

15th February

6th Edition

UNION BUDGET 2022-23

The Budget Session 2022 commenced in the Parliament on Monday, January 31, 2022. On Tuesday, the proceedings of the Rajya Sabha began one hour after the Budget speech of the finance minister in the Lok Sabha. She also presented the Budget in the Rajya Sabha soon thereafter.



WHAT IS UNION BUDGET?

Union Budget of India is the country's comprehensive Annual Financial Statement. The Union Budget consists of a detailed account of the government's finances, its revenues from various sources and expenditures to be incurred on different activities that it will incur. As mentioned in the Article 112 of the Indian Constitution, the Union Government lays a statement of its estimated receipts and expenditure for that year, From April 1 to March 31, before both the Houses of Parliament.

THEMES OF UNION BUDGET

Finance Minister Smt. Nirmala Sitharaman emphasized that this Budget continues to provide impetus for growth. It lays a parallel track of a blueprint for the Amrit Kaal, which is futuristic and inclusive, which will directly benefit our youth, women, farmers, the Scheduled Castes and

the Scheduled Tribes and big public investment for modern infrastructure, readying for India at 100. Moving forward, on this parallel track, She outlined the following four priorities:

PM GatiShakti.

Inclusive Development.

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

Financing of Investments.

KEY BUDGET HIGHLIGHTS

The government projected India's economy growth at 9.2 percent in current fiscal year. Finance minister said that India is expected to grow at fastest pace among all major economies.

Fiscal deficit was projected to be higher at 6.9 percent this fiscal as against 6.8 percent estimated earlier. The fiscal deficit of the government for 2022-23 is estimated to be Rs. 16,61,196 crore.

The total expenditure in 2022-23 is estimated at Rs. 39.45 lakh crore, while the total receipts other than borrowings are estimated at Rs. 22.84 lakh crore.

Soaring inflation levels continued to be a cause of concern for economy. Retail inflation in India accelerated to a five-month high of 5.59 per cent in December fueled by soaring cooking gas price.

Foreign exchange reserves stood at \$634.287 billion on January 21, providing a cover equivalent to 13 months of imports projected for 2021-22.

PM GatiShakti National Master Plan will encompass the seven engines for economic transformation, seamless multimodal connectivity and logistics efficiency. The seven engines include roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. All seven engines will pull forward the economy in unison.

400 new Vande Bharat trains will be introduced and the Railways will also develop new products for small farmers and MSMEs.

Integration of postal and railways network facilitating parcel movement was announced.

Master plan has been formulated for highways, targetted to complete 25,000 km national highways in 2022-23.

BUDGET ESTIMATES OF 2022-23

Total Expenditure: The government is estimated to spend Rs 39,44,909 crore during 2022-23. This is an increase of 4.6% over the revised estimate of 2021-22. Out of the total expenditure, revenue expenditure is estimated to be Rs 31,94,663 crore (0.9% increase) and capital expenditure is estimated to be Rs 7,50,246 crore (24.5% increase). The increase in capital expenditure is mainly due to a substantial increase in loans and advances to state governments. Loans and advances by the central government are estimated to be Rs 1,40,057 crore in 2022-23, an increase of 153% over the revised estimates for 2021-22.

Total Receipts: Government receipts (excluding borrowings) are estimated to be Rs 22,83,713 crore, an increase of 4.8% over the revised estimates of 2021-22. The gap between these receipts and the expenditure will be plugged by borrowings, budgeted to be Rs 16,61,196 crore, an increase of 4.4% over the revised estimate of 2021-22.

Transfer to states: The central government will transfer Rs 16,11,781 crore to states and union territories in 2022-23. This is a marginal increase of 0.5% over the revised estimates of 2021-22.

Transfer to states comprises:

- (i) devolution of Rs 8,16,649 crore out of the divisible pool of central taxes, and
- (ii) Rs 7,95,132 crore in the form of grants and loans.

Deficits: Revenue deficit is targeted at 3.8% of GDP, and fiscal deficit is targeted at 6.4% of GDP in 2022-23. The target for primary deficit (which is fiscal deficit excluding interest payments) in 2021-22 is 2.8% of GDP.

