

Summary of Union Budget 2022-23



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Union Budget 2022-23

Summary

- Union Minister for Finance and Corporate Affairs Nirmala Sitharaman has presented the Union Budget 2022-23.
- The Budget for FY 2022-23 aims to strengthen the infrastructure with its focus on **four priorities** of:
 - PM GatiShakti
 - Inclusive Development
 - Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, and Climate Action
 - Financing of investments.
- The Budget estimated that India's economic growth in the current year is estimated to be **9.2 per cent**, highest among all large economies.
- The Union Budget aims at
 - Complementing the macro-economic level growth focus with a micro-economic level all-inclusive welfare focus,
 - Promoting digital economy & fintech, technology enabled development, energy transition, and climate action, and
 - Relying on a virtuous cycle starting from private investment with public capital investment helping to crowd-in private investment.

PM GatiShakti:

- The Finance Minister said that PM GatiShakti is a transformative approach for economic growth and sustainable development. The approach is **driven by seven engines**, namely, **Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure**.
- These engines are supported by the **complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure**.
 - Last year, Prime Minister Narendra Modi **launched the “PM GatiShakti — National Master Plan”** for infrastructure development aimed at boosting multimodal connectivity and driving down logistics costs.
 - PM GatiShakti is a **digital platform that connects 16 ministries** — including Roads and Highways, Railways, Shipping, Petroleum and Gas, Power, Telecom, Shipping, and Aviation- with a view to **ensuring holistic planning and execution of infrastructure projects**.
 - The portal will offer **200 layers of geospatial data**, including on existing infrastructure such as roads, highways, railways, and toll plazas, as well as **geographic information about forests, rivers and district boundaries to aid in planning and obtaining clearances**.
 - The objective is to **ensure that each and every department now has visibility of each other's activities providing critical data while planning and execution of projects in a comprehensive manner**.
 - Studies estimate that **logistics costs in India are about 13-14% of GDP as against about 7-8% of GDP in developed economies**. The GatiShakti platform aims to boost last-mile connectivity and bring down logistics costs with integrated planning and reducing implementation overlap.

Railways:

- The Budget allocated Rs 1,37,000 crore for the railways.
- In Railways, the **'One Station-One Product' concept** will be popularized to help local businesses & supply chains.
 - The concept, based on the successful **'One District, One Product' scheme**, has been introduced with a focus on promoting the supply chain of local products and **making each railway station a promotional hub and showcase destination for a local product**.
 - It will likely help develop more efficient logistics for farmers and agri-enterprises and present unique regional products to a wide audience, i.e. railway travellers, passing through the stations.
- Moreover, as a part of Atmanirbhar Bharat, 2,000 km of network will be brought under **Kavach**, the **indigenous world-class technology for safety and capacity augmentation** in 2022-23.
 - The **Kavach Train Collision Avoidance System** is a set of electronic devices and Radio Frequency Identification devices installed in trains to control the brakes of trains and also alert drivers, all based on the logic programmed into them.
- The Finance Minister also informed that four hundred new-generation **Vande Bharat Trains** with better energy efficiency and passenger riding experience will be developed and manufactured.
 - The Vande Bharat train is an **indigenously designed and manufactured semi high speed, self-propelled train** that is touted as the next major leap for the Indian Railways in terms of speed and passenger convenience since the introduction of Rajdhani trains.
 - These trains, dubbed as **Train 18** during the development phase, operate without a locomotive and are based on a propulsion system called **distributed traction power technology**, by which each car of the train set is powered.
 - The Vande Bharat coaches incorporate passenger amenities including on-board WiFi entertainment, GPS-based passenger information system, CCTVs, automatic doors in all coaches, rotating chairs and bio-vacuum type toilets like in aircraft.

