The Bottomline

Budget 2023-24

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India Plans Record Borrowings to Boost Spending on Growth

Finance Minister announced a 33% increase on capital expenditure in 2023-24

Satviki Sanjay & Shreya Biswas

Finance Minister Nirmala Sitharaman announced record borrowings to boost capital spending for economic growth.

India's administration will target a fiscal deficit of 5.9 per cent of gross domestic product (GDP) for financial year 2023-24, Sitharaman said in Parliament on Wednesday. The government will borrow Rs.15.8 lakh crore to bridge this gap and aid production and consumption.

The government plans to spend Rs.10 lakh crore, or 3.3 per cent of GDP, on capital investment. The estimate, which has been increased for a third year in a row, is "central to the government's efforts to enhance growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds", said Sitharaman.

The Budget, which is the Modi government's last full budget before next year's general elections, comes amid a global economic slowdown, rising commodity prices and geopolitical risks. It plans to spend on building roads, houses, and airports, promoting green projects, and supporting manufacturing. India's GDP is forecast to grow at 7 per cent in 2022-23, the fastest among major economies.

"The Budget proposals are likely to enhance business, rural, and taxpayer sentiment and consolidate growth prospects in a gloomy global setting," said Ramnath Krishnan, managing director and group chief executive officer at ICRA.

India's benchmark bond yields fell to 7.27 per cent after the budget announcement.

"The Budget is in line with the fiscal correction that was started post Covid," said Pinaki Chakraborty, former senior economist at National Institute of Public Finance and Policy. "Capital expenditure needs to be increased as it is public investment that can crowd in private investment."

The Budget also extended 50-year interest-free loans to State governments for another year to spur investment in infrastructure and to incentivise the States "for complementary policy actions", said Sitharaman. The Rs.1.3 lakh crore outlay is linked to the States spending on urban planning and financing reforms, and building police personnel housing, "unity" malls, and digital libraries. Its offtake in the previous years has been low.

"The efficacy of the substantially enhanced allocation for the 50-year interest free capex loan for the State governments will ultimately depend on the speed with which they utilise these funds," said Aditi Nayar, chief economist at ICRA.

Fiscal Deficit

The government will end this financial year with a deficit of 6.4 per cent, matching its estimates in the Budget last year. This is largely due to buoyant tax collection and robust GDP growth due to inflation, say economists.

The current year's targets reflect that the government is on track to reduce the deficit to below 4.5 per cent of GDP by 2025-26.

The deficit forecast supports the economy amid high inflation and a challenging global environment, said Christian de Guzman, senior vice president at Moody's Investors Service. "High debt burden and weak debt affordability remain key constraints that offset India's fundamental strengths, including its high growth potential and deep domestic capital markets."

The government estimated tax collections for fiscal year 2022-23 at Rs.20 lakh crore.

Government Pushes For New Tax Regime Through Increased Rebates

Sparsh Bansal & Ritika Mahajan

In an attempt to nudge taxpayers to move to the new tax regime introduced in 2020, the government tweaked tax slabs and rebate limits in the Budget presented on February 1.

The rebate limit, which was Rs.5 lakh for both the old and new tax regimes, has been increased to Rs.7 lakh in the new regime. The number of tax slabs has been reduced to five and the tax exemption limit has been raised to Rs.3 lakh from Rs.2.5 lakh by the Finance Minister, Nirmala Sitharaman, in the Budget to promote the new tax regime among taxpayers. Last year, Former Revenue Secretary, Tarun Bajaj in an interview with *The Economic Times* said that the government's new tax regime has received a lukewarm response from taxpayers, with not many opting for it.

The Finance Minister announced that the new tax regime would be the default regime, indicating the government's intention to completely switch to the new structure. Currently, people have the option to file income tax under the old tax regime.

Experts say that despite the changes, many people would still not opt for the new regime. "People greatly benefit from the house rent allowance and leave travel allowance in the old tax regime which will hold them from moving to the new one," said Samir Kanabar, tax partner at Ernst and Young.

If taxpayers file returns under the new tax regime they cannot benefit from exemptions and deductions under Section 80C of the Income Tax Act through tax-saving instruments like insurance, Public Provident Fund, and ULIPs. This would hit the insurance industry as many people invest in these instruments only to make use of the exemptions, said Vaibhav Gupta, tax partner at Dhruva Advisors. "The changes will hurt the insurance, non-banking financial companies, and real estate industry," said Gupta.

"Seems like the future is for the new tax regime for the individuals. Disappointing, as it will discourage investments by individuals," said Amit Maheshwari, tax partner at AKM Global. This will enable almost 4 per cent tax savings for high networth individuals, said Gupta.

Household savings were 22.2 per cent of the Gross Domestic Product in 2020-21, a five percentage point increase from 2016-17, according to the Economic Survey 2022-23. This shows that Indian households are saving more, and the government's new tax regime is intended to spur consumption.In addition to changes made to the new tax regime, the government has increased the upper limit of the Senior Citizens Savings Scheme to Rs.30 lakh from Rs. 15 lakh earlier. This will bring relief for them, said Sandeep Sehgal, partner at AKM Global. The budget proposed reducing the highest surcharge to 25 per cent from 37 per cent.

