



Union Budget 2022 Summary



Short Note on Budget Formulation

- Budget is the government's blueprint on expenditure, taxes it plans to levy, and other transactions which affect the economy and lives of citizens.
- According to **Article 112** of the Indian Constitution, the Union Budget of a year is referred to as the Annual Financial Statement (AFS).
- The Budget Division of the Department of Economic Affairs in the Finance Ministry is the nodal body responsible for preparing the Budget.
- In Parliament, the Budget goes through six stages:
 - I. Presentation of Budget.
 - II. General discussion.
 - III. Scrutiny by Departmental Committees.
 - IV. Voting on Demands for Grants.
 - V. Passing of Appropriation Bill.
 - VI. Passing of Finance Bill.

Major Components

- **There are three major components —**
 - Expenditure
 - Receipts
 - Deficit indicators.
- **Based on their impact on assets and liabilities, total expenditure can be divided into capital and revenue expenditure.**
 - **Capital expenditure** is incurred with the purpose of increasing assets of a durable nature or of reducing recurring liabilities. Ex: constructing new schools or new hospitals.
 - **Revenue expenditure** involves any expenditure that does not add to assets or reduce liabilities. Ex: payment of wages and salaries, subsidies or interest payments.
- **Depending on the manner in which it affects different sectors, expenditure is also classified into**
 - General services
 - Economic services include expenditure on transport, communication, and rural development, agricultural and allied sectors.
 - Social services include expenditure on the social sector including education or health
 - Grants-in-aid and contribution.
- The sum of expenditure on economic and social services together form the **development expenditure**. Again, depending on its effect on asset creation or liability reduction, development expenditure can be further classified as revenue and capital expenditure.
- The receipts of the Government have three components —
 - **Revenue receipts** involve receipts that are not associated with increase in liabilities and comprise revenue from taxes and non-tax sources.
 - **Non-debt receipts** are part of capital receipts that do not generate additional liabilities. Ex: Recovery of loans and proceeds from disinvestments.
 - **Debt-creating capital receipts** are ones that involve higher liabilities and future payment commitments of the Government.
- **Fiscal deficit** by definition is the difference between total expenditure and the sum of revenue receipts and non-debt receipts. Therefore, fiscal deficit indicates total borrowings of the government.

- **Primary deficit** is the difference between fiscal deficit and interest payments.
- **Revenue deficit** is derived by deducting capital expenditure from fiscal deficits.

Implications of the Budget on the economy

- The Budget has an implication for aggregate demand of an economy.
 - All Government expenditure generates aggregate demand in the economy since it involves purchase of private goods and services by the Government sector.
 - All tax and non-tax revenue reduces net income of the private sector and thereby leads to reduction in private and aggregate demand.
- Reduction in expenditure GDP ratio or increase in revenue receipt-GDP ratio indicates the Government's policy to reduce aggregate demand and vice-versa.
- For similar reasons, reduction in fiscal deficit-GDP ratio and primary deficit-GDP ratios indicate Government policy of reducing demand and vice versa.
- Since different components of expenditure and revenue can have different effects on income of different classes and social groups, the Budget also has implications for income distribution.
 - For example, revenue expenditure such as employment guarantee schemes or food subsidies can directly boost the income of the poor.
 - Concession in corporate tax may directly and positively affect corporate incomes.
 - Though both a rise in expenditure for employment guarantee schemes or reduction in the corporate tax would widen the fiscal deficit, its implications for income distribution would be different.

What are fiscal rules and how do they affect policy?

