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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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AN ANALYTICAL STUDY OF GST COMPLIANCES IN INDIA

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ABSTRACT

Self-compliance in the Goods and Service Tax (GST) regime is expected to be at a higher rate in comparison with earlier tax regimes because of various benefits associated with compliance to the taxpayer. The reports of the GST council and Department of Finance replicate the status of compliance. Adherence to the rules and regulations provided by CGST Act and Rules constitutes GST compliance. The intensity of compliance requirements may have both favourable and non-favourable effects on taxpayers of different sectors. Still, every business entity inevitably has to follow the stated provisions and rules respectively to become GST compliant. And Non-compliance will be considered as an offense under the Act and will be liable for penalty. Hence, the study attempts to analyse different GST compliance requirements and the present status of compliances. The study is based on secondary data collected from July 2017 to March 2021.

KEYWORDS

CGST Act, CGST Rules, GST.

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INTRODUCTION

The success or failure of any statute depends on the compliance by its stakeholders and it is true in the case of GST too. The Act, which is considered a major milestone in India's history of fiscal policies, can assure a transition from earlier tax regimes and prove its efficiency in generating greater revenue and lesser evasion than its predecessor tax laws only if the taxpayers are highly compliant. In the last 4 years, the Government, tax authorities, practitioners, and also media put effort to make Goods and Service Tax as 'Goods and Simple Tax'.

The CGST Act and CGST Rules 2017 have laid down rules for the registration, furnishing returns, maintenance of accounts and other records, invoices, and finally payment of tax. To become GST compliant, every business entity has to follow the stated provisions and rules respectively. Hence, it can be said that adherence to the rules and regulations provided by CGST Act and Rules constitutes GST compliance. The CGST Act also provides that every registered person will be assigned a GST compliance score by the government based on his record of compliance with the provisions of this Act and Rules. And Non-compliance will be considered as an offense under the Act and will be liable for penalty.

REVIEW OF LITERATURE

There is no doubt that GST will bring One Nation and One Tax market and provide relief to producers and consumers by set-off of input tax credit and subsuming the several taxes which in turn avoid cascading effect. Well-organized implementation of GST through widening of tax base and improving tax compliance will result in revenue gain for both Centre and States. (Lourdunathan and Xavier, 2016). Implementation of GST will lead to better compliance as each person in the value chain can get the benefit of input tax credit only if the earlier person has paid. This credit is available without any distinction in the type of tax which makes sure the unification of tax (Debnath, Pranesh, 2016). GST knowledge is a strong positive predictor of GST compliance, but the level of GST knowledge among small enterprises is low, resulting in less compliance. Hence, the government should strengthen the GST knowledge of taxpayers to improve GST compliance (Nandal, S., & Khera, D. 2022).

OBJECTIVES

1. To study various compliance requirements of a taxpayer under the CGST Act and CGST Rules 2017.
2. To analyse the Compliance status from July 2017 to March 2021.

RESEARCH METHODOLOGY

DATA COLLECTION

The study is based on secondary data. GST statistics have been collected from the government's official website, i.e., https://gst.gov.in, and rules related to compliance issues are drawn from CGST ACT and CGST Rules published in the stated website. In addition, textbooks, journals, newspaper articles, and also few e-resources are also referred to get the relevant data.

SCOPE OF THE STUDY

CGST Act and CGST Rules 2017 as amended 2021 prescribe that various compliance issues be practiced and followed by a taxpayer, i.e., registration, filing of returns, generating an invoice, maintaining records and books of accounts, availing input tax credit, and payment of tax, claiming refund, etc. But, the present study focuses on the analysis of registration, filing of returns, and payment of tax-related compliances from 2017-18 to 2020-21.

METHODOLOGY

The present study is an analytical one where, GST registration, returns, and tax collection data have been analysed with the help of graphs and percentages have been calculated with available data to make a suitable analysis.

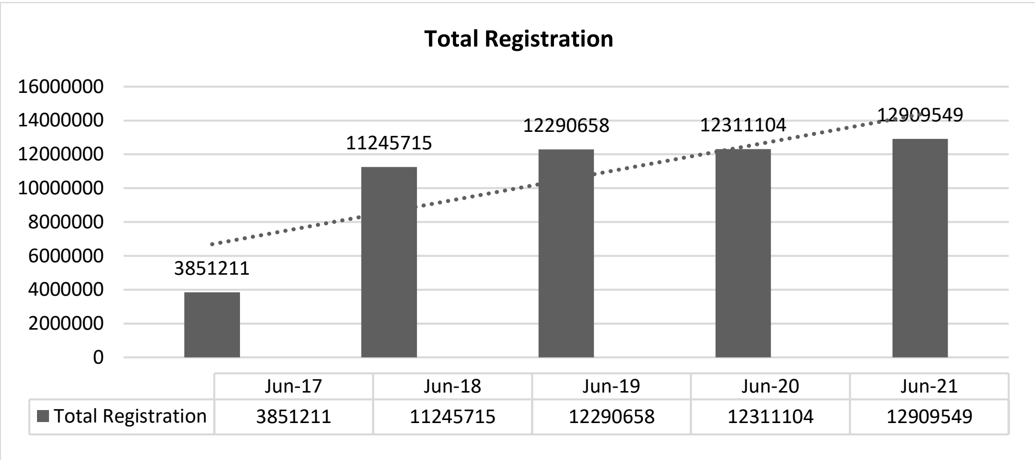
FINDINGS AND DISCUSSION

1. REGISTRATION COMPLIANCE

Chapter VI of the CGST Act set registration liability, the procedure for registration, cancellation, and revocation of registration. Accordingly, the following are the few essential requirements to become registration compliant.

1. According to Sec 22, 23, and 24, If the annual aggregate turnover is exceeding 20 lakhs in special category states and 40 lakhs in other states, such a person needs to get registered under GST. The following categories of suppliers are also required to get registered mandatorily irrespective of the threshold limit.
   - Interstate suppliers
   - Casual Taxable persons
   - person taxable under the reverse charge mechanism
   - Non-resident taxable persons
   - Persons required to deduct TDS under GST
   - Persons required to deduct TCS under GST
   - Input Service Distributors
   - Persons making a sale on behalf of another person whether as an Agent or Principal
   - Every E-commerce operator
   - Suppliers who supply goods through E-commerce operator who is liable to make TCS.
   - Online Service Providers providing service from outside India to a non-registered person in India.
2. Once the liability for registration is known, the liable person has to get registered according to the procedure prescribed in Sec.25 of the CGST Act.
3. After registration, if any changes in the information mentioned during registration are required then, the registered person has to follow the procedure for amendment of registration as mentioned in Sec.28.
4. Every registered person shall display his certificate of registration in a noticeable location at his principal place of business and at every additional place of business (CGST Rule 18). and
5. Every registered person shall display his Goods and Services Tax Identification Number (GSTIN) on the name board displayed at the entry of his principal place of business and at every additional place or places of business.