Agriculture:

- On the Agriculture front, the Finance Minister informed that **Chemical-free Natural Farming** will be promoted throughout the country, with a focus on farmers' lands in 5-km wide corridors along river Ganga, at the first stage.
- Use of **'Kisan Drones'** will be promoted for crop assessment, digitization of land records, spraying of insecticides, and nutrients. They will also be used to carry vegetables, fruits, fish, etc to the markets from the farms.
- As **2023** has been announced as the **International Year of Millets** by the Food and Agriculture Organization, the government announced full support for post-harvest value addition, enhancing domestic consumption, and for branding millet products nationally and internationally.
- To reduce dependence on import of oilseeds, a **rationalised and comprehensive scheme to increase domestic production of oilseeds** will be implemented.

North-East Region:

- A new scheme, **Prime Minister's Development Initiative for NorthEast, PM-DevINE**, will be implemented through the North-Eastern Council to **fund infrastructure**, in the spirit of PM GatiShakti, and **social development projects** based on felt needs of the North-East.

- This will enable livelihood activities for youth and women, filling the gaps in various sectors. However, **it will not be a substitute for existing central or state Schemes.**
- An initial corpus of Rs 1500 crore has been allotted for the scheme.

Vibrant Villages Programme:

- The **border villages** of the country are characterised by **difficult terrain, weak transport networks and suboptimal socioeconomic indicators.** These regions lack development benefits that other states enjoy, owing to the sparse population, limited connectivity and infrastructural challenges.
- To ensure the inclusion of these border areas in the mainstream gains, the '**Vibrant Villages Programme**' has been announced.
- The primary activities under the project will be focused on enhancing the **village infrastructure, establishing proper housing and developing tourist centres,** in addition to **boosting road connectivity.** Furthermore, to generate skills and further create livelihood opportunities in such villages, **direct home access to Doordarshan and other educational television channels** will be provided. Additionally, there are provisions to ensure **decentralised renewable energy** in these regions under the outlined plan.
- The programme aims to initiate the transformation of India's border villages. This is imperative to **secure the country's sovereignty and further safeguard them from any possible friction with the neighbours.**

Skill Development:

- The Budget proposed that the **Digital Ecosystem for Skilling and Livelihood – DESH-Stack eportal** – will be launched. This aims to empower citizens to **skill, reskill or upskill through on-line training.** It will also help citizens to find relevant jobs and entrepreneurial opportunities.
- The Finance Minister also announced that a **Digital university** will be established to provide access to world-class quality universal education to students across the country with a personalised learning experience at their doorsteps.
- This will be made available in **different Indian languages** and ICT (information and communication technology) formats. The university will be built on a **networked hub-and-spoke model,** with the hub building cutting-edge ICT expertise. The best public universities and institutions in the country will collaborate as a network of hubs and spokes.
- The Finance Minister said programmes and partnerships with the industry will be reoriented to promote continuous skilling avenues, sustainability and employability. The **National Skill Qualification Framework (NSQF)** will be aligned with dynamic industry needs.
 - NSQF is a competency-based framework that organizes all qualifications according to a series of levels of knowledge, skills and aptitude.
 - Under NSQF, the learner can acquire the certification for competency needed at any level through **formal, non-formal or informal learning.** In that sense, the NSQF is a **quality assurance framework.**
- **750 virtual labs in science and mathematics,** as well as **75 skilling e-labs** for a simulated learning environment, will be set up in 2022-23 to promote critical thinking skills and to give space for creativity.
- The Government announced the '**Drone Shakti**' initiative to promote drone use in the country and provide a major boost to the sector. Drone Shakti is an initiative that attempts to promote and enable **drone-as-a-service (DrAAS).**

