




UNION BUDGET
2022-23

UAE-India Business Council (UIBC)
(February 2022)

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INDIAN ECONOMY: A QUICK SNAPSHOT

Last 2 years have been particularly challenging for the Indian economy due to COVID - 19 pandemic, repeated waves of infection across the world leading to supply - chain disruptions & inflations. The Indian economy has shown sustained recovery in 2020 - 21, despite of a much severe second wave during April 2021 to June 2021

GDP GROWTH

Growth is estimated at 9.2% for FY22. GDP projected to grow by 8- 8.5 in FY 23. Gross value add in agriculture and industry is estimated to grow by 3.9% and 11.8%, respectively. Gross investment and exports will be the bigger growth drivers

INFLATION

CPI averaged at 5.2% in April–December 2021, driven primarily by food inflation and high fuel prices

FISCAL DEFICIT

The fiscal deficit reached 46.2% of the full year target during April–Nov 2021, amidst a rise in tax collections. The deficit for FY22 is expected to be 6.9% of GDP. The fiscal deficit in FY 23 is estimated at 6.4% of GDP

CAPITAL EXPENDITURE

The outlay for public capital expenditure has been increased by 35.4% to INR 7.50 lakh crore in 2022-23 from INR 5.54 lakh crore in 2021-2022

Inflation

RBI kept the repo rate unchanged at 4% since May 2020; continues with an accommodative monetary policy stance

FDI

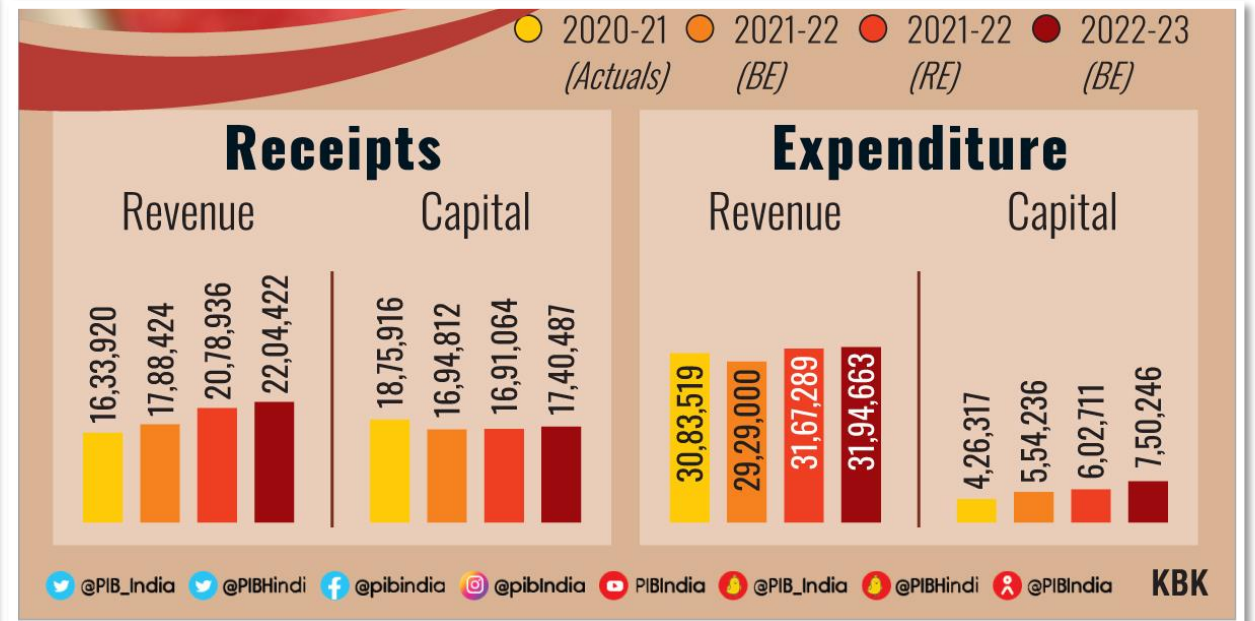
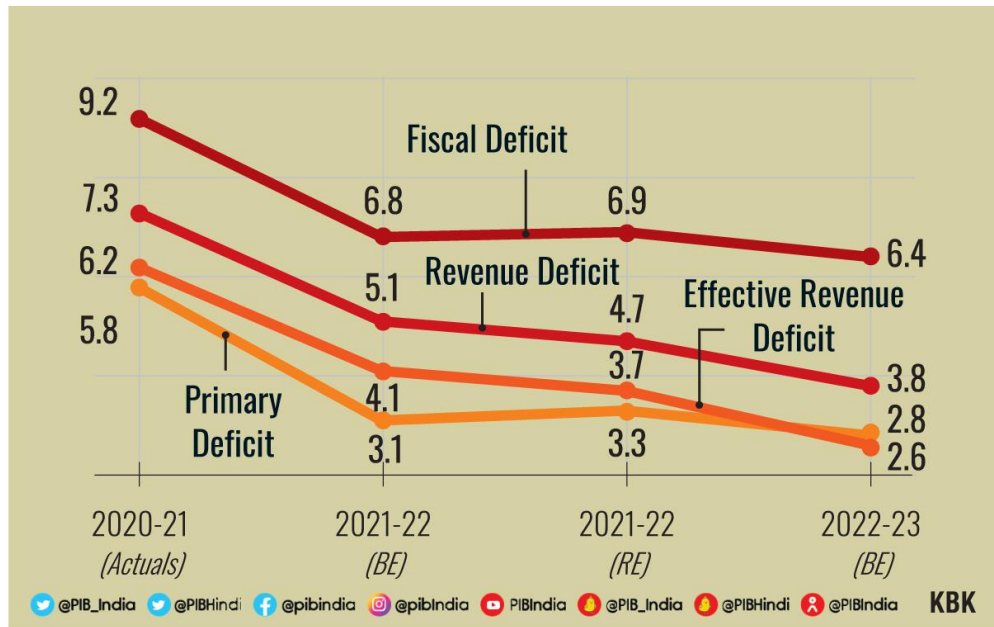
In FY 2020-21, India received its highest-ever annual FDI inflow of USD 81.97 billion (provisional), up 10% from the previous year