FIGURE 1: REGISTRATION UNDER GST



Source: https://gst.gov.in

Total registration includes registration of normal taxpayers, composition taxpayers, input service distributors, casual taxpayers, TCS, TDS, UIN holders, Non-resident taxpayers, and OIDAR.

Figure 1 depicts the increase in registration of taxpayers over a period of five years. The increase in the number of registrations was at a higher rate from 2017 to 2018 as the Act was rolled out in 2017. The number of registrations shown in 2017 is of those who migrated from the preceding Act. The increase in registration rate when compared to the earlier tax regime is because of the following reasons:

- Service provider was not required to get registered in all states in service tax but now it's obligatory.
- Availing Input Tax Credit
- Introduction of 'Reverse Charge Mechanism' (Rao, R. k.,2019).

2. RETURN RELATED COMPLIANCE

The filing of returns is one of the most important parts in compliance with the GST. Sec.37, 38, and 39 of Chapter IX of the CGST Act provided the following guidelines for furnishing details of outward supplies, inward supply, and returns.

Subject to the constitution of the business and the sales turnover, the applicability of the filing returns changes which is given below.

TABLE 1: TYPES OF GST RETURNS AND FILING PERIOD

Sr. No.	Constitution of Business	Type of GST Return	Return Filing Period
1	Annual turnover up to 1.5 Crores	GSTR-1	Quarterly
2	Annual turnover over 1.5 Crores	GSTR-1	Monthly
3	Business under composition levy	CMP-08	Quarterly
4	Non-resident taxable person	GSTR-5	Monthly
5	Input Service Distributor (ISD)	GSTR-6	Monthly
6	Business of e-commerce operator	GSTR-8	Monthly
7	Authorities deducting tax at source	GSTR-7	Monthly
8	For all businesses	GSTR-3B GSTR-2 (To Be Notified) GSTR-9	Monthly/Quarterly from 1/1/2021 Annually

Source: CGST Rules 2017

CGST Rule 59 and 61 provide guidelines for filing Form GSTR-1 and GSTR – 3B. GSTR-1 is a monthly or quarterly return that should be filed by every registered person under GST, except a few. It contains details of outward supplies. Whether there are any transactions during the period or not, it is obligatory that, every registered person is required to file GSTR-1. Non-compliance of filing return will lead to the charging of penalty as specified in CGST rules and amended by respective notifications from time to time.

Form GSTR-3B is a simplified summary return of inward and outward supplies and GST liabilities for a particular tax period and discharges these liabilities. From 1 January 2021, a registered person with an aggregate turnover of less than 5 crores can file quarterly GSTR 3B. Tax liability will be auto-generated from GSTR 3B to GSTR 1 while filing returns. A business that is liable to file the monthly returns GSTR-1, GSTR-2, and GSTR-3 should submit the GSTR-3B.

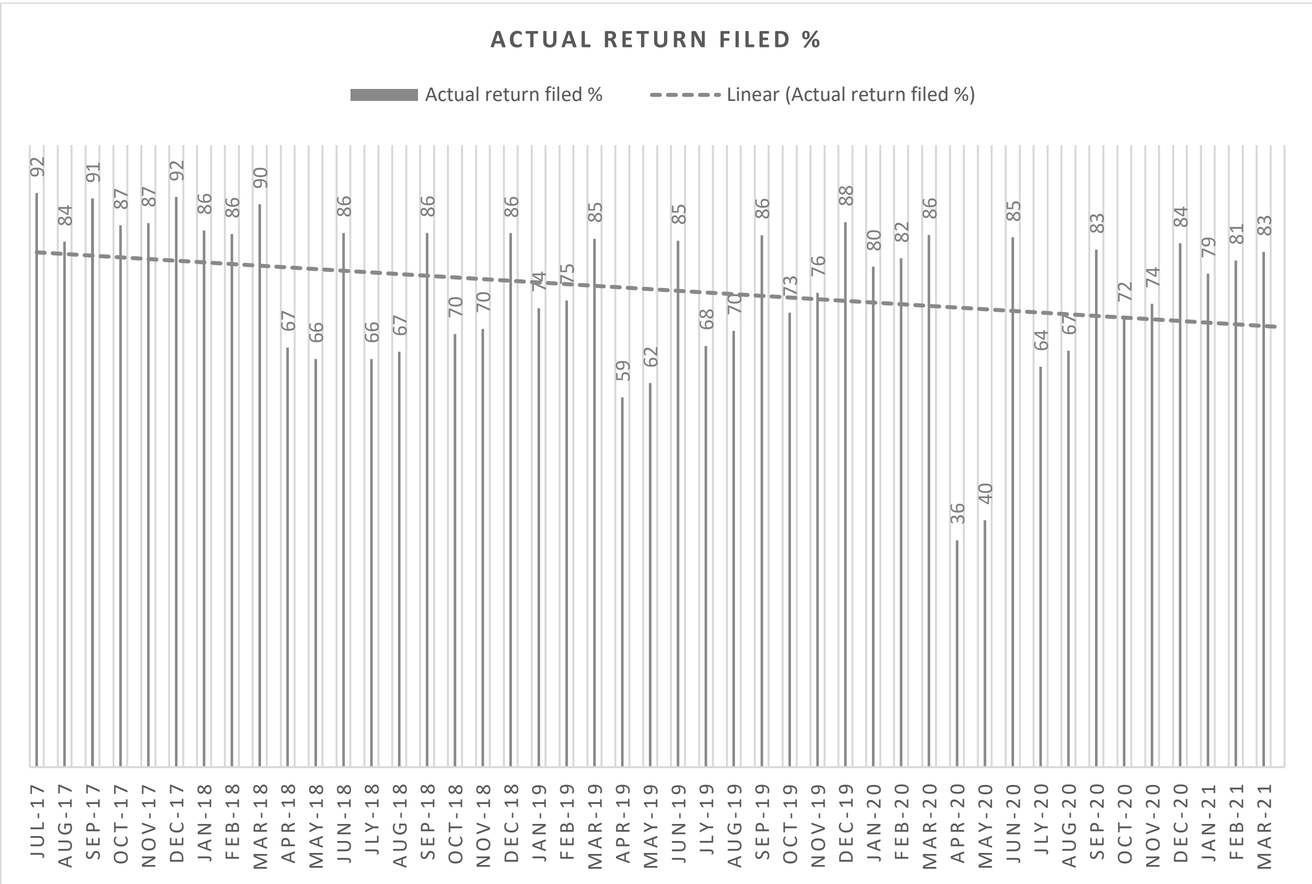
TABLE: 2 RETURN FILED (GSTR-1)