- DrAAS is a concept comparable with Software as a Service (SaaS) which will help eliminate the need for government departments to purchase drones. Instead, the departments can rent drones, allowing them to become asset-light and take advantage of the best available capability and latest technology in the market.
- Due to the pandemic-induced closure of schools, children, particularly in the rural areas, and those from Scheduled Castes and Scheduled Tribes, and other weaker sections, have lost almost two years of formal education.
- To impart supplementary teaching and to build a resilient mechanism for education delivery, '**one class-one TV channel' programme** of **PM eVIDYA** will be expanded from 12 to 200 TV channels. This will enable all states to provide supplementary education in regional languages for classes 1-12.
 - The PM eVIDYA initiative was launched in 2020 by the Central government as part of the Aatma Nirbhar Apna Bharat program to **provide technology-driven education to students during the COVID-19 pandemic**, which led to a shutdown of schools.
 - 12 DTH channels were introduced as part of the '**One Class, One TV channel initiative**'. **Community and radio podcasts** for visually and hearing-impaired students were also included under this initiative.
 - Under the PM eVIDYA scheme, two portals, namely **DIKSHA** and **NISHTHA** were provided. Under the **Digital Infrastructure for Knowledge Sharing (DIKSHA) portal**, students from classes 1 to 12 were provided with portals which could be accessed with QR codes and contained NCERT, CBSE and NIOS related online books.
 - The **National Initiative for School Head's and Teacher's Holistic Advancement (NISHTHA)** portal was for teachers in order to help them in training for digital delivery of classes so that the learning outcomes of students could be improved.

MSMEs:

- The Finance Minister announced that the **Emergency Credit Line Guarantee Scheme (ECLGS)** will be extended to cover the next fiscal as well, with expanded guarantee cover of Rs 5 lakh crore. An additional guarantee amount of Rs 50,000 crore has been announced for the **hospitality sector**.
 - Under ECLGS, which is for helping companies tide over liquidity crunch resulting from Covid-19 curbs, banks **provide additional loans to existing borrowers without asking for extra collateral**.
 - To encourage banks, these loans are **fully guaranteed by the government against credit losses**.
 - ECLGS since its launch, has extended relief to over 1.30 crore MSMEs and businesses.
 - It has provided support to eligible borrowers in meeting their operational liabilities and restarting their businesses in the wake of disruptions caused by the COVID-19 pandemic.
 - Companies from hospitality, travel and tourism as well as leisure and sporting sectors are expected to benefit from the relaxation in the newly announced extension.
- The Government also announced that the **Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE)** scheme will be revamped with required infusion of

funds. This will facilitate additional credit of Rs 2 lakh crore for Micro and Small Enterprises and expand employment opportunities.

- CGTMSE was **jointly set up by the MSME Ministry and SIDBI** in 2000 to **catalyse the flow of institutional credit to MSMEs.**
- **Raising and Accelerating MSME Performance (RAMP) programme** with outlay of Rs 6,000 crore over 5 years is set to be rolled out to **make the MSME sector more resilient, competitive and efficient.**
 - RAMP is a central government scheme in **partnership with the World Bank** for five years – FY22 to FY26 to **boost productivity and financing for Covid-hit MSMEs.**
 - The RAMP programme will intensify efforts to support firms to return to pre-crisis production and employment levels while laying the foundations for longer-term productivity-driven growth and generation of much-needed jobs in the MSME sector.
- The Finance Minister announced that the **Udyam, e-Shram, National Career Service (NCS) and ASEEM portals** will be interlinked and their scope will be widened. They will now perform as portals with live, organic databases, providing G2C, B2C and B2B services. These services will relate to credit facilitation, skilling, and recruitment with an aim to further formalise the economy and enhance entrepreneurial opportunities for all.
 - **e-Shram** was launched to build up a national database of unorganised workers while **Udyam** is the new portal created by the Centre for the registration of businesses as MSMEs.
 - **NCS** offers a variety of employment-related services like job search, job matching, career counselling, vocational guidance, information on skill development courses, apprenticeship, internships etc., online.
 - The **ASEEM portal** is a directory of skilled workforce offers that matches supply of skilled workforce with the market demand, thereby facilitating better livelihood opportunities for youth.

