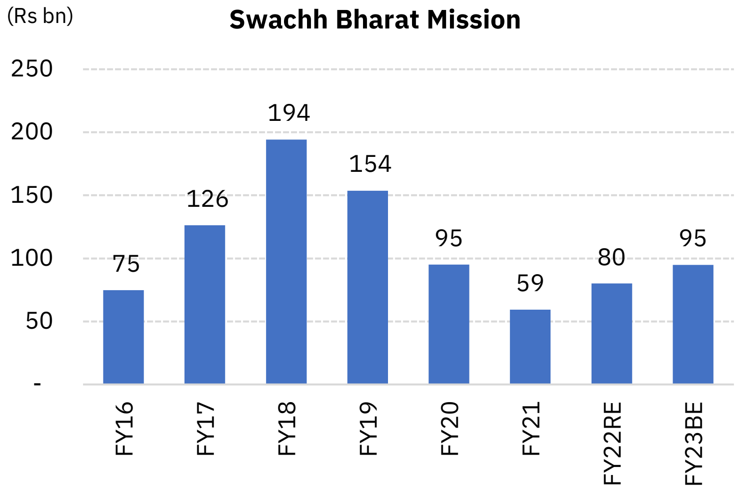
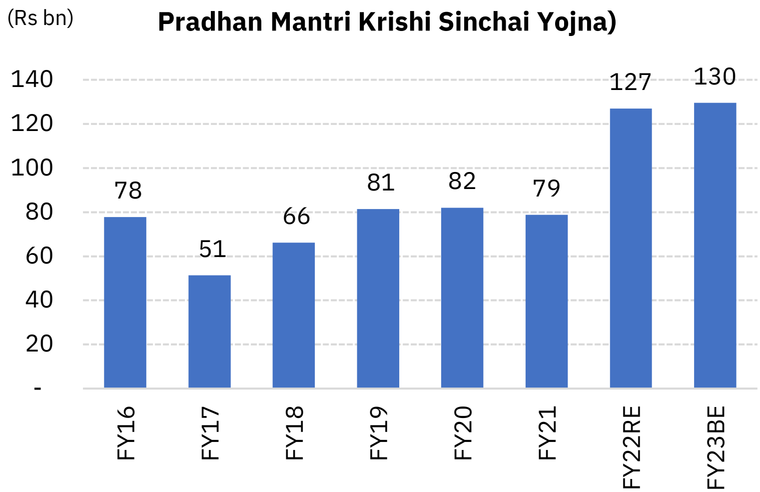


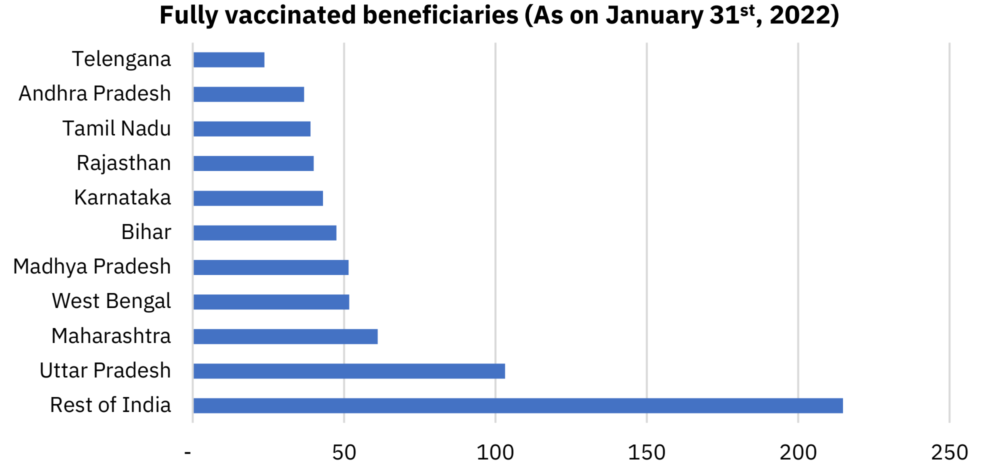
Figure 11: Irrigation (PMKSY)



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

Focus shifts from vaccination to overall well-being

Figure 12: Fully vaccinated beneficiaries (As on January 31st, 2022)



Source: Ministry of Health and Family Welfare.

