



PSL Advocates
& Solicitors

PSL Release
Highlights of the Annual Budget 2022-23



Himesh Thakur
Senior Associate
himesh@pslchambers.com



Vivek Joshi
Associate
vivek@pslchambers.com

1. Introduction

1.1 As per tradition, the Finance Minister tabled the Union Budget 2022-2023 on 01 February 2022 in the Parliament. The prime focus of the Union Budget has *inter-alia* been on the infrastructure sector, promoting a digital economy that also includes virtual digital assets, and lastly the introduction of reforms in aiding the cause of climate change.

2. Tax Reforms

2.1 Significantly, there has been no change in the personal income tax slabs and rates in the Union Budget 2022. This has certainly raised some questions given the long-lasting impact of the COVID-19 pandemic on the pockets of salaried employees.

2.2 However, as a sigh of relief for the taxpayers, they can now file updated returns within 2 years from the relevant assessment year. This will ameliorate the challenges that were being faced by taxpayers such as mismatch of income and expenses while filing tax returns. This reform had become the need of the hour considering the challenges faced by the taxpayers.

3. Infrastructure

3.1 The infrastructure sector is one of the pillars of the Union Budget this time around, as the Government has centralized its focus on key areas such as roads, ports, airports, and railways under the umbrella of *Gati Shakti*.

3.2 The Government seems to be booting up to hold an auction for 5G spectrum in 2022 itself. Alongside, the Union Budget also addressed the dire need to extend the optical fibre into the marginalized spaces of the country with an aim to enable affordable broadband services in villages by 2025.

3.3 Additionally, the Union Budget will be a springboard in achieving the objective of affordable housing as the Government has allotted a considerable sum to the same.

4. Virtual Digital Assets

4.1 The reforms introduced in the sphere of Digital Currency did not take long to become the talk of the town. The Government has reflected its approach in giving due recognition to technology. In this regard, the Finance Minister stated that the Reserve Bank of India will be introducing Digital Rupee using blockchain technology.

4.2 Interestingly, the Government has imposed a flat rate of 30% on the income from virtual digital assets. It has also been stated that the losses from the sale of virtual digital assets cannot be offset against other income. This decision of the Government to impose a flat rate notwithstanding the losses might be counter-intuitive moving forward.

5. Climate Change

- 5.1 Promoting a clean and green country has been another pillar of the Union Budget. The Government has made lofty claims such as the introduction of battery swapping policies and the development of EV charging infrastructure. These initiatives will be welcomed with open arms by the EV industry as the Government has made a long stride in attempting to achieve clean zones.
- 5.2 There has been considerable focus on battling climate change and to this extent, the Government has announced the manufacturing of solar modules under the Production Linked Incentive (PLI) scheme.

6. Extension of Emergency Credit Line Guarantee Scheme

- 6.1 In a path-breaking decision, the Emergency Credit Line Guarantee Scheme (ECLGS) for small and medium-sized businesses has been extended till March 2023. This move will be extremely beneficial for the MSME sector as they continue to grapple with the aftermath of the COVID-19 pandemic.

7. Legal

- 7.1 In a noteworthy initiative, the Government has depicted its proactive approach in promoting arbitration by placing emphasis on the setting up of an International Arbitration Centre in the GIFT City.
- 7.2 Other reforms included an amendment to the Insolvency and Bankruptcy Code, 2016 to speed up the resolution process. As part and parcel of the same, it is hoped that the Government introduces a robust framework for addressing cross-border insolvency resolutions that will align the Indian jurisdiction with international standards.
- 7.3 The Government has also proposed the voluntary winding-up of businesses in an expedient manner. This will be specifically beneficial for companies that previously feared the exit route.
- 7.4 Further, the Union Budget aims at revamping the Special Economic Zones (SEZ) Act by introducing a novel legislation and replacing the current law. This move is motivated to increase exports and enhance competitiveness.