IN BRIEF

Centre Launches Dekho Apna Desh to Boost Domestic Tourism

Dekho Apna Desh and Swadesh Darshan Scheme have been launched in a bid to boost domestic tourism. Sector specific upskilling, entrepreneurship development and digitalization of travel directories are set to enhance both domestic and foreign tourist experiences. Under the Vibrant Villages Programme, tourism infrastructure and amenities will also be extended to border villages.

Claiming Funds from IEPF to get Easier

For investors to easily reclaim unpaid dividends and shares from the Investor Education and Protection Fund (IEPF), an IT portal is to be established by the Government. As of November 30, 2022, the IEPF had Rs.5685 crore in balance with Rs.117 crore in unclaimed shares.

PMGKAY to be Funded Entirely by Government

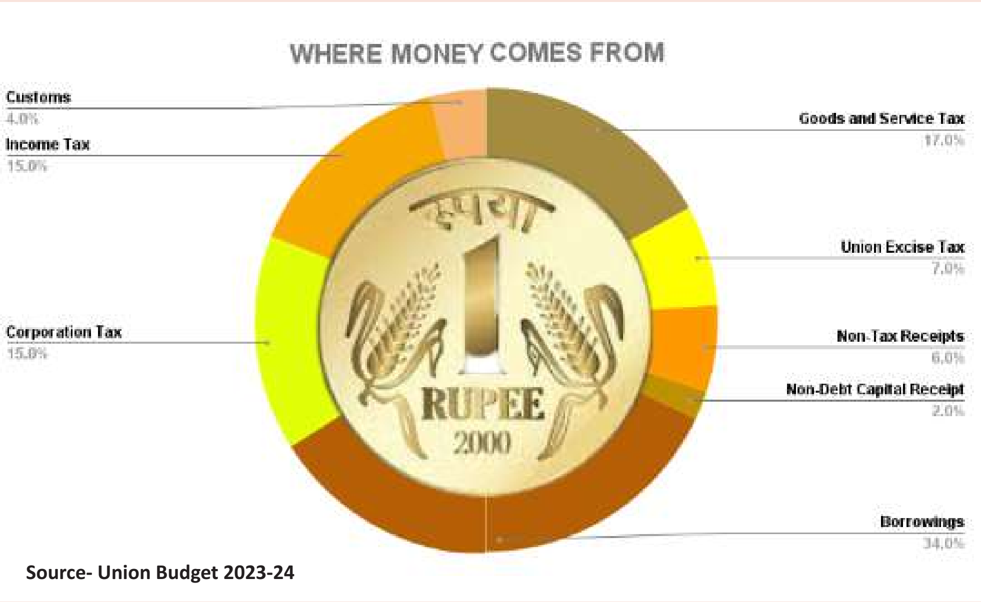
PM Garib Kalyan Anna Yojana (PMGKAY), which fed over 80 crore people during the pandemic, is to be funded entirely by the Central Government. The Central Government will fund the Rs.2 lakh crore scheme that will give free food grains to all Antyodaya and priority households for the next one year.

FM Decriminalises Section 276A of the Income-Tax Act

Finance Minister Nirmala Sitharaman decriminalised Section 276A of the Income Tax Act. Under the amendment to the Act, no new prosecutions will be launched starting from April 1, 2023. Previously filed prosecutions will continue. This will improve ease of doing business in India.

Government Levies 30% TDS on Wins of Online Gaming Companies

Budget 2023-24 proposed two new provisions for Tax Deducted Source (TDS) to streamline the tax collected from online gaming companies. The Government is to levy a 30 per cent TDS on payment of net winnings in a financial year. The Government also removed the existing threshold of Rs.10,000 for companies under TDS.



Source- Union Budget 2023-24

Government Lowers Customs Duty to Boost Domestic Manufacturing

Samannay Biswas & Pritha Pahari

The Union Budget announced exemptions on Customs and excise duties to boost exports and domestic manufacturing.

The government estimated the Union excise duties at Rs.3.39 lakh crore and Customs at Rs.2.33 lakh crore.

"If Customs duties increase, imports become costlier," said Tanushree Roy, Director of Indirect Tax at Nangia Anderson India. "This gives a boost to domestic manufacturers."

The exemptions reflect India's manufacturing push, at a time when global producers are withdrawing from China.

Previously, it had launched production linked incentives (PLI) and Startup India to help domestic manufacturers.

The government has exempted import duties on certain parts of electronics like camera lens and mobile phones, open cells of TV and panels to increase "domestic value addition". Concessional duty on lithium-ion cells for batteries is extended by a year to spur the electric vehicle market in the country.

The Budget has reduced the basic Customs duty on seeds used in the manufacture of lab grown diamonds to enable India to become a major manufacturer.

The government also proposed to exempt excise duty on GST-paid compressed bio-gas in a bid towards green mobility. The government will exempt basic Customs duty on denatured ethyl alcohol to support the Ethanol Blending Programme and help in energy transition.

