

## OVERVIEW OF THE UNION BUDGET 2023 – 2024

---

### I. INTRODUCTION

The Union budget 2023-2024, being the last budget before the general election in 2024, was expected to be growth oriented with a large focus on manufacturing, infrastructure, capital expenditure, rural economy and progressive for the medium income households of the country. This expectation has not only been met but also, a much larger boost has been given by way of massive capital expenditure. The budget appears to take care of the taxpayer sentiments while ensuring continued impetus for enhancing business and employment growth in the country. A big emerging theme seen in this budget is ‘Green Growth’, focusing on transitioning India into a sustainable, net zero carbon emission economy by 2070. The key priorities of this budget as laid down by the Hon’ble Finance Minister are –

Inclusive Development – through providing support to economically weaker sections of society, women, youth, farmers, scheduled caste, scheduled tribes, OBCs and the underprivileged in the form of increased facilities primarily in the agricultural, health and education sectors.

Reaching the Last Mile – by launching several programs for saturation of essential government services, improving socio economic conditions of particularly vulnerable tribal groups and providing them educational opportunities, provision of financial assistance for drought prone areas in Karnataka, increasing the outlay for affordable housing, digitization of inscriptions and support for impoverished prisoners.

Infrastructure and Investment – by providing support to state governments in the form of interest free loans and increased assistance for

private investment in infrastructure. Transport infrastructure projects will be undertaken and regional connectivity will be improved while ensuring that city planning is done in a sustainable manner. Desludging of septic tanks is proposed to be made 100% mechanical and the Urban Infrastructure Development Fund is proposed to be established to create infrastructure in tier 2 and tier 3 cities.

Unleashing the Potential – through good governance practices which includes skill development and enhancement, simplifying the KYC process, enhancing the operability of DigiLocker and ensuring Micro, Small and Medium Enterprises (MSMEs) can utilize the same in a manner which promotes fintech services, creation of a unified filing process to provide data to different government agencies from one platform. An increased importance has been placed on incentivizing research and development of artificial

intelligence for the purpose of solving issues in the health, agriculture and infrastructure sectors. Lab grown diamonds have been highlighted as an emerging sector and one of the key products with potential for high exports and vast employment potential.

Green Growth – through increased capital investments with the vision for net zero carbon emissions by the year 2070 and transition of the economy into one which is less dependent on imported fossil fuels. New renewable energy projects will be implemented, and PM-PRANAM will be launched to promote alternative fertilizers and balanced use of chemical fertilizers. Some of the other initiatives to be undertaken include establishment of waste wealth plants, mangrove plantation, increase in eco-tourism opportunities, promotion of coastal shipping and replacement of old government vehicles.

Youth power – facilitation of employment and opportunities for enhancement in sector specific skill

development to secure both domestic and international employment has been significantly stressed on. An integrated approach to make tourism digitally accessible has been proposed whereby tourist experience can be enhanced through availability of relevant information on apps.

Financial Sector – by establishing a national financial information registry which will be a central repository to facilitate easy flow of information and promote financial inclusion. Financial sector regulations shall be amended in accordance with public considerations and the Banking Regulation Act, Banking Companies Act and the Reserve Bank of India Act will be amended as well. Several reforms have been introduced to simplify and promote GIFT IFSC, the legislation for which will also see amendments. A one-time small saving scheme has been introduced for women and the maximum deposit limit on both the monthly income account scheme and senior citizen scheme has been increased.

The fiscal deficit is estimated to be 5.9% of the GDP, to finance which the net market borrowings are estimated to be Rs. 11.8 Lakh Crore. The balance will be financed from small savings and other sources. Gross market borrowings are estimated at Rs. 15.4 Lakh Crore.

A significant introduction has been the change in tax slabs which ameliorate the burden of taxation on the substantial middle-class population in the country. These have been further elaborated in the taxation section.

The Union Budget 2023-2024 strives to attain a sustainable economy with amplified growth and resultantly increased employment. The focused modifications to the GIFT IFSC regime showcase an intention to promote foreign investment. This along with the reliefs provided to the MSME sector and the increased research and development

opportunities further one of the key themes of this government, i.e., ease of doing business. This budget places India on a forward-looking path while taking into account the much needed reforms demanded by its citizens.

