

UNION BUDGET 2022-23



#MINISTER OF FINANCE PRESENTED UNION BUDGET PART-2

#3. Productivity enhancement and investment; sunrise opportunities; energy transition and climate action’.

Recently, the Minister of Finance presented the Union Budget 2022-23.



- One of the priority areas is ‘**productivity enhancement and investment; sunrise opportunities; energy transition and climate action**’.
- It aims **to ensure ease of living and doing business and to attain the vision of promoting energy transition and climate action** during the Amrit kaal.
- **Next Phase of Ease of Doing Business & Ease of Living:**
- In recent years, over 25,000 compliances were reduced and 1486 union laws were repealed, result of ‘**minimum government & maximum governance**’, and Ease of Doing Business (EODB).
- For the Amrit Kaal, the next phase of **Ease of Doing Business EODB 2.0** and Ease of Living will be launched.
- EODB 2.0 would entail digitisation of manual processes, integration of central and state level systems through IT bridges, single-point access for all citizen-centric services and standardisation and removal of overlapping compliance requirements.
- The government will follow the idea of ‘**trust-based governance**’.
- **Urban Development:** A **high-level committee of reputed urban planners, urban economists and institutions** will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance.
- **Accelerated Corporate Exit:** The **Center for Processing Accelerated Corporate Exit (C-PACE)** with process re-engineering, will be established to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.
- **Government Procurement:** To enhance transparency and to reduce delays in payments, a completely paperless, end-to-end **online e-Bill System will be launched for use by all central ministries for their procurements**.
- **AVGC Promotion Task Force:** An **Animation, Visual effects, Gaming, and Comic (AVGC)** promotion task force to be set-up to realize the potential of this sector.
- **Telecom Sector:** A scheme for design-led manufacturing will be launched to build a **strong ecosystem for 5G** as part of the **Production Linked Incentive Scheme**.
- **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**’.

AtmaNirbharta in Defence:

- 68 % of the capital procurement budget will be earmarked for domestic industry in 2022-23, up from 58% in 2021-22.

- Defense R&D will be opened up for industry, startups and academia with 25 % of defense R&D budget earmarked.
- Independent nodal umbrella body to be set up for meeting testing and certification requirements.

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**, will be made.

Circular Economy:

- The **Circular Economy** transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs.
- The action plans for ten sectors such as electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste are ready.

#4. FINANCING OF INVESTMENTS

- One of the Priority Areas is '**Financing of Investments**'.
- What is in the Budget related to Financing of Investments?
- **Public Capital Investment:** Outlay for capital expenditure **stepped up sharply by 35.4% to Rs. 7.50 lakh crore in 2022-23** in comparison to the current year. Outlay in 2022-23 to be **2.9% of GDP**.
- The '**Effective Capital Expenditure**' of the Central Government is estimated at **10.68 lakh crore in 2022-23**, which will be about **4.1% of GDP**.
- Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc. It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividends in future.
- **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.

GIFT-IFSC:

- **World-class foreign universities and institutions** will be allowed in the **Gujarat International Finance Tec-City (GIFT City)** to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by **International Financial Services Centre Authority (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.
- **Digital Rupee:** Government will introduce **Digital Rupee**, using **blockchain** and other technologies, to be issued by the **Reserve Bank of India starting 2022-23**.
- **Financial Assistance to States for Capital Investment:**

- The outlay for the '**Scheme for Financial Assistance to States for Capital Investment**' is being enhanced from Rs. 10,000 crore in Budget Estimates 2021-22 to Rs. 15,000 crore in Revised Estimates 2021-22.
- **For 2022-23**, the allocation is **1 lakh crore** to assist the states in catalysing overall investments in the economy.
- These fifty-year interest free loans are over and above the normal borrowings allowed to the states.
- This allocation **will be used for PM GatiShakti related and other productive capital investment of the states**. It will also include components for:
 - Supplemental funding for priority segments of **PM Gram Sadak Yojana**, including support for the states' share,
 - Digitization of the economy, including **digital payments and completion of Optic Fibre Cable (OFC) network**, and
 - Reforms related to building byelaws, town planning schemes, transit-oriented development, and transferable development rights.
- In 2022-23, in accordance with the recommendations of the **15th Finance Commission**, the states will be allowed a **fiscal deficit of 4% of GSDP (Gross State Domestic Product)** of which **0.5% will be tied to power sector reforms**.