The Budget proposed to increase the duty on silver, bars and articles to align them with duty on gold and platinum which was increased earlier this fiscal. The government has levied tax on articles of precious metals and not on metal itself, said Kulraj Ashpnani, president of Indirect Tax, Dhruva Advisors. This will boost the manufacturing of articles made of precious metals in the country, he added.

The National Calamity Contingent Duty (NCCD) on specified cigarettes is proposed to be revised upwards by 16 per cent.

IMPACT ON YOU

WHAT'S MORE EXPENSIVE

Electrical Kitchen Chimneys
Gold, Silver, Platinum
Cigarettes
Compounded Rubber

WHAT GETS CHEAPER

Mobile Phones
Television
Lab-grown Diamonds
Shrimps
Lithium-ion Batteries

Bond Yields Drop as Fiscal Deficit Estimate Narrows

Srushti Vaidya & Jas Bardia

India's benchmark bond yield fell as the union government narrowed its fiscal deficit target for financial year 2023-24.

The country's benchmark 10-year government bond maturing in August 2032 fell 91 basis points to 7.37 per cent at the day's close on Budget day. Finance Minister Nirmala Sitharaman estimated the fiscal deficit to be 5.9 per cent of Gross Domestic Product (GDP), down 50 basis points from this year's revised estimates.

The drop underscores a positive sentiment in the bond market as the central government has managed to lower its fiscal deficit target.

"The (bond) market knows that the fiscal deficit is lowering," said Venkatakrishnan Srinivasan, founder and managing director, Rockfort Fincap LLP.

Srinivasan said the fall in yield is a temporary response to the Budget. The central bank's repo rate announcement will determine the future change in bond yields, he said.

The sensex gained marginally 0.27 per cent, closing the day at 59,708. The Nifty Index fell 0.26 per cent, closing the day at 17,616 even as banking stocks gained.

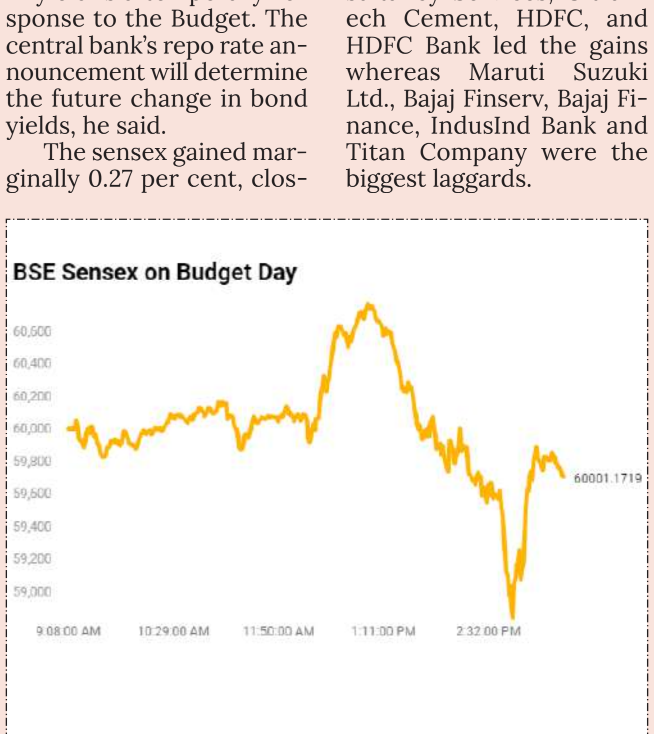
Analysts said the Budget was on par with market expectations and investors factored in the lack of any big bang announcements.

"The market did not gain or lose drastically as it was a balanced Budget and in tune with what we had predicted," said an analyst with India Infoline Limited (IIFL) who did not wish to be named.

The IIFL analyst said insurance stocks, including PB Fintech, which owns Policy Bazaar, and SBI Life, did not perform well after the government announced a tax cut in the new tax regime.

SBI Life Insurance Company ended the day 8.61 percent lower at a seven-month low of Rs.1,109. Policybazaar hit a four-day low of Rs.391 before closing at Rs.402.

Nestle India, Tata Consultancy Services, UltraTech Cement, HDFC, and HDFC Bank led the gains whereas Maruti Suzuki Ltd., Bajaj Finserv, Bajaj Finance, IndusInd Bank and Titan Company were the biggest laggards.



Source- Bloomberg

A Safe Budget

The lead-up to the 2024 elections had put immense pressure on the Narendra Modi government to pull off a populist budget. It did not disappoint as the Finance Ministry announced huge tax cuts under the new tax regime and a 33 per cent increase in the capital expenditure, largely in infrastructure and railways.

This will benefit the middle class as it would put more money in their hands. The planned capex will create a multiplier effect in the economy by creating new jobs, and boost spending. The increased spending will play a key role in stimulating the economy.

The coming months, however, will be the ultimate litmus test for the new regime which proved lacklustre when it was first introduced in 2021, as each family will now draw up a suitable tax plan. They need to decide where they can save more taxes, whether in the old regime or the now default new regime.

