



KEY HIGHLIGHTS

UNION BUDGET 2023-24

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The Union Budget 2023-24 progresses on the foundation laid in the previous Budget, and the blueprint drawn for India@100. As expected, the Budget is a pragmatic one as opposed to a populist one. This is in line with the global economic instability triggered by the pandemic and War.

The key areas of the Union Budget 2023-24 are creation of opportunities for youth, impetus on growth and job creation, boost domestic manufacturing and macroeconomic stability.

To achieve the above, the Budget lays down seven priority areas, i.e., Inclusive Development, Reaching the Last Mile, Infrastructure & Investment, Unleashing the Potential, Green Growth, Youth Power, and last but not the least, the Financial Sector.

DGS analyses the various key announcements made in Union Budget 2023-24.

KEY BUDGET HIGHLIGHTS

STRENGTHENING INFRASTRUCTURE AND FINANCIAL SERVICES

I. Investments in Infrastructure and Productive Capacity

Investments in Infrastructure and productive capacity have a large multiplier impact on growth and employment.

- Capital investment outlay is being increased steeply for the third year in a row by 33% to INR 10 trillion, which would be 3.3% of GDP. The Effective Capital Expenditure of the Centre is budgeted at INR 13.7 trillion, which will be 4.5 % of GDP.
- An Urban Infrastructure Development Fund will be established for development of urban infrastructure by public agencies in tier-2 and tier-3 cities. The Fund will be managed by the National Housing Bank and is expected to have an annual allocation of INR 10 billion.
- States and cities will be encouraged to undertake urban planning reforms such as efficient land use and transit-oriented development. Cities will be incentivised to improve their credit worthiness for municipal bonds through property tax reforms and setting aside user charges.
- The scheme providing 50-year interest free loans to state governments will be made available in 2023- 24 also with a significantly enhanced outlay of INR 1.3 trillion.
- Highest ever railways capex outlay of INR 2.4 trillion has been proposed.
- 100 critical transport infrastructure projects for last and first mile connectivity for various sectors such as ports, coal, steel will be taken up. This will have an investment of INR 750 billion, including INR 150 billion from private sources.

- 50 additional airports, heliports, water aerodromes, and advanced landing zones are scheduled to be revitalised.

II. Financial Services

The Budget proposes to further reforms in the financial sector and innovative use of technology which have led to financial inclusion at scale, better and faster service delivery, ease of access to credit and participation in financial markets.

- A National Finance Information registry will be set up for accessing all financial and ancillary information.
- Empowerment of SEBI to develop, regulate, maintain, and enforce norms and standards for capacity building in the securities market
- Mahila Samman Bachat Patra scheme and enhanced SCSS for personal saving will be introduced. Mahila Samman Saving Certificate will be launched for two years. Further, the deposit limit for senior citizens savings scheme will be increased from Rs 15 lakh to Rs 30 lakh.
- Setting up of a central data processing Centre for handling administrative work under the Companies Act.

FOCUSING ON GREEN GROWTH

India is moving forward firmly for the 'panchamrit' and net-zero carbon emission by 2070 to usher in green industrial and economic transition. The Government continues to prioritise the adoption of green energy and practices for farming, construction, and mobility to reduce the carbon footprint and create new job opportunities.

- This Budget provides INR 350 billion in capital investment towards energy transition and the net-zero and energy security objectives.
- The Green Credit Programme will be notified under the Environment (Protection) Act to incentivize substantial actions amongst companies and local bodies.
- National Green Hydrogen Mission with an outlay of INR 197 billion will help India reach a target of five MMT per annum by 2030.
- PM-PRANAM (Restoration, Awareness, Nourishment and Amelioration of Mother Earth) will be launched to incentivise states and union territories to promote alternative fertilisers and balanced use of chemical fertilisers.
- Under GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) scheme 500 new waste-to-wealth plants will be established at a total investment of INR 100 billion for promoting a circular economy.