GDP growth estimate: The nominal GDP is estimated to grow at a rate of 11.1% in 2022-23.

CENTRAL GOVERNMENT RECEIPTS IN 2022-23

Indirect taxes: The total indirect tax collections are estimated to be Rs 13,30,000 crore in 2022-23. Of this, the government has estimated to raise Rs 7,80,000 crore from GST. Out of the total tax collections under GST, 85% is expected to come from central GST (Rs 6,60,000 crore), and 15% (Rs 1,20,000 crore) from the GST compensation cess.

Corporation tax: The collections from taxes on companies are expected to increase by 13% in 2022-23 to Rs 7,20,000 crore. The revised estimates of 2021-22 indicate an increase in corporate tax collections to Rs 6,35,000 crore from Rs 5,47,000 crore at the budget estimate stage.

Income tax: The collections from income tax are expected to increase by 14% in 2022-23 to Rs 7,00,000 crore. According to the revised estimate for 2021-22, income tax collection will be of Rs 6,15,000 which is 9.6% higher than Rs 5,61,000 at the budget estimate stage.

Non-tax receipts: Non-tax revenue consists of interest receipts on loans given by the center, dividends and profits, external grants, and receipts from general, economic, and social services, among others. In 2022-23, non-tax revenue is expected to decrease by 14% over the revised estimates of 2021-22 to Rs 2,69,651 crore. This is due to a decline of 14% in interest receipts and a decline of 23% in dividend and profits.

Disinvestment target: The disinvestment target for 2022-23 is Rs 65,000 crore. This is 17% lower than the revised estimate of 2021-22 (Rs 78,000 crore).

EXPENDITURE FOR 2022-23

Expenditure: The government proposes to spend Rs. 39,44,909 crore in 2022-23, which is an increase of 4.6% over the revised estimate of 2021-22.

Receipts: The receipts (other than borrowings) in 2022-23 are expected to be to Rs 22,83,713 crore, an increase of 4.8% over revised estimate of 2021-22.

Deficits: Revenue deficit in 2022-23 is targeted at 3.8% of GDP, which is lower than the revised estimate of 4.7% in 2021-22. Fiscal deficit in 2022-23 is targeted at 6.4% of GDP, lower than the revised estimate of 6.9% of GDP in 2021-22 (marginally higher than the budget estimate of 6.8% of GDP). Interest expenditure at Rs. 9,40,651 crore is estimated to be 43% of revenue receipts.

Extra Budgetary Resources (EBR): After a number of years, the budget has not relied on EBR or loans from National Small Savings Fund.

Ministry allocations: Among the top 13 ministries with the highest allocations, in 2022-23, the highest percentage increase in allocation is observed in the Ministry of Communications (93%), followed by the Ministry of Road Transport and Highways (52%), and the Ministry of Jal Shakti (25%).

Table 4: Ministry-wise expenditure in 2022-23 (Rs crore)

	Actuals 2020-21	Budgeted 2021-22	Revised 2021-22	Budgeted 2022-23	% change (RE 2021-22 to BE 2022-23)
Defence	4,85,681	4,78,196	5,02,884	5,25,166	4.4%
Consumer Affairs, Food and Public Distribution	5,66,797	2,56,948	3,04,454	2,17,684	-28.5%
Road Transport and Highways	99,159	1,18,101	1,31,149	1,99,108	51.8%
Home Affairs	1,44,258	1,66,547	1,73,083	1,85,776	7.3%
Railways	1,12,159	1,10,065	1,20,056	1,40,367	16.9%
Rural Development	1,97,593	1,33,690	1,55,043	1,38,204	-10.9%
Agriculture and Farmers' Welfare	1,15,827	1,31,531	1,26,808	1,32,514	4.5%
Chemicals and Fertilisers	1,29,510	80,715	1,41,735	1,07,715	-24.0%
Communications	60,903	75,265	54,517	1,05,407	93.3%
Education	84,219	93,224	88,002	1,04,278	18.5%
Health and Family Welfare	80,694	73,932	86,001	86,201	0.2%
Jal Shakti	23,199	69,063	69,046	86,189	24.8%
Housing and Urban Affairs	46,701	54,581	73,850	76,549	3.7%
Other Ministries	13,63,136	16,41,398	17,43,372	18,39,751	5.5%
Total Expenditure	35,09,836	34,83,236	37,70,000	39,44,909	4.6%

Sources: Expenditure Budget, Union Budget 2022-23; PRS.

