



# **POLICY HIGHLIGHTS**

## **UNION BUDGET 2022-23**

*Copyright © 2022 DGS Associates, All rights reserved.*

**Our mailing address is:**

DGS Associates,

C-485 (GF), Defence Colony, New Delhi-110024.

Ph: 011 4174 9277/ 011 4174 92

The Union Budget 2022-23 is a “*futuristic*” budget and a shift from the budgets of the yesteryears where commoners would wait for significant announcements impacting their immediate financial concerns. Budget 2022 has given direct taxation a complete miss, leaving the taxation slabs untouched. However, from a long-term perspective, Budget 2022 is focussed on the roadmap for a digitized India, clean and sustainable growth and the development of mass transit systems. Besides these, Budget 2022 also provides the layout for EoDB 2.0.

DGS analyses the various policy announcements made in Budget 2022.

## **POLICY HIGHLIGHTS**

### **Digitized India**

#### ***Central Bank Digital Currency (CBDC)***

With the introduction of India’s only digital currency, Central Bank Digital Currency (CBDC), India joins the elite club of a handful of countries with a digital currency. CBDC is expected to give impetus to India’s digital economy leading to a more efficient and cheaper currency management system.

The Reserve Bank of India (RBI), the RBI is set to introduce the Digital Rupee beginning financial year 2022-23. RBI Act will be amended to include the definition of “bank notes” which will comprise physical as well as digital form of currency.

#### ***Digital Banking Units (DBUs) and digital payments***

75 DBUs are proposed to be set-up by Scheduled Commercial Banks. The financial support for digital payment ecosystem will continue in 2022-23 and there will also be a focus to promote use of payment platforms that are economical and user friendly.

#### **Scheme for taxation of virtual digital assets**

Mindful of the increase in transactions in virtual digital assets, these digital assets have been brought under a specific tax regime whereby

- Income from transfer of any virtual digital asset shall be taxed at the rate of 30 per cent.
- No deduction in respect of any expenditure or allowance will be allowed while computing such income, except cost of acquisition.
- Loss from transfer of virtual digital asset cannot be set off against any other income.
- In order to capture the transaction details, payments for transfer of virtual digital asset will be subject to TDS at the rate of 1 per cent of the consideration above a monetary threshold.
- Gift of virtual digital asset is also proposed to be taxed in the hands of the recipient.

### ***Post Offices***

100 percent of 0.15 million post offices will be brought under the core banking system enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and providing online transfer of funds between post office accounts and bank accounts.

### ***Ayushman Bharat Digital Mission***

Under Ayushman Bharat Digital Mission, an open platform for National Digital Health Ecosystem will be established. This platform will consist of digital registries of health providers, health facilities, unique health identity, consent framework, and universal access to health facilities,

A National Tele Mental Health Programme will also be launched to provide access to quality mental health counselling and care services.

### ***e-Passport***

Issuance of e-passports using embedded chip and futuristic technology to be rolled out to enhance convenience of overseas travel.

### ***Agri-tech start-ups***

For delivery of digital and hi-tech services to farmers with involvement of public sector research and extension institutions along with private agri-tech players and stakeholders of agri-value chain, a scheme in PPP mode will be launched. Use of 'Kisan Drones' will also be promoted for crop assessment, digitization of land records, spraying of insecticides, and nutrients.

## **Clean & Sustainable India**

Policy announcements towards clean energy and low carbon development strategy are driven by PM Modi's statement at the COP26 summit in Glasgow last November, "what is needed today is mindful and deliberate utilisation, instead of mindless and destructive consumption."

### ***Solar Power***

To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, additional allocation has been announced for Production Linked Incentive Scheme announced in April 2021 for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules.

### ***Circular Economy***

The Circular Economy transition plans for ten sectors such as electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste are already ready. The focus will now be on addressing issues of infrastructure, reverse logistics, technology upgradation and integration with informal sector. Changes will be announced in regulations, extended producers' responsibilities framework and innovation facilitation.