Apart from this, the central government's aim to achieve a 5.9 per cent fiscal deficit, down from 6.4 per cent estimated for this financial year, is quite positive. This is given the huge spending plan that the government has laid out for the year ahead. Bond yields have reacted downwards after the speech. It will be interesting to see how the Finance Ministry will handle the borrowing target, given the increased capital expenditure Budget along with a high interest rate environment amid an inflationary economy.

How Close is India to Green Growth?

Finance Minister introduced 11 new initiatives for green India

Veer Sharma

Emphasising the need for sustainability and the net-zero carbon emission target, Finance Minister Nirmala Sitharaman outlined eleven important components that highlight the government's aim to transition to green alternatives. This green growth push is one of the seven "saptarishi initiatives for Amrit Kaal" – the most auspicious time – to enter the world of renewable energy.

While the initiatives deserve plaudits, it looks like the government needs to pan out. For instance, the PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) scheme launched to increase the adoption of green fertilizers does not incentivise people to adopt such alternatives. The Budget lacked an increase in subsidies for environment-friendly nutrients, which suggests the usage will be much lower than what the government expects as chemical inputs are cheaper than organic manure.

Despite expectations around the automobile sector, the Union Budget didn't allocate money to the charging infrastructure for electric vehicles (EV).

The absence of charging stations is one common apprehension among EV buyers in the country. A transition to EVs would not be an attractive proposition for drivers and would continue with conventional internal combustion engine vehicles.

The Customs duty exemption for lithium-ion batteries– the biggest component of an EV– is not the only solution that would convince citizens to adopt electric vehicles.

The government should have focused on ways it can recycle lithium batteries, a crucial step that could reduce the cost of electric vehicles.

The Budget has allocated Rs.19,700 crore for Green Hydrogen Mission. This amount is too meagre to achieve the goal of a green India.

The GOBARdhan scheme is a welcome initiative taken by the government to encourage the adoption of waste management. The need of the hour is to create awareness regarding the same.

The government's allocation of Rs.35,000 crore for energy transition is not a big amount as renewable energy costs are high. This could hinder the green growth push.

The government hopes the vehicle scrapping policy would generate more sales in the auto sector. However, the biggest question is whether it will generate sales of EVs or petrol and diesel cars, which the Finance Minister didn't specify in her speech.

It remains to be seen how the government will scrap old vehicles. The current initiatives adopted are noteworthy but the net-zero 2070 emission target seems somewhat far-fetched.


Source: Pexels

Easing Financial Governance With Digital Push

Mahila Samman Bachat Patra will offer deposit facility up to Rs.2 lakh for women

Neethi Lisa Rojan

Banks and other financial institutions will undergo a digital and regulatory revamp, easing of KYC norms and increasing digital facilities, said Finance Minister Nirmala Sitharaman while presenting the Union Budget for 2023-24.

The Budget expands on the digital inclusivity and fintech adoption in India which has outpaced global trends. India has 87 per cent fintech adoption while the global average is 64 per cent, according to the latest Global FinTech Adoption Index.

The government's vision includes a "technology-driven and knowledge-based economy with strong public finances, and a robust financial sector," said Sitharaman.

A set of digital initiatives for easing governance in banks, simplified KYC norms and schemes for women and senior citizens is included in the budget.

However, some sections of the industry are not satisfied with the announcements in the budget. "This is a disappointing budget for the banking sector," said CH Venkatachalam, General Secretary at All India Bank Employees Association to *The Bottomline*. "Digital initiatives help in ease of doing business, but only initiatives to make deposits attractive will bring revenue for banks".

The financial sector regulators would be asked to conduct a comprehensive review of existing norms, said Sitharaman. They must consider suggestions from public and regulated entities for the same.

Sitharaman proposed to allow banks to carry forward accumulated losses and unabsorbed depreciation of banks on strategic disinvestment such as in the case of IDBI Bank.

A National Financial Information Registry would be set up in consultation with the RBI. The body will facilitate flow of credit, financial inclusion, and foster financial stability.

Source: Digilocker website

The KYC norms change to a 'risk-based' approach from a 'one-size fits all' approach followed so far. The services of the national digital certificates depository- -Digilocker–will be expanded to fintechs.

A one-time new small savings scheme - Mahila Samman Bachat Patra will be available till March 2025. This will offer deposit facility up to Rs.2 lakh in the name of women or girls for 2 years at 7.5 per cent fixed interest rate with a partial withdrawal option.

MSMEs will get a credit guarantee scheme from the next financial year onwards of Rs.9,000 crore corpus. There is also an additional collateral-free guaranteed credit of Rs.2 lakh crore.

Fiscal support for digital payment infrastructure will continue in 2023-24 as 7,400 crore digital payments of Rs.126 lakh crore were facilitated through UPI in 2022.

The maximum deposit limit for Senior Citizen Savings Scheme has been doubled to Rs.30 lakh. The deposit limit for the Post Office Monthly Income Scheme was increased to Rs.9 lakh from Rs.4.5 lakh for single account and to Rs.15 lakh from Rs.9 lakh for joint account.

The Budget also permitted acquisition financing by IFSC Banking Units of foreign banks in GIFT City.