- Fiscal rules provide **specific policy targets** on the basis of which fiscal policy is formed. Policy targets can be met by using different policy instruments.
- In India's case, its present fiscal rule is guided by the recommendations of the **N.K. Singh Committee Report**.
- Allowing for some deviations under exceptional times, it has three policy targets —
 - Maintaining a specific level of debt-GDP ratio (stock target)
 - Fiscal deficit-GDP ratio (flow target)
 - Revenue deficit-GDP ratio (composition target).
- Though both expenditure and revenue receipts can potentially act as policy instruments to meet a specific set of fiscal rules, tax rates within the existing policy framework happen to be determined independent of the expenditure requirement of the economy.
- Accordingly, in the present institutional framework in India, it is primarily the expenditure which is adjusted to meet the fiscal rules at given tax-ratios. Such an adjustment mechanism has at least two related, but analytically distinct, implications for fiscal policy.
 - First, existing fiscal rules provide a cap on expenditure by imposing the three policy targets.
 - Second, under any situation when the debt-ratio or deficit ratio is greater than the targeted level, expenditure is adjusted in order to meet the policy targets.
 - By implication, independent of the state of the economy and the need for expansionary fiscal policy, existing policy targets may lead the Government to reduce expenditure.

BUDGET 2022

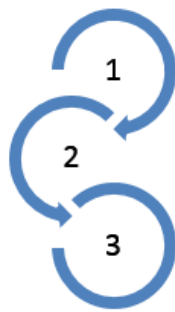
Estimated growth: The country is expected to grow at 9.27 per cent in the coming year.

Four Pillars of Development:

- I. Inclusive development
- II. Productivity enhancement
- III. Energy transition
- IV. Climate action

—the Budget gives a blueprint of economy from India at 75 to India at 100.

Government's Vision



Complementing the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus

Promoting digital economy & fintech, technology enabled development, energy transition, and climate action

Relying on virtuous cycle starting from private investment with public capital investment helping to crowd-in private investment

This Budget lays a parallel track of

- I. A blueprint for the Amrit Kaal, which is futuristic and inclusive. This will directly benefit our youth, women, farmers, the Scheduled Castes and the Scheduled Tribes.
- II. Big public investment for modern infrastructure, readying for India at 100. This shall be guided by PM GatiShakti and be benefited by the synergy of multi-modal approach.

Moving forward, on this parallel track, we lay the following four priorities:



A.PM GatiShakti: Received its first ever outlay of Rs 20,000 crore

A Rs. 100 lakh-crore project for developing 'holistic infrastructure' - Will encompass the seven engines for multi-modal connectivity for the states with speedier implementation of development projects through technology to facilitate faster movement of people and goods through Rs 20,000 crore financed by the government to speed up this project

National Master Plan developed by: Bhaskaracharya Institute for Space Applications and Geoinformatics (BISAG-N)

Nodal department for PM GatiShakti: Department for Promotion of Industry and Internal Trade (DPIIT)

Aim:

- To reduce the logistics cost - a transformative approach, driven by roads, railways, ports, airports, mass transport, waterways and logistics infrastructure. All seven engines will pull the economy forward in unison
- Unshackle bureaucratic entanglements and end inter-ministerial silos that delay infrastructure projects and drive up costs
- Sets sectoral targets to be completed by 2024-25 in areas such as expanding national highways and increasing cargo capacity by the railway and shipping ministries

Significance: Currently, the logistics cost in India is about 13% of the GDP whereas in other developed countries it is to the extent of 8%. Government is committed to reduce the cost of logistics to ensure

- Competitiveness of our manufacturing sector,
- Better realisation of prices to farmers
- Availability of goods at cheaper prices to consumers

Key Announcements in the Budget

- A scheme 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 kilometres in 2022-23, with an outlay of INR 20,000 crores via financing.
- A new Unified Logistics Interface Platform will be brought in to facilitate data exchange between operators across different modes of transport, aimed at implementing a just-in-time approach for logistics management and giving access to real-time information to operators.
- A new open-source mobility stack for organising seamless travel of passengers will be facilitated.
- Contracts for implementation of multi-modal logistics parks at four locations will be awarded on a public-private-partnership (PPP) mode in 2022-23.
- Railways will develop new products and logistics services for small farmers, and small and medium enterprises.
- Railways will integrate railways and postal networks for seamless movement of parcels.
- A 2,000-kilometre railway network will be brought under 'Kavach' for safety and capacity augmentation.
- 400 new-generation Vande Bharat trains with better energy efficiency and passenger riding experience will be developed and manufactured over the next three years.
- 100 PM Gati Shakti cargo terminals for multi-modal logistics facilities will be developed in the next three years.

