

# BUDGET 2022

## **KNM MANAGEMENT ADVISORY SERVICES PVT. LTD.**

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The Hon'ble Finance Minister Ms. Nirmala Sitharaman, presented the Union Budget 2022, being the second budget of the new decade and prepared in circumstances witnessed like never before. The following are some of the key highlights as laid down by her before the Parliament:

- |                             |  |                           |   |
|-----------------------------|--|---------------------------|---|
| <b>Travel and transport</b> | <ul style="list-style-type: none"> <li>▪ A new scheme, titled <b>PM Gati Shakti National master plan</b>, to be launched for economic transformation, seamless multimodal connectivity and logistics efficiency;</li> </ul>  | <b>Education</b>          | <ul style="list-style-type: none"> <li>▪ Expansion of One class-One TV channel' programme of <b>PM e-VIDYA</b></li> <li>▪ Virtual labs and skilling e-labs to be set up;</li> <li>▪ High-quality e-content will be developed for delivery through Digital Teachers</li> <li>▪ Digital University for world-class quality universal education with personalised learning experience to be established</li> </ul> |
| <b>Agriculture</b>          | <ul style="list-style-type: none"> <li>▪ Proposal to promote <b>Chemical free Natural farming</b> throughout the country</li> <li>▪ Farmers' lands to receive irrigation benefits by <b>Ken-Betwa link project</b>.</li> </ul>   | <b>MSME</b>               | <ul style="list-style-type: none"> <li>▪ Udyam, e-shram, NCS and ASEEM <b>portals to be interlinked</b>;</li> </ul>   |
| <b>Health</b>               | <ul style="list-style-type: none"> <li>▪ Open Platform for <b>National Digital Health Ecosystem</b> to be rolled out.</li> <li>▪ <b>National Tele Mental Health Programme</b> for quality mental health counselling and care services to be launched.</li> <li>▪ <b>Tele-mental health centres of excellence</b> will be set up, with NIMHANS International Institute of Information Technology Bangalore (IIITB) providing technology support;</li> </ul> | <b>Export Promotion</b>   | <ul style="list-style-type: none"> <li>▪ <b>Special Economic Zones Act to be replaced</b> with a new legislation to enable States to become partners in Development of Enterprise and Service Hubs.</li> </ul>  |
| <b>Skill Development</b>    | <ul style="list-style-type: none"> <li>▪ <b>Digital Ecosystem for Skilling and Livelihood</b> (DESH-Stack e-portal) will be launched to empower citizens to skill, reskill or upskill through on-line training.</li> <li>▪ Startups will be promoted to facilitate '<b>Drone Shakti</b>' and for <b>Drone-As-A-Service</b> (Dr AAS)</li> </ul>   | <b>Digital Rupee</b>      | <ul style="list-style-type: none"> <li>▪ Introduction of <b>Digital Rupee</b> by the Reserve Bank of India starting 2022-23.</li> </ul>   |
|                             |  | <b>Various assistance</b> | <ul style="list-style-type: none"> <li>▪ Upgradation of <b>Saksham Anganwadis, PM Awas Yojana</b></li> <li>▪ <b>e-Passports</b> with embedded chip and futuristic technology to be rolled out;</li> </ul>   |



## Direct Tax

### Introduction to Direct tax proposals:

- **No change in slab rate for personal & corporate tax rates**  
Introduction of new provision for filing of an “**Updated Return**” within **2 years** from the end of the relevant assessment year on payment of additional tax
- AMT is proposed to be reduced from **18.5% to 15%** for co-operative society
- Surcharge rate reduced from **12% to 7%** on **co-operative society having total income less than Rs. 10 crores**
- Income from the transfer of **virtual digital asset** shall be taxed at **30%** with **no deductions of expenses**
- **Gift of Virtual Digital Assets** to be taxed at **receiver's hand**
- **TDS** on Transfer of virtual assets **@1%**
- Period of incorporation for **eligible start-ups** to claim the tax benefit is extended by **1 year**, Maximum surcharge on **long-term capital gain** is capped at **15%** for transfer of any **LTCA**
- **Surcharge or cess** is not allowable as business expenditure
- **No benefit** of set-off of loss allowable on income discovered during **search and seizure**
- Withdrawal of concessional rate of taxation on dividend income under section 11.
- Withdrawal of concessional rate of taxation on dividend income under section 115BBD.

## GST

- Time-limit to avail ITC u/s 16(4), Issue Credit, rectification of error in GSTR-1/ GSTR-3B is now permitted till 30th Nov. of next financial year;
- Additional Condition for availment of ITC u/s 16(2) i.e. not restricted in GSTR-2B;
- Do away with the concept of “claim” of ITC on a “provisional” basis;
- Levy of interest on input tax credit wrongly availed and utilized. (Rate of Interest u/s 50(3) prescribed as 18% in all cases);
- Restrictions for utilizing the amount available in the electronic credit ledger.