- The Government will promote the optimal use of wetlands through the Amrit Dharohar scheme over the next three years.

Other Sustainable development initiatives:

- Battery Energy Storage Systems with a capacity of 4,000 megawatt-hours will be supported with a viability gap funding. A detailed framework for Pumped Storage Projects will also be formulated.
- 10,000 bio-input research centres will be set up over the next three years to facilitate 10 million farmers to adopt natural farming.
- Coastal shipping will be promoted as the energy-efficient and lower-cost mode of transport.
- Funds have been allocated to scrap old vehicles, to counter pollution concerning them.

TRUST BASED GOVERNANCE

The Government has continued with its efforts to enhancing ease of doing business and further the trust-based governance. Digitization and an effective data governance policy has been its top priority.

I. Data governance and digitisation

- A National Data Governance Policy will be brought out to enable access to anonymised data to unleash innovation and research by start-ups and academia.
- E-Courts- Phase 3 to be launched to acclimatise better with digitalisation.

II. Ease of Doing Business

- Reduction in 39,000 compliances and decriminalisation of 34,000 legal provisions
- Government has introduced the Jan Vishwas Bill to amend 42 Central Acts.
- The scope of Digilockers has been expanded and Entity Digilockers are to be set up for charitable trusts, MSMEs and businesses ensuring secure online storing and sharing of documents.
- Know Your Customer (“KYC”) process has been envisioned to be simplified and the financial sector regulators have also been encouraged to have a KYC system in place to meet the needs of a digital India.
- PAN to be used as a common identifier for all digital systems.
- Integrated IT portal to be established for reclaiming shares and dividends.

- Vivad se Vishwas I and II are to be implemented to provide relief to MSME sector and to allow for faster settlement of contractual disputes of Government and Government undertakings.

MSMES GIFT IFSC AND STARTUPS

I. MSMEs

- The PM Vishwakarma Kaushal Samman (PM Vikas) package has been introduced to integrate traditional artisans in the MSME value chain. The scheme will include financial support, skilling, knowledge and usage of newer technologies, linkage with global markets, and social security.
- Vivad se Vishwas-I has been set up to provide relief to MSMEs by enabling refunds up to 95 percent of the deposit for contracts not executed during the COVID-19 period.
- To alleviate stress for MSMEs, an infusion of INR 90 billion in the corpus will allow collateral-free credit of INR 2 trillion. The changes will be effective from 1 April 2023.
- Limits for MSME and professionals to avail benefits of presumptive taxation has been enhanced; 95 % of receipts to be non-cash.
- Deduction on payments made to MSMEs to be allowed only when payment is actually made.

II. GIFT IFSC

To enhance business activities in GIFT IFSC, the following measures will be taken:

- In order to avoid double regulations, it has been decided to delegate powers under the SEZ Act to IFSCA.
- Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI.
- Setting up of data embassies
- Permitting acquisition financing by IFSC Banking Units of foreign banks,
- Establishing a subsidiary of EXIM Bank for trade re-financing,
- Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act, and
- Recognizing offshore derivative instruments as valid contracts.

- There has been a proposed extension of period of tax benefits to funds relocating to IFSC, GIFT City till 31 March 2025.
- Also, the IFSCA Act to be amended for statutory provisions for arbitration,

III. Tax benefits on Start-ups

- There is a proposed extension of the date of incorporation by one year for income tax benefits to start-ups.
- Benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years.

MISCELLANEOUS

- For realizing the vision of Make AI in India and for India, three AI centres are to be developed within top educational institutions. Leading industry players will partner in conducting interdisciplinary research, develop cutting-edge applications and scalable problem solutions in the areas of agriculture, health, and sustainable cities, which will galvanize an effective A-I ecosystem and nurture quality human resources in the field.
- 100 labs for developing applications using 5G services will be set up in engineering institutions to realise a range of opportunities, business models, and employment potential.
- Introduction of a new program for promotion of research and innovation in pharmaceuticals; identification of priority areas of research and development and encouraging investment in research and innovation in pharmaceuticals and promoting the adoption of futuristic medical technologies.
- R&D grant to be given to one IIT for five years for the production of lab-grown diamonds.

