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PSL Release
Highlights of the Annual Budget 2022-23



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1. Introduction

1.1 The honourable Finance Minister unveiled the budget for the year 2022–23, impacting a variety of sectors. The voluminous financial act aimed at lowering the fiscal deficit, has paved the way for the advancement of infrastructure, innovations, tourism and agriculture in India. Amongst other things, the government is focusing on investment in the digital infrastructure space and the digitalization of the education and health-care sectors. It is reassuring to see that the government's orientation is still aligned with making India completely digital, so that not only the urban class, but every rural stakeholder becomes a beneficiary of the digital era.

2. Reforms in the sphere of Digital Assets

2.1 An expected reform was to bring changes to the income tax allowances, rebate, and deductions. However, much to the dismay of the middle-class, no change has been announced in this section. The unusual and completely unexpected event was the bringing of crypto assets and NFTs under the scope of a flat taxation regime of 30%. While it may be a positive step in terms of recognizing these types of digital assets, it is still unclear as to why the government has chosen such an elevated tax structure of 30%. Either the flat rate could have been lower or the thought of taxing the same through STCG and LTCG could have been considered. Also, in order to cast these assets under a regulatory net, a TDS of 1% is proposed for transactions above a certain threshold.

3. Key Takeaways:

3.1 Nevertheless, a step forward has been taken to ease the situation of start-ups by increasing the compliance of incorporation by one more year for the purpose of obtaining tax incentives. In light of 2030 being the start-up era, this move is a source of encouragement. Another progressive move was the expansion plan for the highway network to the tune of 25,000 km. This would definitely result in better connectivity across the country, ensuring that logistical constraints are removed. The government also plans to issue sovereign bonds and increase the funding for solar equipment to meet India's renewable energy targets which leads to better and sustainable future prospects.

3.2 Further, on one hand, through the IPO of LIC and the privatization of Air India, the Indian government seems to be moving towards recapitalization, and on the other hand, through the creation of NARCL (Bad Bank), the vices of non-performing assets in India are being dealt with. This paves the way for a lower fiscal deficit and a better balance of payments in the future.

- 3.3 Nevertheless, the budget didn't adequately acknowledge the expectations of people in terms of lost job opportunities. After a two-year haul caused by the COVID-19, unemployment is on the rise again, especially in the unorganised sector. It would have been better had the government focused more on the issue of unemployment, as the demand for rural jobs is likely to stay high due to several factors, including the reverse migration after the pandemic.
- 3.4 Overall, the budget for this year has not brought radical changes to any sector. Therefore, any regulatory concerns against the same are unlikely to arise.