## Customs

- 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%;
- Extension of customs duty exemption to steel scrap
- Customs Administration of SEZs to be fully IT driven and function on the Customs National Portal – shall be implemented by 30th September 2022.
- More than 350 exemption entries proposed to be gradually phased out;

**INTRODUCTION**

It's been two years since the world economy slammed by the global pandemic. During these times of uncertainty, multiple waves of mutant variants, supply disruptions and ever-increasing inflation levels, various sectors saw a turbulence and again witnessed a **recovery past the pre-pandemic levels**. The economic survey of India for the year 2021-22 which is released by the Department of Economic Affairs, Finance Ministry of India, highlights the **strength of macro-economic stability indicators and pace of the growth revival in India**.

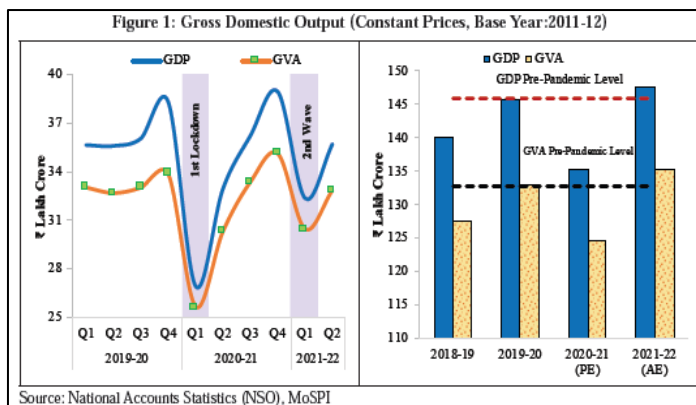
The survey also highlights the impact on various sectors taking into consideration, multiple indicators.

Following are some of the key-highlights of the Economic Survey for the year 2021-22:

**GDP Growth:**

- Advance estimates suggest that GDP will record an expansion of 9.2 per cent in 2021-22. This implies that the level of real economic output will surpass the pre-COVID level of 2019-20.
- The figure shows a dip in the GDP and GVA levels during the 1<sup>st</sup> lockdown in Q1 of 2020-21 which was recovered around the 2<sup>nd</sup> wave in Q1 of 2021-22.

**Sectoral Trends:**



Source: National Accounts Statistics (NSO), MoSPI

- While, the service sector was worst hit by the global pandemic due the fact that it requires major human contact, not surprisingly, the agricultural sector was the least impacted by the pandemic-related disruptions.
- It is estimated to grow 3.9 per cent in 2021-22 on top of 3.6 per cent and 4.3 per cent respectively in the previous two years.
- This sector now accounts for 18.8 per cent of GVA.

Sectors	2019-20 (1st RE)	2020-21 (PE)	2021-22 (1st AE)	Recovery over 2019-20
Agriculture & Allied Sectors	4.3	3.6	3.9	107.7
Industry	-1.2	-7.0	11.8	104.1
Mining & quarrying	-2.5	-8.5	14.3	104.6

Manufacturing	-2.4	-7.2	12.5	104.4
Electricity, gas, water supply & other utility services	2.1	1.9	8.5	110.5
Construction	1.0	-8.6	10.7	101.2
<b>Services</b>	<b>7.2</b>	<b>-8.4</b>	<b>8.2</b>	<b>99.2</b>
Trade, hotels, transport, communication and services related to broadcasting	6.4	-18.2	11.9	91.5
Financial, real estate & professional services	7.3	-1.5	4.0	102.5
Public administration, defence and Other Services	8.3	-4.6	10.7	105.6
<b>GVA at basic price</b>	<b>4.1</b>	<b>-6.2</b>	<b>8.6</b>	<b>101.9</b>

- The service sector is expected to grow at 8.2% in FY 2021-22. However, segments like Travel, Trade and Hotels are yet to fully recover. Hotel occupancy rate recovered substantially after the 2<sup>nd</sup> wave.
- In contrast to contact-based services, distance-enabled services have increased their share with the growing preference for remote interfaces for office work, education and even medical services.

**Demand Trends:**

- When compared to pre-pandemic levels, recovery is most significant in exports followed by government consumption and gross fixed capital formation.
- An equally strong recovery was seen in imports.