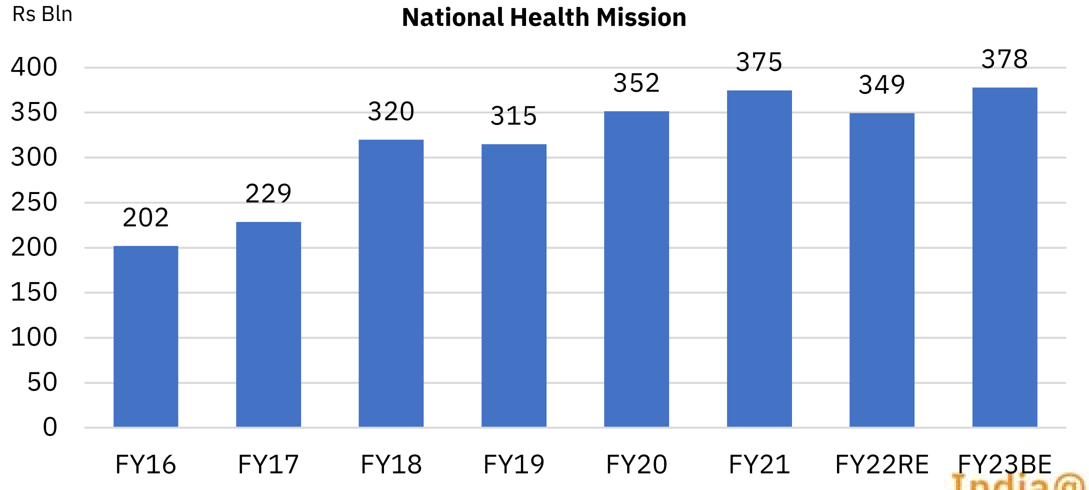
- With nearly 51% of the population being fully vaccinated, allocation to the COVID vaccination drive has seen a drop.
- Water & sanitation has seen a 32% YoY jump in allocation (Rs 672bn)
- Aim to provide tap water to 3.8 crore more households in FY2022-23 above current coverage of 8.7 crores.
- Open platform for National Digital Health Ecosystem and National Tele Mental Health programmes to be rolled out to promote holistic well-being and improve access to facilities.

Table 8: Health expenditure during last three years

Ministry/Department (Rs bn)	FY21A	FY22RE	FY23BE
Department of Health & Family Welfare	776	829	830
Department of Health Research	31	31	32
Ministry of AYUSH	21	27	31
COVID related Special Provisions			
Vaccination		390	50
Department of Drinking Water & Sanitation	160	510	672
FC Grants for Health		132	132
Total	**988**	**1,919**	**1,747**

Source: Budget Documents, NSE EPR.

Figure 13: National Health mission spending trend



Source: Budget Documents. NSE EPR.

Market loans and small savings to fund 93% of fiscal deficit

- Gross market borrowing for FY23 is pegged at Rs15.0trn, nearly 43% higher than the FY22 revised estimate of Rs10.5trn. This, along with state borrowings, may cross Rs23trn in FY23, which in turn is negative for bond markets and may crowd out the private sector.
- Net small savings shot up meaningfully in FY22 and funded nearly 37% of the deficit. In FY23, it's share is pegged to drop to 26%.

Table 9: Sources of funding the deficit

Rs bn	FY22BE	FY22RE	% of total	% YoY	FY23BE	% of total	% YoY
Gross market borrowings*	12,055	10,465		-17%	14,950		43%
Net market borrowings	9,247	7,758	49%	-25%	11,186	67%	44%
Short-term borrowings	500	1,000	6%	-51%	500	3%	-50%
External assistance (net)	15	197	1%	-72%	193	1%	-3%
Small savings (net)	3,919	5,915	37%	22%	4,254	26%	-28%
State provident funds (net)	200	200	1%	8%	200	1%	0%
Draw down of cash balance	714	1,742	11%	-2523%	8	0%	-100%
Other capital receipts	473	-901	-6%	-777%	271	2%	-130%
Total	**15,068**	**15,911**	**100%**	**-12%**	**16,612**	**100%**	**4%**

