RESEARCH & RANKING™

BUDGET 2023

BUDGET HIGHLIGHTS

The first budget of Amrit Kaal carried the baton of complementing macro-growth with micro-all-inclusive welfare backed by digital economy and tech-enabled development. Overall, the budget played a fine balancing act: while overall fiscal stance is pro-cyclical in FY24, a sharp capex spike will be a booster especially when private sector demand may be slowing in the coming year amidst tapering exports and rising cost of capital. India's growth of 7% in FY23 is the highest among all major economies despite slowdown due to Covid19 and war.

Top 5 takeaways from the budget

1. Seven priorities outlined were inclusive development, reaching the last mile, infrastructure and investment, unleashing the potential, green growth, youth power and financial sector
2. Biggest cheer came for the personal tax as the FM changed the tax slab under the new regime which should result in reasonable savings in tax thereby driving growth in consumption while the capital gains tax rate and tenure was left untouched.
3. Capital expenditure outlay which saw a massive jump last year from Rs5.5 lakh crore to Rs 7.5 lakh crore and increased by another 33% yoy to Rs 10 lakh crore for FY24, much higher than estimates. This is 3.3% of GDP far higher than earlier years. Railways outlay too rose a big 71% yoy, to Rs 2.4 lakh crore which is 9x jump in last 10 years.
4. FY23 fiscal deficit target is maintained at 6.4% while FY24 is targeted at 5.9%. Despite the higher capex, fiscal deficit is expected to drop in FY24 while continuing the path of fiscal consolidation with aim to bring it sub 4.5% in FY26. Gross borrowing of Rs 15.4 lakh crore and net market borrowings of Rs 11.8 lakh crore was slightly below expectations cheering the bond market.
5. FM stressed on sustainable growth by announcing capex towards affordable housing and urban infra and energy transition including renewable and National Green Hydrogen Mission.

INCOME (Rs lakh cr)	FY23 BE	FY23 RE	FY24 BE	**Growth**
Net Tax Revenue	19.3	20.9	23.3	**11.5%**
Non Tax Revenue	2.7	2.6	3.0	**15.4%**
Recovery of Loans	0.1	0.2	0.2	**0.0%**
Disinvestment	0.7	0.6	0.6	**0.0%**
Total Income (B)	22.8	24.3	27.1	**11.5%**
EXPENDITURE (Rs lakh cr)	FY23 BE	FY23 RE	FY24 BE	
Revenue Expenditure	31.9	34.6	35.0	**1.2%**
Capital Expenditure	7.5	7.3	10.0	**37.0%**
Total Expenditure (A)	39.4	41.9	45.0	**7.4%**
Fiscal Deficit (A-B)	16.7	17.6	17.9	**1.7%**
Fiscal Deficit as a % of GDP	6.4	6.4	5.9	
Nominal GDP	260	273	302	**10.5%**
Nominal GDP growth (%)	9.6%	15.1%	10.5%	

A: Actual *BE: Budget Estimates* *RE: Revised Estimates*

Other important takeaways

- Corporate tax revenues are expected to grow a very realistic 10.4% as against 10.5% nominal GDP growth rate translating into a buoyancy of only 1x. GST is expected to grow at 12% yoy.
- Disinvestment proceeds in FY23 RE is pegged at Rs 50,000cr vs Rs 65,000cr BE while that in FY24 is pegged at a realistic Rs 50,000cr.
- Continuing commitment to ensure food and nutritional security, a scheme is planned wef 1.1.23 to supply free food grain to all Antyodaya and priority households for the next one year, under PM Garib Kalyan Anna Yojana (PMGKAY). The entire expenditure of about Rs2 lakh crore will be borne by the Central Government.
- This budget also provides an incentive for start-ups, MSMEs and private players to participate in India's growth story.
- In a first, tourism was one of the key focus areas in the Union Budget. The Government has taken up promotion of tourism on a mission mode. As a part of this, 50 destinations will be selected (through challenge mode) and developed as a tourism package. Aspects such as physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security and all the relevant aspects would be made available on an App to enhance the tourist experience for these 50 destinations.
- 50 additional airports, helipads, water aero drones, and advanced landing grounds will be revived to improve regional air connectivity.
- Number of basic customs duty rates slashed from 21 to 13 with an aim to simplify the tax structure, reduce compliance burden and improve tax administration.
- Some key reductions were seen in custom duties of lab-grown diamond seeds, aquatic feed, heat coil for manufacturing of electric kitchen chimneys, specified parts for manufacturing of open cell of TV panel etc. There were increases in custom duties of chemicals like Styrene, Vinyl chloride monomer, precious metals (Silver, articles of gold/silver/platinum), toys, compounded rubber and Electric Kitchen Chimney among a few others.