The following figure shows the annual real growth in demand side of GDP and its components:

Components	2019-20 (1st RE)	2020-21 (PE)	2021-22 (1st AE)	Recovery over 2019-20
Total Consumption	5.9	-7.3	7.0	99.2
Government Consumption	7.9	2.9	7.6	110.7
Private Consumption	5.5	-9.1	6.9	97.1
Gross Fixed Capital Formation	5.4	-10.8	15.0	102.6
Exports	-3.3	-4.7	16.5	111.1
Imports	-0.8	-13.6	29.4	111.8
GDP	4.0	-7.3	9.2	101.3

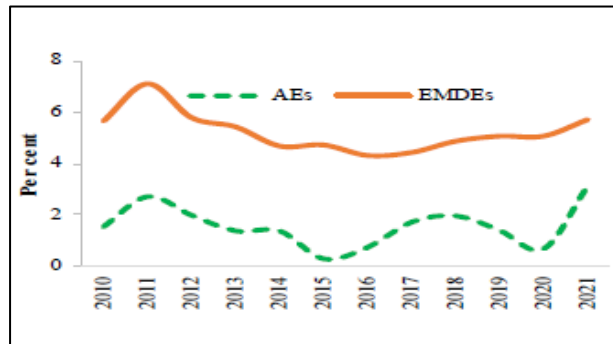
### Exports & Imports

- India’s exports of both goods and services have been exceptionally strong so far in 2021-22. Merchandise exports have been above US\$ 30 billion for eight consecutive months in 2021-22, despite a rise in trade costs arising from global supply constraints such as fewer operational shipping vessels, exogenous events such as blockage of Suez Canal and COVID-19 outbreak in port city of China etc.
- India’s total exports are expected to grow by 16.5 per cent in 2021-22 surpassing pre-pandemic levels.
- Imports also recovered strongly with revival of domestic demand and continuous rise in price of imported crude and metals. Imports are expected to grow by 29.4 per cent in 2021-22

surpassing corresponding pre-pandemic levels.

### Inflation

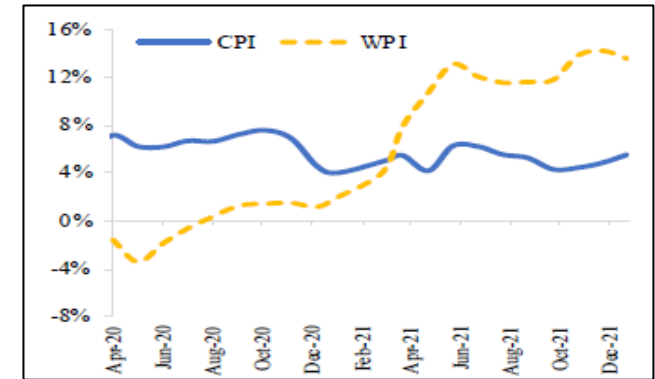
- Inflation has reappeared as a global issue in both advanced and emerging economies
- The surge in energy prices, non-food commodities, input prices, disruption of global supply chains, and rising freight costs stoked global inflation during the year. In India, Consumer Price Index (CPI) inflation moderated to 5.2 per cent in 2021-22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.



The figure shows the inflation rates in Advanced economies and Emerging markets & advanced economies.

- The decline in retail inflation in 2021-22 was led by easing of food inflation.
- Wholesale Price Inflation (WPI), however, has been running in double-digits. The inflation in ‘fuel and power’ group of WPI was above 20

per cent reflecting higher international petroleum prices.



The figure shows Consumer Price Index and Wholesale Price Index

### Key Safety Measures

- Government of India has adopted various strategies and agile approach to contain the impact of COVID-19
- It announced various sector wise yojanas and programmes of prevent the distress during the pandemic.
- Monetary policy since the outbreak of the pandemic was calibrated to provide a cushion and support growth, but carefully controlled in order to avoid the medium-term dislocations of excess liquidity.
- Another distinguishing feature of India’s economic response has been an emphasis on supply-side reforms rather than a total reliance on demand management.



## Key Proposals: Direct Taxes

There is no change in personal & Corporate tax rates. Slab rates are as under:

For Individuals/HUF/AOPs/BOI (old regime):

Income (INR)	Rate of Tax
Up to INR 2,50,000*	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	30%

\*Basic exemption in case of Senior Citizen (Age 6 Years to 79 Years) is INR 3,00,000 and very senior citizen (Age 80 Years or more) is INR 500,000.

For Individuals/HUF (Section 115BAC):

Income (INR)	Rate of Tax
Up to INR 2,50,000	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 7,50,000	10%
INR 7,50,001 to INR 10,00,000	15%
INR 10,00,001 to INR 12,50,000	20%
INR 12,50,001 to INR 15,00,000	25%
Above INR 15,00,000	30%

a) Rebate under Section 87A remain unchanged for resident individual (whose income does not exceed 5,00,000) the amount of rebate is 100% of tax calculated before cess or 12,500 whichever is less.

b) Surcharge & Education cess remain same as earlier.