Figure 14: Nearly 57% of Centre's debt is maturing over the next 10 years

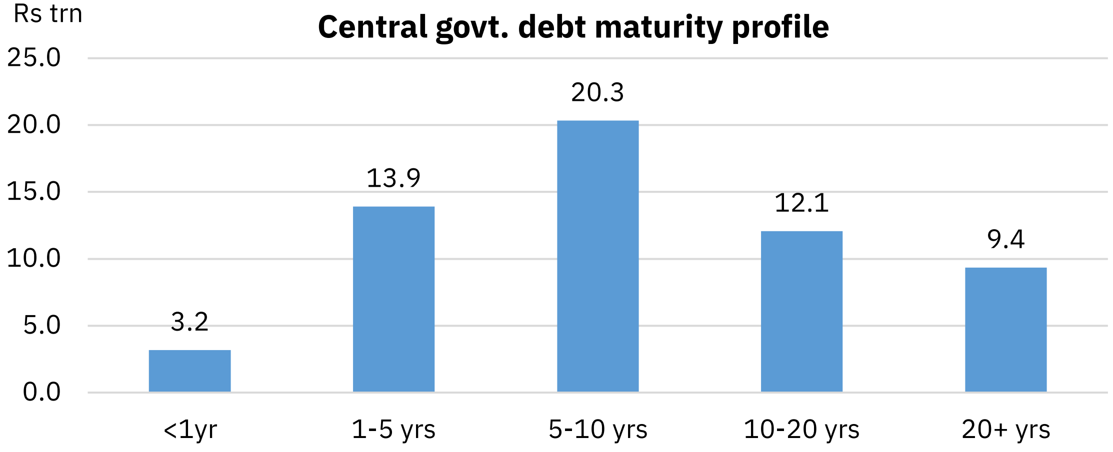
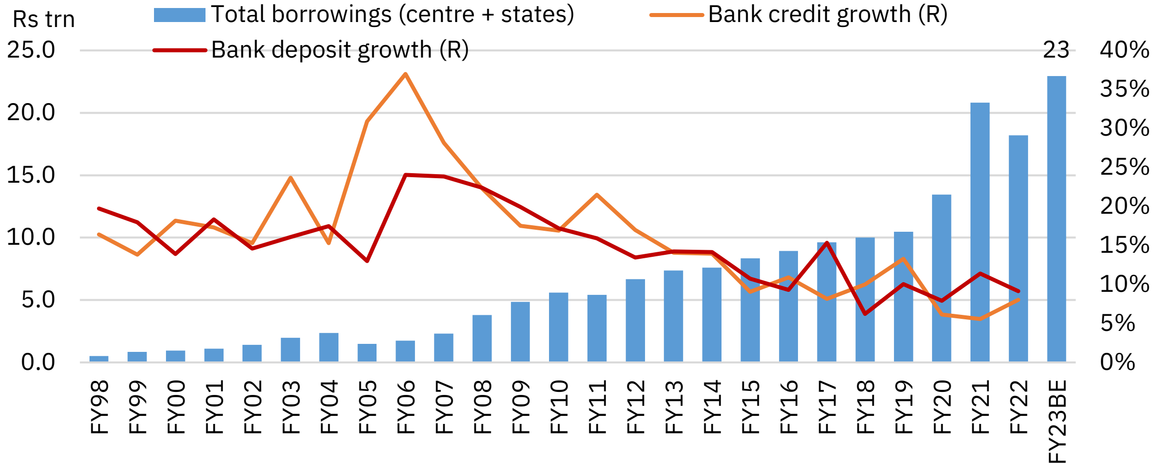


Figure 15: Crowding out of the private sector on rising govt. borrowings



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

Notes: 1. Credit and deposit growth for FY22 is as of January 17th, 2022.
2. State borrowings for FY22 is a sum of actual borrowings over Apr-Dec'21 and borrowing calendar for Q4FY22.
3. Figure for FY23 is sum of the Centre's BE of Rs14.95trn and our estimate of Rs8trn for state borrowings.

