

Union Budget 2022 Heralds India's Tech Decade

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By Verendra Kalra

Union Budget 2022 was presented at a critical juncture i.e. in the backdrop of the upcoming elections in five states, the looming omicron threat and the precarious economic situation across the globe. In this time, FM Nirmala Sitharaman did well to present a budget which adroitly balances fiscal concerns without compromising on measures much needed to support the nascent economic recovery.

The budget focuses on a familiar strategy of enhancing capital expenditure to drive growth, with the intention of crowding in private investment through higher public spending. However, what stands out in this budget is the massive 35.4% infusion in capital expenditure to Rs 7.50 lakh crores (Rs 7.5 trillion) in 2022-23. The FM also announced a whopping Rs 1 lakh crore (Rs 1 trillion) to assist states in catalysing investment in the economy, in the form of 50-year interest free loans.

This budget's core is built around the PM Gati Shakti Master plan, which is an all-encompassing transformative digital approach to realising the vision for long term economic growth and sustainable development. This plan is sought to be driven by integrating together the seven engines, namely, Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure, which in turn are to be supported by the complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure. The touchstone of this Master Plan will be world-class modern infrastructure and logistics synergy among different modes of movement, both of people and goods and location of projects.

Under the PM Gati Shakti initiative for multi-modal connectivity, the government's allocation of Rs 20,000 crores (Rs 200 billion) will play a key role in the development of efficient logistics in the country.

The emphasis placed by this government on digital governance is a striking feature of this budget. For skilling, a national Digital Ecosystem for Skilling and Livelihood is proposed to be launched through the DESH-Stack e-portal. A Digital University to provide world-class quality universal education is also proposed. An open platform for the National Digital Health Ecosystem is yet another

initiative. As many as 75 Digital Banking Units (DBUs) have been announced. E-Passports are proposed to be implemented by next year. The proposed 'One-Nation One-Registration Software' for property registrations will do much good for the real estate sector through the Unique Land Parcel Identification Number to facilitate IT-based management of records. Hundred per cent of 1.5 lakh post offices will come on the core banking platform. Unified Logistics Interface Platform (ULIP), designed for Application Programming Interface (API). Open-source mobility stack, for organising seamless travel of passengers will also be facilitated.

Launch of blockchain-based digital rupee starting 2022-23 as the Central Bank backed Digital Currency (CBDC) finally clarifies the Government's intent to seize the much overdue initiative to have its own national crypto currency and relegate the role of other crypto currency's floating in the market to mere Digital Virtual Assets. This combined with the stiff thirty percent tax on capital gains on such DVAs can be viewed as an early indicator of the Government's intention to discourage such assets, though a clear policy is still to be formulated on this account.

Green initiatives include an increase in the allocation for hydro and solar projects in fiscal 2022-23 to Rs 1 lakh crores (Rs 1 trillion) and the issuance of Sovereign Green Bonds in government projects to reduce India's carbon footprint. Other key initiatives include the battery swapping policy for resolving the issue of charging EVs and plans to launch charging stations, where the government will provide the land and encourage the private sector to identify models of offering BaaS (Battery as a Service). Inclusion of green bonds in the borrowing plan is also an interesting innovation.

In terms of specific policy announcements, the move towards self-reliance through protection for domestic manufacturers (change in custom and import duties) and increased participation in Defence Sector procurements and research for the private sector aligns with the long-term goal of Atmanirbhar Bharat.

The e-passport initiative and the extension of ECGLS for hospitality services by SMEs to March 2023, with an increased cover of Rs 5 lakh crores (Rs 5 trillion), will also help revive travel and tourism post pandemic.

The capping of surcharge on long-term capital gains at 15% is a much-appreciated benefit, as it will reduce tax for VCs and angel investors. Start-ups will get one more year of tax incentives. New manufacturing companies will also get an additional year (till March 2024) of concessional tax, till they commence manufacturing. However, larger businesses do not have much to rejoice on the direct tax front.

The middle class has all the reasons to be disappointed as tax slabs remain unchanged for them and no direct tax benefits have been announced. Though the GST law is being continuously amended to

cut down on tax evasion, the much-needed reform to simplify the GST tax structure remains on the backburner.

The revised Fiscal Deficit in the current year is estimated at 6.9% of GDP and the Fiscal Deficit in 2022-23 is estimated at 6.4% of GDP. Higher fiscal deficits are now globally acceptable under the 'new normal'. Although markets could be disappointed with the more than expected high fiscal deficit of 6.4% of GDP for FY23, it was prudent on part of the FM not to undertake aggressive fiscal consolidation at the cost of supporting the green shoots sprouting at this juncture.

While presenting the budget in the Lok Sabha, the FM said that this Union Budget 2022-23 will lay the foundation for India's economic growth and expansion for the next 25 years. Though 25 years is a long horizon to make a prediction, this budget surely ticks all the right boxes at this hour, and most importantly, by eschewing any populist measures in an election year, sets a refreshing benchmark which all political parties will hopefully follow in times to come.

We dedicate our Budget Statement to the fast technological and digital advancement the country is currently undergoing. We are betting big on technology to usher in EODB, EOL, transparency and root out the scourge of corruption, thereby shaping this decade as India's "Techade".

(The author is a practicing Chartered Accountant and immediate Past Chairman of PHD Chamber of Commerce and Industry, Uttarakhand Chapter)



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