Health:

- The Finance Minister announced that a new open platform for the **National Digital Health Ecosystem** will be rolled out. It will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.
- To better the access to quality mental health counselling and care services, a **'National Tele Mental Health Programme'** will be launched. This will include a network of 23 tele-mental health centres of excellence, with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.
- For effective implementation of various schemes and programmes of the **Ministry of Women and Child Development**, all major schemes of the Ministry have been classified under 3 umbrella schemes viz. **Mission Poshan 2.0, Mission Vatsalya and Mission Shakti.**
 - **Mission POSHAN 2.0** will look into ways to **strengthen nutritional content, delivery, outreach, and outcomes.** It will include Umbrella ICDS - Anganwadi Services, Poshan Abhiyan, Scheme for Adolescent Girls and National Creche Scheme.
 - **Mission VATSALYA** will look into **child protection services and child welfare services.**

- **Mission Shakti** will consist of policies and schemes for **protection and empowerment of women**. It will cover schemes like one stop centre, mahila police volunteer, women's helpline, Beti Bachao Beti Padhao, Pradhan Mantri Matru Vandana Yojana among others.

Banking:

- 100 per cent of 1.5 lakh post offices will come on the **core banking system** enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs, and also provide online transfer of funds between post office accounts and bank accounts.
- To mark 75 years of Independence, it is proposed to set up **75 Digital Banking Units (DBUs)** in 75 districts of the country by Scheduled Commercial Banks. The units will serve three main purposes – **customer acquisition, service as well as awareness**.

Productivity Enhancement & Investment:

- The government will launch the next phase of Ease of Doing Business. It will be known as '**Ease of Doing Business 2.0**'. The new phase would be guided by the active involvement of the states, digitization of manual processes and interventions, integration of the central and the state-level systems through IT bridges, single-point access for all citizen-centric services, and standardization and removal of overlapping compliances. The Government will follow the **idea of 'trust-based governance'**.
- The Finance Minister proposed to expand the scope of a single-window portal, **PARIVESH (Pro-Active and Responsive facilitation by Interactive, Virtuous and Environmental Single-window Hub)**, to provide information to the applicants.
 - The PARIVESH portal was launched by the Union Ministry of Environment, Forest and Climate Change in 2018 to act as an **interface between the regulators and the project proponents**.
 - It allows online submission and monitoring of the proposals submitted by the proponents for seeking Environment, Forest, Wildlife and coastal regulation zone (CRZ) Clearances from Central, State and district level authorities.
- Based on the location of units, information about specific approvals will be provided. It will enable application for all approvals through a single form, and tracking of the process through **Centralised Processing Centre-Green (CPC-Green)**.
 - The CPC-Green portal, for all green clearances, was launched in 2018. It has been instrumental in reducing the time required for approvals significantly.
- As part of the Ease of Doing Business, the Finance Minister also proposed a scheme for design-led manufacturing to be launched to **build a strong ecosystem for 5G as part of the Production Linked Incentive (PLI) Scheme**.
 - The PLI aims to give companies **incentives on incremental sales from products manufactured in domestic units**.
 - Apart from **inviting foreign companies to set shop in India**, the scheme also aims to **encourage local companies to set up or expand existing manufacturing units**.
- The issuance of **e-Passports using embedded chip and futuristic technology** will be rolled out in 2022-23 to enhance convenience for the citizens in their overseas travel.

AatmaNirbharta in Defence:

- The Finance Minister proposed that **defence R&D will be opened up for industry, startups and academia** with 25 per cent of defence R&D budget earmarked.

- Private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with DRDO and other organisations through the Special Purpose Vehicle (SPV) model.
- An **independent nodal umbrella body** will be set up for meeting wide ranging testing and certification requirements.