BUDGET AT A GLANCE

Union Budget 2022-23, presented by Hon'ble Finance Minister of India, Smt. Nirmala Sitharaman on 1st February 2022 builds on the vision set out in the previous budgets and provides a blueprint for steering the economy towards a **sustained high-growth trajectory in the 25 year long lead-up to India @100.**

The Indian Government has projected **growth at 8% to 8.5%** compared with an estimated **9.2%** for the current fiscal year and a 6.6% contraction the previous year. **Total expenditure in 2022-23 is estimated at INR 39.45 trillion.**

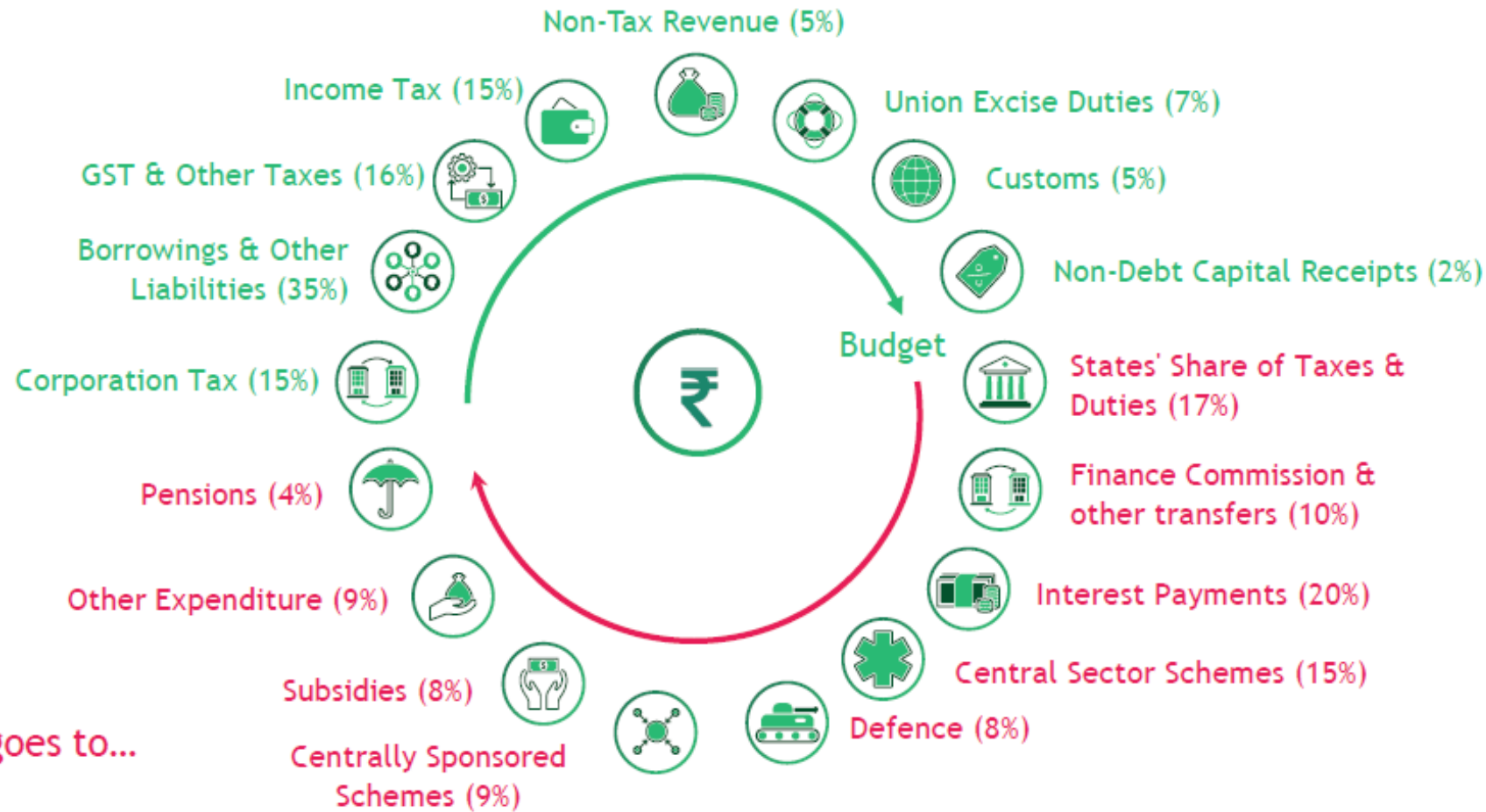
In light of the various waves of the COVID, the Budget 2022 has doled out various reforms and long-term vision for the Indian economy under the **"Amrit Kaal"** roadmap which showcase India's intent for inclusive growth and reforms and zeal towards the digital economy and sustainable eco-friendly growth!



% of GDP

in crores

Rupee comes from...



Rupee goes to...

BUDGET THEME

Budget 2022-23

Blueprint for futuristic and inclusive development

Public Investment for modern infrastructure

This Budget seeks to lay the foundation and give a blueprint to steer the economy over the **Amrit Kaal** of the next 25 years - from India at 75 to India at 100

FOUR PILLARS

PM Gati Shakti
Improve
Infrastructure,
Agri,
Food, Education
and Health.

Development
Focus on
Inclusive
developments

OPPORTUNITIES
Productivity
Enhancement and
Investment, Sunrise
Opportunities,
Energy
Transition and
Climate Action

FINANCE
Provide finance
facilities for
investments.