## **II. IMPLICATIONS ON INDUSTRY**

### **1. Healthcare**

- Sickle Cell Anaemia Elimination Mission – A program for eradication of sickle cell anaemia is proposed to be launched to create awareness, provide facilities for screening of people in the age group of 0-40 year(s) in tribal areas and provide counselling in relation to the same.
- Research Facilities – Collaborative research will be encouraged by providing research facilities to public and private medical college faculty in certain ICMR Labs. The access to data and materials at this level will promote innovation in this sector.
- Innovation – A programme to promote research and innovation in pharmaceuticals is expected to be launched through centres of excellence. Given that there is an intention to encourage investment in certain priority sector areas in this space, the government may introduce reliefs in relation to the same.
- Desludging of Septic Tanks – Given the excessive health hazards and reports of medical emergencies arising from manual desludging, the government has proposed a 100% transition to mechanical desludging of septic tanks.

### **2. Banking and Finance**

- National Financial Information Registry – A central repository which will be the national financial information registry containing financial and ancillary information will be set up. This will ensure an efficient mechanism of credit flow and promote financial consolidation and inclusion.
- Financial Sector Regulations – Public consultation will be brought to the sphere of financial regulation making to facilitate optimum regulation of this sector. A comprehensive review of the existing regulations will be conducted by the concerned regulators to simplify and reduce the cost of compliance in the financial sector. In order to facilitate investor protection and to improve governance, certain amendments will also be brought out to the Banking Regulation Act, 1949, Banking Companies Act, 1970 and the Reserve Bank of India Act, 1950.
- GIFT IFSC – Several actions have been proposed to promote business activities in GIFT IFSC. Primary focus has been placed on eliminating dual regulation and providing IFSCA with sufficient authority. In order to facilitate all such actions, the IFSCA Act will be amended. A single window IT system will be set up for

obtaining registration and approvals from IFSCA, SEZ, GSTN, RBI, SEBI and IRDAI. Acquisition financing by IFSC banking units of foreign banks will be permitted and offshore derivative instruments shall be recognized as valid contracts. A subsidiary of the EXIM Bank will be established. For countries looking for digital continuity solutions, facilitation for setting up their data embassies will be provided.

- Mahila Samman Bachat Patra – A one-time small savings scheme, Mahila Samman Savings Certificate shall be available for 2 years (i.e. upto March 2025) which will offer deposit facility up to Rs. 2,00,000 in the name of women or girls at fixed interest rate of 7.5% with partial withdrawal option.
- Interest Free Loan to States – In a leap to increase capital expenditure, the government has proposed that the entire amount of the 50 year interest free loan given to states has to be spent on capital expenditure within 2023-2024 to spur all-round policies and investments in infrastructure. While most of this will be at the discretion of the states, some part will be conditional on states increasing their actual capital expenditure. Parts of the outlay will also be allocated for urban planning, finance reforms, enhancing government vehicle and housing facilities for public servants and state share of capital expenditure of central schemes.

### **3. Tourism**

- Promotion of tourism is proposed to be taken up with convergence of government programs and public private partnerships. The outlook on tourism is seeing a fresh revamp through introduction of an app-based approach where at least 50 destinations will be selected. This app will make available aspects such as physical and virtual connectivity, tourist guides, food streets and tourist security. The objective of the app is to enhance tourist experience and promote domestic tourism over international tourism by the middle-class citizens. Tourism infrastructure in border villages will also be facilitated.
- In line with the ‘Green Growth’ ambition, wetlands, which are a vital ecosystem will also be promoted to facilitate eco-tourism in these areas. This will also increase income generation opportunities for the local communities.
- States will be encouraged to set up Unity Mall in their state capital or most prominent tourism centre for promotion and sale of their own one district one product, GI product and other handicrafts. This will enable employment opportunities and attraction of foreign tourists.

### **4. MSME**

- MSME sector has been given a boost through several reforms. 95% of any amount forfeited by government or government undertakings due to failure on the part of

MSMEs to execute contracts during the COVID-19 period shall be returned to the MSMEs.

- The credit guarantee scheme proposed for MSMEs last year will be implemented from 1<sup>st</sup> April 2023 through infusion of Rs. 9,000 Crore. This will also enable additional collateral-free guaranteed credit.