	2017-18		2018-19		2019-20		2020-21	
Months	Person Eligible to file a return	Actual return filed	A return	Actual return filed	Person Eligible to file a return	Actual return filed	Person Eligible to file a return	Actual return filed
April			44,96,316	30,34,026	57,58,955	34,22,484	1,03,96,914	37,91,299
May			46,82,345	30,71,609	55,64,504	34,34,663	96,02,035	38,09,609
June			93,16,710	80,01,512	1,03,58,399	87,65,927	1,03,98,099	88,56,776
July	67,83,589	62,59,157	47,75,626	31,33,922	51,33,194	34,76,173	60,12,285	38,69,305
August	31,47,516	26,58,159	47,26,891	31,57,394	49,85,666	34,96,406	58,11,028	38,90,944
September	78,37,037	71,62,226	96,57,239	82,91,332	1,04,73,814	89,56,559	1,08,51,015	90,27,559
October	31,59,981	27,51,438	46,09,444	32,09,692	48,45,556	35,41,355	54,63,108	39,40,245
November	32,11,544	28,08,444	45,72,118	32,20,339	46,98,995	35,81,644	53,48,268	39,83,403
December	79,70,876	73,08,619	99,01,997	84,99,633	1,03,70,746	90,85,128	1,09,84,220	92,48,375
January	32,92,692	28,40,431	44,22,359	32,63,179	44,62,518	35,90,115	62,62,453	49,66,560
February	33,42,910	28,64,519	43,61,644	32,72,622	43,74,040	35,77,617	61,36,696	49,99,139
March	84,55,633	76,49,678	1,01,74,978	86,44,794	1,04,30,804	89,23,224	1,07,79,586	89,30,752

Source: https://gst.gov.in

The Person eligible to file a return in every quarter is higher than other months because it includes businesses having an annual turnover of less than Rs.1.5crore. But, there is a deviation between the person eligible to file the return and the actual return filed which shows a major non-compliance by the businesses. The rate of deviation is given in figure 2.

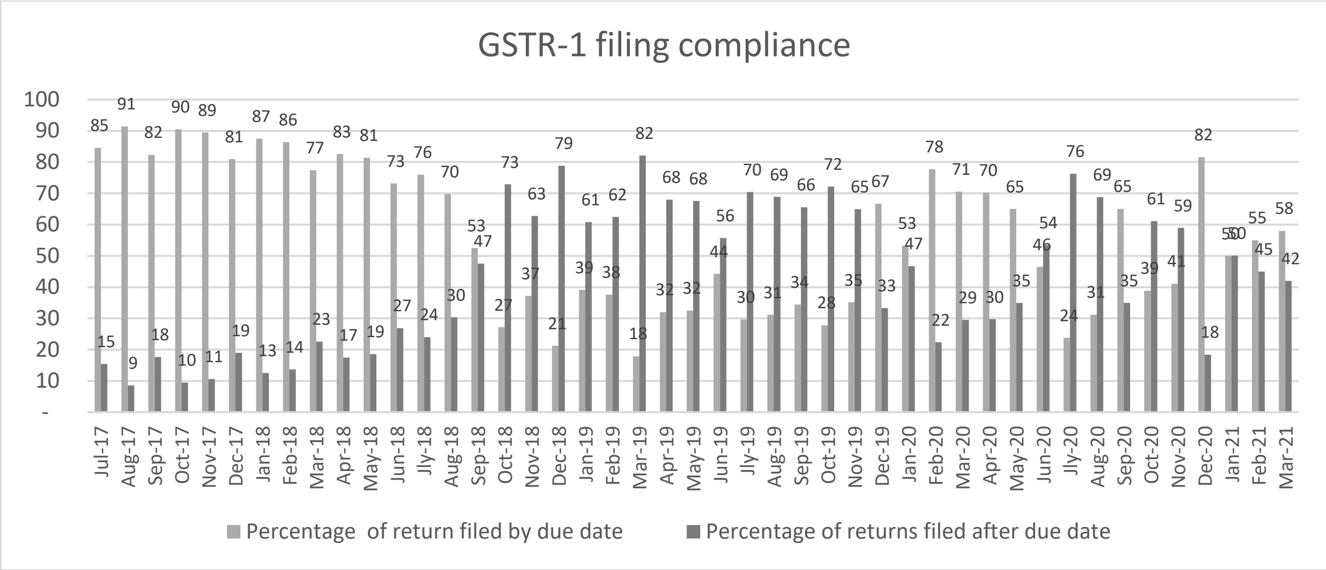
FIGURE 2: PERCENTAGE OF ACTUAL GSTR-1 FILED TO PERSON ELIGIBLE TO FILE GSTR-1



Source: Calculated Based on Data given in Table 1

The percentage of actual return filed to the person liable to file a return is considered as deviation, and represented in the figure-2. The deviation was high in April and May 2020, the probable reason is lockdown due to pandemic. The deviation in all the quarters is very less because the returns are filed by even those whose annual turnover is less than Rs.1.5crore.

FIGURE 3: PERCENTAGE OF GSTR-1 FILED BY DUE DATE AND AFTER THE DUE DATE



Source: Compiled based on data given in: https://gst.gov.in

Filing of return by due date shows the compliance on the part of taxpayer whereas filing of returns after the due date indicates non-compliance. Figure 3 represents that, in October 2018 to November 2019, more than 50 percent of a taxpayer are non-compliant (very high in March 2019 i.e.82%) and a similar practice repeated from June 2020 to November 2020 except in September.

TABLE 3: RETURN FILED (GSTR-3B)