Battery Swapping Policy:

- Considering the constraint of space in urban areas for setting up charging stations at scale, a **battery swapping policy** will be brought out and **interoperability standards** will be formulated.
- The private sector will be encouraged to develop sustainable and innovative business models for '**Battery or Energy as a Service**'. This will improve efficiency in the EV ecosystem.
- The battery swapping policy is expected to give a boost to e-commerce delivery and three-wheeler transport service sector as both these categories are bound by time constraints, making swapping a discharged battery for a fully charged one more viable than on-spot recharging that can take hours.

Telecom Sector:

- **5G technology** can enable growth and offer job opportunities. Required spectrum auctions will be conducted in 2022 to facilitate rollout of 5G mobile services within 2022-23 by private telecom providers.
- To enable **affordable broadband and mobile service proliferation** in rural and remote areas, **five per cent of annual collections under the Universal Service Obligation Fund (USOF)** will be allocated.
 - In 2003, the Universal Service Obligation Fund was set up by **The Indian Telegraph (Amendment) Act, 2003** which gave its **statutory status**.
 - The main aim of USOF is to **provide access to telecom services in a non-discriminatory manner to people in the rural and remote areas** at affordable and reasonable prices, thereby **bridging the rural-urban digital divide**.
 - USOF inflow comes from the collection of **Universal Access Levy (UAL)** through the license fee charged on licensees of the Department of Telecommunications **@ 5% of the adjusted gross revenue (AGR)**.
- The contracts for laying optical fibre in all villages, including remote areas, will be awarded under the **Bharatnet project** through Public-Private Partnerships in 2022-23.
 - The BharatNet project was launched in 2011. The project is implemented by **Bharat Broadband Network Ltd (BBNL)**, a special purpose vehicle set up under the Department of Telecommunications.
 - The entire project is being funded by the **Universal Service Obligation Fund**. The objective is to facilitate the delivery of e-governance, e-health, e-education, e-banking, Internet and other services to rural India.

Export Promotion:

- The government will introduce a new legislation that will **replace the Special Economic Zones (SEZ) Act** to enable states to become partners in development of enterprise and service hubs.
 - The Parliament had passed the **SEZ Act** in **2005**, aimed at attracting foreign direct investment (FDI) and creating a conducive environment for companies engaged in export of goods and services.

- Since then, the government has approved setting up of 425 SEZs and given in-principle clearance to 35 SEZs under the Act. But only 268 of these are operational, employing as many as 2.36 million people.
- As the pandemic hit business operations and changed the nature of business in many sectors, changes to existing SEZ rules is seen by the industry as a step in the right direction. This will cover all large existing and new industrial enclaves to optimally utilise available infrastructure and enhance competitiveness of exports.

Sunrise Technologies:

- The Finance Minister acknowledged the immense potential of sunrise sectors such as:
 - **Artificial Intelligence**
 - **Geospatial Systems and Drones**
 - **Semiconductor and its eco-system**
 - **Space Economy**
 - **Genomics and Pharmaceuticals**
 - **Green Energy**
 - **Clean Mobility Systems.**
- These have immense potential to assist sustainable development at scale and modernize the country. They provide employment opportunities for youth, and make Indian industry more efficient and competitive.
- She stated that supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of research & development will guide the government's approach in the sunrise sectors.

Energy Transition and Climate Action:

- The Budget proposes to facilitate **domestic manufacturing of 280 GW of installed solar capacity by 2030**, accompanied by an additional allocation of Rs. 19,500 Crore for **Production Linked Incentives (PLI) for manufacturing of high-efficiency modules** with priority to fully integrate manufacturing units from polysilicon to solar PV modules.
- The Budget also proposes that **5-7 per cent of biomass pellets will be co-fired in thermal plants** resulting in carbon dioxide savings of 38 MMT annually, providing an extra source of income to farmers, increasing job opportunities for the locals, and preventing stubble burning in agricultural fields.
- **Four pilot projects for coal gasification and conversion of coal into chemicals** required for the industry will be set-up to evolve technical and financial viability.