Towards a greener future

'Green growth' was one of the 7 key priorities of this budget leading to a roll out of several initiatives apart from reiterating some existing ones. An outlay of Rs. 35,000 crore was announced towards energy transition, net zero objectives, and energy security. The outlay of Rs.19700cr announced for The National Green Hydrogen Mission in Jan 2023 was further reiterated during the budget. PM-PRANAM and Green Credit programmes were announced to incentivise sustainable initiatives (use of alternate fertilizers and incentivise environmentally sustainable actions respectively).

Sustainable Ecosystem development programmes include **MISHTI** and **Amrit Dharohar** for mangrove plantation along coastline and optimal use of wetlands respectively. Other key initiatives within Green growth include establishing 500 new 'waste to wealth' plants under **GOBARdhan** scheme, setting up 10k bio-input resource centres to facilitate farmers to adopt natural farming, promotion of battery energy storage systems, coastal shipping for energy efficient transportation and allocation of funds for replacing old polluting vehicles.

With respect to **Green mobility**, customs duty exemption is extended to import of capital goods and machinery required for manufacturing of lithium-ion cells for batteries used in EV's.

BFSI

Announcement	Impact
Similar to RIDF, Urban Infrastructure Development Fund (UIDF) will be established through use of PSL shortfall. Will be managed by NHB and used by public agencies to create urban infra in Tier 2 and 3 cities, centre outlay of Rs. 10,000cr towards this.	Will widen the scope of banks for investments to meet Priority Sector Lending shortfall.
Revamped credit guarantee scheme for MSMEs to take effect from 1st April, 2023 through Rs. 9000cr infusion in the corpus and enable additional collateral free guaranteed credit of Rs. 2 lakh cr, with lower cost of credit by 1%. Also, in cases of failure by MSMEs to execute contracts during the Covid period, 95 per cent of the forfeited amount relating to bid or performance security, will be returned to them by government and government undertakings.	To benefit MSME sector and mid-sized banks, NBFCs and Fintechs focussed on MSME lending.
Gross borrowing of Rs. 15.4 trn and net borrowing of Rs. 11.8 trn announced.	This is slightly better than expectations and will keep bond yields in check, keep cost of funds contained for the financial sector entities borrowing from the bond market.
New tax regime for personal income tax announced with more attractiveness making the effective tax 20-25% lower than the earlier version.	This is likely to be negative for investments in Life insurance, General Insurance, ELSS, Tax Saving FDs from a tax saving standpoint. Impact is neutral for HFCs.
Income from market linked debentures is proposed to be taxed at short term rates compared to current long term rates	Negative for NBFCs who borrow short term money
Proceeds from premium paid on life insurance policies (excl. ULIP) exceeding Rs. 5 lakhs p.a. to be taxable (except in case of death benefit)	Negative for Life Insurance companies
Green Credit Programme will be notified under the Environment (Protection) Act.	This will be beneficial for corporate banks.
National financial information registry will be setup to enable efficient lending.	This will benefit NBFCs/Fintechs
Financial sector regulators will be requested to carry out a comprehensive review of existing regulations.	This is aimed towards reducing the cost of compliance for the financial sector, exact benefit will be known when the modalities are out.

INFRASTRUCTURE

Announcement	Impact
MoRTH budget allocation significantly increased to Rs. 2.7 lakh cr v/s Rs. 2.2 lakh cr FY23RE	To benefit road EPC construction companies
PM Awaas Yojana, the scheme is targeted towards affordable housing. Government has provided total allocation of Rs. 79,000 crores for FY23-24 (just 3% increase v/s FY23RE but 66% increase over FY23BE)	Positive for EPC, Building material players such as Paints, Pipes, FMEG and affordable HFCs
Capital expenditure enhanced to Rs. 10 lakh cr. This is significantly ramped up to 22% of overall expenditure in FY24 v/s 19% in FY23 and 16% in FY22. In terms of % of GDP, it stands at 3.3% in FY24 v/s 2.9% in FY23 and 2.5% in FY22. This reflects the improving quality of expenditure.	To benefit infrastructure and related entities
Continuation of 50 year interest free loan to States with capital outlay worth Rs. 1.3 lakh cr	This will benefit infrastructure companies dependent on state capex
Railway outlay boosted to Rs. 2.4 lakh cr v/s Rs. 1.6 lakh cr FY23RE (Rs. 1.4 lakh cr FY23BE) and 9x increase since FY14	To benefit infrastructure and railways focussed companies
100 critical transport infrastructure projects for first and last mile connectivity for ports, coal, steel, fertilizer, and food grains sectors identified, investment worth Rs. 75,000cr (including private investment worth Rs. 15,000cr)	This is likely to benefit mining and infrastructure companies
Green Credit Programme will be notified under the Environment (Protection) Act.	This will be beneficial for infrastructure companies focussed on renewable energy

