



MAKE IN INDIA

WALK THE TALK!

Union Budget 2023, the first in *Amrit Kaal*, is touted to lay down the blueprint for India @100. Accordingly, high expectations were placed on same to press for growth and inclusiveness, especially after massive global slowdown & disruption caused by geo-political tensions. Expectedly, it was an inclusive budget with focus on building technology-driven & knowledge-based economy.

‘Make in India’ garnered support in form of various thematic fiscal and non-fiscal announcements as well as focus on both out performing as well as laggard sectors.

Announcements aimed at promoting ease of doing business were also in focus to attract investments to India, as a jurisdiction of choice.

SMASHERS

A slew of proposals & announcements revolve around bolstering the ‘Make in India’ vision. These are:

EASE OF DOING BUSINESS:

Multiple proposals have been made to ensure better business environment:

- 39,000 compliances have been reduced and 3,400 legal provisions have been decriminalised;
- National financial information registry to be set up to facilitate efficient flow of credit, promote financial inclusion and foster financial stability;
- Central Processing Centre is proposed to be set-up for faster response to companies through centralized handling of various forms filed under the Companies Act; and
- Capacity-building plans to provide learning opportunities for government employees to upgrade their skills & facilitate people-centric approach.
- Jan Vishwas Bill aims to replace imprisonment with monetary penalty under 42 Central Acts ;
- Unified filing process to be set-up for sharing of similar information with different government agencies;

TARIFF RATIONALISATION:

Measures to extend customs duty exemption/ reduction on import of machinery & capital goods for manufacturing of lithium-ion cells for EV batteries, certain parts & inputs like camera lens for mobile, parts of open cells of TV panels, seeds used in manufacture of lab grown diamonds etc, reinforce Government’s intent to promote Make in India for high priority sectors.

SUSTAINABLE DEVELOPMENT:

Green growth is one of the priorities of this budget to achieve growth in a responsible manner. To this effect, proposals are made for implementing programmes for green fuel, green energy, green farming, green mobility, green buildings, green equipment etc. Also, Green Credit Programme to be introduced to incentivize environmentally responsive actions of businesses.

MAKE AI IN INDIA:

To galvanize an effective AI ecosystem for realising the vision of “*Make AI in India and Make AI work for India*”, it has been proposed to set-up 3 centres of excellence for AI. This would include conducting of interdisciplinary research, developing of cutting-edge applications, etc.

INFRASTRUCTURE:

Capital outlay steeply increased to INR 10 Lakh Cr (3.3.% of GDP) with a view to have a multiplier impact on growth & employment. Infrastructure Finance Secretariat to encourage more private investment in sectors which are predominantly dependent on public resources such as railways, roads, power, etc.

STARTUPS:

Income tax benefits extended to startups to be incorporated until March 31, 2024, and the time period for carry forward of losses on change of shareholding is proposed to be extended to 10 years from existing 7 years. Apart from this, Agriculture Accelerator Fund has been announced to encourage Agri-Tech startups to develop innovative & affordable solutions to farm challenges. National Data Governance Policy has been proposed to process request and provide access to anonymized data to start-ups and academia.

DRIVE RESEARCH AND INNOVATION:

The country is experiencing a surge in scientific innovation which is coupled with a dynamic startup ecosystem. A key to successfully tap this growth aspect is alignment of resources for developing indigenous technologies, promoting traditional knowledge systems and encouraging modernization at core levels. This move forward on a sustainable development pathway presents a compelling opportunity for purpose-sharing, synergy, collaboration, and cooperation. Up until this point, basic and translational research has been incrementally funded by the government. The goal of the Science, Technology, and Innovation Policy (STIP) 2020 was to increase private sector funding for India’s gross expenditure on research and development (GERD) by 50% over the course of five

years. To do this, corporations are permitted to contribute through their Corporate Social Responsibility (CSR) programmes to universities, incubators, and research organisations that get public funding for their work in science, technology, engineering, and medicine.

DISPUTE RESOLUTION:

Vivad se Vishwas scheme announced to settle contractual arbitral disputes of government and government undertakings. In furtherance of access to justice using technology, outlay of INR 7,000 Crore provided for E-courts to litigant or lawyers to file a case from anywhere, at any time without having to go multiple windows in the premise of any specific courts.

Regarding taxation matters pending at Appellate Commissioner stage, additional offices of the ranks Joint & Additional Commissioner would be created to take up matters within a certain financial threshold and work towards reducing pendency.

MSME:

Proposal to refund 95% of performance security for failure to execute contracts during Covid, introduction of revamped credit guarantee scheme, deductions under Income Tax Act for procurements from micro & small enterprises to be allowed upon actual payment etc., will positively impact MSME businesses and encourage the entrepreneurs.

IFSC:

Various measures proposed to enhance the business activities in IFSC which includes delegation of powers to IFSCA, amendment in IFSCA Act, setting up a single window IT system for registration & approvals from various authorities, permitting acquisition financing by IFSC Banking Units of foreign banks, establishing a subsidiary of EXIM bank for trade re-financing and recognizing offshore derivative instruments as valid contracts, extension of income tax benefit by 2 years to funds relocating to IFSC, etc.

KEY MISSES

While the budget stuck to the broader growth strategy of raising capital expenditure and maintaining fiscal prudence, it misses to address some of expectations to attract more investment for Make in India theme:

- Neither outlay increased for existing sectors nor additional sectors notified under PLI scheme;
- Benefit under SPECS (for manufacturers of electronic components, semiconductors etc) not extended, which expires on March 31, 2023; and
- The obvious expectation for amnesty scheme to settle legacy disputes, remains open.

ELP's Insights

The budget theme and vision definitely fortifies that Indian economy is on the right track despite economic challenges. The budget aims to achieve sustainable growth with fiscal prudence to eventually, strengthen macro-economic stability.