Digital Rupee:

- The Finance Minister said the **Central Bank Digital Currency (CBDC)** will be introduced by the Reserve Bank of India in 2022 to boost the Indian economy. Digital currency will also lead to a more efficient and cheaper currency management system.
 - The CBDC is a **legal tender issued by a central bank** and it is the **digital form of the Indian rupee**.
 - Since it is the digital form of fiat currency, it is thus, **exchangeable one-to-one with the fiat currency**. It will be **backed by blockchain technology**.

Scheme for Financial Assistance to States for Capital Investment:

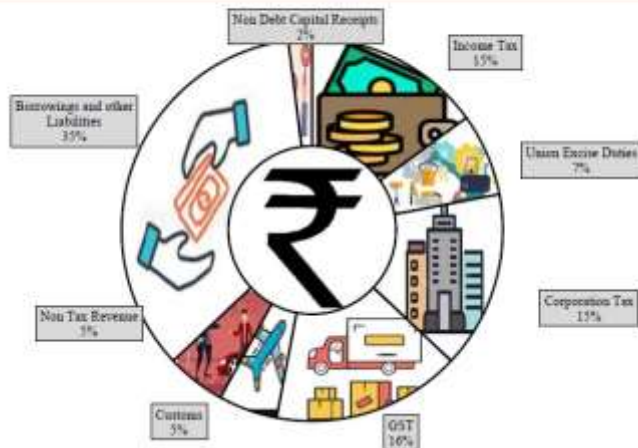
- Reflecting the true spirit of cooperative federalism, the Central Government enhanced the outlay for the '**Scheme for Financial Assistance to States for Capital Investment**' from Rs 10,000 crore in the Budget Estimates to Rs 15,000 crore in the Revised Estimates for the current year.

- The outlay for **capital expenditure** in the Union Budget is **stepped up sharply by 35.4 per cent** from Rs.5.54 lakh crore in the current year to **Rs.7.50 lakh crore in 2022-23**.
- This has increased to more than 2.2 times the expenditure of 2019-20 and this outlay in 2022-23 will be 2.9 per cent of GDP.
- With this investment taken together with the provision made for creation of capital assets through **Grants-in-Aid to States**, the '**Effective Capital Expenditure**' of the Central Government is estimated at Rs 10.68 lakh crore in 2022-23, which will be about **4.1 per cent of GDP**.

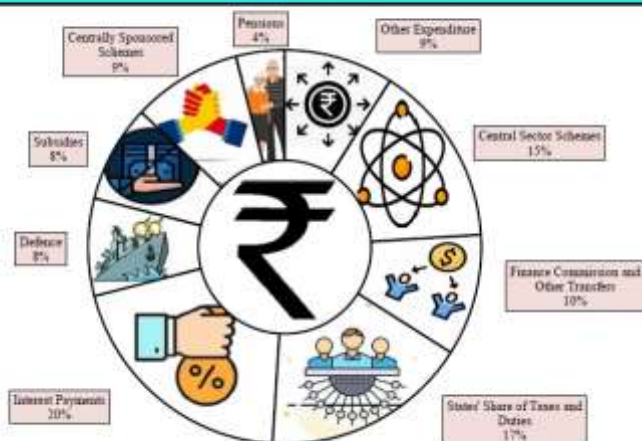
- In the Budget Estimates, the **total expenditure in 2022-23** is estimated at **Rs.39.45 lakh crore**, while the **total receipts other than borrowings** are estimated at **Rs.22.84 lakh crore**.
- The **revised Fiscal Deficit in the current year** is estimated at **6.9 per cent of GDP** as against 6.8 per cent projected in the Budget Estimates. The **Fiscal Deficit in 2022-23** is estimated at **6.4 per cent of GDP**. The **target** is to reach a **fiscal deficit level below 4.5 per cent by 2025-26**.