TRAVEL AND HOSPITALITY

<table>
<tr><th>Announcement</th><th>Impact</th></tr>
<tr><td>• Promotion of tourism will be taken up on mission mode.</td><td rowspan="2">Favourable and will facilitate convenience in domestic travel. Positive for hotel, aviation, and travel hospitality related sectors.</td></tr>
<tr><td>• 50 destinations will be selected where physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security and all the relevant aspects would be made available on an App to enhance tourist experience.</td></tr>
<tr><td>• Increase in rates of Tax collected at source from 5% to 20% for purchase of overseas tour program.</td><td>Negative for foreign tourism.</td></tr>
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DIGITAL/TECHNOLOGY/ TELECOM

Announcement	Impact
Digital payments increased 91% in value and 76% in transactions in 2022. Fiscal support for the digital public infrastructure will continue in 2023-24.	Growth in digital payments and continued budgetary support is positive for Fintechs companies and emerging start-ups.
Under its Make Artificial Intelligence (AI) in India and make AI work for India, three specialised AI centres of excellence to be set up in educational institutes - Focus to be on enhanced AI solutions in Agriculture, Health and Sustainable cities.	AI in agriculture and healthcare will help in building in-house tech-based agri and health solutions resulting in strong push for Health-tech and Agri-tech sector in the country.
Building Digital Public Infrastructure in Agriculture to enable farmer-centric solutions.	Push is towards building agricultural solutions including smart farming. Will help to provide information on crop planning and health, improved access to farm inputs, credit, and insurance, help for crop estimation, and market intelligence. This will benefit the rural economic development and support for growth of agri-tech industry and start-ups.
Building Digital Infrastructure in Education and Upskilling • Setting-up of National Digital Library for children and Adolescents. • Upskilling Youth through new age courses including IOT, coding, mechatronics and robotics. • Launch of unified Skill India Digital Platform • Launch of integrated online training platform iGOT Karmayogi under mission Karmayogi	• Digital libraries which will facilitate the availability of quality books for students. It is positive for Edtech sector as will boost digital ecosystem in education. • Upskilling will result in enabling demand-based formal skilling, and Skill India platform will help in linking with employers. • iGOT Karmayogi will enable government employees to upgrade their skills through continuous learning opportunities making them better equipped
Digilocker to be set-up to be used by business enterprises and charitable trusts along with expansion in scope of documents available	Establishment of DigiLocker service to function as the one stop solution for updating identity of individuals maintained by various government agencies and regulators. Expansion of documents available under DigiLocker will also enable growth of innovative Fintech services. Positive for Fintech industry.
Setting up of 100 labs for 5G services based application development in engineering institutions.	Positive for EdTech, Agri-tech and Health-tech space and emerging start-ups as some of the key applications to be covered include smart classrooms, precision farming, intelligent transport systems, and health care applications. Positive for telecom sector with more than 50 cities having access to 5G services where these labs will cover the various applications.
E-courts phase 3 to be launched at an outlay of Rs. 7000 crores.	Positive as continued efforts towards building an efficient administration of Justice.

HEALTHCARE AND WELL-BEING

Announcement	Impact
Allocation towards Health and Family Welfare increased 12.6% to Rs89,155 crores of which 2,980 crores has been allocated for health research and rest Rs. 86,175 crores towards health and family welfare.	Healthcare sector allocation increased by meagre 12%, while the industry was expecting a higher allocation.
Of the various health schemes two had higher focus, • Ayushman Bharat budget allocation increased by 12% YoY to Rs. 7200 crores. • Allocation to National Digital Health Mission more than doubled almost at Rs. 341 crores from Rs. 140 crore last year. • No allocation to any fund for Covid-19 vaccination	• Ayushman Bharat scheme continues to benefit the poor and vulnerable section of the country. • Higher allocation to Digital Health will support towards the vision of developing integrated healthcare ecosystem with universal access. • With no budgetary allocation to funds for covid vaccination indicates the booster doses against coronavirus will now only be availed through the private sector.
157 new nursing colleges to be set-up in co-location with the existing government medical colleges.	Setting up nursing colleges will make quality care accessible to a larger population. Presently hospital industry is facing high attrition as well as shortage of nursing staff (more than 35-40% attrition) and this step will help to address the attrition.
Sickle Cell Anaemia Elimination Mission by 2047 will be launched. Will involve raising awareness and screening of 7 crore impacted individuals in tribal regions.	Positive as it will help in tackling anaemia and other haematological disorders that are endemic in tribal populations within the country.
New program to support research and innovation in pharmaceuticals through centers of excellence.	Incentives to promote R&D investments is positive for the sector which is experiencing emergence of new illnesses and in strong need for continuous high-quality research.
Dedicated multidisciplinary courses for medical devices in existing institutions	Increase availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.