- 'Innovative' financing options will be encouraged for building metro systems of appropriate type and scale.
- Facilitation of multi-model connectivity options between mass urban transport and railway stations.
- Standardisation of metro systems and civil structures based on Indian needs.
- Parvatmala, a preferred ecologically sustainable alternative to conventional road systems in hilly areas – also known as National Ropeways Development Programme, will be undertaken in PPP mode.

B. Inclusive Development

Agriculture & Food Processing

- Promoting chemical free natural farming starting with farmers' lands, in 5-km wide corridors along river Ganga, at the first stage.
- Promoting post-harvest value addition, consumption and branding of millet products → 2023 - International Year of Millets
- Delivery of Digital and Hi-Tech services to farmers in PPP mode.
- Use of Kisan Drones to aid farmers, for crop assessment, digitization of land records, spraying of insecticides, and nutrients
- States will be encouraged to revise syllabi of agricultural universities to meet the needs of natural, zero-budget and organic farming, modern-day agriculture, value addition and management.
- Launching fund with blended capital to finance agriculture startups for agriculture & rural enterprise, relevant for farm produce value chain
- A rationalised and comprehensive scheme to increase domestic production of oilseeds

Ken Betwa project and Other River Linking Projects

- Implementation of Ken Betwa Link Project benefitting 9.1 lakh hectare farm land, providing drinking water to 62 lakh people and generating 130MW power.
- 5 more such projects under process of gaining consensus from the respective states –
 - a. Damanganga-Pinjal
 - b. Par-TapiNarmada
 - c. Godavari-Krishna
 - d. Krishna-Pennar
 - e. Pennar-Cauvery

Education & Skill Development

Universalization of Quality Education

- One class **One TV channel programme of PM eVIDYA** to be expanded to 200 TV channels - will enable all states to provide supplementary education in regional languages for classes 1-12
- **Virtual labs and skilling e-labs** to promote critical thinking skills and stimulated learning environment

- A **Digital University** will be established with world class quality universal education with personalised learning experience - will be built on a networked hub-spoke model, with the hub building cutting edge ICT expertise.
- **High quality e-content in all spoken languages** will be developed for delivery via internet, mobile phones, TV and radio through **Digital Teachers**
- A competitive mechanism for **development of quality e-content** by the teachers will be set-up to empower and equip them with digital tools of teaching and facilitate better learning outcomes

Skill Development

- **Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal)** will be launched to empower citizens to skill, reskill or upskill through on-line training. It will also provide API-based trusted skill credentials, payment and discovery layers to find relevant jobs and entrepreneurial opportunities.
- Startups will be promoted to facilitate **Drone Shakti for Drone-As-A-Service (DrAAS)**

Health

- **National Digital Health Ecosystem** will be rolled out: will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities
- **National Tele Mental Health Programme** will be launched for quality counselling
- **Integrated architecture:** Mission Shakti, Mission Vatsalya, Saksham Anganwadi, and Poshan 2.0 launched to provide integrated benefits to women and children.
- Two lakh Anganwadis to be upgraded to **Saksham Anganwadis** that have better infrastructure and audio-visual aids, powered by clean energy and providing improved environment for early child development.

Welfare Focused Schemes

Har Ghar, Nal Se Jal: Allocation of 60,000 crore has been made with an aim to cover 3.8 crore households in 2022-23

PM Awas Yojana:

- 80 lakh houses to be completed in 2022-23
- Work with the state governments for reduction of time required for all land and construction related approvals, for promoting affordable housing for middle class and Economically Weaker Sections in urban areas.
- Work with the financial sector regulators to expand access to capital along with reduction in cost of intermediation.