UNION BUDGET FY22-23 RESTS ON 4 PILLARS

PM Gati Shakti (National Master Plan)

- Seven engines identified: Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure
- Master Plan to be formulated for expressways by constructing 25,000 km national highways in FY 2022-23
- 4 multimodal logistics parks to be awarded through PPP in FY 2022-23
- Postal & railways network to be integrated
- Increased focus on infrastructure projects

Digital capabilities for Inclusive Development

- Post Offices to be included in the core banking system
- Digital Banking Units (DBU) to be setup in 75 districts
- 80 Lakh houses to be constructed in FY2022-23
- 3.8 Cr households to be covered
- Development of lagging blocks of aspirational districts

Productivity Enhancement, Energy Transition and Climate Action

- Central and state level systems to be integrated through IT bridges
- Centre of excellence in urban planning to be established
- Battery swapping policy to be setup as an alternative to charging stations in urban areas
- Defence R&D to be opened up for industry, startups and academia
- Support to 5G under PLI Scheme
- Chip embedded e-passports to be issued

Financing of Investments

- Greater fiscal space to be provided to States for Capital Investment
- Green bonds to be issued to mobilize resources for green infrastructure
- Digital Rupee to be introduced by RBI
- Public investment to continue to pump prime private investment and demand
- Measures to be introduced to aid Venture Capital and Private Equity investment

PRODUCTIVITY ENHANCEMENT AND INVESTMENT

EASE OF DOING BUSINESS 2.0

- ✿ Establishment of Centre for Processing Accelerated Corporate Exit (C-PACE) to facilitate voluntary winding up of companies from 2 years to 6 months
- ✿ Launch of end-to-end online e-Bill System and utilizing surety bonds in government procurement
- ✿ Expanding scope of PARIVESH Portal to allow application of all 4 green clearances in a single form
- ✿ Unique Land Parcel Identification Number for IT based management of land records
- ✿ Trust based governance to be implemented
- ✿ Integration of central and state level systems through IT bridges

PRODUCTIVITY ENHANCEMENT AND INVESTMENT

EXPORT PROMOTION

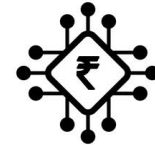
- ✿ **Special Economic Zones Act** to be replaced with a new legislation with an objective of optimally utilizing available infrastructure and enhancing competitiveness of exports
- ✿ A **simplified regulatory framework** to be implemented by June this year to facilitate export of jewellery through e-commerce
- ✿ **Large existing and new industrial enclaves** to optimally utilize available infrastructure and enhance competitiveness of exports
- ✿ To **incentivize exports**, exemptions being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes

KEY HIGHLIGHTS

The Union Budget presented for FY 2022-23 highlighted the Govt.'s pro-growth stance & structural reforms taken/to be taken in that direction



5G Telecom services to be rolled out in India by 2023, auctions for spectrum to be conducted in this year



Digital Rupee to be issued by RBI using Blockchain Technology, making India one of the first countries to do so



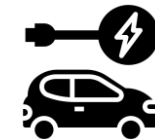
E-Passports with embedded chips will be rolled out in 2022-23



INR 2.37 lakh crore worth of MSP direct payments to farmers across the country for grain procurement



80 lakh affordable houses will be completed at INR 44,000 crore under PM Awas Yojana



Electric vehicle battery swapping policy will be implemented



'One Nation, One Registration' will be established for a registration form to facilitate ease of living and doing business

KEY ANNOUNCEMENTS INFRASTRUCTURE

- ✿ National Highways network to be expanded by 25,000 kms in 2022-23, allocation to MORTH has been increased by 30%
- ✿ 2,000 KM of rail network will be brought under 'Kavach' i.e., the indigenous world-class technology for safety and capacity augmentation in 2022-23.
- ✿ 400 new-generation Vande-Bharat trains to be developed in next 3 years
- ✿ 100 cargo terminals for multimodal logistics to be developed
- ✿ Sovereign Green Bonds to be issued to mobilize capital for infrastructure projects



SECTOR IMPACT

Gati Shakti Master Plan integrates state and center projects, thereby bringing efficiency in the sector

Initiative to undertake sustainable infra development through launch of green bonds

Creation of new product and cargo terminals offers opportunities to MSMEs and logistics companies