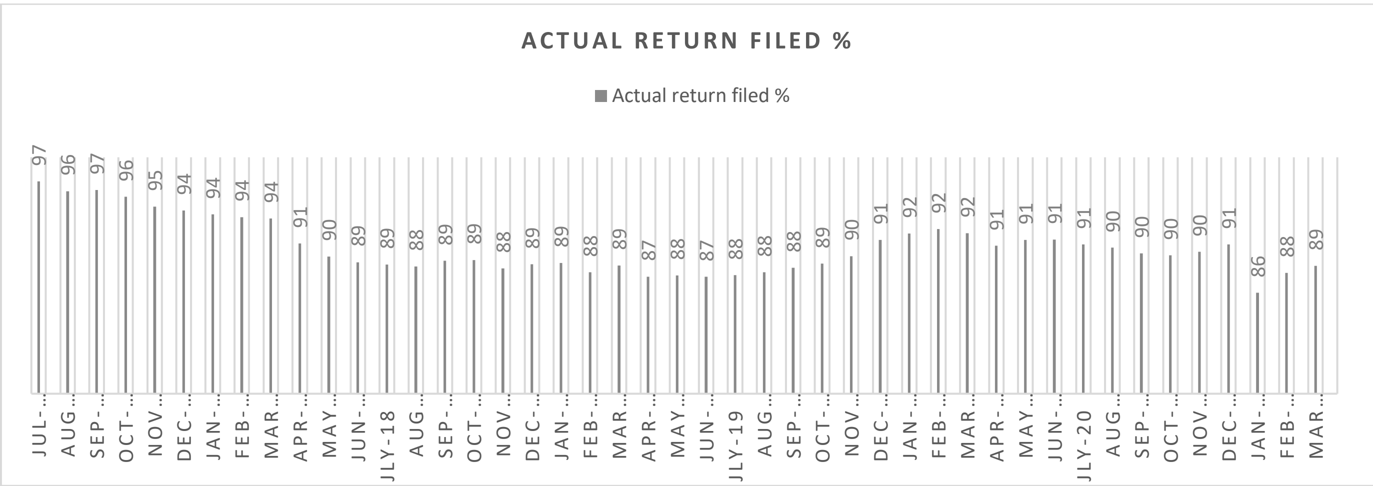
Months	July 2017-March 2018		2018-19		2019-20		2020-21	
	Person Eligible to file return	Actual return filed	Person Eligible to file return	Actual return filed	Person Eligible to file return	Actual return filed	Person Eligible to file return	Actual return filed
April			88,17,798	80,13,023	1,02,33,313	89,40,760	1,04,14,263	94,39,097
May			91,22,309	81,65,922	1,02,86,063	90,00,449	1,03,42,810	94,37,708
June			93,16,710	82,83,237	1,03,58,399	90,49,678	1,03,98,099	94,91,867
July	67,83,589	66,10,682	94,70,282	83,94,906	1,04,26,762	91,26,029	1,05,65,995	95,92,459
August	74,77,242	72,08,898	96,15,273	85,05,936	1,04,55,891	91,84,721	1,07,04,873	96,81,147
September	78,37,037	75,64,954	96,57,239	85,99,707	1,04,73,814	92,48,597	1,08,51,015	97,49,219
October	76,47,671	73,28,094	97,57,664	86,95,769	1,04,95,064	93,13,892	1,09,71,787	98,33,869
November	78,42,330	74,32,663	98,46,645	86,88,914	1,04,78,440	93,82,545	1,10,10,573	99,09,512
December	79,70,876	75,23,619	99,01,997	87,81,010	1,03,70,746	94,65,589	1,09,84,220	99,72,089
January	81,43,302	76,51,321	99,72,639	88,59,125	1,03,57,733	95,23,845	62,60,766	53,63,290
February	83,11,696	77,85,820	1,00,54,283	89,37,644	1,03,72,198	95,83,982	61,32,580	53,83,174
March	84,55,633	79,08,710	1,01,74,978	90,10,093	1,04,27,790	95,91,496	1,07,79,586	95,40,896

Source: https://gst.gov.in

As GSTR-3B is a summary return, there is not much difference in the number of person eligible to file returns in different months, but in January and February 2021, the number of an eligible person to file a return has decreased because of the modification in the rule given by GST council that, the businesses with aggregate turnover of less than 5 crores can file GSTR 3B at quarterly.

In comparison with Table 1, the person eligible to file a return is the same in all the quarterly months but the actual return filed data varies in both the tables. It again proves the non-compliance in filing returns.

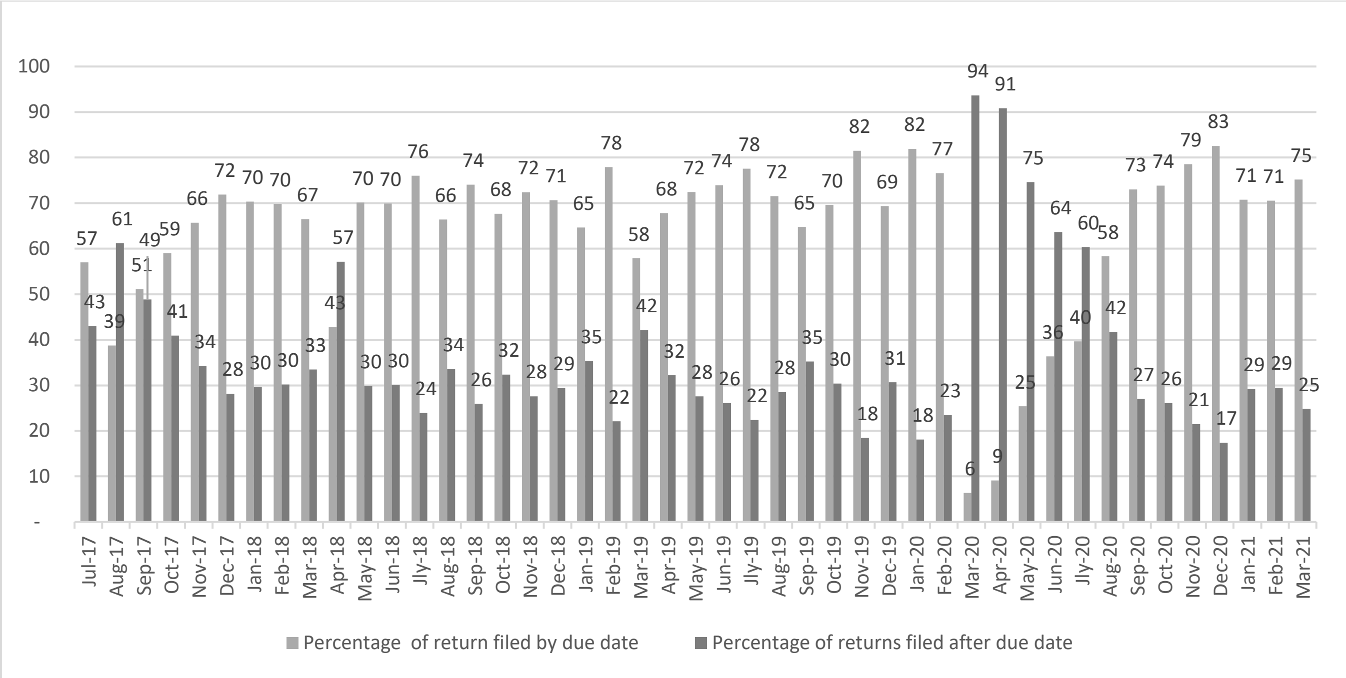
FIGURE 4: PERCENTAGE OF ACTUAL GSTR-3B FILED TO PERSON ELIGIBLE TO FILE GSTR-3B



Source: Calculated Based on Data given in Table-2

Difference in percentage between the person eligible to file GSTR-3B and actual return filed is shown in figure 3. It represents, very little deviation in earlier months of transition and the deviation increased between May 2018 to November 2019 which shows a non-compliance on the part of businesses. Again, from January to March 2021, the deviation was high because of the modification in rules relating to the periodicity of filing returns.