PM-DevINE: To fund infrastructure and social development based on felt needs of the North East

Aspirational Blocks Programme: For development of lagging blocks of aspirational districts

Vibrant Villages Programme: Targeting development of villages on the Northern Border left out from the development gains - activities will include construction of village infrastructure, housing, tourist centres, road connectivity, provisioning of decentralized renewable energy, direct to home access for Doordarshan and educational channels, and support for livelihood generation.

Digital Banking by Post Offices: 100% of post offices to come on the core banking system - enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts. This will be helpful, especially for farmers and senior citizens in rural areas, enabling interoperability and financial inclusion.

Digital Payments: Scheduled Commercial Banks to set up 75 Digital Banking Units (DBUs) in 75 districts

MSME

- **Interlinking various portals:** Udyam, e-Shram, NCS and ASEEM portals; will now perform as portals with live, organic databases, providing G2C, B2C and B2B services. These services will relate to credit facilitation, skilling, and recruitment with an aim to further formalise the economy and enhance entrepreneurial opportunities for all.
- **Extension of Emergency Credit Line Guarantee Scheme (ECLGS):** Focus on hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business.
 - For helping companies tide over liquidity crunch resulting from Covid-19 curbs, banks provide additional loans to existing borrowers without asking for extra collateral. To encourage banks, these loans are fully guaranteed by the government against credit losses.
 - Sanctions and disbursements under the facility are relatively faster since lenders have the Central government guarantee in case of default against these loans.
- **Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme** will be revamped with required infusion of funds; will facilitate additional credit of ₹ 2 lakh crore for Micro and Small Enterprises and expand employment opportunities.
- **Raising and Accelerating MSME Performance (RAMP) programme** will help the MSME sector become more resilient, competitive and efficient.

C.Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action

I. Productivity Enhancement & Investment

Ease of Doing Business 2.0

- **Trust based governance**
- Integration of central and state level systems through **IT bridges**, a single point access for all citizen-centric services, and a standardization and removal of overlapping compliances
- **Expanding scope of PARIVESH Portal**- will enable application for all four approvals through a single form, and tracking of the process through Centralized Processing Centre-Green (CPC-Green).
- **Unique Land Parcel Identification Number** for IT based management of land records.
- Promotion of adoption or linkage with National Generic Document Registration System (NGDRS) with the 'One-Nation One-Registration Software' as an option for uniform process for registration and 'anywhere registration' of deeds & documents.
- Establishing **C-PACE** to facilitate voluntary winding up of companies
- **End to end online e-Bill System** and utilising surety bonds in government procurement; will enable the suppliers and contractors to submit online their digitally signed bills and claims and track their status from anywhere
- **Necessary amendments in the Insolvency and Bankruptcy Code** to enhance the efficacy of the resolution process and facilitate cross border insolvency resolution.
- **Set up Animation, visual effects, gaming, and comic (AVCG) promotion task force** to build domestic capacity for serving our markets and the global demand
- **Support to 5G** under PLI scheme; the contracts for laying optical fibre in all villages, including remote areas, will be awarded under the Bharatnet project through PPP
- **Export Promotion:** The Special Economic Zones Act will be replaced with a new legislation that will enable the 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.
- To reduce imports and promote AtmaNirbharta in equipment for the Armed Forces, 68 per cent of the capital procurement budget will be earmarked for domestic industry
- **Opening up defence R&D** for industry, startups and academia; 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.

Ease of Living

- **e-Passport:** The issuance of e-Passports using embedded chip and futuristic technology will be rolled out in 2022-23 to enhance convenience for the citizens in their overseas travel
- **Modernisation** of building byelaws, implementing Town Planning Schemes and Transit Oriented Development; will facilitate reforms for people to live and work closer to mass transit systems
- **Establishing Centres of Excellence in urban planning** to make recommendations on urban sector policies, capacity building, planning, implementation and governance.

- **Shift to use of public transport in urban areas-** will be complemented by clean tech and governance solutions, special mobility zones with zero fossil-fuel policy, and EV vehicles.
- **Providing a battery swapping policy** as an alternative to setting up charging stations in urban areas

II. Sunrise Opportunities

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.