KEY ANNOUNCEMENTS

AGRICULTURE AND FOOD PROCESSING

- ✿ **Kisan Drones** to be used for crop assessments, digitization of land records, spraying of insecticides, and nutrients
- ✿ **New fund to be set up through NABARD** to finance start ups for agriculture and rural enterprise
- ✿ **Ken Betwa Link Project** to be implemented at an estimated cost of INR 44,605 crore for providing irrigation benefits and increased drinking water supply
- ✿ **Rationalized and comprehensive scheme** to increase domestic production of oilseeds to be implemented
- ✿ **Chemical free natural farming** to be promoted throughout the country with a focus on corridor alongside Ganga river



SECTOR IMPACT

Push towards Ag-tech revolution to enhance to enhance Agri value chain

Push towards greater sustainability in Agri through promotion of chemical free farming

Co-opt private sector participation and promote start-ups to create the required impetus on digital and technology

KEY ANNOUNCEMENTS

BANKING, FINANCIAL SERVICES AND INSURANCE

- ✿ The Reserve Bank of India to issue 'digital rupee' backed by blockchain
- ✿ Scheduled commercial banks to set up 75 digital banking units in 75 districts
- ✿ 1.5 lakhs post offices to connect with core banking system enabling financial inclusion
- ✿ World-class foreign universities and institutions allowed in the GIFT City to offer various courses to facilitate availability of high-end human resources for financial services and technology
- ✿ For timely settlement of disputes under international jurisprudence, International Arbitration Centre to be set-up in GIFT city



SECTOR IMPACT

Budget has provided impetus for sustainable growth of financial services sector

Digital rupee will give boost to the digital economy and lead to more efficient, cheaper currency management

Initiatives on financial inclusion agenda will go a long way to build an open, digital and inclusive India with a long-term vision

KEY ANNOUNCEMENTS

HEALTHCARE

- ✿ **National Tele Mental Health Programme** with 23 centres to be set up for better access to quality mental health counselling and care services
- ✿ An open platform for the **National Digital Health Ecosystem** to be established to strength accessibility and transparency of healthcare delivery
- ✿ **Pharmaceuticals** identified as a **sunrise industry**. Supportive policies, light-touch regulations, facilitative actions to build domestic capacities, and promotion of R&D will be in focus
- ✿ **Integrated Architecture:** Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0
- ✿ **2 lakh Anganwadis** to be upgraded to **Saksham Anganwadis** with better infrastructure, audio-visual aids, clean energy and improved environment for early child development



SECTOR IMPACT

Strong commitment towards universal access to healthcare through the rollout of the National Digital Health Mission and the National Tele-Mental Health Programme

KEY ANNOUNCEMENTS

TELECOM

- ✿ Spectrum auctions to be conducted in 2022 to facilitate roll out of 5G mobile services in FY 2022-23 by private telecom operators
- ✿ Scheme for design led manufacturing under PLI scheme to be launched to build a strong 5G ecosystem
- ✿ Contracts for laying optical fibre in villages to be awarded under BharatNet project under PPP in 2022-23
- ✿ 5% of annual collections under the Universal Service Obligation fund (USOF) to be provided for R&D and technology upgradation and ensure affordable broadband and technology proliferation in rural India
- ✿ e-Passports with embedded chip and futuristic technology to be rolled out in 2022-23 for convenience in overseas travel



SECTOR IMPACT

E-passports to push digitalization in the aviation sector

Design-led initiatives for 5G under the PLI scheme and 5% of Universal Service Obligation Fund for R&D purposes is likely to support the 'Make in India' story, contributing to making India a manufacturing hub

The announcement around the 5G spectrum auction and 100% fiberization led by the PPP model is expected to provide an impetus to build ubiquitous and robust internet connectivity, thereby, bridging the digital divide & establishing a conducive environment for growth across industries

KEY ANNOUNCEMENTS

DEFENCE

- ✿ 68% of capital procurement budget in defence to be earmarked for domestic industry in 2022-23 up from 58% in 2021-22
- ✿ Defence Research & Development (R&D) to be opened up for industry, Start-ups and academia with an allocation of 25% of total Defence R&D budget
- ✿ An independent nodal umbrella body to be set up for testing and certification of indigenous defence equipment
- ✿ Private industry encouraged to take up design and development of military platforms and equipment with DRDO etc. through SPV model
- ✿ Reduction of customs duty on components or parts including engines for manufacture of aircraft by DPSUs