### Corporate Tax rates:

Corporate Tax rate of **25%** is applicable to companies with turnover up to **INR 4000 million** in financial year 2019-20 and in all other cases rate is **30%**.

### Rationalization of Surcharge

- Surcharge on AOPs (consortium formed to execute a contract) capped at **15 per cent**.
- To reduce the disparity in surcharge between individual companies and AOPs.
- Surcharge on **long term capital gains arising on transfer of any type of assets** capped at **15 per cent**.

*These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2023-24.*

### Introducing new 'Updated return'

- It is proposed that insertion of new provision u/s 139(8A) to file an "Updated Return" on payment of additional tax;
- Will enable the assessee to declare income missed out earlier;

- Can be filed within **two years** from the end of the relevant assessment year.
- "**Additional tax**" will be **25%** of aggregate tax & interest is payable, before completion of the period of **12 months** from the end of **relevant AY** or
- **50%** of aggregate tax & interest is payable, after expiry of **12 months** but before completion of the period of **24 months** from the **end of relevant AY**.
- **It is proposed to insert new section 140B additional tax on updated return**

### Cooperative societies

- It is proposed that **Alternate Minimum Tax (AMT)** paid by cooperatives brought down from **18.5 per cent to 15 per cent**;
- Surcharge on cooperative societies **reduced from 12 per cent to 7 per cent** for those having total income of more than **Rs 1 crore and up to Rs 10 crores**.
- To provide a level playing field between cooperative societies and companies;

*These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2023-24.*

### Tax relief to persons with disability

- It is proposed to amend in section 80DD that the Payment of annuity and lump sum amount from insurance scheme to be allowed to differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardian attaining the age of **60 years**.



These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2023-24.

### Parity in National Pension Scheme Contribution

- It is proposed to amend that **section 80CCD the word “Central Govt.” wherever occurs the “Central & state Govt.” have been substituted w.e.f. 01<sup>st</sup> April 2020**;
- Tax deduction limit increased from **10 per cent to 14 per cent** on employer’s contribution to the NPS account of State Government employees.
- Brings them at par with central government employees;
- Would help in enhancing social security benefits.

These amendments take effect from 01<sup>st</sup> April 2020 and accordingly apply from Assessment year 2021-22.

### Extension of date of incorporation & Investment for eligible start-ups (Incentives for Start-ups)

- It is proposed to amend the period of incorporation extended by **one year, up to 31.03.2023** for eligible start-ups to avail tax benefit
- Previously the period of incorporation valid up to 31.03.2022.

### Incentives under concessional tax regime

- It is proposed to amend that last date for commencement of manufacturing or production under section 115BAB extended by **one year i.e. from 31st March, 2023 to 31st March, 2024**.

### Scheme for taxation of virtual digital assets

- It is proposed to inserted new section 115BBH for an assessee or 115BBI for section 10(23C);
- Any income from transfer of any virtual digital asset to be taxed at the rate of **30 per cent**;
- No deduction in respect of any expenditure or allowance to be allowed while computing such income except cost of acquisition;
- Loss from transfer of virtual digital asset cannot be set off against any other income;
- Gift of virtual digital asset also to be taxed in the hands of the recipient.
- To capture the transaction details, it is proposed insert the new section from **1<sup>st</sup> July 2022 the TDS U/s 194S to be deducted on payment made in relation to transfer of virtual digital asset at the rate of 1 per cent if such consideration exceeds 50,000 during the FY by any person other than specified person and 10,000 during the FY for specified person**.
- “Specified Person” means a person: -**
  - Individual & HUF whose Total Sales or Gross from business does not exceed one crore in case of business or profession, during the FY imm. Pre FY or;
  - Individual & HUF having income under any head other than head ‘PGBP’
- To define the term **“virtual digital asset”**, a new clause (47A) is proposed to being inserted to section 2 of the Act. As per the proposed new clause, a “virtual digital asset” is proposed to mean any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called, providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent

value, or functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and can be transferred, stored or traded electronically. Non fungible token and;

- any other token of similar nature are included in the definition.
- Central Government may notify any other virtual digital asset as virtual digital asset by way of notification in the Official Gazette. The Non-fungible tokens mean such digital assets as notified by the Central Government. Further, Central Government can notify such assets which shall not be considered as virtual digital assets for the purposes of the proposed section.

These amendments take effect from 01<sup>st</sup> April 2023 and accordingly apply from Assessment year 2023-24.