The Finance Bill included a proposal to amend Section 94B of the Income Tax Act, to exclude notified NBFCs from thin capitalisation limitations. Thin capitalisation means the company has a high debt-equity ratio. The section restricted interest payments made by a company in India or a foreign company set up in India to its associated enterprise established abroad to 30 per cent of the revenue before any interests, taxes, depreciation and amortisation. Removal of such restrictions would provide considerable relief to NBFCs, according to experts.

Government's Focus on Agriculture Credit Target Likely to Help Farmers

Centre wants to switch to organic fertilizers to achieve green growth

Gnaneshwar Rajan

The increase in the agriculture credit target announced in the Union Budget 2023-24 is likely to help farmers in getting loans from co-operative societies.

"Getting fertilizers on credit will aid small and marginal farmers," said Navaneethakrishnan, a farmer in Thanjavur, Tamil Nadu. He also said that this increase in credit target will help existing farmers in taking loans over new entrants in the sector.

There are 8.5 lakh registered co-operatives in the country, having more than 29 crore members. Most are from marginalised and lower-income groups in rural areas, according to the Economic Survey for 2022-2023.

The Survey also stated that 98 per cent of villages are covered by Primary Agriculture Credit Societies (PACS). States like Maharashtra, Delhi, Uttar Pradesh, Tamil Nadu, and Rajasthan have the highest number of registered co-operative societies in the country.

The government allocated Rs.1.15 lakh crore for the Ministry of Agriculture and Farmers' Welfare, a 6.8 per cent fall compared with the previous year. The target has increased 11 per cent to Rs.20 lakh crore in the union budget.

Under the PM PRANAM (Prime Minister's Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth) scheme, the government aims to incentivise states and union territories to promote alternative fertilizers and balanced use of chemical fertilizers, said Finance Minister Nirmala Sitharaman in her speech.

"The government will introduce Bio-Input Resource centres to facilitate one crore farmers to adopt natural farming," she said.

The Survey also said that ensuring credit availability at a cheaper rate for farmers has been the top priority for the government.

Ankit Alok Bagaria, co-founder of Loopworm, an agri-biotechnology company said, "Significant agricultural credit support and fund infusion in allied agri-sectors should promote existing farmers and people looking for secondary income streams."

He said that this will help farmers to set up livestock, poultry, fish, or insect farms which would lead to a growth in non-arable land agriculture. Implementation of agricultural credit line is the responsibility of the banking sector.


Source: Pexels

Sugarcane Farmers Breathe Easier With Rs.10,000 Crore Tax Relief

Proposal to resolve a long dispute between the sugar mills and the income tax department

Pritha Pahari
Gnaneshwar Rajan

The income tax department will waive taxes imposed on sugar cooperatives before 2016-17 , said Finance Minister Nirmala Sitharaman in her Budget speech.

The relief of Rs.10,000 crore is expected to resolve a long-standing dispute between the sugar mills and the income tax department.

"I propose to provide an opportunity to sugar co-operatives to claim payments made to sugarcane farmers for the period prior to assessment year 2016-17 as expenditure," said Nirmala Sitharaman while presenting Union Budget 2023-24 in the Parliament on Wednesday.

The sugar co-operative industry has been asking for categorization of payment made to sugarcane farmers. They have been asked to send a list of farmers who did not receive their dues since 2016, said R Bharathan, secretary of Nidur Cooperative society, Tamil Nadu.

The proposal mentioned that an application can be made to the Assessing Officer who would recompute deductions claimed on expenditure for purchase of sugar before the year 2016-17.

The cool climate in Maharashtra and Uttar Pradesh make the states the top producers of sugarcane, said Navaneethakrishnan, a farmer and a retired government official. "So out of the Rs.10,000 crore most of the aid would go to sugar cooperatives in Uttar Pradesh and Maharashtra," he added.

Infra Gets Push From Higher Capex, Marginal Hike in Housing Scheme

Finance Minister plans to allocate funds to develop Tier-2 and Tier-3 cities in India

Pranav Kashyap
Taranpreet Singh Kochhar

The government has announced an increase in the allocations for infrastructure investments and housing schemes as part of its Rs.10 lakh crore increase in capital expenditure.

Finance Minister Nirmala Sitharaman announced the setting up of an Urban Infrastructure Development Fund (UIDF) that will aid public agencies to develop infrastructure in Tier-2 and Tier-3 cities.

The government plans to spend Rs.10,000 crore per year for the new fund which will be managed by the National Housing Bank (NHB), said Sitharaman while presenting the Union Budget.

"Setting up of UIDF managed by NHB will ensure better governance, speed in execution and timely delivery under public-private-partnership, said Dr. Niranjan Hiranandani, co-founder and managing director, Hiranandani Group.

The proposed outlay of Rs.10,000 crore for the year for UIDF is on the lower side as there are more than 4,800 statutory towns in India, approximately two crore per town, said Anil Kumar Bansal, Director - Urban & Infrastructure Development, IPE Global.

The government has also allocated Rs.79,590 crore for Pradhan Mantri Awas Yojana (PMAY), the flagship low cost housing programme. On the one hand, this is a 66 per cent increase from last year's budget estimates, but it is only a 3.19 per cent increase compared with the revised estimates of last year.