EMPOWERING THE YOUTH AND INNOVATION AND TOURISM

To empower the youth and help the ‘Amrit Peedhi’ realize their dreams, Government has formulated the National Education Policy, focused on skill development, adopted economic policies that facilitate job creation and support business opportunities.

I. Youth and Skill development

- Pradhan Mantri Kaushal Vikas Yojana 4.0 is set to be launched. It will set the ball rolling on job training, industry partnership, and alignment of courses with needs of industry etc. The scheme will also cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills. 30 Skill India International Centres will be set up across different States for international opportunities.

- A unified Skill India Digital platform is to be set up for:
 - enabling demand-based formal skilling,
 - linking with employers including MSMEs, and
 - facilitating access to entrepreneurship schemes.

II. Development of Tourism

- At least 50 destinations will be selected through a “challenge” mode and developed as a complete package for development of Tourism.
- States are encouraged to set up a Unity Mall for the promotion and sale of their own ODOPs (one district, one product), GI products, and other handicraft products.

LEGISLATIVE AMENDMENTS CONCERNING INTERNATIONAL TRADE

The Finance Bill has proposed amendments to sections 9, 9A, 9C to remove ambiguity and clarify that determination and review of countervailing duty and anti-dumping duty refers to determination and review in a manner prescribed by rules under the Act. The amendments are being validated retrospectively with effect from January 1, 1995.

- Customs Tariff Act, 1975, sub-sections, 9(6) and 9(7) has been amended to clarify that determination and review for countervailing duty refers to determination and review of countervailing duty in a manner prescribed by rules under the Act.
- Customs Tariff Act, 1975, sub-sections, 9A(5) and 9A(6) has been amended to clarify that determination and review for anti-dumping duty refers to determination and review in a manner prescribed by rules under the Act.
- Customs Tariff Act, 1975, section 9C has been amended to clarify that appeals under this section lie against the determination or review thereof made by an authority in a manner as specified by rules notified under Sections 8 B, 9, 9A and 9B of the Act.
- The explanation added to section 9C clarifies that “determination” or “review” means the determination or review done in such manner as may be specified in the rules made under sections 8B, 9, 9A and 9B.

Under the existing regime, levy of countervailing / anti-dumping duty is a two-tier process where the Directorate General Trade Remedies (DGTR) investigates, determines and recommends the duties to be imposed while the Ministry of Finance levies duty by way of issuance of a customs notification. Currently, appeals before the Appellate Tribunal are filed against the customs notification. In recent times, there has been a spurt in cases where, despite a positive determination by DGTR, Ministry of Finance has either issued an Office Memorandum communication its decision not to impose duty recommended by DGTR, or simply allowed the three months’ period in which it is required to notify the duty.

This situation has given rise to numerous appeals being filed by the domestic industry before the Appellate Tribunal, which has ruled in the case of Jubilant Ingrevia Limited that the decision of

the Ministry of Finance not to levy duty is an “order of determination” against which an appeal lies under section 9C of the Customs Tariff Act.

With the proposed amendments, it is sought to be clarified that the appeal will only lie against the determination or review conducted by DGTR. Effectively, this takes away the right of the domestic industry to appeal in a situation where DGTR issues a positive determination but the Ministry of Finance does not levy duty. These amendments become more significant in its retrospective application since 1995. This will have a bearing on all the pending appeals concerning non-levy of duty by the Ministry of Finance.

It remains to be seen what the implications of these amendments will be on the pending appeals. It will be even more interesting to see whether these amendments having a retrospective application will withstand judicial scrutiny.

CUSTOMS UPDATE

DGS analysis of the various key Customs updates is available in a separate article, that can be accessed at: <http://dgsassociates.in/wp-content/uploads/2023/02/Union-Budget-2023-2024-Customs-Update.pdf>