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Key Developments

Union Budget 2023 key announcements: Tax relief to capex thrust, here's what FM Nirmala Sitharaman proposed

Union Finance Minister Nirmala Sitharaman on Wednesday presented the Union Budget for 2023-24 in Parliament. The government has lowered its growth estimates for the current fiscal year to 7% from earlier estimates of 8-8.5%. The estimates for the next fiscal year is 6-6.8%, according to the annual economic survey report tabled in parliament on Tuesday. Budget adopted seven priorities including inclusive, green growth, reaching the last mile, infra & investment, unleashing the potential, Youth power and financial sector. Some of the key announcements of Budget 2023 are:

- Nominal GDP for 2023-24, which includes real GDP and inflation, estimated to grow 10.5% year-on-year to 301.75 trillion rupees (\$3.69 trillion) in 2023-24
- India's federal government will target a budget deficit of 5.9% of GDP for 2023-24 compared to 6.4% for the current fiscal year
- Aims to achieve fiscal deficit of 4.5% of GDP by 2025-26
- Total federal budget spending target raised 7.5% to 45.03 trillion rupees for 2023-24 vs revised 41.87 trillion rupees for current fiscal year
- Capital spending seen to rise 33% to 10 trillion rupees for 2023-24
- Health budget raised to 889.5 bln rupees for 2023-24 vs 709.4 bln rupees in 2022-23
- To provide 350 billion rupees for energy transition
- Fifty additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity
- Total revenue receipts seen at 26.32 trillion rupees in 2023-24 vs revised 23.48 trillion rupees in 2022-23
- Total tax receipts seen up 12% to 23.3 trillion rupees in 2023-24 from revised 23.48 trillion rupees
- Govt proposes to make new tax structure as default tax option. Income tax- rebate extended on income up to Rs 7 lakhs in new tax regime. Proposes to cut highest surcharge rate to 25% from 37.5% under new income tax regime. The new tax rates are 0 to Rs 3 lakhs - nil, Rs 3 to 6 lakhs - 5%, Rs 6 to 9 Lakhs - 10%, Rs 9 to 12 Lakhs - 15%, Rs 12 to 15 Lakhs - 20% and above 15 Lakhs - 30%.
- Proposal to limit income tax exemption from proceeds of insurance policies with very high value.
- Agriculture Accelerator Fund to be set-up to encourage agri-startups by young entrepreneurs in rural areas.
- Green Credit Programme to be notified under the Environment (Protection) Act to incentivize and mobilize additional resources for environmentally sustainable and responsive actions.
- Annual production of 5 MMT under Green Hydrogen Mission to be targeted by 2030 to facilitate transition of the economy to low carbon intensity and to reduce dependence on fossil fuel imports.
- R & D grant for Lab Grown Diamonds (LGD) sector to encourage indigenous production of LGD seeds and machines and to reduce import dependency.
- Customs Duty on specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle (EVs) extended to 31.03.2024

<https://economictimes.indiatimes.com/news/economy/policy/union-budget-2023-key-takeaways/articleshow/97510184.cms>

Budget strengthens the fundamental pillars and ensures resilience, inclusivity and sustainability: FICCI

Commenting on the Union Budget 2022-23, Mr Subhrakant Panda, President, FICCI said, "FICCI congratulates the Hon'ble Finance Minister for delivering a balanced and progressive Union Budget which gives primacy to inclusive growth. The announcements made today capture the pulse of the economy while retaining credibility both in terms of projections as well as committing to the fiscal consolidation glide path. Most importantly, a historic outlay for public capex is a continuation of the heaving lifting since the time of the pandemic and will have a multiplier effect across myriad sectors of the economy besides crowding in private investment." "A push to investment and consumption was required to keep the growth cycle in motion. We are happy to note that the government has continued the thrust on capital expenditure with a 33% increase in the capital outlay to Rs 10 lakh crore representing 3.3% of GDP. This is a step in the right direction amidst a global economic situation which is still not at ease. Moreover, the revision in tax rates under the new regime will augur well on the consumption side," added Mr Panda. "We also compliment the government on meeting the fiscal deficit target for the current financial year despite persisting uncertainty; this lends credibility to the budget. Moreover, by projecting a 5.9% fiscal deficit for 2023-24 and reiterating the commitment to bring it below 4.5% by 2025-26, the Finance Minister has imparted confidence that growth remains a priority without compromising on fiscal consolidation," said Mr Panda.