Communications: Allocation to the Ministry of Communications is estimated to increase by Rs 50,890 crore (93%) in 2022-23, over the revised estimate of 2021-22. This is mainly on account of capital infusion of Rs 44,720 crore in BSNL.

Road Transport and Highways: Allocation to the Ministry of Road Transport and Highways is estimated to increase by Rs 67,959 crore (52%) in 2022-23, over the revised estimate of 2021-22. This is mainly on account of an increase in investment in National Highway Authority of India (Rs 1,34,015 crore in 2022-23 as compared to Rs 65,060 crore in 2021-22).

In 2021-22, transfer to states as support for COVID-19 vaccines was Rs 39,000 crore, higher than the budget estimate of Rs 35,000 crore. Allocation for 2022-23 is Rs 5,000 crore.

Allocation towards the Ministries of Consumer Affairs, Food and Public Distribution, and Chemicals and Fertilisers have decreased mainly on account of a reduction in food subsidy and fertiliser subsidy, respectively.

Expenditure on Major Schemes

Table 6: Scheme wise allocation in 2022-23 (Rs crore)

	Actuals 2020-21	Budgeted 2021-22	Revised 2021-22	Budgeted 2022-23	% change (RE 2021- 22 to BE 2022-23)
MGNREGS	1,11,170	73,000	98,000	73,000	-25.5%
PM-KISAN	60,990	65,000	67,500	68,000	0.7%
Jal Jeevan Mission/National Rural Drinking Water Mission	10,998	50,011	45,011	60,000	33.3%
Pradhan Mantri Awas Yojana	40,260	27,500	47,390	48,000	1.3%
National Education Mission	28,088	34,300	30,796	39,553	28.4%
National Health Mission	37,478	37,130	34,947	37,800	8.2%
Saksham Anganwadi and POSHAN 2.0*	-	20,105	20,000	20,263	1.3%
Modified Interest Subvention Scheme*	-	-	-	19,500	-
Pradhan Mantri Gram Sadak Yojana	13,688	15,000	14,000	19,000	35.7%
Pradhan Mantri Fasal Bima Yojana	14,161	16,000	15,989	15,500	-3.1%
National Livelihood Mission-Aajeevika	10,025	14,473	12,505	14,236	13.8%
AMRUT and Smart Cities Mission	9,754	13,750	13,900	14,100	1.4%
Pradhan Mantri Krishi Sinchay Yojana	7,877	11,588	12,706	12,954	2.0%
Rashtriya Krishi Vikas Yojana	-	-	-	10,433	-
PM-POSHAN*	-	-	-	10,234	-

Note: * Saksham Anganwadi and POSHAN 2.0 replaced certain components of the umbrella ICDS scheme. The Modified Interest Subvention Scheme replaced the scheme for interest subsidy for short term credit to farmers (allocation towards this scheme is Rs 18,142 crore in 2021-22 at the revised stage). PM-POSHAN scheme replaced the Mid-Day Meal Scheme. In 2021-22, the Mid-day Meal Scheme has been allocated Rs 10,234 crore at the revised stage. Sources: Expenditure Profile, Union Budget 2022-23; PRS.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has the highest allocation in 2022-23 at Rs 73,000 crore. This is a decrease of 25.5% over the revised estimate of 2021-22. In 2021-22, allocation to the scheme has increased by 34.2% from Rs 73,000 crore at the budget stage to Rs 98,000 crore at the revised stage, to mitigate the impact of second wave of COVID-19.

The PM-KISAN scheme (income support to farmers) has the second highest allocation in 2022-23 at Rs 68,000 crore. Allocation to the scheme has seen a marginal increase of 0.7% over the revised estimate of 2021-22.

Key schemes with the comparatively higher increase in allocation in 2022-23 include: (i) Pradhan Mantri Gram Sadak Yojana (35.7%), (ii) Jal Jeevan Mission (33.3%), and (iii) National Education Mission (28.4%).

