



# Union Budget 2022-23 Highlights

As Introduced on 1<sup>st</sup> February, 2022

Through this Union Budget a foundation and blueprint of the economy has been attempted to be laid of the next 25 years – from India at 75 to India at 100. The Budget 2022 focused on 'digital and technology' and sectors like infrastructure, health, education and provision of e-services to the masses have been given special impetus apart from giving due importance to the other sectors. The main highlights of the Budget 2022 are as below:

## Budget allocation

- A 6.4% fiscal deficit has been projected for India in FY23.
- Revised fiscal deficit estimated at 6.9% of GDP.
- States to get Rs. 1 lakh crore as 50-year interest-free loans to help fund PM Gati Shakti-related investments.
- The government's effective capital expenditure is estimated at Rs. 10.68 lakh crore in 2022-23, about 4.1% of GDP.
- The outlay for capital expenditure to be stepped up sharply by 35.4% from Rs. 4.54 lakh crore to Rs. 7.50 lakh crore in 2022-23.

## Direct Taxes – Income Tax

- A new provision is introduced to allow taxpayers to update the past return and include omitted income by additional tax payment. The updated return can be filed within two years from the end of the relevant assessment year.
- The tax incentive period is extended by one year for startups. Eligible startups incorporated under Section 80-IAC will now get tax benefits until March 31, 2023.
- Corporate surcharge to be reduced from 12% to 7%.
- Alternate Minimum Tax (AMT) to be reduced to 15% for co-operative societies.
- Income from transfer of digital assets such as crypto to be taxed at 30%. No deductions will be allowed except the cost of acquisition of digital assets. Loss on sale of digital assets cannot be set off against any other income. TDS at 1% will be levied above the threshold. Gifting of digital assets will also be taxable in the hands of the receiver.
- To bring parity between Central and state government employees, the Finance Ministry proposed to increase the threshold of employers contribution to the National Pension Scheme (NPS) Tier-I account from 10% to 14%.
- The parent/guardian of the differently-abled can get a tax deduction on payment of the annuity or lump sum during the lifetime of parent or guardian, once the parent or guardian has attained 60 years.
- Any surcharge and cess levied on income are not allowed as business expenditure.
- Brought forward loss cannot be set off against undisclosed income detected during any survey or search.

## Indirect Taxes – GST & Customs

- An important amendment to the Central Goods and Services Tax Act is in Section 16, 34, 37, 39 and 52. The last date to make amendments, corrections, upload missed sales invoices or notes or to claim any missed Input Tax Credit or ITC of one financial year is no longer due date to file September return of the following year, but it is 30th November of the following year.

- Section 29 of the CGST Act is amended for Cancellation of GSTIN by officer. If a composition taxable person fails to file an annual return for three months beyond the due date of 30th April of the following year, his registration can get cancelled. Likewise, for any other taxpayer, the six months consecutive default in return filing is replaced with consecutive tax period default as may be prescribed.
- Section 38, earlier called furnishing of inward supplies, is amended completely to remove reference of earlier GSTR-2 and replace it with GSTR-2A and GSTR-2B with new heading as 'Communication of details of inward supplies and input tax credit'.
- The due date to file GSTR-5 by Non-resident taxable persons is revised from 20th of next month to 13th of next month.
- Sections 42, 43, and 43A pertaining to matching, reversal of tax credits have been removed.
- The record collection of Rs.1,40,986 crore gross GST revenues in January 2022 was the highest since GST inception.
- Concessional customs duty on import of capital goods to be phased out, the initial rate of 7.5% to be imposed.
- More than 350 exemptions on importing some agri products, chemicals, drugs, etc., will be phased out.
- Duty concession on import of phone chargers, transformers, etc., enable domestic manufacturing.
- Customs duty on imitation jewellery was raised to discourage their imports.
- Duty on specified leather, packaging boxes reduced to incentivise exports.
- Customs duty on cut and polished diamonds, gems to be reduced to 5%.
- Customs duty exemption on steel scrap is being extended by a year to help MSMEs.
- Customs duty on methanol to be reduced.
- Levying additional excise duty at Rs.2 per litre on unblended fuel to encourage fuel blending.

## Education

- 2 lakh Anganwadis to be upgraded for improving child health.
- Announcement of tech-based platforms 'One class, one TV channel' program of PM eVIDYA for school children and the establishment of a digital university.
- One class, one TV channel' programme of PM eVIDYA will be expanded from 12 to 200 TV channels. This will enable all states to provide supplementary education in regional languages for classes 1 to 12.
- Digital university to set up for online education focusing on ICT.
- Select ITIs in all states that will offer skilling courses.