#RELATED: INTRODUCTION A DIGITAL RUPEE IN UNION BUDGET

- Finance Minister Nirmala Sitharaman announced the government's intent to **introduce a digital rupee in her Union Budget 2022-23 speeches** on February 1, 2022.
- The Finance Minister announced that the digital currency or digital rupee will be introduced by the central bank of India using block chain and other technologies.
- The **RBI Digital Currency** will be issued starting from 2022-23 fiscal year.

What is RBI Digital Currency?

- The RBI Digital Currency will be the same as the liquid cash we hold in our wallets and banks, except it would be in a digital form.
- The digital rupee introduced by the **RBI will be held in a digital wallet, under the supervision of the central bank**.

Will Digital Currency replace Physical Cash?

- The introduction of digital rupee does not mean phasing out of physical cash, as it will continue to be used by people and banks.
- The people who are interested in owning digital rupee may be given the option of converting their deposits in the banks into the new RBI digital rupee.

RBI Digital Currency Significance

- The announcement of the introduction of RBI digital currency is extremely significant as it comes

at a time when there is an increase in the demand for private cryptocurrencies such as bitcoin.

- The government approved digital currency will enable those who are hesitant in investing in **private cryptocurrencies given the risk factor involved, to feel more secure while investing.**
- Further, the cost of issuing digital currencies will be far lower than the **cost of incurred during printing and distribution of physical cash.** The RBI would be able to create and distribute the digital rupee at almost zero cost.
- The introduction of the digital rupee may bring down the use of physical cash, in **line with PM Modi's vision of creating a digital India.**
- Digital currency will also reduce instances of corruption and fraud as the **digital rupee will be monitored by RBI and hence can be easily tracked.**

Tax on crypto in India

- Under taxation of virtual / digital assets, FM Nirmala Sitharaman made the following announcements:
- Any income earned from the transfer of virtual digital assets shall be taxed at a rate of 30 percent.
- There will be no deduction in respect of any expenditure or allowance **while computing such income, except cost of acquisition.**
- The loss from transfer of **virtual assets shall not be set-off against any other income.**

#PROPOSALS RELATING TO DIRECT TAXES

- The proposals relating to taxes and duties aim to simplify the tax system, promote voluntary compliance by taxpayers, and reduce litigation. **No changes** have been proposed to **the income tax slabs and tax rates (individual taxpayers).**
- A direct tax is a **tax that a person or organisation pays directly to the entity that imposed it.** Example: income tax, real property tax, personal property tax, or taxes on assets.

What is there for Individuals?

- **Tax relief to persons with disability:**
- The government proposed to **allow the payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardians attaining the age of sixty years.**
- The **present law provides for deduction to the parent or guardian only if the lump sum payment or annuity is available to the differently abled person on the death of the subscriber i.e. parent or guardian.**



- **Parity between employees of State and Central government:**
- Tax deduction limit increased from 10% to 14% on employer's contribution to the
- **National Pension System** account of State Government employees which **brings them at par with central government employees.**
- It would help in enhancing social security benefits

What is there for Corporates Businesses & Co-operatives?

- **Reduced Alternate minimum tax rate and Surcharge for Cooperatives:**
- To provide a **level playing field between co-operative societies and companies**, the government proposed to reduce this rate for the cooperative societies also to **15%.**
- Proposed to **reduce the surcharge on co-operative societies from present 12% to 7%** for those having total income of more than 1 crore and up to 10 crores.
- This would help in **enhancing the income of cooperative societies** and its members who are mostly from rural and farming communities.

#PROPOSALS RELATING TO INDIRECT TAXES

- The **Union Budget 2022-23**, while continuing with the declared policy of a stable and predictable tax regime, intends to bring more reforms that will take ahead the vision to establish a **trustworthy tax regime.**
- An indirect tax is a tax that is levied upon goods and services before they reach the customer who ultimately pays the indirect tax as a part of market price of the goods or service purchased. For example, **Goods and Services Tax (GST)**, Import duties.

What are the Key Proposals?