- 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.

III. Energy Transition

The low carbon development strategy as enunciated in the 'Panchamrit' is an important reflection of our government's strong commitment towards sustainable development. Opens up huge employment opportunities and will take the country on a sustainable development path.

Solar Power: To facilitate domestic manufacturing for the ambitious goal of 280 GW of installed solar capacity by 2030, an additional allocation of ` 19,500 crore for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, will be made.

Circular Economy: Expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs.

- The focus is on addressing important cross cutting issues of infrastructure, reverse logistics, technology upgradation and integration with informal sector.
- This will be supported by active public policies covering regulations, extended producers' responsibilities framework and innovation facilitation.

IV. Climate Action

Transition to Carbon Neutral Economy: Five to seven per cent biomass pellets will be co-fired in thermal power plants resulting in CO2 savings of 38 MMT annually.

- Provide extra income to farmers
- Job opportunities to locals
- Help avoid stubble burning in agriculture fields

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

Coal: Four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set-up to evolve technical and financial viability.

Agro-forestry: The policies and required legislative changes to promote agro forestry and private forestry will be brought in. Financial support will be provided to farmers belonging to Scheduled Castes and Scheduled Tribes, who want to take up agro-forestry.

D.Financing of Investments

Corporate surcharge to be reduced from 12% to 7%.

Income from Long Term Capital Gains will be taxed at 15%

The government will invest Rs 7.50 lakh crore as capital expenditure next year, a sharp jump from Rs 5.54 lakh crore in the current year.

- Capital investment holds the key to speedy and sustainable revival and public spending is required to take the lead.
- The government had also made provision of over Rs 2 lakh crore for states and autonomous bodies towards their capital expenditure.
- The National Infrastructure Pipeline was launched in 2020 with projected infrastructure investment of around Rs 111 lakh crore during FY 2020-2025 to build infrastructure across the country.
- The government has also announced to provide an alternative option to the guideline of seeking bank guarantees for infrastructure projects and replacing them with surety bonds
- The Insurance Regulatory and Development Authority has given a framework to replace the need for bank guarantees with surety bonds. With typically 20 per cent of the funds getting locked up in bank guarantees, this move could possibly free up nearly Rs 8 lakh crore of private sector funds over the entire spread of National Infrastructure Pipeline projects, as per industry estimates.

Reduction of surcharge on unlisted shares from 28.5% to 23%

- Likely facilitate investor exits and investment churn from startups and Unicorns

Digital Rupee powered by blockchain technology to be issued, gains from digital assets to be taxed at 30%

- The central bank digital currency (CBDC) is a digital form of fiat currency that can be transacted using wallets backed by blockchain and is regulated by the central bank.

- CBDC is different from decentralised virtual currencies and crypto assets, which are not issued by the state and lack the 'legal tender' status. It enables the user to conduct both domestic and cross border transactions which do not require a third party or a bank.
- Blockchain technology also powers cryptocurrency, non-fungible tokens (NFTs) and it is a distributed ledger, updated in real-time. In a blockchain, the transaction records cannot be changed at all and the ledger is transparent and authentic, which is why it is used in cryptocurrency as well.
- Any income from transfer of digital assets will be taxed at 30 per cent rate. This will impact gains from cryptocurrency and NFTs as well, which have seen a boom in India in recent times.
- Will lead to a more efficient and cheaper currency management system

Mobilising Resources

- Green Bonds to mobilise resources for green infrastructure
- Infrastructure status for Data Centres and Energy Storage Systems
- Measures to aid investment by Venture Capital and Private Equity Investment
- Blended Finance for sunrise sectors

Providing greater fiscal space to States

- Enhanced outlay to Scheme for Financial Assistance to States for Capital Investment
- For 2022-23 States will be allowed a fiscal deficit of 4% of GSDP of which 0.5% will be tied to power sector reforms

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

GIFT-IFSC

- World-class foreign universities and institutions will be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by IFSCA to facilitate availability of high-end human resources for financial services and technology.
- An International Arbitration Centre will be set up in the GIFT City for timely settlement of disputes under international jurisprudence.
- Services for global capital for sustainable & climate finance in the country will be facilitated in the GIFT City

Infrastructure Status to Data Centres and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems will be included to facilitate credit availability for digital infrastructure and clean energy storage.