MAIN TAX PROPOSALS IN THE FINANCE BILL

Income tax: There is no change in income tax rates for individuals and corporations.

Surcharge on Long Term Capital Gains (LTCG): Currently, the surcharge on LTCG on listed equities and equity mutual funds is capped at 15%. The surcharge on other LTCG is 25% if total income is between Rs 2 crore and Rs 5 crore, and 37% if it is above Rs 5 crore. The budget proposes to cap these at 15%.

Tax on virtual digital assets: Income from the transfer of crypto currencies and non-fungible tokens will be taxed at the rate of 30%. Any loss incurred from such transfers cannot be set off against any other income or carried forward to subsequent years.

Updating return of income: Taxpayers will be permitted to file an updated return of income within two years of the assessment year. They will have to pay 25% penalty on tax and interest due if it is filed in the year after the assessment year, and 50% penalty in the second year.

Co-operatives: Alternate minimum tax for co-operatives will be reduced from 18.5% to 15%. Surcharge will be reduced from 12% to 7% for co-operatives whose total income is between one crore and ten crore rupees.

New companies and start-ups: New domestic companies engaged in manufacturing have an option to pay tax at 15% (without claiming any deductions) if they start manufacturing by March 31, 2023. Certain types of start-ups have an option for tax holiday for three out of the first ten years if they incorporate by April 1, 2022. Both these deadlines have been extended by one year.

Changes in customs duty: Customs duties on over 500 items have been changed. Many customs exemptions are also being phased out.

POLICY HIGHLIGHTS

Legislative proposals: The Special Economic Zones Act, 2005 will be replaced with a new legislation that will enable states to become partners in 'Development of Enterprise and Service Hubs', covering all existing and new industrial enclaves. Legislative changes will also be brought in to promote Agro-forestry and private forestry. Amendments will be made in the Insolvency and Bankruptcy Code to facilitate cross border insolvency resolution.

Fiscal Management: Rs 51,971 crore has been budgeted in 2021-22 towards settling the liabilities of Air India.

MSMEs: Emergency Credit Line Guarantee Scheme (ECLGS) will be extended up to March 2023 and its guarantee cover will be expanded by Rs 50,000 crore to total cover of five lakh crore rupees. Credit Guarantee Trust for Micro and Small Enterprises will be revamped to facilitate additional credit of two lakh crore rupees.

Health and Nutrition: Under Ayushman Bharat Digital Mission, an open platform for National Digital Health Ecosystem will be established. It will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities. A National Tele Mental Health Programme will be launched to provide access to quality mental health counselling and care services.

River linking: The Ken-Betwa Link Project will be implemented at an estimated cost of Rs 44,605 crore. Five more river linking projects are being implemented.

Labour and Employment: The Digital Ecosystem for Skilling and Livelihood (DESH) Stack e-portal will be launched. The portal will help citizens learn skills, acquire credentials, and assist in finding relevant jobs.

Infrastructure: Projects relating to transport and logistics infrastructure in the National Infrastructure Pipeline will be aligned with PM GatiShakti framework, which was launched last year. The Prime Minister's Development Initiative for North-East (PM-DevINE) will be implemented through the North-Eastern Council to fund development projects in the North-East region. Also, one lakh crore rupees is being allocated to states for catalysing investments, in the form of 50 year interest free loans.

Roadways: The PM GatiShakti Master Plan for Expressways will be formulated in 2022-23. The National Highways network will be expanded by 25,000 km in 2022-23.

Railways: One-station-one-product concept will be implemented to help local businesses and supply chains. 400 new Vande Bharat trains will be developed and manufactured during the next three years. Further, 100 cargo terminals for multimodal logistics facilities will also be developed during the next three years.

Telecom: Spectrum auctions will be conducted to facilitate rollout of 5G mobile services within 2022-23. A scheme for design-led manufacturing will be launched to build an ecosystem for 5G as part of the Production Linked Incentive (PLI) Scheme.

Energy and Environment: A battery swapping policy for electric vehicles will be implemented. Four pilot projects for coal gasification and conversion of coal into chemicals required for the industry will be set-up. Sovereign Green Bonds will be issued in 2022-23 for mobilizing resources for green infrastructure.

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