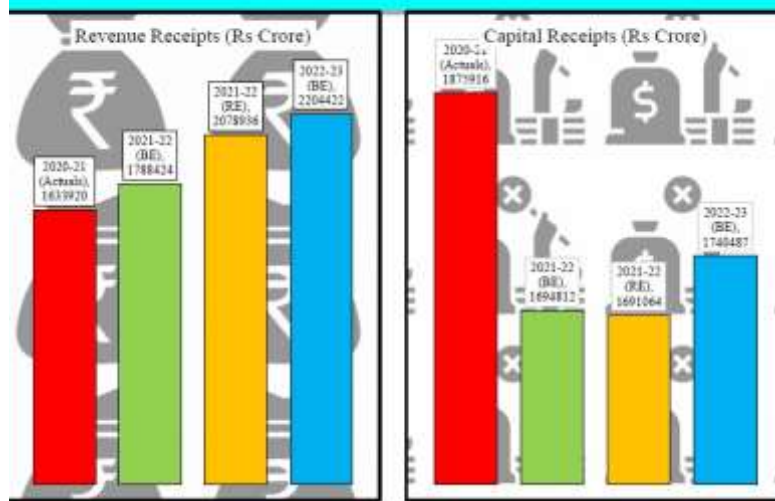
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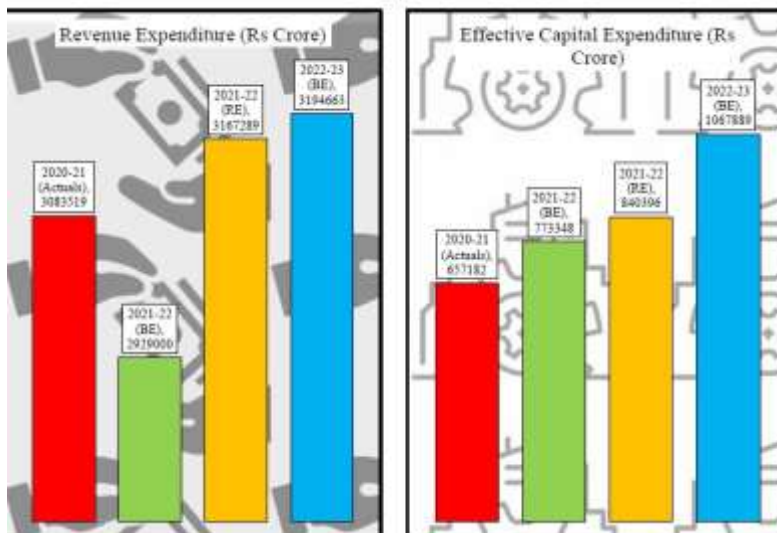


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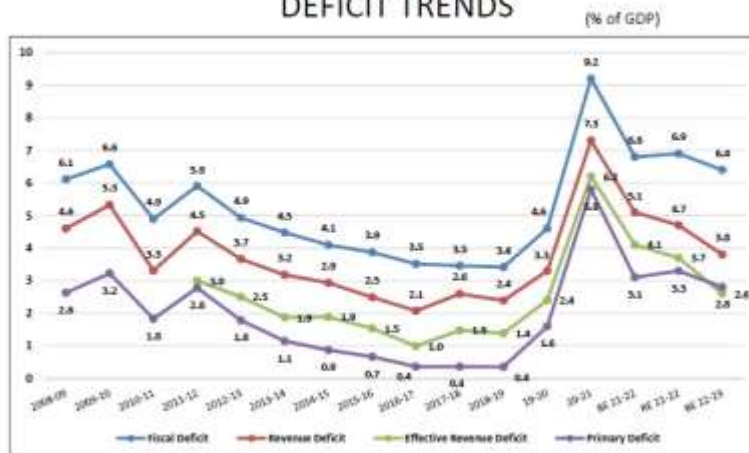