The scheme provides subsidised interest rates and credit based assistance for home loans to low and middle income groups. Apart from this allocation, "there are no real surprises from the budget" said Gaurav Karnik, Real Estate Practice Leader & Tax Partner, EY.

The Nifty Infrastructure index fell 1.03 per cent to 5009.3 points after the infrastructure announcements made in the Budget and the Nifty Realty Index was down 1.37 per cent closing at 405.9 points after the Budget presentation.


Source: Pexels

BUDGET BETS BIG ON GREEN GROWTH

Rs.35,000 crores allocated for an energy transition from fossil fuels to renewable energy

Parvathi Shivam & Malavika Menon

Finance Minister Nirmala Sitharaman emphasised "green growth" as one of the seven priorities in the Union Budget 2023-24.

The National Green Hydrogen Mission, which was launched before the Budget, with an outlay of Rs.19,700 crore is expected to produce 5 million tonnes of green hydrogen by 2030.

The Finance Minister, in her Budget speech, said that the mission will reduce the country's dependence on fossil fuel imports and make it a leader in this sunrise sector.

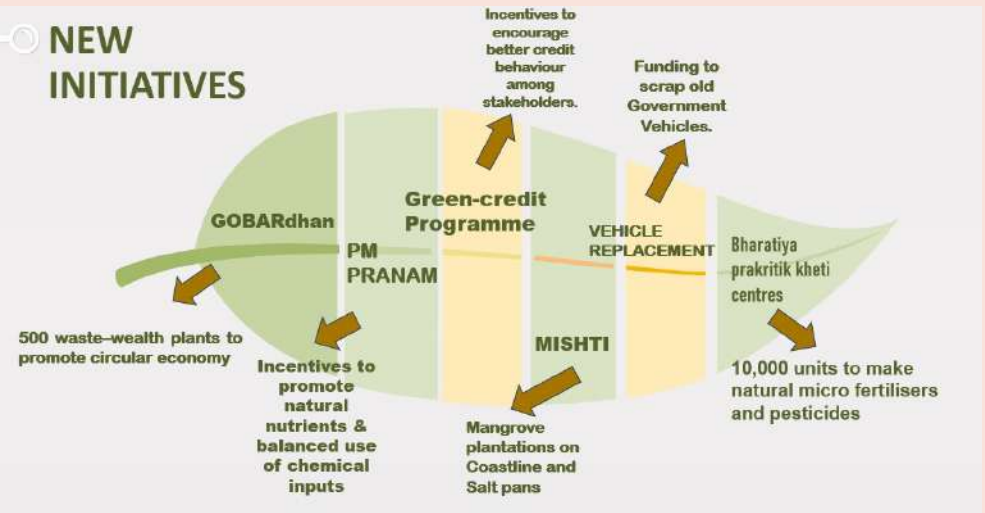
"It was quite disappointing for green hydrogen manufacturers as no production-linked incentives were introduced for electrolysers used for green hydrogen manufacturing," said Vibhuti Garg, energy economist and director at Institute for Energy Economics and Financial Analysis.

Sitharaman introduced a slew of green initiatives to steer India towards net zero carbon emission by 2070. The Budget's incentivising of the transitionto a green economy comes at a time when India has been identified as one of the countries that will be most "economically harmed" by climate change, according to the Intergovernmental Panel on Climate Change.

The Budget has allocated Rs.35,000 crore for priority capital investment towards energy transition and security to the Ministry of Petroleum and Natural Gas. A 13-gigawatt interstate renewable energy transmission system for evacuation and grid integration from Ladakh will be constructed with an investment outlay of Rs.20,700 crore including Central support of Rs.8,300 crore.

A battery energy storage system with a capacity of 4000 MWH (megawatt hour) will be supported with viability gap funding along with funding for the bund storage,a facility that prevents toxic leakage.

To enhance green mobility, customs duty exemptions were increased for the import of parts required to manufacture lithium-ion used EV batteries. The government has also exempted GST on compressed natural biogas.



Source: Union Budget 2023-24

Rs.9,000-crore Infusion Brings Relief for Covid-Hit MSMEs

Budget announcement of DigiLocker Set-up for MSMEs will solve KYC problems

Dev Sethia & Sreeja Biswas

Finance Minister Nirmala Sitharaman announced an infusion of Rs.9,000 crore to revamp the credit guarantee scheme for micro, small and medium enterprises (MSMEs) and bring relief to the Covid-19 hit sector.

"This will enable additional collateral-free guaranteed credit of Rs.2 lakh crore and reduce cost of credit by 1%", said the Finance Minister in Parliament. The proposed scheme will take effect from April 1, 2023.

The Union Budget 2023-24 allocated Rs.14,100 crore for Guaranteed Emergency Credit Line (GECL) facility to eligible MSME borrowers. The revised 2022-2023 budget for the same was Rs.10,500 crore.

In cases of failure by MSMEs to execute contracts during the Covid period, 95% of the forfeited performance security amount will be returned to them by government, said the Finance Minister.