FIGURE 5: PERCENTAGE OF GSTR-3B FILED BY THE DUE DATE AND AFTER THE DUE DATE



Source: Compiled based on data given in: https://gst.gov.in

As indicated in figure 4, 2020 more than 50 percent taxpayers filed GSTR-3B after the due date in August 2017, April 2018, and March 2020 to July. In March and April 2020 this ratio crossed 90 percent. Because of imposition of Lockdown by Central and state governments, on the recommendations of GST Council, Central Government has waived late fee payable under section 47 for February, March, and April 2020, where it has given maximum relief, which is the one reason for the increase in the rate of filing return after the due date during the above specified period.

There is a mismatch between the percentage of filing of GSTR-1 and GSTR-3B in respective months which indicates not just default of the taxpayer but also administrative lacunas (Mukherjee.S., 2020). The difference in the filing of GSTR-1 and GSTR-3B leads to non-compliance in utilisation of ITC. GST administration and compiling mechanism have to be made user-friendly so that, the taxpayer can access easily.

3. MAINTENANCE OF ACCOUNTS AND RECORDS

Chapter VIII of the CGST Act deals with the maintenance of accounts and records. According to Sec.35, every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

(a) Production or manufacture of goods
(b) Inward and outward supply of goods or services or both
(c) Stock of goods
(d) Input tax credit availed
(e) Output tax payable and paid.

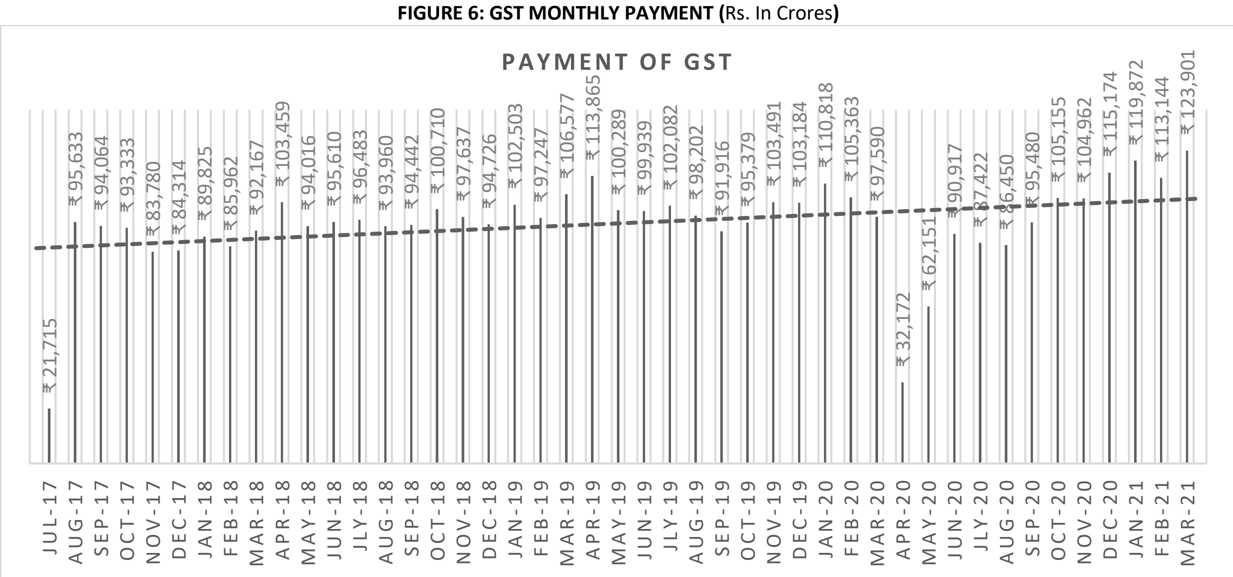
And Sec.36 provides guidelines about the period of retention of records and accounts as mentioned above. In addition, CGST Rule 56 gives directions with regard to the maintenance of accounts and records for every registered dealer. And Rule 57 provides guidelines for the generation and maintenance of electronic records.

4. PAYMENT OF TAX-RELATED COMPLIANCE

A person who has a liability to pay tax on his outward supplies/sales needs to pay the taxes while filing the return (Chapter X of the CGST Act). Sec.49 and 50 states provisions of payment of tax, interest, penalty, and other amounts to be payable by the liable person. And Sec.51 and 52 give provisions related to TDS and Tax collected at source.

Every person is liable to pay tax, interest, penalty, late fee, or any other amount and avail ITC required to maintain different ledgers in Form GST PMT-01,02,03,04,05,06 and 07(CGST Rule 85 to 87).

FIGURE 6: GST MONTHLY PAYMENT (Rs. In Crores**)**

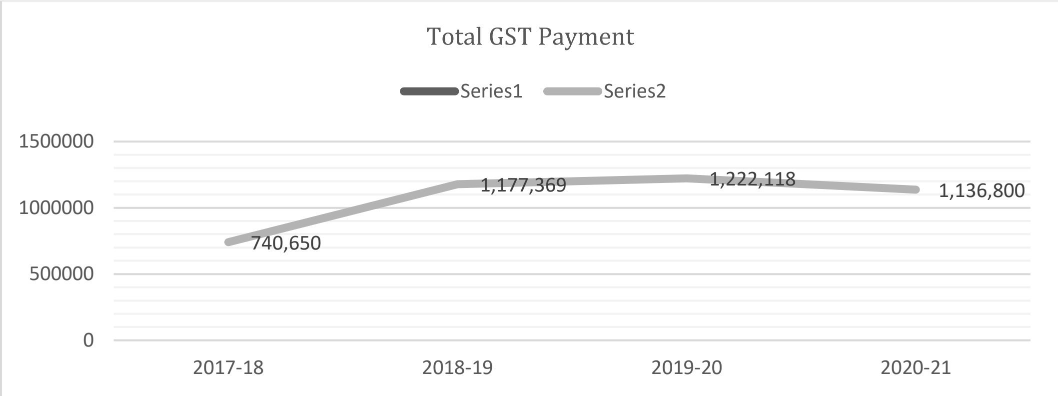


Source: Compiled from data published in https://gst.gov.in

GST paid by taxpayers from July 2017 to March 2021 includes CGST, SGST, IGST, and Cess.