## 5. Manufacturing

- The 2023 budget has afforded significant importance to promote domestic manufacturing using sustainable energy models.
- PM Vishwakarma Kaushal Samman Scheme (PM VIKAS Scheme) - Acknowledging India's rich history in handicrafts, a package of assistance has been conceptualized for traditional artisans and craftspeople. As per the scheme, the manufacturing processes adopted by traditional artisans and craftspeople will be improved by integrating them with the MSME value chain and by providing them with knowledge of modern digital techniques as well as green technologies and advanced skill training.
- Lab Grown Diamonds ("LGD") – The Finance Minister introduced a novel, highly lucrative and technology driven commodity, viz. lab grown diamonds which are not only environment friendly, but also entail less manufacturing costs than natural diamonds. Customs duty on seeds used in the manufacture of LGDs has also been reduced, thereby lowering the cost of production.

## 6. Education

- National Digital Library for Children and Adolescents – In line with the broader theme of digitization and promotion of innovation, a national digital library for children and adolescents has been proposed to be set up which will be accessible in a device agnostic fashion. In addition to this, each State has been encouraged to set up physical libraries at the panchayat and ward level and to provide the requisite infrastructure for accessing the national digital library. In order to further inculcate the practice of reading and knowledge enhancement, various trusts will be established which will in turn collaborate with non-governmental organizations to source and fund non-curricular books in English and regional languages to be made available in physical libraries.
- Benefits to Tribal Students – Over the span of 3 years, the Central Government has undertaken to recruit 38,800 teachers and support staff to provide their services in 740 Eklavya Model Residential Schools ("EMRS"), which collectively cater to 3.5 Lakh tribal students. The EMRS were established in 1997 with the aim of providing quality education to tribal children and enable them to get employment in various sectors.

- Medical Education – 157 additional nursing colleges are proposed to be established. Further, multidisciplinary courses for medical devices will be introduced in existing institutions to empower them to provide skilled manpower for futuristic technologies and encourage high-end manufacturing and research.
- Teachers’ Training – In order to create a dynamic overall education ecosystem, teachers’ training has been reimagined to include innovative pedagogy and continuous professional development which will be mapped through dipstick surveys.

## 7. Energy

- Green Growth – As discussed above, green energy forms an integral part of the goals stated in the 2023 budget. In fact, green growth has been identified by the Finance Minister as one of the four potentially transformative opportunities as well as one of the priorities of the budget. A net-zero carbon emission by 2070 has been envisioned as an environmental goal which depends largely on the implementation of the various schemes under green growth.
- National Green Hydrogen Mission – In order to facilitate the transformation of the economy to one of low carbon intensity and low dependence on fossil fuel imports, an outlay of Rs. 19,700 Crore has been provided. Further, an amount of 35,000 Crore has been allocated by the Ministry of Petroleum and Natural Gas towards priority capital investments to be utilized in order to meet the net zero carbon emission objective.
- Green Credit Programme – The Environment (Protection) Act, 1986 is to be amended in order to provide incentives for environmentally responsible actions by companies, individuals, and local bodies, and to bolster additional resources for such activities.
- Galvanizing Organic Bio-Agro Resources Dhan Scheme (“Gobardhan Scheme”) – As per the Gobardhan Scheme, 500 “waste to wealth” plants, including 200 compressed biogas (“CBG”) plants will be established in order to promote green and sustainable energy. The total investment towards these plants will be Rs. 10,000 Crore. Further, a 5% CBG mandate will be introduced for all marketing organizations that deal in natural and bio gas. Fiscal support will be provided for the collection of biomass and distribution of bio-manure.

## 8. Agriculture

- Digital Public Infrastructure for Agriculture – In keeping with the overall priority of inclusive development, a digital public infrastructure will be built for agriculture which will provide farmer-centric solutions, crop planning, market intelligence, and support for the growth of agri-tech industry and start-ups.