- **Record GST Collection:** GST collections touched a record of Rs 1.40 lakh crore in January 2022 on rapid economic recovery (despite the coronavirus pandemic).
- GST showcases the spirit of **Cooperative Federalism** and fulfills the dream of India as **one market-one tax.**
- **Special Economic Zones:** Customs Administration of **SEZs** shall be fully IT driven and function on the **Customs National Portal** with a focus on higher facilitation and with only risk-based checks.
- **Customs Reforms and Duty Rate Changes:** **Faceless Customs** has been fully established. Customs' reforms have played a very vital role in: Domestic capacity creation,
 - Providing a level playing field to MSMEs,
 - Easing the raw material supply side constraints,
 - Enhancing ease of doing business
 - Being an enabler to other policy initiatives such as **PLIs** and Phased Manufacturing Plans.

CHANGES IN CUSTOM DUTY IN BUDGET 2022-23

The Finance Minister introduced a host of changes in Customs duty on several items in the **Union Budget for 2022-23.**

- This would mean that **imports become more expensive or cheaper** depending on the change in customs duties.

What are the Changes in the Import Duty?

- The **customs duty on umbrellas** was **doubled to 20%**, while exemptions provided on import of parts of umbrellas were withdrawn.
- Similarly, the **customs duty on single or multiple loudspeakers**, whether or not mounted in their enclosures was **hiked to 20% from 15%**.
- **Import duty was reduced for** cut and polished diamonds, asafoetida, cocoa beans, methyl alcohol and acetic acid.
- **Duty on capital goods and project imports** was rationalized by phasing out concessional rates and applying a moderate tariff of 7.5%.
- Under **Project Import Scheme**, goods imported by a company are placed under a single tariff in the **Customs Tariff Act, 1975** to facilitate faster assessment and clearances of goods.
- The tariff changes will come into effect from **1st May 2022**, as per the **Finance Bill 2022-23**.

What is the Reason behind increasing the Import Duty?

- **For Protecting Domestic Industries:** The hike in import duty for items, such as umbrellas, are in line with the **increase in import duty on toys last year**.
- The hike is being **done for industries** which manufacture items that do not deploy any major technology.
- **For Popularising One Station-One Product:** It also falls in line with the other Budget announcement of popularising **one station-one product to popularise local businesses** and supply chains as announced in **Budget 2022**.
- The concept of '**One station one product**' has based itself on the successful **One District One Product (ODOP) scheme**. Based on a district's strengths, ODOP has been a transformational step towards realising the true potential of a district, fueling economic growth, generating employment and rural entrepreneurship.

OTHER MAJOR ANNOUNCEMENTS IN BUDGET 2022-23

#SOVEREIGN GREEN BONDS

- One key announcement in Budget 2022 Speech of Union **Finance Minister Nirmala Sitharaman** was about Sovereign Green Bonds.
- **Sovereign Green Bonds** will be major part of Central Government's Borrowing Programme 2022-23 and will be used to "for mobilising resources for green infrastructure." **Mention of issuance of Green Bonds in FY23 showcases India's seriousness in pursuing climate action.**

Green Financing

- In November 2021, **Prime Minister Narendra Modi** in his address at the **Climate Change Conference in Glasgow, Scotland** made a historic announcement about India achieving 'Net Zero Carbon Emissions' by 2070.

- Since then, India has announced several key steps towards this goal and Green Financing is one of the major milestones of this journey.
- **Green Financing** refers to the specific financial arrangement that is made for setting up environmentally sustainable projects addressing **different aspects of climate change**.
- The **issuance of Green Bonds by the Central Government** would also be part of Green Financing.

What are Green Bonds?

- By its definition, Green Bonds are financial instruments that are issued by any **sovereign entity, inter-governmental groups or alliances, and corporates**, with an aim to use the funds proceeds towards environmentally sustainable projects.
- If we were to break down Bonds as financial debt instrument, it amounts two aspects i.e., collection of funds and usage. In case of Green Bonds, for the first aspect the Bonds are issued by the Sovereign Government to collect funds for a specific purpose of financing eco-friendly and environmentally sustainable projects only.
- There are different types and kinds of environmentally sustainable projects towards which the funds gathered via Green Bonds can be used. Some examples for **which funds collected via Green Bonds can be used are**:
 - **Renewable Energy Projects**: Setting up of Solar Power Plants, Wind Mills, Biogas plants and others
 - **Clean Transportation Projects**: Electric Cars and their charging network, Funding research in Green Fuels
 - **Energy Efficiently Projects**: Setting up Green Buildings with zero waste, Eco-friendly Recycling of Waste Materials, Projects aimed at conservation of Energy.
- Like any other Bonds being issued by the Government, even in case of Green Bonds, it would be required to provide details about the projects that it plans to finance using the funds collected and showcase its demonstratable impact on climate change and environmental aspects.