It is clear from the above figure that, the GST collection or payment by the taxpayer has increased over the years wherein, it has shown the highest collection in March 2021 (Rs. 1,23,901 crores) and was lowest in April 2020 (Rs.32,172 Crores) when July 2017(Rs.21,715 crores) does not treat as lowest because of the period of implementation. The possible reason for the lowest tax collection in April 2020 and the second-lowest in May 2020 is the Lockdown due to Covid-19 all over India at different levels. Thereafter the collection shown an increasing trend till March 2021.

FIGURE 7: GST TOTAL PAYMENT (Rs. In Crores**)**



Source: Compiled based on data given in https://gst.gov.in

Total GST collection or payment by the taxpayer has increased substantially from 2017 to 2019-20. But, thereafter in 2020-21, the total tax collection was declined because of the pandemic as Government has given reliefs to taxpayers and the decline in total business turnover due to lockdown.

RECOMMENDATIONS

1. Difference in the filing of GSTR-1 and GSTR-3B need to be addressed by the authorities which ensure for proper utilisation of ITC.
2. Non- compliance concerning the filing of return by due date is required to be controlled by understanding the reasons for the delay in filing and addressing those reasons.
3. To avoid fraudulent ITC claims, administrators have to ensure the reconciliation of data across different returns.
4. To ensure more compliance among the taxpayers, administrators have to step into the allocation of compliance rating as proposed in GSTN as early as possible.

CONCLUSION

The Non-compliance among businesses was evidenced concerning the filing of returns. With all other compliance factors, it is advisable to follow compliance requirements and avoid any penalty and/ or prosecution stated in Sec.122 to 138 of the CGST Act. Being compliant also helps the taxpayer to get a good compliance rating which will be calculated and provided by tax authorities. It is planned to announce the compliance ranting in the GSTN portal to choose the compliant trader with whom one has to transact.

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SECTORIAL ANALYSIS OF BUDGET 2022-23 WITH SPECIAL REFERENCE TO EMPLOYMENT GENERATION

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ABSTRACT
The 2022-23 Budget came across as a simple, uncluttered Budget which did not get into any complex restructuring of the tax regime, and instead seemed to focus on increasing government expenditure to boost investment and economic growth. There have been allotments to various sector for their growth and advancement. Unemployment has become a severe issue during the last two years of COVID-19 pandemic. So, the present paper aims to analyse the sector wise distribution of Union Budget 2022-23 and its impact on employment generation.

KEYWORDS
budget, government expenditure, investment, economic growth, employment generation.

JEL CODES
E66, H60.

INTRODUCTION
Growth-oriented and pro-development, India's Union Budget 2022-23 seeks to lay down the foundation of the economy for the next 25 years. Despite repeated waves of the COVID-19 infection, supply-chain disruptions and inflation, the Indian economy is expected to register a growth rate of 9.27 per cent in the current financial year, implying that the overall economic activity has recovered from the pre-pandemic levels.

It is important to grasp the macroeconomic context in which the Budget was presented. Four points are particularly significant. First, economic activity seems to be back to its pre-pandemic level. But we have now lost two years of growth. This can prove very costly for an emerging economy like India, especially since it was not faring well before the pandemic. There are measurement problems in the official GDP (gross domestic product) data, but all reliable indicators show that the economy had been slowing down for decades preceding the pandemic. Investment by the private sector had been stagnant, consumption demand had been weakening, and export performance was poor. Apart from government consumption expenditure, all other engines of growth were languishing, and unemployment had gone up. Secondly, even during the current economic recovery, one of the main engines of growth – private investment demand – has continued to be sluggish, and capacity utilisation has not improved. While export performance has been impressive, much of this can be attributed to recovery of the developed economies from the pandemic and hence might prove to be a transient phenomenon once their growth slows to more sustainable levels. The increase in the value of Indian exports was also partly due to rising prices rather than increase in volumes.

OBJECTIVES
1. To analyse the sector-wise allotment of union budget 2022-23.
2. To evaluate the impact of budget on employment generation.

RESEARCH METHODOLOGY OF THE STUDY
The paper aims at analysis of Union Budget 2022-23, mostly secondary data is used. Various web sources have been used to study the impact of budget on various sector and its impact on employment. Sector wise analysis gives clear picture of available employment opportunities in that area so as to make it attractive and helpful for youths.

SECTOR-WISE DISTRIBUTION OF UNION BUDGET 2022-23 AND ITS IMPACT ON EMPLOYMENT
Amid lingering global headwinds and economic uncertainty, finance minister Nirmala Sitharaman continued to prioritize growth over fiscal consolidation for the second straight year, sharply expanding capital and infrastructure spending in the Union Budget for the year starting 1 April.

RURAL ECONOMY
PROPOSALS: To boost consumption and empower the rural economy, the finance minister has announced several measures such as support for millet production, reduced dependence on imported oilseeds, finance start-ups for agriculture and rural enterprise pertinent to the farm produce value chain. Customs exemptions on implements and tools for the farm sector have also been rationalized to boost domestic manufacturing.

IMPACT: The government's impetus on PM Gatishakti plan to build world class infrastructure and logistics is likely to give boost to the consumer sector supply chain over a longer term. Further, custom duty rates have been rationalised on parts of mobile phones (including camera modules), wearables/ hearables devices, loudspeakers, etc. to facilitate domestic electronics manufacturing. To incentivize exports, exemptions have been provided on items relevant to textiles sector.

BANKING
PROPOSALS: The government has proposed to introduce a digital rupee—using blockchain and other technologies—issued by the Reserve Bank of India (RBI) starting 2022-23 for more efficient and cheaper currency management system. Further, to help micro, small and medium enterprises (MSMEs) impacted by the pandemic, the credit guarantee fund trust for micro and small enterprises (CGTMSE) will be revamped with additional credit of ₹2 trillion and thereby expand employment opportunities. Post office accounts will be brought under the coverage of core banking.

IMPACT: The budget proposals are aimed at boosting credit growth of both banks and non-banking financial companies (NBFCs), with schemes announced across various sectors including affordable housing, transportation and logistics, and electric vehicles (EVs), etc. With 1.5 lakh post offices coming under core banking, more than 35 crore post office deposit accounts will come into the mainline banking and payments system. The proposal for 75 digital banking units in 75 districts is a small step but a definite push towards digital banking. 'Digital Rupee' is another step towards the government's adoption of digital as means of transaction banking. (KPMG)

ELECTRIC VEHICLES
PROPOSALS: The finance minister has announced a new battery swap policy to encourage electric vehicle (EV) adoption. The government also proposed to open up defence research and development (R&D) to private players for auto component development.

IMPACT: A policy for battery swapping will aid in reducing the upfront ownership cost of EVs, thereby driving customer preference towards such vehicles. This policy is also expected to encourage private sector to develop sustainable and innovative business models for 'Battery or Energy as a Service'. Further, interoperability standards will build efficiency in operation of charging infrastructure for EVs. The government will facilitate special mobility zones for EVs as well as push for clean tech and electric vehicles in public transport. These changes, along with recently announced production linked incentives (PLI) for EVs, would give the necessary fillip to EV revolution in India.