BUDGET AT A GLANCE

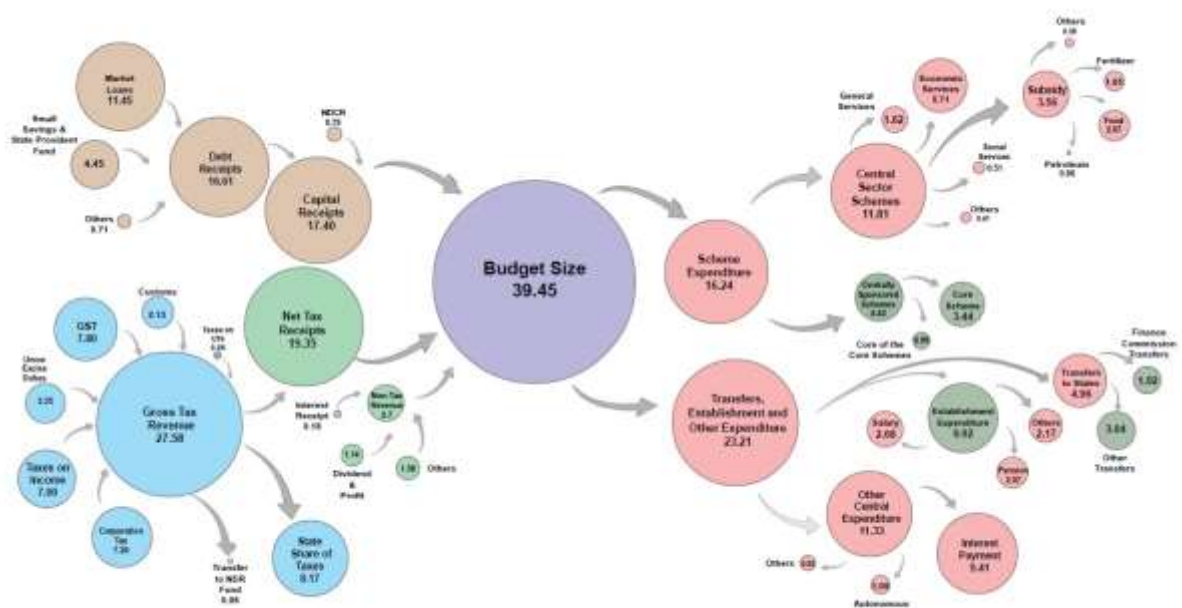




DEFICIT TRENDS



BUDGET PROFILE



On the Direct Tax side:

1. The budget **reduces the Alternate Minimum Tax (AMT) for cooperative societies** from current 18.5% to **15%** at par with private companies. Currently, the cooperative societies are required to pay AMT at the rate of 18.5%, while the companies pay at the rate of 15%.
2. The government has also proposed to **reduce the surcharge on cooperative societies** from the present 12% to **7%** for those having total income of more than ₹1 crore up to ₹10 crore. This will help in enhancing income of cooperative societies and its members who are mostly from the rural and from farming communities.
3. The government proposed to **extend the period of incorporation of eligible startups by one more year till March 31, 2023** for providing tax incentives, a move aimed at encouraging budding entrepreneurs. Under the initiative, eligible startups are exempted from income tax for a period of three consecutive years out of 10 years since incorporation.
4. The Finance Minister also announced that **newly incorporated manufacturing entities** will be incentivized under **concessional tax regime**.
5. The government announced that **income from transfer of virtual assets will be taxed at 30%**.

On the Indirect tax side:

1. The Finance Minister proposed to **phase out more than 350 customs exemptions** on products ranging from farm produce and chemicals to drugs and medical devices, in an apparent bid to spur large-scale domestic manufacturing.
2. Similarly, **concessional rates in capital goods and project imports will be abolished gradually** and a **moderate tariff of 7.5% will be imposed**. The proposals are in sync with the government's bid to align its indirect tax proposals with its goals of promoting **Make in India** under the Atmanirbhar Bharat initiative.
3. The Finance Minister also announced **customs duty on cut and polished diamonds and gemstones will be reduced to 5%** from 7.5%, which will bolster gem & jewellery exports.