- Funds – An Agriculture Accelerator Fund has been proposed to encourage start-ups and young entrepreneurs in rural areas. The primary aim of this is to integrate innovation with farming practices and increase productivity. Further, the agriculture credit target has been increased to Rs. 20 Lakh Crore with a specific focus on animal husbandry, dairy, and fisheries.
- Specific Crops – The following measures have been introduced with respect to certain crops:
  - Cotton - A cluster based and value chain approached public private partnership is to be adopted in order to enhance the productivity of extra-long staple cotton.
  - Millets - The budget seeks to capitalize on the growing global popularity of millets by providing support to the Indian Institute of Millet Research as a Centre of Excellence for sharing best practices, research and technologies as per international standards.
- Cooperative Based Development Model – The Ministry of Cooperation has been formed with the aim of promoting a cooperative based development model. Several Primary Agricultural Credit Societies have been computerized and have received an investment of Rs. 2,516 Crore.

## 9. Technology and Data

- The present budget has laid out a tech-driven vision for ‘Amrit Kaal’. The Finance Minister has endeavoured to implement unique digital public infrastructure so as to smoothly upgrade the country from manual to digital. In order to boost the initiative of ‘Digital India’, several announcements have been made to make the country digitally literate in all sectors.
- AI Centric Approach – In order to make AI in India and “make AI work for India”, the Budget has proposed to set up three centers of intelligence in top Indian education institutions. These centers will conduct interdisciplinary research and develop applications for health, agriculture, and sustainable cities.
- Simplification of KYC and Access to Data – Further, a National Data Governance Policy is to be set up to unleash the true potential of start-ups. This Policy will provide start-ups access to anonymized data. Further, the process of ‘Know Your Customer’ (“KYC”) will be made more comprehensible and user friendly. The Government has stated that it wishes to adopt a KYC policy that meets the needs of digital India. To enable the same, the KYC processes will be made risk based and not follow a one size fits all approach. A legal framework for the same will also be published.
- Common Identification – In a push for ease of business, PAN card is to be used

as a common identifier for all digital systems of specified government agencies. To uncomplicate the storage and use of identification of individuals and entities, DigiLocker and Aadhaar are to be utilized as a one-stop solution. The scope of documents under DigiLocker is to be enlarged for Fintech services, while an Entity DigiLocker is to be set up for MSMEs, large businesses and charitable trusts.

- Unified Filing Process – A unified filing process with regards to information and returns, is to be created on a common portal for submission of such information with different government agencies. Importantly, such information will be shared with other government agencies only as per the filer's choice.
- Handicrafts – In order to aid traditional artisans and craftspeople of our country, the Budget has introduced a new scheme that is set to provide information pertaining to modern digital techniques and efficient green technologies along with the concept of digital payments and social security.
- Digitization in Agriculture – On the agricultural front, digitalization has been adopted to allow a positive impact on agriculture as relevant information services will be provided for crop planning and health, improved access to farm inputs, credit and insurance, help for crop estimation, market intelligence and support for growth of agri-tech industry and start-ups. Further, an 'Agriculture Accelerator Fund' is to be set up to utilize modern technologies to transform agricultural practices thereby improving productivity and profitability. An investment of Rs. 2,516 Crore has been made to computerize 63,000 Primary Agricultural Credit Societies (PACS) to promote co-operative based economic development models for small farmers. This will entail the preparation of a national cooperative database for country wide mapping of co-operative societies.
- Digitization in Education and Skill Development – With regards to education and up-skilling, technology will play a pivotal role in learning and teaching. For this purpose, multidisciplinary courses for medical devices have been announced to ensure the availability of skilled manpower for futurist medical technologies. Additionally, a National Digital Library is to be established for adolescents and young adults. To preserve inscriptions, a Bharat Shared Repository of Inscriptions will be set up in a digital epigraphy museum with a goal of digitizing 1 Lakh ancient inscriptions in the first stage. iGot Karmayogi, an integrated online training platform is set to provide learning opportunities to government employees. The scheme of Pradhan Mantri Kaushal Vikas Yojana 4.0 will ensure a vast accessibility on new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skill. Further 30 'Skill India International Centers' will be set up across different States. Another remarkable initiative, i.e. Skill India Digital Platform has been introduced to enable demand-based formal skilling, link employees with MSMEs and facilitate access to



entrepreneurship schemes.