### Litigation Management

- In cases where question of law is identical to the one pending in High Court or Supreme Court, the filing of appeal by the department **shall be deferred** till such question of law is decided by the court.
- To greatly help in reducing repeated litigation between taxpayers and the department.

These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2022-23.

### Tax incentives to IFSC (International Financial Service Centre)

- Subject to specified conditions, the following to be **exempt from tax**:



- Income of a non-resident from offshore derivative instruments.
- Income from over-the-counter derivatives issued by an offshore banking unit.
- Income from royalty and interest on account of lease of ship.
- Income received from portfolio management services in IFSC.

*These amendments take effect from 01<sup>st</sup> April 2023 and accordingly apply from Assessment year 2023-24.*

### Health and Education Cess

- Any surcharge or cess on income and profits **not allowable** as business expenditure.
- These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2022-23.

### Deterrence against tax-evasion

- It is proposed to insert new section 79A, No set off, of any loss to be allowed against undisclosed income detected during search and survey operations.

*These amendments take effect from 01<sup>st</sup> April 2022 and accordingly apply from Assessment year 2022-23.*

### TDS on benefit or perquisite of business or profession

- It is proposed to insert new section 194R from 01<sup>st</sup> July 2022 for deduction of tax on payment to person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.

### Withdrawal of concessional rate of taxation under section 115BBD

- In order to provide parity in the tax treatment in case of dividend received by Indian companies from specified foreign companies' vis a vis dividend received from domestic companies.
- It is proposed to amend section 115BBD of the Act to provide that provision of this section shall not apply to any assessment year beginning on or after the 1<sup>st</sup> day of April 2023.

### Mergers & Acquisitions

- Assessment/reassessment or other proceedings made on predecessor, in the event of business re-organisation (amalgamation, merger or demerger), deemed to have been made on successor;
- Successor in business re-organisation to file modified return of income in case of business re-organisation within 6 months from order of relevant authority.

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## Key Proposals: Goods and Service

### Restriction in claim of input tax credit

A new clause (ba) to sub-section (2) of section 16 of the CGST Act is being inserted to provide that input tax credit with respect to a supply can be availed only if such credit has not been restricted under section 38 i.e., inward supplies declared in the return and matched with 2B.

### Increase the time limit for claiming the Input Tax Credit

Sub-section (4) of section 16 of the CGST Act is being amended extended time for availment of input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year up to 30th of November of the subsequent financial year.

### Registration of person liable to cancel

Clause (b) and (c) of sub-section (2) of section 29 of the CGST Act are being amended so as to provide that the registration of a person is liable for cancellation, where –

(i) a person paying tax under section 10 composition levy has not furnished the return for a financial year beyond three months from the due date of furnishing the return;

(ii) a person, other than those paying tax under section 10 composition levy, has not furnished returns for such continuous tax period as may be prescribed.

### Increase the time limit for declaration of Outward Supply

Sub-section (2) of section 34 of the CGST Act is being amended extended time for issuance of credit notes in respect of any supply made in a financial year up to 30th day of November of the following financial year.

### Furnishing details of Outward supply

Section 37 of the CGST Act is being amended:

(i) provide for prescribing conditions and restrictions for furnishing the details of outward supply and for communication of the details of such outward supplies to concerned recipients;

(ii) do away with two-way communication process in return filing;

(iii) provide for an extended time up to 30th day of November of the following financial year for rectification of errors in respect of details of outward supplies furnished under sub-section (1);

(iv) provide for tax period-wise sequential filing of details of outward supplies under sub-section (1).

### Furnishing details of Inward supply (Restriction on claim of Input tax Credit)

Section 38 of the CGST Act is being substituted for prescribing the manner as well as conditions and restrictions for communication of details of inward supplies and input tax credit to the recipient by means of an auto-generated statement i.e., GSTR 2B and to do away with two-way communication process in return filing.

### Furnishing of Returns by non-resident taxable person

Section 39 of the CGST Act is being amended:

(i) provide that the non-resident taxable person shall furnish the return for a month by 13th day of the following month;

(ii) provide an option to the persons furnishing return under proviso to sub-section (1), to pay either the self-assessed tax or an amount that may be prescribed;

(iii) provide for an extended time up to 30th day of November of the following financial year, for rectification of errors in the return furnished under section 39;

(iv) provide for furnishing of details of outward supplies of a tax period under sub-section (1) of section 37 as a condition for furnishing the return under section 39 for the said tax period.

### Claim of Input tax Credit

Section 41 of the CGST Act is being substituted with the concept of “claim” of eligible input tax credit on a “provisional” basis and to provide for availment of self-assessed input tax credit subject to such conditions and restrictions as may be prescribed in the act.