"MSMEs in India are underfinanced, unserved, and a have huge addressable credit gap", said Arun Nayyar, Managing Director & CEO, NeoGrowth. "Providing capital to these players can play an important role in enabling their inclusive growth" he added.

The corpus injection assumes significance as the pandemic severely impacted MSME earnings, disrupting the supply of finished goods and the procurement of raw materials. The credit growth to the MSME sector has been over 30.5%, on average, during Jan-Nov 2022, supported by the extended GECL of the central government, according to the 2022-23 Economic Survey.

"The biggest drawbacks that still exist after the capital infusion are the delay in fund allocation and the difficulty in meeting the minimum eligibility criteria under the scheme, which is Rs.2 lakhs", said Lokesh Shrirame, owner, Shrirame Agro.

The August 2022 Emergency Credit Line Guarantee Scheme (ECLGS) Insights, published by Credit Information Bureau India Ltd. (CIBIL), showed that the scheme helped MSMEs deal with the Covid shock, with 83% of the GECL borrowers being micro-enterprises.

The government also intends to establish a DigiLocker to enable electronic document storage and simplify digital credit applications for MSMEs. The move follows government's plan to use the Centre-issued Permanent Account Numbers (PANs) as a common identifier for all digital systems.

"DigiLocker will assist MSMEs solve the pain point of KYC, improving MSME cashflow and therefore survival", said Vinay Narkar, Partner, Financial Services Advisory, KPMG in India.

New Angel Tax May Hit Investments in Startups

Rumi Chakraborty

The extension of the angel tax provisions to foreign transactions is likely to impact global investments in Indian startups.

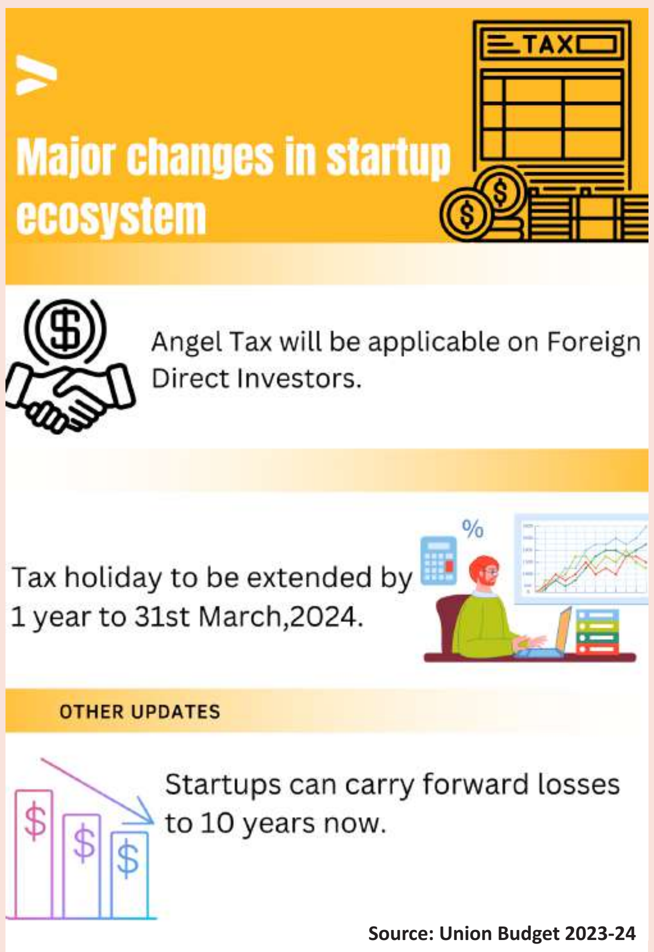
From financial year 2023-24, start-ups will need to pay taxes on investments they receive from outside the country, said Finance Minister Nirmala Sitharaman in her Budget speech.

Earlier, startups were levied angel tax only when shares were issued above their discounted cash flow value to Indian investors. The investments received from non-residents of India were not subjected to section 56(2) (viib) of Income Tax Act, known as the Angel Tax.

"Unicorns will now try to raise money overseas and create a subsidiary in India as they will not need to pay the angel tax in foreign countries," said Abhimanyu Radhakrishnan, managing director of Qyuki Digital Media.

Most Indian start-ups are dependent on overseas investment for their funding. An angel tax on FDIs will impact the fund-raising by these startups.

"The implementation of an angel tax on foreign direct investment (FDI) might reduce the growth of the start-up ecosystem as entrepreneurs will be sceptical to invest in Indian startups," said Sneha Karmakar, chartered accountant working with Deloitte Financial Advisory Services LLP. Under the Foreign Exchange Management Act (FEMA),1999, the valuation norms of startups prescribed the minimum floor for the purpose of bringing in FDI.



Source: Union Budget 2023-24

The Income-tax authorities would now seek to tax any premium above the fair market value of the shares. Tax departments are expected to examine FDI in startups which may result in litigation going forward.

The tax will facilitate startups to make salary advances, create a subsidiary, engage in mergers and acquisitions, and contribute to an employee stock ownership plan (ESOP) which was not allowed when angel tax was not levied on FDIs.