- 5G Services – To boost the growth of 5G services, 100 labs will be set up in engineering institutions to develop applications like smart classrooms, precision farming, intelligent transport systems and health care applications.
- Electronics – It was also noted that India has seen a significant increase in the production of mobile phones with a whopping 31 Crore units worth Rs. 2,75,000 Crore in the last financial year. To further encourage such large production, custom duty on the import of camera lens and other parts will be reduced. Concessional duty on lithium-ion cells for the battery will be continued for another year. On one hand, 2.5% in customs duty will be reduced on parts of open cells of television panels, on the other hand, customs duty on kitchen chimneys will be increased from 7.5% to 15% to push for it to be manufactured in India.
- Income Tax Returns – Efforts will be made to improve the next generation Common IT Return Form for the convenience of taxpayers and improvise the grievance redressal mechanism.
- Digital Payments – The Finance Minister also noted that digital payments saw a 17% increase in transactions and 91% increase in value of transactions in 2022. Therefore, to boost this sector, fiscal support from the Government is to continue in 2023-2024.
- E Courts – The Finance Minister announced the launch of Phase III of the eCourts Project that seeks efficient administration of justice. With a budget allocation of 7000 Crore, the Government is focused on enhancing 'Ease of Justice' to further improve the justice delivery system.

## **10. Infrastructure and Investments**

- Capital Investment – Introducing the priority of 'Infrastructure and Investment', the Finance Minister highlighted that the Indian economy is beginning to grow after the lull faced during the pandemic. Giving a huge push to capital investment, the outlay for the same has been steeply increased by 33% to Rs. 10 Lakh Crore, forming 3.3% of our GDP. The main focus behind the three-times increase of outlay from 2019-2020, is to ensure job creation, enhance growth and provide a cushion against global trends.
- Creation of State's Capital Assets – Grants-in-Aid will be awarded to States and are budgeted at Rs. 13.7 Lakh Crore to further the creation of capital assets.
- Infrastructure Financial Secretariat – An 'Infrastructure Finance Secretariat' has been created to assist stakeholders with private investment in sectors that predominantly depend on public resources, such as infrastructure in transport, roadways, and power.

- As regards transport infrastructure, several incentives have been announced, such as:
  - Priority developments of critical projects relating to ports, coal, steel, fertilizers, and food grains utilizing investments of Rs. 75,000 Crore (including private source investments of Rs. 15,000 Crore).
  - The Railways will see a massive inflow as capital outlay for this sector has increased by 9 times since the 2013-2014 allocation, to Rs. 2.40 Lakh Crore.
  - 50 additional airports, heliports, water aerodromes and advance landing grounds are to be revived to further improve air connectivity.
  - Additionally, for the ‘Amrit Kaal’ period, an Expert Committee is to review a ‘harmonized master list of infrastructure’ and recommend a suitable framework for classification and financing.
- Importance has been given to sustainable development to create ‘cities of tomorrow’. The focus of this initiative is to encourage urban planning reforms and actions in cities so as to effectively utilize land resources and create affordable resources for all. Further, to move from “man-mode to machine-mode” enhanced focus has been given to management of dry and wet waste.
- Urban Infrastructure Development Fund – An Urban Infrastructure Development Fund “UIDF” is to be established using priority sector lending shortfall and managed by the National Housing Bank. This fund is for the benefit of public agencies to create urban infrastructure in Tier 2 and Tier 3 cities. A sum of Rs. 10,000 Crore is expected to be made available per annum for this fund.
- Coastal Shipping has been promoted as the energy efficient and lower cost mode of transport, both for passengers and freight, through public private partnership (PPP) mode with viability gap funding.

### III. DIRECT TAX

Broad Aim – The broad aim of the direct tax proposals is to maintain continuity and stability of taxation as well as to reduce compliance burdens and infuse an entrepreneurial spirit in citizens.

#### 1. **Personal Income Tax**

- Revised Tax Slabs – The revised slabs of income tax under the new tax regime are as follows:

INCOME RANGE (IN RUPEES)	TAX RATE (%)
0 - 3 Lakh	0

INCOME RANGE (IN RUPEES)	TAX RATE (%)
3 - 6 Lakh	5
6 - 9 Lakh	10
9 - 12 Lakh	15
12 - 15 Lakh	20
Above 15 Lakh	30

- Rebate – The rebate limit has been increased from Rs. 5 Lakh to Rs. 7 Lakh in the new tax regime with the aim of benefitting medium-income households.
- Standard Deduction Benefit – In order to benefit the salaried class and pensioners, a standard deduction has been allowed for those salaried persons with an income of Rs. 15.5 Lakh or more.
- Reduction in Highest Tax Rate – The highest surcharge rate has been reduced from 37% to 25%.
- Tax Exemption on Leave Encashment (Non-Government Salaried Employees) – In keeping with the increase in government salaries, the limit for tax exemption on leave encashment on retirement of non-government salaried employees has been increased to Rs. 25 Lakh whereas it was previously Rs. 3 Lakh.