CONSUMPTION STAPLES AND DISCRETIONARY

Announcement	Impact
• National Calamity Contingent Duty (NCCD) on specified cigarettes to be revised upwards by about 16%.	This tax hike comes after two years of no tax hikes, however incremental tax not major at ~2-2.5%. Slightly negative for cigarette players.
• R&D grant will be provided to one of the IITs for five years for Lab grown diamonds (LGD). • Custom duty rate on LGD seeds reduced from 5% to nil	Increase in domestic production of Lab grown diamonds will help tap employment and business opportunities while also promoting exports.
• Increase in custom duties of silver and articles made of dore and bars of gold and platinum.	Negative for jewellery players importing silver and jewellery articles.

AGRICULTURE AND ALLIED ACTIVITIES

Announcement	Impact
Agriculture Credit target increased by ~9% to ~Rs 20 lakh crores from ~Rs 18.5 lakh crores in the current financial year.	Positive for agrochemical sector, tractor companies and companies having high rural exposure.
Fertilizers subsidy reduced by ~22% to ~Rs 1.75 lakh crores. In FY23 government had budgeted ~Rs 1.05 lakh crore but raised allocation to ~Rs 2.25 lakh crore.	Negative for Fertilizer companies.
PM-PRANAM (PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth)- to setup 10,000 bio-input centres and will encourage 1 crore farmers to use natural farming.	To incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers this will lead to improve quality of crops and yield higher income.
Atmanirbhar Horticulture Clean Plant Program	To boost availability of disease-free, quality planting material for high value horticultural crops at an outlay of Rs2,200cr.
Agricultural accelerator fund- To boost agritech start ups in rural areas. Currently as per the economic survey there are ~1000 agri startups and more than 500 startups are working in millet chains.	Positive for agricultural sector and will lead to boost the farm incomes.

AUTO

Announcement	Impact
Clean & Sustainable Mobility- NIL excise duty on GST-paid compressed biogas units and NIL custom duties on import of capital goods and machinery required for manufacturing of lithium-ion cells for batteries used in EVs.	Positive for auto ancillary companies and battery manufacturers as the machinery is mostly imported.
Vehicle replacement	Allocated more funds to scrap old vehicles of the Central Government. States will also be supported in replacing old vehicles and ambulances.
Viability gap funding (VGF) for battery energy storage system projects with capacity of 4000 MWh	Positive for various entities as they can come up with more battery storage projects in country. This will promote better EV infrastructure and will lead to improve penetration of EVs.
Increase in custom duties Completely build units EV and ICE (65% to 70%) Semi knocked down units (30% to 35%)	Positive for domestic manufacturers as it will lead to boost domestic manufacturing.

PERSONAL INCOME TAX

Announcement	Impact
• Changes in the personal Income tax under the new regime have been made. Further the new tax regime will also become the default tax regime while individuals will have an option to continue with old tax regime. • Following are new tax slabs and applicable tax rate under new tax regime	The new tax regime will act as a catalyst and aid a switch from the old tax regime as individuals will end up saving tax under the new tax regime. This will free up money in the hands of these individuals as they will no longer have to invest in tax savings instruments to get tax deductions.

New Tax Regime (2020)			New Tax Regime (2023)	
0 to 2.5 Lakhs	0%		0 to 3 Lakhs	0%
2.5 to 5 Lakhs	5%		3 to 6 Lakhs	5%
5 to 7.5 Lakhs	10%		6 to 9 Lakhs	10%
7.5 to 10 Lakhs	15%		9 to 12 Lakhs	15%
10 to 12.5 Lakhs	20%		12 to 15 Lakhs	20%
12.5 to 15 Lakhs	25%		Above 15 Lakhs	30%
Above 15 Lakhs	30%			

Announcement	Impact
• The rebate under Section 87A has been enhanced from under the new tax regime from the current income level of 5 Lakhs to 7 Lakhs. The highest surcharge rate on income above Rs. 5 Crore will be reduced from 37% to 25 % under the new regime.	The introduction of standard deduction under the new regime will provide further impetus to switch to the new regime.
• The benefit of standard deduction which was available in old regime has been extended to the salaried class and pensioners under the new regime as well. • Limit for tax exemption on leave encashment on retirement of non-government salaried employees has been increased from Rs. 3 Lakhs to Rs. 25 Lakhs	Reduction in the highest surcharge rate will reduce the maximum tax rate from 42.74% to 39%. Thus, increasing the disposal income of these individuals.