### ***Transition to Carbon Neutral Economy***

Five to seven per cent biomass pellets will be co-fired in thermal power plants resulting in CO<sub>2</sub> savings of 38 MMT annually. In addition to clean energy, this will provide extra income to farmers, job opportunities to locals and help reduce stubble burning.

### ***Energy Service Company (ESCO)***

Energy efficiency and savings measures will be promoted in large commercial buildings through the ESCO business model. It will facilitate capacity building and awareness for energy audits, performance contracts, and common measurement & verification protocol.

### ***Battery Swapping Policy***

A battery swapping policy is proposed to be brought out and inter-operability standards to be formulated. Further, the private sector will be encouraged to develop sustainable and innovative business models for 'Battery or Energy as a Service.'

### ***Green Bonds***

As a part of the government's overall market borrowings in 2022-23, sovereign Green Bonds will be issued for mobilizing resources for green infrastructure. The proceeds will be deployed in public sector projects which help in reducing the carbon intensity of the economy.

### ***Green clearances***

PARIVESH – A step towards single window green clearance has been introduced. The scope of the PARIVESH portal will be expanded to provide information to the applicants based on location of units and other specific approvals.

This will enable application for the following approvals through a single form and tracking of the process through a Centralised Processing CentreGreen (CPC-Green):

- Environment
- Forest
- Wildlife

## **Mass Transit Systems**

### ***Urban Planning Support to States***

For urban capacity building, support will be provided to the States. Modernization of building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD) will be implemented to facilitate reforms for people to live and work closer to mass transit systems.

### ***Road Transport***

PM GatiShakti Master Plan for Expressways will be formulated in 2022-23 to facilitate faster movement of people and goods. The National Highways network will be expanded by 25,000 km in 2022-23.

### ***Multimodal Movement of Goods and People***

To bring efficiency in movement of goods through different modes and improve international competitiveness, the data exchange among all mode operators will be brought on Unified Logistics Interface Platform (ULIP), designed for Application Programming Interface (API). This will provide for cost and time efficient logistics, and elimination of tedious documentation. Open-source mobility stack, for organizing seamless travel of passengers will also be facilitated.

### ***Multimodal Logistics Parks***

Contracts for implementation of Multimodal Logistics Parks at four locations through PPP mode will be awarded in 2022-23. One hundred PM GatiShakti Cargo Terminals for multimodal logistics facilities will be developed during the next three years.

## **Ease of Doing Business 2.0**

### ***Insolvency and Bankruptcy Code***

The Insolvency and Bankruptcy code is to be amended to facilitate cross-border insolvency cases.

- Amendments could include a code of conduct for the committee of creditors (CoC), the group that is empowered to decide on insolvency resolution proposals.
- The new rules on IBC related to cross-border insolvency will be broadly framed on the lines of United Nations Commission on International Trade Law (UNCITRAL).
- Cross-border insolvency rules, will allow lenders to recover dues from defaulting borrowers disposing of foreign assets as well as promoters' personal assets that are parked in offshore locations.

### ***Center for Processing Accelerated Corporate Exit (C-PACE)***

- Center for Processing Accelerated Corporate Exit (C-PACE) will be set up to reduce voluntary winding-up timeline from two years to six months.
- Several IT-based systems have been established for accelerated registration of new companies.

### ***Start-Ups***

- Start-ups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS). In select ITIs, in all states, the required courses for skilling, will be started.
- Start-ups, private industry and academia have 25% of Defence Research & Development (R&D) budget which has been earmarked for them.
- Start-ups are expected to support Farmer Producer Organization (FPOs), machinery for farmers on rental basis at farm level and technology including IT based support.

### ***Land Records Management***

- States will be encouraged to adopt Unique Land Parcel Identification Number to facilitate IT-based management of records.

- Facility for transliteration of land records across any of the Schedule VIII languages will also be rolled out.
- Linkage with National Generic Document Registration System (NGDRS) with the ‘One-Nation One-Registration Software’ will be promoted as an option for uniform process for registration and ‘anywhere registration’ of deeds & documents.

### ***Government Procurement***

To further enhance transparency and time efficiency in the government procurement rules, a completely paperless, end-to-end online e-Bill System will be launched for use by all central ministries for their procurements. The system will enable the suppliers and contractors to submit online their digitally signed bills and claims and track their status from anywhere.