## 2. Other Major Proposals in the Finance Bill

- GIFT City – The period of tax benefits to funds relocating to GIFT City IFSC has been extended until 31<sup>st</sup> March 2025.
- Taxation of REITs/ InvIts – Distributions made by REITs and InvIts that were previously made to its unitholders tax free, will now be taxed in the hands of the unitholders. The cost of acquisition would be deductible from the proceeds of such distribution prior to ascertaining the tax liability.
- Amendment to Section 276A of the Income Tax Act, 1961 – Section 276A of the Income Tax Act provides for prosecution including rigorous imprisonment of up to two years in case of failure by a liquidator to give notice in accordance with subsection (1) of Section 178 (pertaining to a company in liquidation), or failure to set aside amount in accordance with subsection (3) or parting with of any assets of the company or its properties in contravention of the said Section 178. In the 2023 budget, it was proposed that Section 276A be amended to include a sunset clause with effect from 31<sup>st</sup> March 2023 which would have the effect of debarring any fresh prosecutions with effect from 1<sup>st</sup> April 2023.
- Amendment to Section 56(2)(viib) of the Income Tax Act, 1961 – Section

56(2)(vii)(b) of the Income Tax Act primarily covers a scenario wherein a private company issues shares at a price greater than the fair market value of those shares. The difference in these amounts is taxable under the head 'Income from other sources'. The Finance Bill 2023 proposes to bring non-resident investors within the ambit of this section by removing the phrase "being a resident". This would have the effect of imposing additional compliance requirements in terms of valuation under both the Income Tax Act, 1961 as well as the Foreign Exchange Management Act, 1999 as well as appropriate tax treatment by companies of monies received from their non-resident investors.

3. **Tax Concessions** – In order to provide better targeting of tax concessions and exemptions, it was proposed that the deduction from capital gains on investment in residential houses under Sections 54 and 54F of the Income Tax, 1961 be capped at Rs. 10 Crore. These amendments will take effect from 1<sup>st</sup> April 2024 and accordingly apply to the assessment year 2024-2025.
4. **Startups** – Acknowledging the importance of entrepreneurship and innovation, the date of incorporation for income tax benefits to start-ups has been extended by one year, that is, from 31<sup>st</sup> March 2023 to 31<sup>st</sup> March 2024. Furthermore, the benefit of carry forward of losses on change of shareholding of startups has been increased to 10 years whereas it was previously 7 years.
5. **Cooperatives** – The following tax benefits have been provided to cooperatives:
  - New cooperatives that commence manufacturing activities will receive a benefit of lower taxation at a rate of 15% until 31<sup>st</sup> March 2024.
  - Sugar cooperatives may claim payments made to sugarcane farmers for the period prior to 2016-17 as an expenditure.
  - A higher limit of Rs. 2 Lakh per member for cash deposits to and loans in cash by Primary Agricultural Co-operative Societies and Primary Co-operative Agriculture and Rural Development Banks has been provided.
  - A higher limit of Rs. 3 Crore on cash withdrawal for TDS has been introduced for cooperative societies.
6. **MSMEs and Professionals** –The following tax benefits have been introduced with respect to MSMEs:
  - Enhanced limits of Rs. 3 Crore and Rs. 75 Lakh have been provided to MSMEs and certain professionals whose cash receipts are no more than 5%, respectively to avail of presumptive taxation.
  - Further, deduction for expenditure incurred by MSMEs will be made available only when payment has actually been made.

#### IV. INDIRECT TAX

1. Broad Aim – The broad aim of the revised indirect tax regime is to boost domestic manufacturing and exports and support green energy.

Basic customs duty on goods other than textiles and agriculture has been reduced from 21% to 13% in order to reduce compliance burdens and improve tax administration.