Key announcements and implications for capital markets

Announcement	Implications
Bond markets	
Issuance of Sovereign Green Bonds for funding public sector green infrastructure projects.	Will provide a fillip to sustainability projects and help reduce carbon emissions in the economy.
GIFT_IFSC	
Facilitating services for global capital for sustainable & climate finance in the country	Will accelerate sustainability investments in the economy.
Setting up of International Arbitration Tribunal for settlement of disputes	Will improve Ease of Doing Business
Income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax.	Will help augment investments by non-residents in IFSC.
Venture Capital and Private Equity	
Setting up of an expert committee to advise on appropriate regulatory measures for the sector.	Hasten a structured and orderly growth in venture capital and private equity eco-system

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Health	An open platform for National Digital Health Ecosystem, consisting of digital registries of healthcare providers and facilities, unique health identity, will be rolled out.	Improves universal access to healthcare facilities; much-needed support to public health infrastructure.
	A National Tele Mental Health Programme to provide better access to quality mental health counselling.	
Education	'One class-one TV channel' programme to be expanded from 12 to 200 TV channels.	Improves access to high-quality supplementary and universal education in regional languages.
	Establishing a Digital University to provide personalized quality education in different regional languages and ICT formats.	
	750 virtual labs in Science and Maths and 75 skilling e-labs to be set-up.	
	States encouraged to revise curriculum of agricultural universities to align with needs of natural, zero-budget and organic farming.	
	Foreign institutions to be allowed to offer courses in GIFT City without application of any domestic regulation.	

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Infrastructure and Logistics	PM GatiShakti, encompassing a multimodal connectivity and logistics efficiency plan, is one of the four key priorities of the budget.	A transformative economic master plan to bring synergies among infrastructure, connectivity and logistics. The technology layer through ULIP will help reduce cost and time.
	A masterplan for expressways will be formulated. 25,000 km will be added to the highways network in FY2022-23.	
	A Unified Logistics Interface Platform (ULIP) to enable data exchange through different modes and provide real-time information.	
	Four Multimodal Logistics Parks will be awarded in FY2022-23.	
	2000 km of rail network to be brough under 'Kavach' technology for safety.	
	400 new-gen Vande Bharat trains and 100 PM GatiShakti cargo rail terminals to be developed in the next three years.	
	Data Centres and Energy Storage Systems to be included in the harmonized list of infrastructure.	

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Defence	Defence R&D to be opened up for industry with 25% of the R&D budget earmarked. An independent modal body to be set up for testing and certification requirements.	Encouraging for the private players and startups to design and develop military platforms. Promotes self-reliance and reduces high defence imports.
	Defence capital procurement budget earmarked for domestic industry increased from 58% in FY2021-22 to 68% in FY2022-23.	
Power and Energy	PLI Scheme for manufacture of solar PV modules given an additional allocation of Rs 19,5000 crores.	A strong impetus to development of domestic manufacturing and private green ecosystems in transition towards a carbon neutral economy.
	A battery swapping policy to be formulated to improve the EV ecosystem and promote ‘Batter/Energy-as-a-Service’.	
	Four pilot projects for coal gasification and biomass pellets to be co-fired in thermal pwer plants.	

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

<table>
<tr><th>Sector</th><th>Budget outlook</th><th>Implications</th></tr>
<tr><td rowspan="3">Start-ups</td><td>A fund with blended capital raised under co-investment model facilitated through NABARD to finance startups in agriculture & rural enterprises for farm produce value chain.</td><td rowspan="3">Will help entrepreneurs get necessary support and attract more capital in the start-up ecosystem.</td></tr>
<tr><td>Startups will promote for Drone Shakti and Drone-As-A-Service (DrAAS).</td></tr>
<tr><td>An expert committee to be set up to examine regulatory framework for PE/VC investments.</td></tr>
<tr><td rowspan="3">New Economy</td><td>Productivity-linked incentive schemes in 14 sectors have received excellent response; received investment intentions worth Rs 30 lakh crore.</td><td rowspan="3">Economic recovery benefitting from public investment and capital spending. This Budget will provide impetus to growth.</td></tr>
<tr><td>The Circular Economy transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs.</td></tr>
<tr><td>Sovereign Green Bonds will be issued for mobilizing resources for green infrastructure.</td></tr>
</table>