### Verify, validate modify and delete option omitted in law

Sections 42, 43 and 43A matching, reversal and reclaim of input tax credit and outward liability of the CGST Act are being omitted so as to do away with two-way communication process in return filing.

### Levy of late fees

Section 47 of the CGST Act is being amended so as to provide for levy of late fee for delayed filing of TCS returns under section 52.



**Reference of section 38 Removed from section 47 & 48**

Consequent to the amendment in section 38 of the CGST Act, Section 47 & sub-section (2) of section 48 of the CGST Act is being amended so as to remove reference to section 38 therefrom.

**Restriction on utilization of input tax credit and amount in electronic cash ledger**

Section 49 of the CGST Act is being amended: (i) provide for prescribing restrictions for utilizing the amount available in the electronic credit ledger;

(ii) allow transfer of amount available in electronic cash ledger under the CGST Act of a registered person to the electronic cash ledger under the said Act or the IGST Act of a distinct person;

(iii) provide for prescribing the maximum proportion of output tax liability which may be discharged through the electronic credit ledger.

**Interest on wrongly availed and utilized input**

Sub-section (3) of section 50 of the CGST Act is being substituted retrospectively, with effect from the 1st July, 2017, so as to provide for levy of interest of 18% on input tax credit wrongly availed and utilized.

**Rectification of any omission and incorrect particulars**

Sub-section (6) of section 52 of the CGST Act is being amended to provide for an extended time up to 30th day of November of the following financial year for rectification of errors in the statement furnished under sub-section (4).

**Refund related**

Section 54 of the CGST Act is being amended to provide:

(i). Explicitly provide that refund claim of any balance in the electronic cash ledger shall be made in such form and manner as may be prescribed;

(ii). Provide the time limit for claiming refund of tax paid on inward supplies of goods or services or both under section 55 specialised agency of the United Nations Organisation or any Multilateral Financial Institution and Organisation notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries as two years from the last day of the quarter in which the said supply was received;

(iii). Extend the scope of withholding of or recovery from refunds in respect of all types of refund;

(iv). Provide clarity regarding the relevant date for filing refund claim in respect of supplies made to a Special Economic Zone developer or a Special Economic Zone unit.

**Power of issue of instructions and directions**

Consequent to the amendment in section 38 of the CGST Act, sub-section (2) of section 168 of the CGST Act is being amended so as to remove reference to section 38 therefrom.

**Common GST portal**

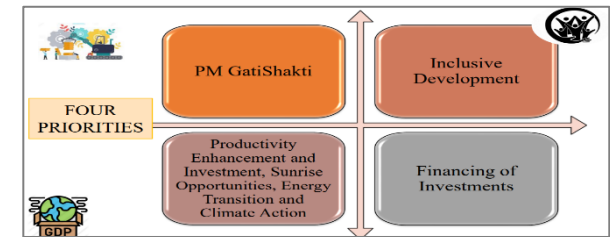
The Common Goods and Services Tax Electronic Portal, for all functions provided under Central Goods and Services Tax Rules, 2017. (Other than those provided for e-way bill and for generation of

invoices under sub-rule (4) of rule 48 of the CGST Rules).

**Amendment of GST rate**

1. Grant of alcoholic liquor license, against consideration in the form of license fee or application fee or by whatever name it is called by the State Governments, has been declared as an activity or transaction which shall be treated neither as a supply of goods nor a supply of service. (Retrospective from 01/07/2017). However, no refund shall be made of which has been collected.
2. Tax on supply of unintended waste generated during the production of fish meal (falling under heading 2301), except fish oil, is being exempted during the period commencing from the 1st day of July, 2017, and ending with the 30th day of September, 2019 (both days inclusive), subject to the condition that if said tax has been collected, the same would not be eligible for refund.

**Goals of Amrit Kaal**



The goal of Amrit Kaal is to focus on growth and all-inclusive welfare. Promoting technologies enable development, energy transition and climate action. Specifying the Virtuous cycle starting from private investment crowded in by public capital investment covering four priorities.

## Ease of Doing business 2.0

The Budget 2022 brought about various schemes and measures regarding productivity enhancement and investment which in turn resulted into ease of doing business.

- The key features are:
- Trust based governance, Integration of central and state level systems through IT bridges.
- Expanding scope of PARIVESH portal
- Unique Land Parcel Identification Number for IT based management of land records.
- Establishing C-PACE to facilitate voluntary winding up of companies.
- End to end online e-Bill System and utilising surety bonds in government procurement.
- AVCG promotion task force.
- Support to 5G under PLI scheme.

- Opening up defence R&D for industry, start-ups and academia.