The following table indicates the proposed duty rate against specific commodities and the rationale behind the same :

S. No.	Commodity	Type of Tax	Rate (%)	Rationale
1.	Compressed natural gas	Excise duty	Exempt	To avoid cascading taxes on blended compressed natural gas
2.	Imported capital goods and machinery required for manufacture of lithium-ion cells for batteries used in electric vehicles	Customs duty	Exempt	To provide impetus to green mobility
3.	Mobile phone parts	Customs duty	Reduction proposed	In response to industry demand to reduce import duty on certain parts and to help companies to achieve sales targets
4.	Open cells of TV panels	Customs duty	2.5%	To promote value addition in manufacture of televisions.
5.	Kitchen Chimney	Customs duty	15%	To rectify inversion of duty structure and encourage manufacture of electric kitchen chimneys
6.	Compounded rubber	Customs duty	25% or 30 kg, whichever is higher	To curb circumvention of duty and bring the duty at par with natural rubber (other than latex)

S. No.	Commodity	Type of Tax	Rate (%)	Rationale
7.	Denatured ethyl alcohol used in chemical industry	Customs duty	Exempt	To support green energy transition and Ethanol Blending Programme
8.	Marine products	Customs duty	Reduced	To aid exports and value added domestic manufacturing
9.	Lab Grown Diamonds	Customs duty	Reduced	To promote production and manufacture of LGDs.
10.	Silver	Import duty	Increased	In order to align with import duty on gold and platinum
11.	Raw materials for manufacture of CRGO steel, ferrous scrap, and nickel cathode	Customs duty	Exempt	To facilitate availability of raw materials for the steel sector
12.	Copper scrap	Customs duty	2.5%	To ensure availability of raw materials for secondary copper producers who are primarily in the MSME sector
13.	Cigarettes	National Calamity Contingent Duty	16%	To promote health

## V. CORPORATE LAWS

1. A quicker response rate for filings is envisioned under the Companies Act, 2013. This will be facilitated by establishing a central processing centre which shall handle various forms filed with different field offices under this regime.
2. An integrated IT Portal will be established in order to enable investors to reclaim unclaimed shares and unpaid dividends with more ease and efficiency, from the Investor Education and Protection Fund.



3. Phase 3 of the E-courts project will be implemented which will make the judicial system more dynamic.
4. Another dispute resolution scheme under *Vivad Se Vishwas-2* has been introduced to settle contractual disputes under arbitration with government and its undertakings. A voluntary settlement scheme with standardized terms will be introduced for matters where the arbitral award is under challenge in court.

## **VI. FOREIGN INVESTMENT OPPORTUNITIES**

### **1. Infrastructure**

Capital expenditure has been substantially increased to Rs. 7.3 Lakh Crore in the year 2023-24, thus creating a labyrinth of opportunities for both rural and urban planning and infrastructure. Private investment has also been encouraged in the railway sector.

### **2. Education and Skill Development**

With the government's 'Youth Power' theme, importance has been placed on digitizing education and incentives have been provided under GIFT IFSC to promote ease of doing business and attract investment.

### **3. Energy**

'Green Growth' has emerged as a colossal theme of this budget, which envisages setting up projects for renewable energy and energy storage and meeting funding requirements through viability gap funding.

### **4. IFSC**

While the IFSC regime had been put into place earlier, in order to simplify processes and promote ease of doing business in GIFT IFSC, all processes are being streamlined and an attempt to do away with dual regulation in this space is being made.

### **5. Electronics**

A boost to the electronics sector has been provided through the proposed reductions in customs duties of various imported parts required for the manufacture of television sets and mobile phones. The effective price of domestically manufactured televisions would consequently be reduced. The customs duty on imported television parts is now 2.5% and it is expected that this change would promote domestic value addition and overall growth of the sector.

## **VII. IMPACT OF BUDGET ON SECURITIES**

Though changes affecting securities may not have been the headliner of this year's budget, the subtle changes proposed have the ability to keep India's market ahead even when the rest of the world slows down. The changes proposed primarily relate

to nurturing growing markets and recognizing new ones allowing for sustained growth by tapping into previously untapped segments.