## Startups

- Defence R&D to be opened up for industry and startups.
- Startups will be promoted to facilitate 'drone shakti' to promote drone usage.

## Virtual currency

- RBI to introduce the digital rupee using blockchain technology starting 2022-23.

## Agriculture

- Government to promote funds for blended finance (government share limited to 20%) for sunrise opportunities such as climate action, agri-tech, etc.
- Fund to be facilitated through NABARD to finance startups for agriculture and rural enterprise, relevant for farm produce value chain. Startups will support FPOs and provide tech to farmers.
- Use of Kisan Drones to be promoted for crop assessment, digitisation of land records, spraying of insecticides and nutrients.
- Delivery of hi-tech services for farmers to be launched.
- MSP for farmers to be transferred directly into bank accounts.
- Chemical-free natural farming to be promoted in India.

## Investment, Sectoral allocation

- Regulatory framework for venture capital to be reviewed; an expert committee to be set up.
- PM development initiatives for the northeast will be implemented for the North Eastern Council. This will enable livelihood activities for youth and women. This scheme is not a substitute for the existing Centre or State schemes.

## MSME

- The next phase of ease of doing business and living will be launched.
- To support sectors disproportionately affected by the pandemic, FM announces extension of ECLGS (Emergency Credit Line Guarantee Scheme) till Mar-23. Given that nearly 95% of ECLGS borrowers are MSMEs, this measure will ensure the continued handholding of MSMEs and the services sector. The services sector, which accounts for more than 60% of India's GDP, remains an important engine of economic growth, job creation, income generation and livelihood support.
- The govt. took measures to make MSMEs more resilient and competitive.
- ECLGS has helped 130 lakh MSMEs mitigate the worst impact of the pandemic.

## e-Vehicles and energy

- Energy efficiency and saving measures will be promoted.
- A battery-swapping policy to be brought out with interoperability standards to boost the EV ecosystem.
- FM announces Rs 19,500 crore allocation in PLI for solar modules.

## Digital banking

- An online bill system will be launched to reduce the delay in payment. All central ministries will use it.
- Credit growth increased by Rs 5.4 lakh crore this year, the highest in many years.

## Internet connectivity

- 5G spectrum auction in 2022-23.
- Bharatnet project contracts for optical fibre networks will be handed out under the PPP model.
- All villages should have the same access to digital resources as urban areas.

## Defence

- 68% of the capital procurement budget in defence will be earmarked for the domestic industry in 2022-23.

## e-Passport

- Issuance of e-passports with futuristic tech to be introduced in 2022-23.
- The finance minister has said India would start issuing e-passports in 2022-23. When first announced in 2019, these were some of the features proposed:
  - These e-passports will take a few seconds to read.
  - The prototype was tested in a US government identified laboratory.
  - They are expected to have thicker front and back covers.
  - The back cover is expected to have a small silicon chip.
  - The chip will have 64 kilobytes of memory space.
  - Holder's photograph and fingerprints will be stored in the chip.
  - Will have the capacity to store 30 visits.

## Healthcare

An open platform for the National Digital Health Ecosystem will be rolled out. It will consist of digital registries of health providers and facilities, unique health identity and universal access to health facilities.

Pandemic has brought to the fore the issue of mental health. A national tele mental health programme will be launched.

## Infra, Roadways, Railways, Waterways and Logistics

- New rail products in the form of 'One Station – One Product', 400 next-gen Vande Bharat trains, and 100 PM Gati Shakti cargo terminals over the next three years provides integration of NIP with Gati Shakti and is likely to prove crucial in employment generation as the transport network is rich in terms of backward and forward linkages with the rest of the economy.
- Draft DPRs for five river interlinking project have been finalised.
- 400 Vande Bharat trains with higher efficiency for passengers will be developed in the next three years.
- The Budget focuses on public investment to modernise infrastructure over the medium term, leveraging the tech platform of Gati Shakti via a multi-modal approach.
- Four multi-modal national parks contracts will be awarded in FY23.
- PM Gatishakti master plan for expressways will be formulated in the next financial year.
- The scope of PM Gatishakti master plan will encompass the seven engines of economic transformation.

## Housing and basic amenities

- In 2022-23, 80 lakh households will be identified for the affordable household scheme.
- 60,000 crore allocated for providing access to tap water to 3.8 crore households.

## Employment

- Production Linked Incentive (PLI) Scheme for achieving Aatmanirbhar Bharat has received an excellent response, potentially creating 60 lakh new jobs and additional production of 30 lakh crore during the next Keycap digit five years.
- PLI schemes across 14 sectors have achieved a tremendous response and created 60 lakh job opportunities



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