## Ease of Living

The other positive impact of the budget 2022 was evident in the ease of living. The various reforms are as under:

- Issuance of chip embedded e-Passports.
- Modernisation of building by-laws, implementing Town Planning Schemes and Transit Oriented Development.
- Establishing Centres of excellence in urban planning.
- Providing a battery swapping policy as an alternative to setting up charging stations in urban areas

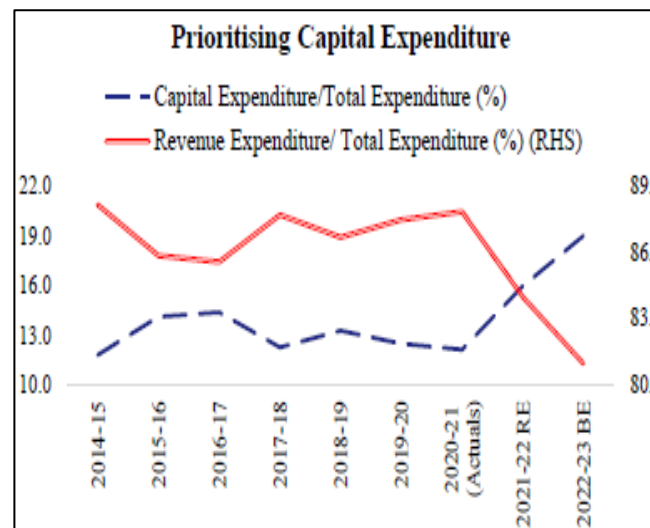
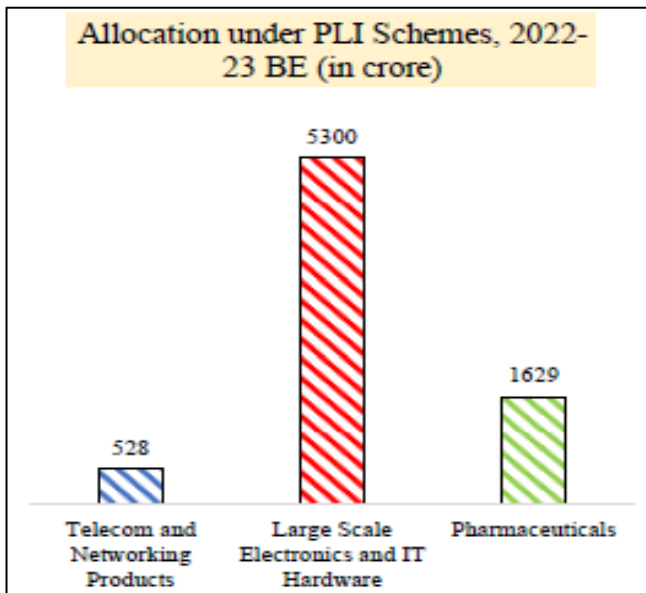
the GOI for 2022 proved to bring about a positive impact on living standards and ease of carrying business in the country. One of the major indicators of such favourable growth is the allocation under the PLI schemes for 2022-23.

## Financing of Investment

The budget 2022 focused mainly on prioritising the capital expenditure in 2022-23. It adopted various measures to mobilize resources to cater to the smooth financing of investments.

- Some of the measures are:
- Green bonds to mobilise the resources for green infrastructure.
- Infrastructure status for data centres and energy storage systems.
- Measures to aid investments by venture capital and private equity investment.
- Blended finance for sunrise sectors.

It is clearly evident that the budget announced by

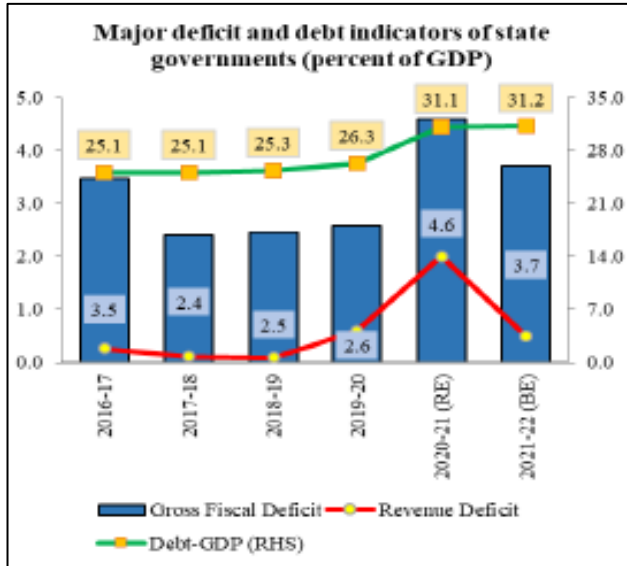


The GOI also provided greater fiscal space to states by enhancing outlay to scheme for financial assistance to states for capital investment.