#### **1. GIFT City Reforms**

In order to enhance business activities in GIFT City, the government plans on (i) setting up a single window IT system for registration and approvals from several market regulators including SEBI and (ii) recognizing offshore derivative instruments as valid contracts. These reforms are bound to have a positive impact for investors in India and allow for sustained growth of the market (even if restricted to GIFT City) by recognizing new financial products.

#### **2. Specialised Education for a growing market**

The requirement of well-trained professionals in a growing market is often overlooked. Against this backdrop, the budget provides a welcome proposal to empower SEBI to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets. The proposal also envisions enabling SEBI to recognize award of degrees, diplomas, and certificates. This proposal will ensure regulation in market education, which though easily available is not subject to any sector-based regulations.

#### **3. Conversion of Gold to Electronic Gold Receipts Not to Attract Capital Gains**

The budget proposes to introduce reforms which will ensure that this act of conversion of gold to electronic gold receipt would not render a person liable to pay capital gains taxes. Apart from the obvious respite to the taxpayer, the move will also provide a boost to the trading of Electronic Gold Receipts on exchanges and paves the way for this new derivative to be widely adopted.

#### **4. Municipal Bonds Incentivised to be More Lucrative**

India's municipal bond market is currently at a nascent stage and hence credit rating can play an important role in attracting new investors. Aware of this and keeping in mind the government's goal of making sustainable cities of tomorrow, the budget proposes to incentivise cities to improve their credit worthiness through property tax governance reforms and ring-fencing user charges on urban infrastructure. This, if effective would kickstart the growth of a new segment of the Indian securities market.

The Union budget makes robust and all-encompassing institutional efforts to increase the competitiveness of the Indian economy - a bold step ahead towards the aim of becoming a five trillion economy.

#### **Authors**

*Hitesh Jain, Pooja Tidke, Mallika Noorani, Ankita Singh, Rima Desai, Bijal Vora, Anushka Chaturvedi, Rhea Tewary, Rhea Rao, Nikita Menon, Shlok Bodas and Pranav Nair*

## DISCLAIMER

*This alert has been written for general information of our clients and should not be treated as a substitute for legal advice. We recommend that you seek proper legal advice prior to taking any action pursuant to this alert. We disclaim all liability for any errors or omissions. For further clarifications you may write to Hitesh Jain ([hitesh.jain@parinamlaw.com](mailto:hitesh.jain@parinamlaw.com)), Pooja Tidke ([pooja.tidke@parinamlaw.com](mailto:pooja.tidke@parinamlaw.com)), Mallika Noorani ([mallika.noorani@parinamlaw.com](mailto:mallika.noorani@parinamlaw.com)), Ankita Singh ([ankita.singh@parinamlaw.com](mailto:ankita.singh@parinamlaw.com)) Rima Desai ([rima.desai@parinamlaw.com](mailto:rima.desai@parinamlaw.com)), Bijal Vora ([bijal.vora@parinamlaw.com](mailto:bijal.vora@parinamlaw.com)), Anushka Chaturvedi ([anushka.chaturvedi@parinamlaw.com](mailto:anushka.chaturvedi@parinamlaw.com)), Rhea Tewary ([rhea.tewary@parinamlaw.com](mailto:rhea.tewary@parinamlaw.com)), Rhea Rao ([rhea.rao@parinamlaw.com](mailto:rhea.rao@parinamlaw.com)), Nikita Menon ([nikita.menon@parinamlaw.com](mailto:nikita.menon@parinamlaw.com)), Shlok Bodas ([shlok.bodas@parinamlaw.com](mailto:shlok.bodas@parinamlaw.com)) and Pranav Nair ([pranav.nair@parinamlaw.com](mailto:pranav.nair@parinamlaw.com)).*

### MUMBAI

4<sup>th</sup> Floor, Express Towers, Ramnath Goenka Marg, Nariman Point, Mumbai – 400 021

Tel : +91 22 4241 0000

### NEW DELHI

4 Todamal Lane, Bengali Market, New Delhi – 110 001

Tel : +91 98104 00283

### PUNE

2<sup>nd</sup> Floor, Kundan Chambers, Thube Park, Next to Sancheti Hospital, Pune – 411 005

Tel : +91 20 2553 0711

[WWW.PARINAMLAW.COM](http://WWW.PARINAMLAW.COM)