SECTOR IMPACT

Creation of a nodal agency for the testing and certification necessities of defence equipment would work towards timely processes and bring cost efficiencies

25% of the R&D budget for the aerospace and defence ecosystem will infuse investments into private sector innovation, design and development

KEY ANNOUNCEMENTS

EDUCATION

- ✿ Digital University for world-class quality universal education with personalized learning experience to be established
- ✿ DESH stack e-portal to be launched for skilling of citizens through online training
- ✿ PM eVIDYA's program '1-Class-1-TV Channel' to be expanded from 12 to 200 TV channels
- ✿ Competitive mechanism for development of high-quality e-content by teachers to be delivered through various modes
- ✿ Virtual labs and skilling e-labs to be set up to promote critical thinking skills and simulated learning environment



SECTOR IMPACT

Increased flexibility in pursuing and access to education programs

Increased supply of skilled labour force

Improvement in learning outcomes, especially in rural and marginalized regions

KEY ANNOUNCEMENTS

MSMEs

- ✿ Emergency Credit Line Guarantee Scheme (ECLGS) extended up to March 2023 with an increased guarantee cover to INR 5 lakh crore, with a focus on the hospitality and related enterprises
- ✿ Raising and Accelerating MSME performance (RAMP) programme with outlay of INR 6000 Crore to be rolled out over 5 years
- ✿ Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme to be revamped with additional credit of INR 2 lakh Crore
- ✿ MSMEs such as Udyam, e-shram, NCS, and Aseem portals to be interlinked, scope widened



SECTOR IMPACT

Rolling out of RAMP programme will help the MSME sector to become more resilient, competitive and efficient

Extension of ECLGS scheme would help mitigate risks and offer the much-needed support to the pandemic battered MSME sector

KEY ANNOUNCEMENTS

STARTUPS

- ✦ Start-ups to be promoted to facilitate 'Drone Shakti' through various applications and to promote drone-as-a-service across industries
- ✦ Executive committee to be set up for examination of regulatory framework to scale up investments in start up ecosystem
- ✦ Period of incorporation extended by one year, up to 31.03.2023 for eligible start-ups to avail tax incentives
- ✦ Significant allocations under various PLI schemes in 2022-23
- ✦ Defence R&D to be opened for industry, startups and academia



SECTOR IMPACT

While drones are already being used in the agri sector (crop assessments, land records) and railway security, their use is likely to spread to other industries

Overall, very positive budget for the start-up ecosystem. The government has put a fine balancing act, and this will pave the way for many aspiring businesses and give an impetus to startups

KEY ANNOUNCEMENTS

GREEN ECONOMY

- ✿ Sovereign green bonds to be issued for mobilizing resources in green infrastructure
- ✿ Battery Swapping Policy to inter operability standards to be formulated to overcome space constraints in urban areas to setup
- ✿ Allocation of INR 19,500 crore for the manufacture of high-efficiency solar modules under PLI scheme
- ✿ 4 pilot projects for coal gasification and conversion of coal into chemicals to be set up
- ✿ Complementing public transport with clean technology, special mobility zones with zero fossil fuel policies & EVs