		Old Tax Regime			New Tax Regime	Savings by Switching to New Tax Regime		
	Deduction	50K	2.5Lac	4.5Lac	Std Ded- Rs. 52.5k above 15.5 Lacs	50K	2.5Lac	4.5Lac
Tax Payable	6,00,000	23,400	-	-	-	100%		
	8,00,000	65,000	23,400	-	31,200	52%	-33%	
	10,00,000	1,06,600	65,000	23,400	54,600	49%	16%	-133%
	12,00,000	1,63,800	1,06,600	65,000	85,800	48%	20%	-32%
	15,00,000	2,57,400	1,95,000	1,32,600	1,45,600	43%	25%	-10%
	20,00,000	4,13,400	3,51,000	2,88,600	2,95,620	28%	16%	-2%
	25,00,000	5,69,400	5,07,000	4,44,600	4,51,620	21%	11%	-2%
	30,00,000	7,25,400	6,63,000	6,00,600	6,07,620	16%	8%	-1%
	40,00,000	10,37,400	9,75,000	9,12,600	9,19,620	11%	6%	-1%
	50,00,000	13,49,400	12,87,000	12,24,600	12,31,620	9%	4%	-1%

Rs. 50K: Standard Deduction

Rs. 2.5 Lakhs: 50K of Standard Deduction + 1.5 Lakhs under 80C + 50K under Mediclaim

Rs. 4.5 lakhs: 50K of Standard Deduction + Rs. 1.5 Lakhs under 80C + RS. 50K under Mediclaim + Interest on Home Loan of Rs. 2 Lakhs

When the New Tax Regime is compared with the old tax regime, the income tax saved under the new regime will act as a catalyst to switch from the old tax regime where specific investments and declarations were required to take tax deduction. There are very few instances where the investor would consider sticking to the old regime. For Eg – If an individual is earning Rs. 8 Lakhs and taking Rs. 2.5 Lakhs in deduction or if an individual is earning Rs. 15 Lakhs or less and is taking a deduction of 4.5 Lakhs (Rs. 2 Lakhs of additional deduction for interest on home loan).

MISCELLANEOUS

Announcement	Impact
• The benefit of carry forward of losses on change of shareholding of start-ups has been extended to 10 years of incorporation from the current seven years. • The period for incorporation for income tax benefit to eligible startups is being extended by one more year till March 31, 2024.	Positive for startups
• One-time new small saving scheme for women or girls (Mahila Samman Savings Certificate) is proposed to be made available for a two-year period up to March 2025. A fixed interest rate of 7.5% will be given on the deposit of up to Rs. 2 Lakhs	Will encourage the women and girls to save for the long term
• Launch of a new sub-scheme of PM Matsya Sampada Yojana with targeted investment of Rs.6,000 crore to further enable activities of fishermen, fish vendors, and micro & small enterprises, improve value chain efficiencies, and expand the market. • Reduction in duty on key inputs for aquatic feed.	Positive for fisheries. Will help enhance the export competitiveness of marine products and promote domestic manufacturing.
Chemicals Decrease in custom duties • Acid grade fluorspar (5% to 2.5%) – Used to manufacture Hydrofluoric acid • Crude Glycerin (7.5% to 2.5%)- Used to manufacture epichlorohydrin • Denatured ethyl alcohol (5% to Nil)- Used to manufacture industrial chemicals	Positive for domestic manufacturers as these commodities are imported to manufacture value added products.
Increased in custom duties • Naphtha (1% to 2.5%) • Vinyl Chloride monomer (2% to 2.5%) • Compounded Rubber (10% to 25%)	Positive for domestic manufacturers as it will lead to import substitution.
Electronics Decrease in custom duties • Camera Lens and certain parts used to manufacture mobile phones (2.5% to Nil) • TV Open Cell (5% to 2.5%) • Heat Coils used in Chimneys (20% to 15%)	Positive for domestic mobile & electronics manufacturing companies as these components are largely imported.
Increase in custom duties • Electric Chimney (7.5% to 15%)	Positive for domestic small appliance manufacturers. This will lead to boost the domestic manufacturing and reduce imports.
Extension for 1 year of earlier reduction in custom duties • CRGO Steel (2.5% to Nil) • Copper Scrap (5% to 2.5%)	Positive for domestic steel/copper manufacturing companies.

THANK YOU

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