<https://ficci.in/pressrelease-page.asp?nid=4650>

Economy

India's jobless rate declined to four-month low of 7.14% in January- CMIE

India's unemployment rate fell to 7.14% in January, the lowest in four months, from 8.30% in the previous month, data from the Centre for Monitoring Indian Economy (CMIE) showed on Wednesday. The urban unemployment rate declined to 8.55% in January from 10.09% in the previous month, while the rural unemployment rate slipped to 6.48% from 7.44%, the data showed.

<https://economictimes.indiatimes.com/news/economy/indicators/indias-jobless-rate-declined-to-four-month-low-of-7-14-in-january-cmie/articleshow/97525809.cms>

Jan manufacturing PMI falls to three-month low as production, exports slow

India's purchasing managers' index (PMI) for manufacturing fell to a three-month low in January from a two-year high in December, as production slowed and total sales and output did too, said a private survey on Wednesday. PMI, compiled by S&P Global, fell to 55.4 last month from 57.8 in December. A survey print above 50 by the global rating agency indicates expansion in manufacturing and below that represents contraction. The survey reflected only a slight rise in new export orders. Companies added to their input inventories by purchasing additional materials, but hiring were broadly unchanged amid sufficient staff numbers to cope with current requirements. "The latest results suggested that the domestic market was the main source of new business growth as international sales rose only slightly in January", the survey said.

https://www.business-standard.com/article/economy-policy/manufacturing-pmi-falls-to-55-4-in-jan-from-57-8-in-dec-hiring-near-pause-123020100371_1.html

Union Budget 2023-24: Firm on prudence, high on feel-good factor

Finance Minister Nirmala Sitharaman on Wednesday presented the Union Budget for 2023-24, which is expected to serve as the last full Budget of Prime Minister Narendra Modi's second term in office. The Budget, which Sitharaman labelled the first in "Amrit Kaal", did not vary in its essentials from the growth model that has defined Modi's second term: bulking up capital expenditure, especially on transport-related infrastructure, while maintaining macroeconomic stability though relative fiscal restraint. With some unexpected room being granted to her after nominal growth rates and tax collections were boosted by inflation, the finance minister announced that the fiscal deficit for the ongoing year would be contained to 6.4 per cent of gross domestic product (GDP), in spite of the actual nominal deficit exceeding the budgeted figure by 5.6 per cent.

https://www.business-standard.com/budget/article/union-budget-2023-24-firm-on-prudence-high-on-feel-good-factor-123020200015_1.html

Banking and Finance

Fin laws set for an overhaul: Focus likely on investor protection, enhancing governance at banks

Laws governing the financial sector are set for an overhaul as the government pushes regulators and itself to accommodate the growing demands of the country that is racing towards a \$5-trillion economy, which will require a robust and sophisticated financial services sector. Finance minister Nirmala Sitharaman has announced the review of financial services regulations and amendments to the Banking Regulation Act and the Reserve Bank of India Act without specifying the proposed changes. The regulators will have public consultations whenever necessary and feasible to the process of regulation-making and issuing subsidiary directions, the minister said. "To simplify, ease and reduce cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations," Sitharaman said in her speech. "For this, they will consider suggestions from public and regulated entities. Time limits to decide the applications under various regulations will also be laid down."

<https://economictimes.indiatimes.com/news/economy/finance/fin-laws-set-for-an-overhaul-focus-likely-on-investor-protection-enhancing-governance-at-banks/articleshow/97534723.cms>

Govt expects dividend of Rs 48,000 cr from RBI, PSU banks in FY24

The government expects 17 per cent higher dividend at Rs 48,000 crore from the Reserve Bank of India (RBI), public sector banks and financial institutions in 2023-24. In current financial year ending March, it aims to garner Rs 40,953 crore from RBI and public sector financial institutions. This is much lower compared to Budget Estimate of Rs 73,948 crore for FY23. It is to be noted that RBI approved a dividend payment of Rs 30,307 crore to the government post its board meeting in May 2022. As per the Budget document, dividends from public sector enterprises and other investments have been pegged at Rs 43,000 crore for FY24 as well. As per the Revised Estimate for FY23, the dividend from public sector enterprises and other investments was higher at Rs 43,000 crore from the Budget Estimate of Rs 40,000 crore.

<https://economictimes.indiatimes.com/news/economy/finance/govt-expects-dividend-of-rs-48000-cr-from-rbi-psu-banks-in-fy24/articleshow/97524460.cms>

India could see some risks to FY26 fiscal deficit target of 4.5% of GDP: Moody's analyst

The Indian federal government's aim to achieve a fiscal deficit target of 4.5% of gross domestic product (GDP) by 2025/26 could see some risks, an analyst at Moody's Investors Service said on Wednesday. "The current pattern suggests that perhaps there could be some upward pressure on expenditure especially if they (government) continue with this focus on capex," the rating agency's senior vice president, Christian de Guzman, told Reuters.

