



## BUDGET BUZZ



# MAKE IN INDIA

### WALK THE TALK!

Union Budget 2022, the 10<sup>th</sup> budget presented by PM Narendra Modi’s government was anticipated to be a ‘Growth Budget’. While Digital India remained the Budget booster, ‘Make in India’ was given a focus for some sectors, specifically the capital goods sector. The other changes were thematic.

### SMASHERS

While there were not many ground breaking announcements for the Make in India objective, some of them did keep the intent of ‘Make in India’ intact.

**TARIFF RATIONALIZATION:** Tariff rate rationalizations including removal of exemptions for items manufactured in India, extended concessional duty benefits on raw material used for manufacturing end products in India (eg. electronics), would go a long way towards ‘Make in India’. Phasing out of concessional duty benefits on capital goods would also help provide the much-needed impetus to the domestic capital goods industry.

**COORDINATED REGULATIONS:** A more cohesively executed administration for the new successor regulation for SEZs would go a long way in aiding the foreign exchange earners of the country operate more efficiently and seamlessly.

**INFRASTRUCTURE:** The PM’s GatiShakti National Master Plan’s defined focus on the seven engines driving economic growth and sustainable development will raise productivity, reduce logistics time and cost and improve international market for Indian products.

**PUBLIC PROCUREMENT:** With 68% of the capital procurement budget for defence sector being earmarked for domestic industry vis-a-vis 58 % currently, the Government would provide the much needed impetus to increase demand for domestic products.

**GRANTS:** Additional allocation of INR 19,500 crore for Production Linked Incentive for manufacture of high efficiency modules, with priority to fully integrated manufacturing units from polysilicon to solar PV modules, would aid India in transitioning from a

conventional fossil fuel based infrastructure to a more sustainable, advanced and efficient infrastructure.

**CONTINUED FISCAL SUPPORT:** With the increased time period for coverage under the concessional corporate tax rate of 15%, there has been a reiteration of the Government’s empathy for industry, especially bearing in mind the economy which is recovering from the pandemic.

Reduction in surcharge on long term capital gains arising on transfer of capital assets would also boost the start-up community.

**FINANCING:** Extended benefits under the Emergency Credit Line Guarantee Scheme, expanded guarantee cover and additional credits for MSMEs would definitely help strengthen MSMEs.

**DISPUTE RESOLUTION:** With a slew of measures ranging from facelift of scheme of faceless assessment to further unburdening of courts on pending issues, etc. the government scored brownie points. On the other hand, retro empowerment of DRI under customs to overcome recent judgements and expansion in scope of income escaping assessment under the IT Act were certain other measures that particularly have drawn ire of the taxpayers.

### SOME MISSES

**CHAMPION SECTORS:** There was a general expectation that the budget would expand the PLI scheme to other champion sectors specifically in the chemicals and defence space but no additional allocations were announced. Now, with the effects of the pandemic fading in developed economies and the realignment of global supply chains, extension of PLI to other champion sectors could be a unique opportunity to support a virtuous cycle of growth and investment in these sectors.

**DISPUTE RESOLUTION:** Expectations of amnesty schemes for income tax and customs remain unaddressed.

### ELP’s Insights

The Union Budget 2022 certainly acted as a booster dose for reviving economy. The measures and vision score on the aspect of reinforcing confidence regarding growth in the post pandemic world.