Further, to reduce indirect cost for suppliers and work-contractors, the use of surety bonds as a substitute for bank guarantee will be made acceptable in government procurements. IRDAI has already provided the framework for issue of surety bonds by insurance companies.

### ***Incentives for newly incorporated manufacturing entities under concessional tax regime***

Extension of the concessional tax regime of 15 per cent tax introduced for newly incorporated domestic manufacturing companies by one year i.e. from 31st March, 2023 to 31st March, 2024.

### ***Updated return***

Introducing governance of trust and voluntary disclosures, government is introducing provision for filing of an ‘Updated Return’ on payment of additional tax to provide taxpayers an opportunity to rectify omissions or mistakes in correctly estimating their income for tax payment. This updated return can be filed within two years from the end of the relevant assessment year.

### ***Litigation management to avoid repetitive appeals by the Department***

In furtherance of the policy of sound litigation management, it is being provided that, if a question of law in the case of an assessee is identical to a question of law which is pending in appeal before the jurisdictional High Court or the Supreme Court in any case, the filing of further appeal in the case of this assessee by the department shall be deferred till such question of law is decided by the jurisdictional High Court or the Supreme Court. This will avoid multiple litigation and also reduce the litigation burden on the courts.

## **SECTORAL HIGHLIGHTS**

### ***Telecom***

5G spectrum auctions will be conducted in 2022 to facilitate rollout of 5G mobile services within 2022-23 by private telecom providers.

A scheme for design-led manufacturing will be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme notified in February 2021.

To widen connectivity to all villages and remote areas, contracts for laying optical fibre will be awarded under the Bharatnet project through PPP in 2022-23 for completion in 2025.

## ***Defence***

*AtmaNirbharta* has been a major plank for defence manufacturing of late. To augment this objective, 68 per cent of the capital procurement budget has been earmarked for domestic industry in 2022-23.

Most significantly, defence R&D is being opened up for industry, startups and academia with 25 per cent of defence R&D budget earmarked. Private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with DRDO and other organizations through SPV model.

An independent nodal umbrella body will be set up for meeting wide ranging testing and certification requirements.

## ***Electronics***

To support the growth of electronic manufacturing, customs duty rates have been calibrated to provide a graded rate structure to facilitate domestic manufacturing of wearable devices, hearable devices and electronic smart meters. Duty concessions have also been given to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items.

## ***Gems and Jewellery***

Customs duty on cut and polished diamonds and gemstones has been reduced to 5 per cent with simply sawn diamond attracting nil customs duty.

To facilitate export of jewellery through e-commerce, a simplified regulatory framework is expected to be implemented by June 2022.

## ***AVGC***

The animation, visual effects, gaming, and comic (AVGC) sector offers immense potential to employ youth. An AVGC promotion task force with all stakeholders will be set-up to recommend ways to realize this and build domestic capacity for serving our markets and the global demand.

## ***Sunrise Sectors***

Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems have immense potential to assist sustainable development at scale and modernize the country. They provide employment opportunities for youth, and make Indian industry more efficient and competitive.

Supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of research & development will guide the government's approach. For R&D in these sunrise opportunities, in addition to efforts of collaboration among academia, industry and public institutions, government contribution will be provided.

### ***Special Economic Zone***

- Special Economic Zone Act, 2005 to be replaced with a new legislation to enable states to become partners in "Development of Enterprise and Service Hubs."
- This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.
- The Commerce Secretary has stated that the new law for SEZs will comply with the global trade rules of the WTO and it will have a single-window clearance system besides world-class infrastructure and easy customs procedures.

### ***GIFT-IFSC***

Continuing with its year-on-year tradition, this government has made GIFT City related announcements in Budget 2022 also. These announcements concern,

- Availability of high-end human resources foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics, which will be free from domestic regulations, except those prescribed by the IFSC Authority.
- Setting up of an International Arbitration Centre is to be set up in the GIFT City for timely settlement of disputes under international jurisprudence. This would boost India's ranking for contract enforcement.