For 2022-23 the states will be allowed a fiscal deficit of 4% of GSDP of which 0.5% will be tied to power sector reforms.

Public investment to continue to pump prime private investment and demand in 2022-23.

One of the major schemes launched by the RBI is the introduction of digital rupee starting 2022-23.



The above figure shows major deficit and debt indicators of state government (as a percentage of GDP)

The budget reflected the importance as to why the capital expenditure needs to be prioritised taking into considerations public and private investments. It also gave monetary and financial assistance.

### PM Gati Shakti

- The seven engines that drive PM Gati Shakti are Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure. PM Gati Shakti National Master Plan.
- The scope of PM Gati Shakti National Master Plan will encompass the seven engines for

economic transformation, seamless multimodal connectivity and logistics efficiency.

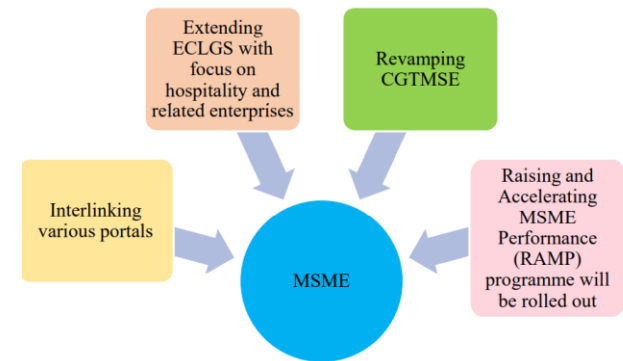
- Formulation of Master Plan for expressways. Completing 25000 km national highways in 2022-23.
- Unified Logistics Interface Platform allowing data exchange among all mode operators.
- Open-Source Mobility Stack for seamless travel of passengers.
- 4 Multimodal Logistics parks through PPP to be awarded in 2022-23.
- Integration of Postal and Railways Network facilitating parcel movement.

### Inclusive Development

- Har Ghar, Nal Se Jal: 3.8 crore households to be covered in 2022-23
- PM Awas Yojana: 80 lakh houses to be completed in 2022-23
- 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
- Digital Banking by Post Offices: 100% of post offices to come on the core banking system
- Digital Payments: Scheduled Commercial Banks to set up 75 Digital Banking Units in 75 districts.

### MSME

- Customs duty on umbrellas being raised to 20 per cent. Exemption to parts of umbrellas being withdrawn.
- Exemption being rationalised on implements and tools for agri-sector which are manufactured in India.
- Customs duty exemption given to steel scrap last year extended for another year to provide relief to MSME secondary steel producers.
- Certain Anti- dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are being revoked – to tackle prevailing high prices of metal in larger public interest.





## Union Budget 2022: Key Sectoral Impact

### Electronics and Telecom

#### Impact on Customs Duty by Budget

- Customs duty rates to be calibrated to provide a graded rate structure - to facilitate domestic manufacturing of wearable devices, hearable devices and electronic smart meters;
- Duty concessions to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items – To enable domestic manufacturing of high growth electronic items.

### Chemicals

#### Impact on Customs Duty by Budget

Government has adjusted the customs duty on various chemicals product;

Customs duty on Carbon black, Bisphenol A, Epichlorohydrin has been increased to 7.5% and on petrochemical industry product Naphtha the duty has been reduced to 2.5%;

### Gems and Jewellery

#### Budget Initiatives

- Customs duty on cut and polished diamonds and gemstones being reduced to 5 per cent; Nil customs duty to simply sawn diamond - To give a boost to the Gems and Jewellery sector;
- A simplified regulatory framework to be implemented by June this year - To facilitate export of jewellery through e-commerce;
- Customs duty of at least Rs 400 per Kg to be paid on imitation jewellery import - To disincentivise import of undervalued imitation jewellery.

### Bank

#### Impact of Budget

- The budget impacted mainly the banks and NBFCs and much on the insurance companies.
- It proposed to augment the ECLGS by an additional Rs.500 bn and extend the scheme till march 2023.
- The allocation of Rs.480 bn under the PMAY augers well for lenders.
- Apart from proposal to enhance fresh credit flow, the proposal to amend IBC to address complex corporate structures with overseas assets will aid the resolution and recoveries for banks.

Link :

[https://www.indiabudget.gov.in/doc/Key\\_to\\_Budget\\_Document\\_2021.pdf](https://www.indiabudget.gov.in/doc/Key_to_Budget_Document_2021.pdf) ( for further details, please refer above link for reference)



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