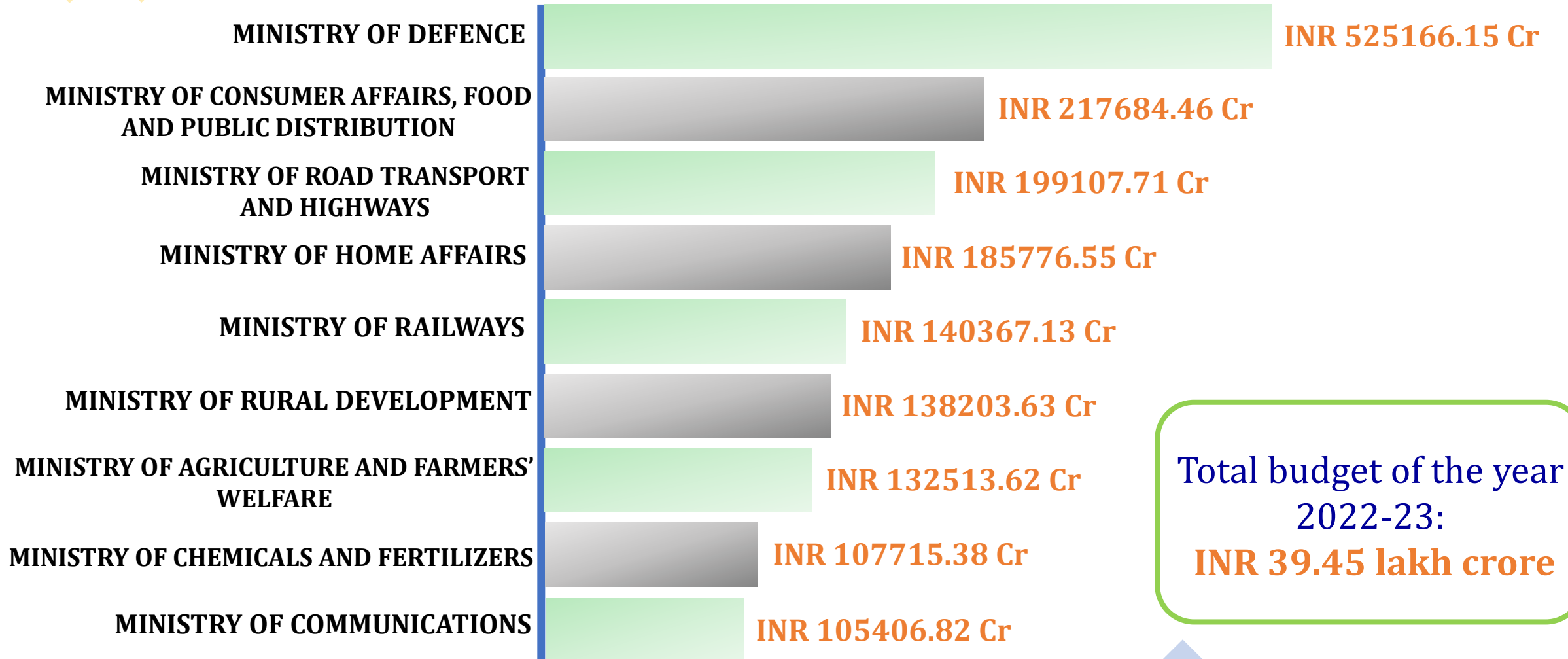
SECTOR IMPACT

Battery swapping technology and zero emission zones to catalyze adoption of EVs

Increase in investment in EVs is expected with rise in demand from public transport sector

Positive impact and encouragement for current and new players who can adopt battery swapping technology and develop sustainable and innovative business models for battery or energy as a service, especially for last mile connectivity

MINISTRY WISE ALLOCATIONS



Total budget of the year
2022-23:
INR 39.45 lakh crore

Tax Announcements

1%

TDS on transfer of visual digital assets

30%

The rate at which digital assets will be taxed, serves in conjunction with other efforts to control the Crypto market

15%

The cap set for tax to be collected off income from Long Term Capital Gains (LTCG)

14%

The updated tax limit for employer's contribution to National Pension System (NPS) account of state government employees, up from 10%

7%

The proposed amount of new reduced surcharge for cooperatives, belonging to the income range of 1-10 Crore, previously 12%

15%

The new alternative minimum tax for cooperative societies, down from 18.5%

INR 1.4 Lakh Cr

Worth of GST collected in Jan 2022, highest ever collection since the inception of GST

2 year

Window for revised and/or updated return filing, in case of errors ranging from misstated values and omitted elements

Zero

Changes in income tax rate and tax slabs

BUDGET 2022-23

ANALYSIS

The Indian Government provided a roadmap towards economic stability and growth through its well-balanced budget 2022-23 presented by Smt. Nirmala Sitharaman, Hon'ble Finance Minister of India on 1st February 2022. The Union Budget focused on key infrastructural measures, inclusive growth, and sustainable development.