Tax Proposals

- **Increasing tax deduction limit on employer's contribution to NPS account** of state government employees

- **Allowing taxpayers to file Updated Return within 2 years for correcting errors** - Updated Return
- **Tax relief to persons with disability**
- **Reducing Alternate Minimum Tax Rate** and Surcharge for Cooperatives
- **Extending period of incorporation of eligible startups for providing tax incentives**
- **Income from transfer of virtual assets** to be taxed at 30%
- **Better litigation management** to avoid repetitive appeals: 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 greatly help in reducing the repeated litigation between taxpayers and the department
- **Cap the surcharge on long term capital gains** arising on transfer of any type of assets at 15 per cent. This step will give a boost to the start up community
- **Any Surcharge or Cess on Income and Profits not allowable as business expenditure**
- **No set off, of any loss** shall be allowed against undisclosed income detected during search and survey operations.
- **Provide for tax deduction** by the person giving benefits, if the aggregate value of such benefits exceeds ` 20,000 during the financial year

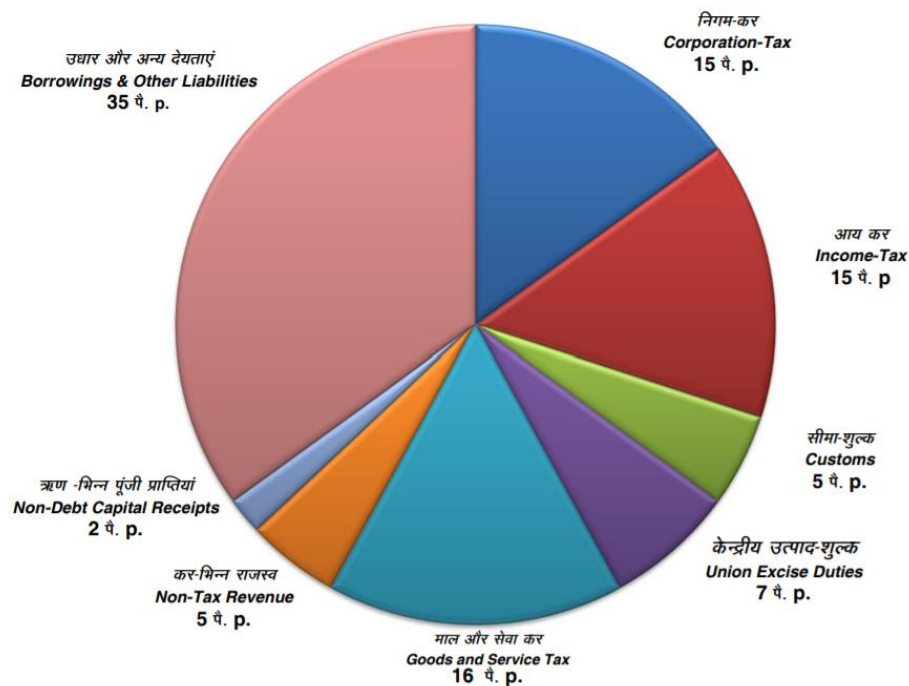
More

- Customs administration to be fully IT driven in SEZs
- Phasing out concessional rates in capital goods and project imports gradually and apply a moderate tariff of 7.5%
- Review of customs exemptions and tariff simplification
- Customs duty rates are being calibrated to provide a graded rate structure to facilitate domestic electronics manufacturing
- Rationalisation of exemptions on implements and tools for agri sector manufactured in India
- Extension of customs duty exemption to steel scrap
- Reduction of duty on certain inputs required for shrimp aquaculture
- Unblended fuel shall attract additional differential excise duty
- Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining are being reduced, while duty is being raised on sodium cyanide
- Customs duty on diamond to be reduced to 5%
 - Customs on polished diamonds, gemstones cut to 5%.
 - Simply sawn diamonds will be exempted.
 - To facilitate export of jewellery through e-commerce, simplified regulations will be in place by June this year.
- Certain goods will become cheaper as the government has slashed the customs duty and they are:-
 - Frozen mussels
 - Frozen squids
 - Asafoetida
 - Cocoa beans