DEFENCE

PROPOSALS: The budget has proposed the highest ever allocation for the defence sector at ₹ 5.25 trillion for FY 2022-23, with a significant increase of about 10% from last year vis a vis a nominal increase of 1.45% in 2021-22.

IMPACT: The proposals will go a long way in modernizing the Indian armed forces further, while ensuring the current government's commitment to reduce dependence on import of defence equipment. Another notable update in the area of defence is the opening up of defence research and development (R&D) for industry, startups and academia by earmarking 25% of defence R&D budget for them. This is a positive move which will help to leverage the capabilities of the private industry in defence research. Additionally, an independent nodal umbrella body will be set up for meeting wide-ranging testing and certification requirements. In order to avail the preferential 15% corporate tax rate, the deadline for commencement of manufacturing operations is proposed to be extended to 31 March 2024 (from 31 March 2023).

HEALTHCARE/PHARMA

PROPOSALS: The government has made a path breaking move with the introduction of Ayushman Bharat Digital Mission in Budget 2022 to ensure universal access to healthcare facilities to all Indian citizens in the longer run. However, there has been no policy amendments to facilitate private participation to provide an impetus in strengthening the overall healthcare infrastructure and accessibility to healthcare services.

IMPACT: The government has extended the benefit of concessional tax regime for manufacturing companies. The government has also considered pharmaceutical sector as one of the sunrise opportunity sectors that will benefit from future supportive policies, among other things. The government, however, did not consider the long-standing demand/expectation of industry to incentivise research and development needed to enable India to move from being an incremental innovator to becoming a global player in innovative drugs. (EY)

REAL ESTATE

PROPOSALS: Affordable housing was clearly in focus, with the finance minister announcing the allocation of ₹48,000 crore under the Pradhan Mantri Awas Yojana. Around 8 million houses are expected to be completed by 2023 across the country.

IMPACT: From a policy perspective, the allocation to the PM Awas Yojana and the intent to reduce time for obtaining construction approvals as well reduce the cost of capital for consumers, credit guarantee of ₹50,000 for the hospitality sector are all welcome measues. The proposal to replace the Special Economic Zone (SEZ) Act with a legislation that would permit states to partner in creating enterprise and service hubs and the push for digitization of land records are also laudable. The budget has also proposed the rationalization of tax withholding provisions relating to purchase or rental of properties and including units of Real Estate Investment Trusts (REITs) within the bonus stripping/ dividend provisions. (EY)

METAL & MINING

PROPOSALS: The budget has proposed an increase in outlay for capital expenditure. It also proposed the setting up of four pilot projects for coal gasification and conversion of coal into chemicals.

IMPACT: The increase in outlay for capital expenditure may provide the much-needed impetus to mining and metals (M&M) industry which forms the backbone around which blueprints for capital expenditure are drawn up. The pilot projects for coal gasification and conversion of coal into chemicals will boost the transition to a carbon neutral economy. A slew of measures has also been announced from indirect tax perspective such as extension of customs duty exemption on import of steel scrap by another year (up to 31 March 2023) and revocation of anti–dumping and countervailing duty on specified steel products. (EY)

RETAIL

PROPOSALS: Though there was no specific proposal for this sector, the thrust on employment, infrastructure and financial inclusion is expected to boost consumption over the medium term. The 1.5 lakh post offices into the core banking system is a positive particularly for rural India and a higher minimum support price (MSP) allocation will drive consumption of fast-moving consumer goods (FMCG) products in the hinterland.

IMPACT: With an estimated gross domestic product (GDP) growth of over 9%, and the initiatives in the budget, consumer goods companies could expect an increase in consumption over the short to medium term driven by the thrust on investment, employment, and financial inclusion. We could also see an uptick in rural consumption, driven by the budgetary allocations towards infrastructure building. Rationalization of import duties as part of "Make in India" initiative is likely to give a strong impetus to consumption bringing sustainable growth for consumer, e-commerce and retail sector. For the retail sector, reeling under the pandemic, the budget has very little direct support to offer. The direct and short-term benefits with respect to "putting more money in consumer wallets" or special subsidies or support to industry in general seem to have got lesser emphasis. (EY)

GREEN ENERGY

PROPOSALS: The government will launch sovereign bonds and increase the funding for solar equipment. It will also install 500 gigawatts (GW) of non-fossil capacity by 2030, reduction in emission intensity of GDP by 45% over 2005 levels, source 50% of the electricity from non-fossil by 2030 and reduction in carbon emission by 1 billion tonnes till 2030 and achieving net-zero by 2070.

IMPACT: The budget is inclusive and focused on sustainable development of a climate-adaptive and resilient Indian economy. It aims at digitally integrating participative economic planning with support from and efforts of all stakeholders. It builds the base for a technology- and innovation-led economy – driving design-led manufacturing, renewable growth, improving logistics efficiency, clean mobility, storage and battery solutions for the transition to electric vehicles, developing AgriTech solutions, transforming health and education sectors, and achieving financial inclusion. It supports the development of sunrise business areas and reduction of carbon intensity by supporting the emergence of technology and innovative financing ecosystems. It has a clear direction around stimulating a circular economy by developing a policy and regulatory framework, and facilitating innovation. (PwC)

TEXTILE

PROPOSALS: The custom duty exemptions announced on items such as embellishment, trimming, buttons, zipper, lining material, and packaging boxes would benefit apparel exporters. The extension of emergency credit guarantee scheme for micro, small and medium enterprises (MSMEs) for one more year and increasing the guarantee by ₹50,000 crore.

IMPACT: The abolishing of concessional duties on imported capital goods, especially for fabric manufacturing and processing will increase the capital cost of new projects / replacement of existing machineries till such machineries are manufactured in India. There are no major announcements specific to the textiles sector, after the big-ticket announcements on production linked incentives (PLI) for textiles focusing on man-made fibre and technical textiles and the Mega Textile Park (PM-MITRA) schemes last year. While phasing out of customs duty exemption on fabrics will support the growth of domestic textiles manufacturing in the long run, it is expected to adversely impact the competitiveness of apparel exporters in the short run. The extension of emergency credit guarantee scheme for MSMES for one more year and increasing the guarantee by ₹50,000 crore is also expected to benefit over 50 lakh MSME units in textile and apparel sector.

CHEMICAL

PROPOSALS: Reduction of customs duty on certain critical chemicals namely, methanol, acetic acid and heavy feed stocks for petroleum refining, while increasing the duty on sodium cyanide. To promote blending of fuel, the government proposes to charge an additional differential excise duty of ₹2 per litre from 1 October 2022 on unblended fuel.