"More startups are now open to the option of making salary advances to their employees, which they lacked before, "said Karmakar. Startups registered under the Department for Promotion of Industry and Internal Trade (DPIIT), however, will continue to be exempted from angel tax regulations.

The Finance Minister has announced an extension for the startup tax holiday policy by one year to March 31, 2024.

This year's Budget has also extended the benefit of carrying forward losses to 10 years from the date of incorporation of the firm. Earlier, losses could be carried forward for seveb years.

Education Receives Record Funding, Digital Libraries on the Cards

Anjana Reghuraj

The Ministry of Education has received a record allocation of Rs.1.1 lakh crore in the Union Budget for the financial year 2023-2024, signalling the Central government's focus on the priority sector.

The education budget allocation is 8 per cent higher than Rs 1.04 lakh crore allocated last year.

For financial year 2023-24, the government has alloted Rs 68,804 crore to the Department of School Education and Rs 44,094 crore to the Department of Higher Education. Central sector schemes will get Rs.364 crore and the Centrally sponsored schemes will receive Rs.54,010 crore.

Funds allocated
Rs.1.1 lakh crore

The estimated amount for Sarva Shiksha Abhiyan scheme remains unchanged at Rs.37,453 crore.


Source: Max Pixel

The government is setting up national digital libraries to expose children and teenagers to books across geographies, languages, genres, and levels.

"Digital library for children will help a lot of underprivileged children," said Tiji Zachariah, former principal, Baselios Poulose II Catholicos College, Piravom. The fund allocation for the National Digital Library is not shown in the Budget.

Finance Minister, Nirmala Sitharaman, said the Central government will set up 157 new nursing colleges to enhance medical education in the country.

The Union Government is launching the Pradhan Mantri Particularly Vulnerable Tribal Group Development Mission to uplift the backward class of the economy. Under this scheme, the Centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving three lakh tribal students.

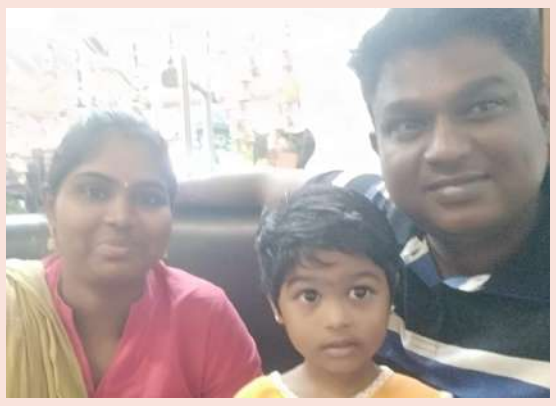
New Tax Regime May not Make Life Better for Tax Payers Despite Ease of Filing

Ashokamithran.T

S. Pandian, a 35-year-old technical trainer at an engineering firm who has an annual income of Rs.8.7 lakh per annum, said he will not shift to the new tax regime which has lower tax outgo.

The Finance Minister in the Budget for fiscal 2023-24 has increased the maximum tax-free slab to Rs.7 lakh, to nudge tax payers like Pandian to opt for the new tax regime. He however, says that he will lose out if he chooses the new regime as all his deduction claims will now not be eligible.

Pandian claimed an exemption of Rs.1.5 lakh on long term investments under Section 80C of the Income Tax Act, 1961. He has invested Rs. 1 lakh on life insurance, and around Rs.30,000 in the Sukanya Samridhi Yojana for his six-year-old daughter. In addition, he claims a Rs.58,000 deduction on house rent allowance. A shift to the new regime means he will have to forego all the deductions, despite the Rs.8,000 tax saving. In the old regime, where he was part of the 10 per cent tax bracket, he paid Rs.36,000 annually as income tax. Though he would be paying a tax of only Rs.28,000, the cost of insurance premiums and house rent would now add to the monthly expense of the family. "If I choose the new regime, I will not have long term investments," said Pandian.


S. Pandian with his family

"Except the fact that it is easier to file the taxes, there is not much benefit under the new regime." In the new regime, he comes under the 5 per cent tax bracket.

Pandian is a part of over five crore people who will decide between the old and the new regimes. The changes "will be very good for those who do not have any claimable deductions like home loans," said Suresh Sadagopan, Managing Director, Ladder7 Wealth Planners. The idea of investing is to make long-term savings a good financial practice and not merely for tax benefits, said Sadagopan.

> "Except the fact that it is easier to file the taxes, there is not much benefit under the new regime.
>
> -S.Pandian

On the one hand, taxpayers like Pandian express their apprehensions about the new regime, while experts like Sadagopan say that they are "building mountain out of a mole hill."

Budget with vision, structure, discipline. Immediate benefits to all individual earners. Sets foundation to increase every Indian's per capita income exponentially from 1.97 lakhs(2400$). True to its name: 1st budget for Amritkaal.

Uday Kotak, CEO, Mahindra Bank

There is no relief from Inflation in this Budget. On the contrary, this Budget will increase inflation. There is no concrete plan to remove unemployment. Unfortunate to reduce education Budget from 2.64% to 2.5%.

Arvind Kejriwal, Chief Minister of Delhi