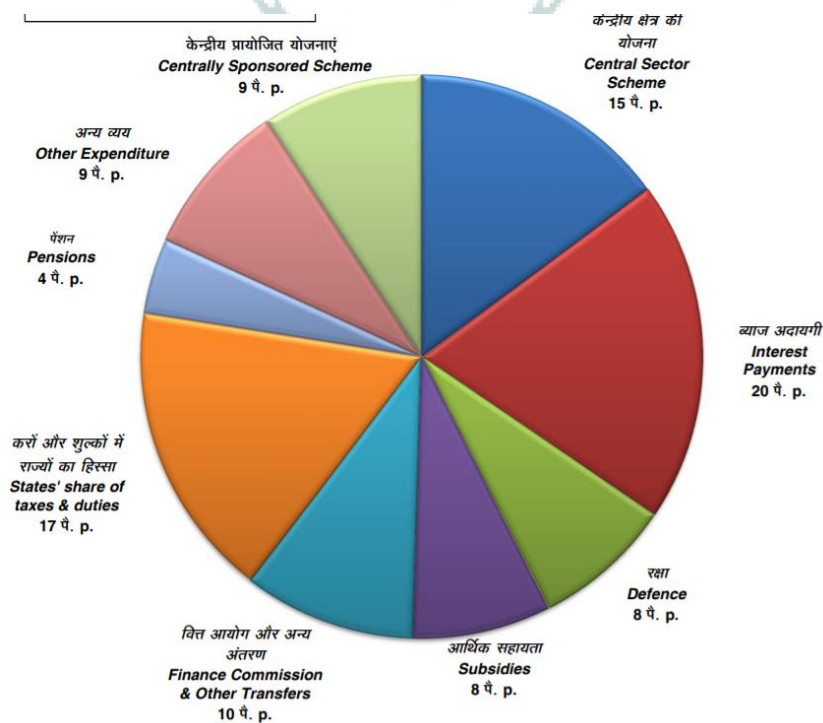
- Methyl alcohol
- Acetic acid
- Cut and polished diamonds
- Camera lens for cellular mobile phone
- Following is a list of imported items that will become costlier:
 - Umbrella
 - Imitation Jewellery
 - Single or multiple loudspeakers
 - Headphones and earphones
 - Smart meters
 - Solar cells
 - Solar modules
 - X-ray machines
 - Parts of electronic toys