Green Bonds: Global Scenario

- With **Climate change and Environmental Concerns** being outlined as one of the biggest global and external threats to their citizens, government across the globe have issued Green Bonds in the last 5 year.
- In fact, by the end of 2022, as many as 24 Governments have issued Sovereign Green, Social and Sustainability bonds, which amounts to a **total of USD 111 billion, as per a report published by London-based Climate Bonds Initiative**.

#VIBRANT VILLAGES PROGRAMME

- Finance Minister Nirmala Sitharaman announced in



her budget speech that, government is set to work on improving connectivity across northern border under the **Vibrant Villages Programme**.

What is Vibrant Villages Programme?

- Minister did not provide details on this programme. However, as per reports the Vibrant Villages programme will be launched to improve infrastructure in **villages along India's border with China**.
- Infrastructure will be improved in states like Uttarakhand, Himachal Pradesh, and Arunachal Pradesh.
- It will also provide for improvement in road connectivity and development of decentralized renewable energy sources.

Significance of the programme

- The **announcement to launch Vibrant Villages Programme** is significant in light of increasing China's presence along the Himalayan frontier with India. China is actively constructing dual-use infrastructure.
- It has sparked concerns among government, strategic circles and security forces, and strategic circles. China has undertaken large-scale construction since 2017, along the border. It is building border villages in Tibet in a bid to strengthen their presence along the frontier.

Objectives of the programme

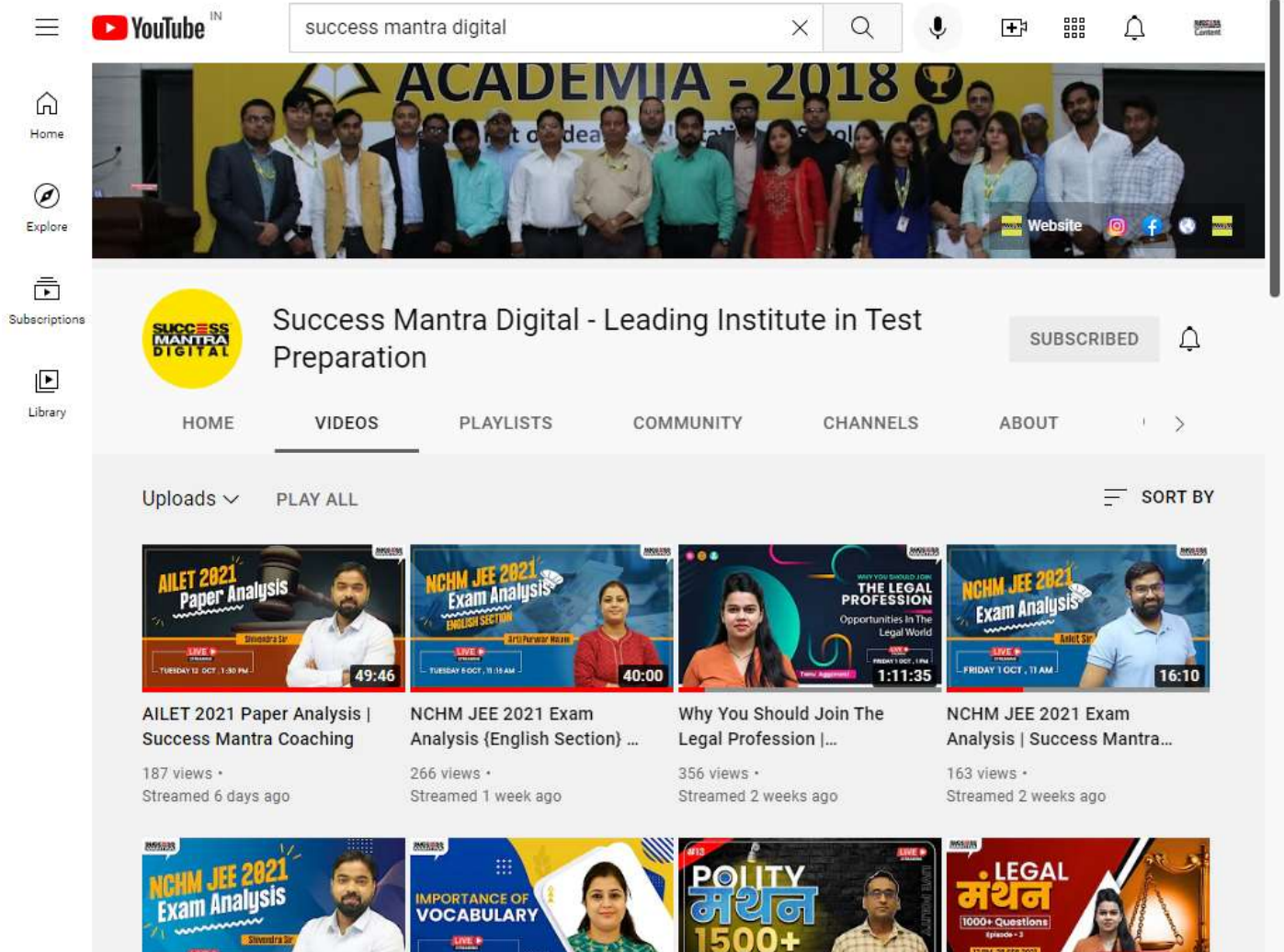
- The vibrant villages programme will be launched with the objective of upgrading the housing facilities. This objective will be met by strengthening infrastructure across **villages located near the Line of Actual Control (LAC)**. It seeks to prevent migration.
- **China's model villages:** China has developed model villages across border areas of Bhutan and Nepal along with India in recent years. **India's Vibrant Villages Programme** is being considered as a response to China's model villages.