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
Banks	Introduction of Central Bank Digital Currency (CBDC) using blockchain and other technologies to be issued by the Reserve Bank of India starting 2022-23.	Will be helpful enabling inter-operability, digital banking and financial inclusion.
	The National Bank for Financing Infrastructure and Development (NaBFID) and National Asset Reconstruction Company have commenced their activities.	
	100% of post offices will be connected to the core banking system, allowing for financial inclusion and account access via net banking, mobile banking, and ATMs, as well as online fund transfers between post office and bank accounts.	
Telecom	Spectrum auction will be conducted in 2022 for the rollout of 5G.	Will enable growth, offer job opportunities and provide samedigital access to rural areas as urban areas and their residents.
	A scheme for design-led manufacturing will be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme.	
	SContracts for laying optical fibre in villages to be awarded under BharatNet project under PPP in 2022-23.	

Source: Budget documents, NSE EPR.

Key sector-wise announcements and implications

Sector	Budget outlook	Implications
MSMEs	Raising and Accelerating MSME Performance (RAMP) programme with outlay of Rs. 6,000 crore over 5 years will be rolled out.	Will help the MSME sector become more resilient, competitive and efficient.
	Udyam, e-shram, NCS & Aseem portals will be inter-linked and their scope will be widened to perform as portals with live organic databases.	
	Emergency Credit Line Guarantee Scheme (ECLGS) will be extended up to March 2023 with the guarantee cover expanded by Rs 500bn, exclusively for the hospitality and related enterprises.	
	Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme to facilitate additional credit of Rs2trn for Micro and Small Enterprises and expand employment opportunities.	
Tourism	ePassports will be rolled out in 2022-23 for convenience in overseas travel and will be embedded with a chip.	Will increase convenience for citizens.

Source: Budget documents, NSE EPR.

Revision in direct tax rates

	Old	New
Tax Incentive for IFSC	Taxable at applicable rate	Income of a non-resident from offshore derivative instruments, or over the counter derivatives issued by an offshore banking unit, income from royalty and interest on account of lease of ship and income received from portfolio management services in IFSC shall be exempt from tax.
Provision for filing Updated Returns in case of omissions and errors	A revised return can be filed by the assessee till December 31st of the relevant assessment year. No additional tax in addition to that payable on the additional income disclosed is applicable.	To be filed within two years from the end of the relevant assessment year. Additional 25% to 50% of aggregate tax and interest payable will be applicable.
Reduction in Alternate MAT for Cooperatives	18.50%	15%
Reduction in Surcharge for Cooperatives having total income greater than Rs1crore up to Rs10crore.	12%	7%
Tax relief on insurance scheme for differently abled dependents	Deduction of payment of annuity by the parent or guardian of differently abled dependents only if the lump sum payment or annuity is available to the differently abled person on the death of the subscriber i.e., parent or guardian.	Deduction of payment of annuity by the parent or guardian of differently abled dependents only if the lump sum payment or annuity is available to the differently abled person during the lifetime of the subscriber i.e., on parent or guardian attaining the age of sixty years.

Source: Budget documents, NSE

Revision in direct tax rates (contd.)

	Old	New
Eligibility of tax incentive for start-ups for three consecutive years out of ten years from incorporation	Eligible for start-ups established before March 31st, 2022.	Eligible for start-ups established before March 31st, 2023.
Eligibility of concessional tax of 15% for newly incorporated domestic manufacturing companies	Eligible for newly incorporated companies that have commenced manufacturing or production before March 31st, 2023.	Eligible for newly incorporated companies that have commenced manufacturing or production before March 31st, 2024.
Tax income from transfer of virtual digital asset including receipt of virtual difital assets as gifts	NA	An income tax of 30% with no deduction for any expense except for cost of acquisition. No set off of loss from transfer of the virtual digital asset shall be allowed. A 1% TDS shall be applicable on all digital asset transactions.
Maximum Surcharge for Association of Persons	Up to 37%	15%
Long-term capital gain tax on all capital assets	Up to 37%	15%

Source: Budget documents, NSE

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Thank you