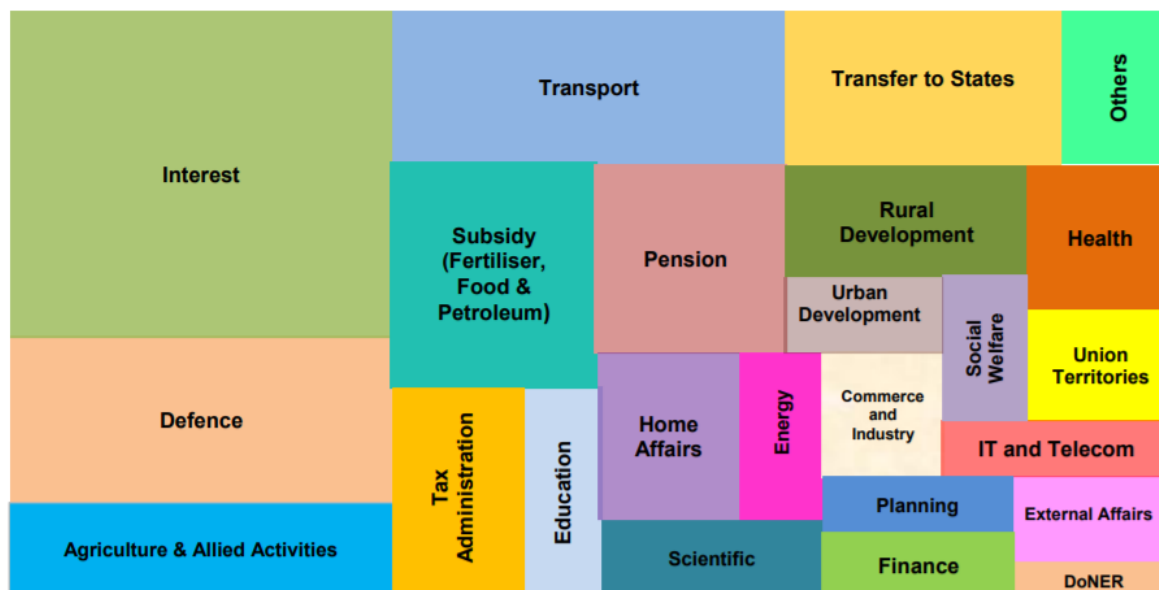
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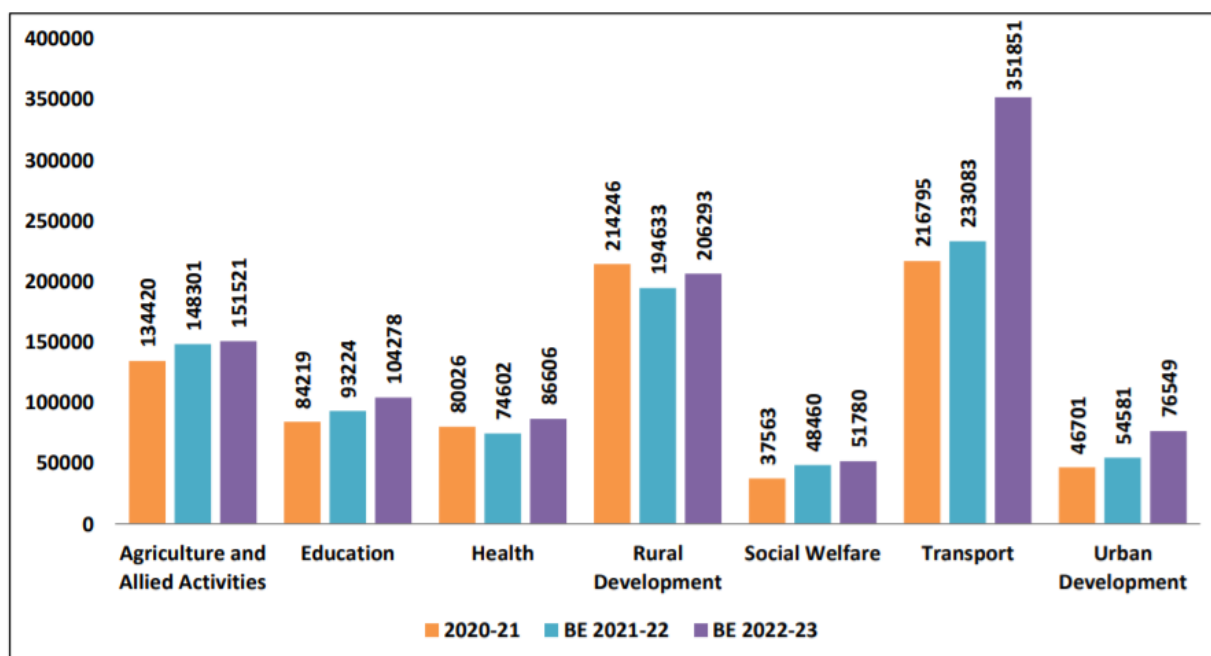
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COMPOSITION OF EXPENDITURE



TREND OF MAJOR ITEMS OF EXPENDITURE



BUDGET PROFILE