<https://economictimes.indiatimes.com/news/economy/finance/india-could-see-some-risks-to-fy26-fiscal-deficit-target-of-4-5-of-gdp-moodys-analyst/articleshow/97525188.cms>

Industry

MSMEs set to get money on time as deductions go to actual payments

Micro, small and medium enterprises (MSMEs) are expected to see expedited receipts of payments and improvement in liquidity as the budget proposed to allow deduction to clients for expenditure incurred on payments only on actual and not accrual basis. Finance minister announced that such payments will be covered within the ambit of the Income Tax Act, 1961 and hence will be allowed as deduction on an actual payment basis only, disregarding the accrual concept. "The government intends to cover that under Section 43B of the I-T Act, 1961, and it is part of the socioeconomic welfare measure. MSMEs are supposed to receive payments within 45 days if there is an agreement and/or within 15 days, if there is no agreement," said Sanjay Kumar, partner, Deloitte India.

<https://economictimes.indiatimes.com/small-biz/sme-sector/budget-2023-msmes-set-to-get-money-on-time-as-deductions-go-to-actual-payments/articleshow/97534829.cms>

Budget 2023: Cars, EVs and trucks to get demand boost

Demand for cars and electric vehicles is likely to accelerate, riding on enhanced income tax rebate, monetary allocation for vehicle scrappage policy, and import duty exemption on machines and capital goods for manufacture of lithium-ion cells announced in the budget. A reduction in the highest income tax surcharge will also benefit luxury vehicle sales even as select top-end luxury cars will become costlier, while a 33% jump in allocation for infrastructure projects is set to boost truck sales, industry executives and analysts said. "The reduction in income tax across various categories will increase propensity among the salaried class to spend," said Shashank Srivastava, executive director at Maruti Suzuki. Santosh Iyer, MD and CEO, Mercedes-Benz India, said that while the budget should drive demand, basic custom duty change will make the S-Class Maybach, GLB and EQB dearer. "As we locally manufacture, this will not affect 95% of our portfolio," he said.

<https://economictimes.indiatimes.com/industry/auto/auto-news/budget-2023-cars-evs-and-trucks-to-get-demand-boost/articleshow/97534718.cms>

Budget will trigger growth, say textile bodies

Major textile bodies in the region on Wednesday welcomed the Union Budget by terming it as one aiming at strong and stable economic growth. President of Tirupur Exporters Association (TEA) K M Subramanian said the budget mentions the seven priorities "Saptarishi" that would trigger the economic growth. In a statement, he said the priority for infrastructure development would reduce logistics cost. He said he appreciates the focus given to green growth. While welcoming the increased allocation of Rs 900 crore for ATUF (amended technology upgradation fund) scheme for 2023-24 as against Rs 600 crore last year, Subramanian said he was hopeful that the increased allocation would help to clear the ATUF pending claims. However, there was no announcement on continuance of ATUF scheme in this budget and he was hopeful that government would announce it in the near future, he said.

<https://www.financialexpress.com/budget/budget-2023-budget-will-trigger-growth-say-textile-bodies-coimbatore-2968319/>

Agriculture

Budget 2023 gives Rs 968cr digitisation boost to connect, drive agriculture cooperatives

The government proposes to spend ₹1,150.38 crore on the cooperatives sector in FY24, with ₹968 crore earmarked for computerisation of some 63,000 primary cooperative agriculture societies (PCAS). The total cost for computerisation of PCAS is estimated at ₹2,516 crore. The scheme aims to computerise PCAS, leading to an increase in its efficiency, profitability, transparency and accountability.

<https://economictimes.indiatimes.com/news/economy/agriculture/budget-2023-gives-rs-968cr-digitisation-boost-to-connect-drive-agriculture-cooperatives/articleshow/97534938.cms>

Mixed response to Budget from agri industry players, farmer bodies

Agri industry players and farmer bodies on Wednesday gave mixed response to the Budget, saying it did not focus on edible oils, reducing GST on agri inputs and raising financial aid to farmers under PM-KISAN scheme. Godrej Agrovet Managing Director Balram Yadav termed the Budget a "tech-focused-inclusive Budget for Indian farmers," while Syngenta India Chief Sustainability Officer KC Ravi said it will catapult the agriculture ecosystem to greater heights. "Although the government has taken many far-reaching and good-resulting steps in this Budget in the interest of agriculture and farmers, still the expectations of farmers were more," said Raghvendra Patel of Bharatiya Kisan Sangh (BKS). After COVID-19, farmers have been facing problems due to the rise in prices of farm inputs and were expecting a solution in the form of increase in financial support under PM-KISAN and reduction in GST on inputs, he said in a statement.