IMPACT: The changes in the customs duty of petrochemical and petroleum feedstocks used by domestic manufacturers result in reduced cost of inputs and correction of the inverted duty structure. Setting up of pilot projects for coal gasification and conversion of coal into chemicals are important, primarily to reduce dependence on methanol and acetic acid, which top the list of imported chemicals in terms of volume. The lack of availability of cheap natural gas, guarded nature of technology and stiff competition from the Middle East and China are the major barriers to methanol and acetic acid production. Reduction in basic custom duties for these chemicals will help in the development of downstream value chain till the time some commercial capacities come online. The focus is to continue to remove anomalies and challenges in the indirect tax regime, especially the inverted duty structure, which impedes the Make in India policy. (PWC)

TELECOM

PROPOSALS: Spectrum auctions will be conducted to roll out 5G services and a scheme for design-led manufacturing in 5G will be launched. The national capital will also launch a scheme for design-led manufacturing to boost 5G. To enable affordable broadband and mobile service proliferation in rural and remote areas, 5% of annual collections under the universal service obligation (USO) fund will be allocated.

IMPACT: Auctions for 5G spectrum and roll-out will happen in the fiscal year 2022-23. The roll-out across the country will also happen much faster than other previous generation roll-outs with the completion of fibre network in all villages by 2025. Focus on digital education including digital universities will further push the need for high-speed broadband. While the details of the production linked incentive (PLI) for design-led manufacturing in the 5G space are awaited, it could be broadened beyond manufacturers to the telecommunication service providers (TSPs) and telecom infrastructure players. Also, the USO funds have historically been used for the rural infrastructure roll-out. A 5% allocation towards research and development and commercialization of the technology could help some of the indigenous niche players building up technologies around O-RAN and private networks. (Deloitte)

INFRASTRUCTURE

PROPOSALS: The PM Gati Shakti National Master Plan announced with an aim to making logistics connectivity seamless. The national highways network will be expanded by 25,000 km, with an outlay of ₹20,000 crores via financing. A scheme for expressways will be formulated to facilitate faster movement of people and goods. Railways will develop new products and logistics services for small farmers, and small and medium enterprises.

IMPACT: The Gati Shakti initiative highlights the importance of quality multi-modal transport in achieving overall cost competitiveness. With global studies pegging India's average logistics costs at around 14% of GDP as against 8-9% for advanced economies, this is clearly a factor which needs to be addressed for attracting quality anchor investors across sectors. Infrastructure financing has also been mainstreamed, with particular focus on environment and sustainability, as evident from the announcement around green bonds, focus of National Infrastructure and Investment Fund (NIIF) and National Small Industries Corporation (NSIC) Fund of funds on the renewables sector, etc. For the rural economy and social sector in particular, the budget refers to blended finance as an option. This would again be linked to the Social Stock Exchange, an initiative announced earlier. (Deloitte)

CAPITAL GOODS

PROPOSALS: The government is planning a gradual phase out of concessional tariff rates offered for capital goods and project imports. The Budget 2022-23 has proposed a 7.5% tariff on all such products and services. Exemptions are being introduced on inputs, like specialised castings, ball screw and linear motion guide, to encourage domestic manufacturing of capital goods.

IMPACT: The production linked incentive (PLI) schemes and other government measures have augmented investments in various sectors like food, textile, electronics, chemicals, etc. However, the dependency on import of capital goods still continues. Increase in customs duty on capital goods in these sectors would mean that such investments would be dearer and thereby also affect cash flows and profitability. Thus, companies would have to look at options to reduce such an impact. The increase in duties would enable a twofold benefit. One, companies would now try to procure capital goods locally. Two, Indian companies and the MNCs would now look at greenfield and brownfield expansion in the capital goods sector as well.

IT

PROPOSALS: Blockchain-enabled digital currency will be issued by the Reserve Bank of India starting 2022-23. The government is promoting digital economy, digital health eco-system and e-passport, amongst others to drive India's growth.

IMPACT: Nearly every sector is expected to receive digital impetus driving further growth in technology and related sectors. The number of digital initiatives planned (digital currency, PM Gati Shakti, e-passport, Kisan drone, etc.) are not incremental but transformational and will require a build-up of a complete ecosystem creating significant direct and indirect opportunities for the Technology and business process management sector. Many of these proposals will have significant downstream opportunities for software, hardware, and services companies. The government plans to make financial services available to everyone with planned connectivity of 1.5 lakh post offices to core banking systems. Digitalization of financial services will not only reduce the cost of services but will also make it available to a larger base. This, along with the digitalization opportunities available across different industries, will likely give rise to entrepreneurship and startup ecosystem. (KPMG)

AGRI & ALLIED SERVICES

PROPOSALS: The government will promote the use of 'Kisan Drones' for crop assessment along with chemical-free farming. National Bank for Agriculture and Rural Development (NABARD) will finance start-ups for agriculture and rural enterprises and these start-ups will include inter-area support for farmer-producer organisations, machineries for farmers on a rental basis at the farm level and technology including invitee base.

IMPACT: On agriculture, some new age reforms like delivery of digital and hi-tech services to farmers in public private partnership mode, use of Kisan drones to aid farmers have been announced. Also, to encourage start-ups in the business of leasing machinery for farmers, and providing technology including IT-based support, announcement of launch of new fund has been made. Similarly, proposal on steps for promotion of chemical-free natural farming, updating the syllabus of agricultural universities to meet the needs of natural, organic farming, modern-day agriculture has been made. To increase domestic production of oilseeds and reduce dependence on imports, proposal to implement a rationalized and comprehensive scheme has been made. From tax perspective, announcement on review of concessional customs duty rates on capital goods has also been made. (KPMG)

CONCLUSION

In a nutshell, given the domestic and global macroeconomic context, the capex push by the government in the Budget seems to be a step in the right direction. However, the rationale behind the Budget's continued focus on import substitution and associated protectionism is questionable. In view of this, the Budget appeared to lack a coherent growth strategy, which was the need of the hour – especially given the high levels of government debt.

In view of the massive borrowing programme announced in the Budget, relaxation of capital controls to encourage greater foreign investment in government bonds has become imperative. The RBI has made some announcement in this regard when it presented its monetary policy on 10 February 2022, but much more needs to be done given the quantum of borrowing requirement.

The government has taken a bet that the capex push would lead to jobs and growth. If it pays off, then it would be favourable for the economy. But if not, then the economy would be left with a high fiscal deficit, a large amount of debt, growing inflationary pressures, and potentially a rising current account deficit which would not be a good combination of macroeconomic indicators at a time when the US Federal Reserve is about to start tapering.

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