#ANNOUNCEMENT OF 'RAMP PROGRAMME'

- During the Union Budget 2022-23 presentation, the *finance minister Smt Nirmala Sitaraman* announced that RAMP programme is to be rolled out at an estimated cost of Rs 6,000 crores.
- The programme is to be implemented for 5 years.
- **RAMP is a post COVID resilience and recovery programme.** It aims to improve the condition of MSMEs in India. The MSMEs were badly affected due to COVID pandemic and lock down.
- It provides better access to finance to the MSMEs.
- The programme will increase the productivity of MSMEs. Also, it will increase the competitiveness of MSMEs. It will revitalise the MSME sector.

World Bank and RAMP

- In 2021, the **World Bank said that the RAMP programme** is to mobilize **finance of 15.5 billion USD**. It is to improve the performance of five lakh MSMEs.
- In 2020, the World Bank approved 750 million USD loan to the MSMEs in India. Later in 2021, the World Bank provided 500 million USD to boost the MSMEs in the country. **This benefitted 5 million MSMEs.**
- How will RAMP benefit the MSME?
- It **will unlock the liquidity issues**. Currently, the lenders are concerned about the repayment by the borrowers. This is limiting and decreasing the flow of credit into the MSME sector.
- The **programme will de – risk the lending from non – banking financial institutions and banks**. It will strengthen small finance banks. It will increase the funding capacity of market oriented channels.



The image shows a screenshot of the YouTube channel page for 'Success Mantra Digital'. The channel is described as a 'Leading Institute in Test Preparation'. The page features a banner image of a group of people, a channel logo, and a 'SUBSCRIBED' button. Below the channel information, there are tabs for 'HOME', 'VIDEOS', 'PLAYLISTS', 'COMMUNITY', 'CHANNELS', and 'ABOUT'. The 'VIDEOS' tab is selected, showing a grid of video uploads. The videos include 'AILET 2021 Paper Analysis | Success Mantra Coaching', 'NCHM JEE 2021 Exam Analysis (English Section)', 'Why You Should Join The Legal Profession |...', 'NCHM JEE 2021 Exam Analysis | Success Mantra...', 'NCHM JEE 2021 Exam Analysis', 'IMPORTANCE OF VOCABULARY', 'POLITY मंथन 1500+', and 'LEGAL मंथन 1000+ Questions'.

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