<https://www.financialexpress.com/budget/mixed-response-to-budget-from-agri-industry-players-farmer-bodies-2968407/>

Green growth initiative to boost castor and neem meal consumption: SEA

The Solvent Extractors' Association (SEA) of India has said the "green growth" initiative of the Union Government proposed in the 2023-24 budget will help boost the consumption of castor meal and neem meal. Welcoming the Government's announcement on 'green growth', Ajay Jhunjunwala, President of SEA, said castor meal and neem seed meal are the best organic fertilisers for natural farming. The "green growth" initiative will boost the

consumption of castor meal and neem meal and thereby support domestic farmers growing castor seed and tribals collecting neem seed.

<https://www.thehindubusinessline.com/economy/agri-business/green-growth-initiative-to-boost-castor-and-neem-meal-consumption-sea/article66458401.ece>

Infrastructure

States nudged to create infra, focus on urban reforms with funding extension

The Centre has extended a funding helpline to states, looking to push them to undertake reforms and hasten infrastructure creation in their jurisdictions. To fast-track infrastructure development and job creation, it has extended the 50-year interest-free loan by another year while topping the total funding to ₹1.30 lakh crore from about ₹1 lakh crore. This, however, has been tied to urban reforms, education and consumption, to make up for delayed capex by states due to pandemic.

<https://economictimes.indiatimes.com/news/economy/infrastructure/states-nudged-to-create-infra-focus-on-urban-reforms-with-funding-extension/articleshow/97534685.cms>

FM increases allocation to NHAI to Rs 1.62 lakh crore for FY24

With the government betting big on infrastructure, finance minister Nirmala Sitharaman on Wednesday increased allocation to state-owned National Highways Authority of India (NHAI) to Rs 1.62 lakh crore for 2023-24 from last year's revised allocation of Rs 1.42 lakh crore. The Union Budget 2023-24 has allocated an enhanced outlay of Rs 2.70 lakh crore for the highways sector. An allocation of Rs 1.99 lakh crore was made for the highways sector for 2022-23, which was revised to Rs 2.17 lakh crore.

<https://economictimes.indiatimes.com/news/economy/infrastructure/fm-increases-allocation-to-nhai-to-rs-1-62-lakh-crore-for-fy24/articleshow/97526942.cms>

Railways to get ₹2.4L cr for future upgrades

The government proposes to spend ₹2.4 lakh crore on upgrading railway infrastructure in FY24, a move in line with its focus on making the national transporter "future ready". A large chunk of this amount will be spent on laying new railway lines, doubling existing ones and purchasing rolling stock, finance minister Nirmala Sitharaman said in her budget speech on Wednesday. The capital expenditure support for the railways in the next fiscal year is 50% higher than the ₹1.59 lakh crore allocated in the revised estimates for 2022-23, maintaining the trend of higher allocation for Indian Railways. The latest outlay was about nine times the amount earmarked in 2013-14, Sitharaman said.

<https://economictimes.indiatimes.com/industry/transportation/railways/railways-to-get-2-4l-cr-for-future-upgrades/articleshow/97534411.cms>

Capital gains deduction limit of Rs 10 crore to hurt luxury property deals

Demand for super-luxury real estate is likely to be hit by the budget move to limit the deduction from capital gains on investment in residential property under Sections 54 and 54F to Rs 10 crore. Sections 54 and 54F of Income Tax Act, 1961, apply to long term capital gains (LTCG) on the sale of capital assets such as homes, equity, bonds and gold and their reinvestment through the acquisition of residential property. "The set-off of capital gains arising on sale of residential units or sale of any other long-term asset--other than residential unit--by way of investment in another residential unit is proposed to be capped at Rs 10 crore which earlier did not have any such cap. This proposal will certainly impact HNIs on their high-value transactions," said Hemal Mehta, partner, Deloitte India.

<https://economictimes.indiatimes.com/industry/services/property/-construction/capital-gains-deduction-limit-of-rs-10-crore-to-hurt-luxury-property-deals/articleshow/97534176.cms>

Warehousing and logistic sector to get a considerable boost from Budget

The Warehousing and logistic sector is expected to get a considerable boost from the government with the government's proposal in the Union budget 2023-2024 focussing on the infrastructure development and an all-time high capital expenditure in making India a globally connected economy. In the budget announcement the FM has mentioned that the infrastructure spend is up by 33% to 10 lakh cr, which forms 3.3% of GDP this year. "We believe that the increase in Capex and resulting infrastructure development will also ease the development of warehousing

and attract investment from the private sector, wishing to capitalise in this development," said Anshul Singhal, Managing Director, Welspun One Logistics Parks.

<https://economictimes.indiatimes.com/industry/services/property/-/cstruction/warehousing-and-logistic-sector-to-get-a-considerable-boost-from-budget/articleshow/97533306.cms>

Energy

India's electricity consumption grows nearly 13% to 126.16 bn units in Jan

India's power consumption logged a double-digit year-on-year growth of nearly 13 per cent to 126.16 billion units in January 2023, according to government data. The robust growth of power consumption indicates sustained momentum of economic activities in January. Experts earlier said the power consumption and demand would increase in January due to the use of heating appliances, especially in the northern parts of the country, and a further improvement in economic activities. In January 2022, power consumption stood at 111.80 billion units (BU), higher than the 109.76 BU in the same month of 2021, the data showed. Electricity consumption in January 2020 stood at 105.15 BU.

https://www.business-standard.com/article/pti-stories/india-s-electricity-consumption-grows-nearly-13-to-126-16-bn-units-in-jan-123020100718_1.html

India sets target of 5 MMT annual green hydrogen production by 2030

"India is moving forward firmly for the 'panchamrit' and net-zero carbon emission by 2070 to usher in green industrial and economic transition", said Union Finance Minister Nirmala Sitharaman while presenting the Union Budget in Parliament on Wednesday. Sitharaman also announced India's target to reach an annual production of 5 MMT by 2030. While mentioning the recently announced National Green Hydrogen Mission, she explained that it will facilitate the transition of the economy to a low carbon intensity and reduce dependence on fossil fuel imports. "It will also make country assume technology and market leadership in this sunrise sector", she added. The Finance Minister also proposed an allocation of Rs 35,000 crore for priority capital investments towards energy transition and net zero objectives, and energy security by the Ministry of Petroleum & Natural Gas.

https://www.business-standard.com/article/economy-policy/india-sets-target-of-5-mmt-annual-green-hydrogen-production-by-2030-123020100811_1.html

Healthcare

Pharma sector gets Budget boost as FM announces programme to promote R&D

Finance Minister Nirmala Sitharaman on Wednesday said that a new programme to promote research and innovation in pharmaceuticals will be taken up through various centers of excellence. "We shall also encourage industry to invest in research and development," she said. "Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure availability of skilled manpower for future futuristic medical technologies, high end manufacturing and research," she added.

<https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/pharma-sector-gets-budget-boost-as-fm-announces-programme-to-promote-rd/articleshow/97512591.cms>

External

Finance Minister Nirmala Sitharaman announces rejig in customs duty, details here

With promotion of exports and enhancement of domestic manufacturing in focus, Finance Minister Nirmala Sitharaman on Wednesday announced a rejig in custom duties on various commodities and products. The concessional duty on the import of lithium-ion batteries has been extended for a year. The customs duties on dore and bars of gold and platinum were increased earlier this fiscal. FM proposed to increase the duties on articles made therefrom to enhance the duty differential. "I also propose to increase the import duty on silver dore, bars and articles to align them with that on gold and platinum," she said.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/finance-minister-nirmala-sitharaman-announces-rejig-in-customs-duty-details-here/articleshow/97515777.cms>

Govt hikes import duty on toys to 70% to boost domestic manufacturing

The government on Wednesday increased the import duty on toys and its components to 70 per cent with a view to cut inbound shipments of these products and boost domestic manufacturing activities. Similarly, import duty on bicycles has also been hiked to 35 per cent from 30 per cent, according to a Union Budget document. Import duty hike on toys and parts of toys excludes parts of electronic toys. Earlier, basic customs duty on toys was increased from 20 per cent to 60 per cent in February, 2020 to promote local manufacturing. Toys worth Rs 2,960 crore were imported into India earlier but steps by the government helped in reducing the imports to Rs 870 crore in 2021-22. https://www.business-standard.com/article/economy-policy/govt-hikes-import-duty-on-toys-to-70-to-boost-domestic-manufacturing-123020101712_1.html

India imported more Russian crude oil than ever in January, shows data

Russia supplied record volumes of crude oil to India in January, led by substantial discounts, which countered fresh sanctions by Europe and the US on exports of fuel by Moscow. https://www.business-standard.com/article/economy-policy/india-imported-more-russian-crude-oil-than-ever-in-january-shows-data-123020100281_1.html