With the pandemic still a larger part of the background, the Budget showcased strategic areas of growth. There is considerable emphasis and expenditure push on Infrastructure including health, agriculture, and social sectors, Digital economy, exports along with a strong focus on capital expenditure to set the foundation for India's growth over the next 25 years.

New initiatives on promulgating the start-up ecosphere, push for technology, launch of digital currency, e-passport, extension of Production-linked Incentive (PLI) schemes, encouragement to digital banking and payments, as well as the introduction of the next phase of Ease of Doing Business (EODB) are just a few of the major reforms announced at Union Budget 2022 to make India a more attractive Investment destination. Budget 2022 continues to drive the investment push from the top as the Government engages all levers to ensure that the Indian economy remains the fastest growing large economy.

Overall, the union budget has been a continuation of the government's efforts to re-establish the economy on a sustainable growth path with a vision to transform India in the medium term. The budget has adopted a new economic growth template for "Amrit Kaal" (run up to India@100) by promoting capital expenditure led economic growth. Outlay of Capital expenditure of INR 7.5 lakh crore, up ~35% YoY (and at 2.9% of GDP) along with expanding the scope of private capex through PLI for new age segments which is expected to deliver inclusive growth, job creation and welfare for all.

The budget 2022-23 continues to adopt a nimble approach to support India's economic recovery. The economy is expected to grow at 9.2% in FY 21-22, followed by 8-8.5% growth in FY 22-23. All-in-all, the budget is prudent and intends to provide an economic stimulus while ensuring strong fiscal prudence. Ensuring strong supply-side fundamentals which the current budget 2022-23 focuses on, may create a strong accelerator-multiplier effect to enable India to unleash the USD 5 trillion economy dream.

BUDGET 2022-23

OPPORTUNITIES FOR UAE BUSINESSES

The Union Budget 2022-23 will make India a more attractive destination for investors and will help India to achieve the positive growth projections of over 8% in FY 2022-23 and sustain high growth in the years ahead. The proposed policy initiatives by the Indian Finance Minister, coupled with factors like attractive Indian markets, presence of skilled workforce, ease of doing business, the country will get an edge to attract private & foreign investors.

With the FTA negotiations now underway, UAE businesses have been paying especially close attention to this year's Budget. There is a lot of positivity among Indian businessmen and professionals in the UAE for the budget 2022-23 and the increased importance to ease of doing business, which will increase India's productivity and competitiveness.

This budget could be seen as "future focused", a deployment of resources into key areas which will make this growth sustainable, many of which are areas which the UAE business has unique capabilities. UAE businesses can support the Indian economy, collaborate with Indian businesses, and offer their high-quality products and services to Indian counterparts.

BUDGET 2022-23

OPPORTUNITIES FOR UAE BUSINESSES

The theme for Budget 2022 was clearly 'digitization' and to support the digitization drive several announcements were made. The Indian Government recognizes and acknowledges that the use of technology is the only way forward and the UAE, on the other hand, has also given equal importance to digitization under its UAE Digital Government Strategy 2025. Given the emphasis on digitization from both sides, there is a substantial opportunity for UAE-India collaboration for further facilitating engagements.

With a view to promote exports, the Special Economic Zones Act will be replaced with a new legislation and 100 cargo terminals will be developed during the next three years under the PM Gati Shakti master plan. The significant capital investment in infrastructure across transport, education, and healthcare is a welcome step and this will make the Indian economy more productive and competitive, thus helping increase India's attractiveness to UAE investors. This increased emphasis on export infrastructure and connectivity offers numerous opportunities for collaboration between businesses and substantial increase in volume of trade and investment between the UAE and India.

BUDGET 2022-23

OPPORTUNITIES FOR UAE BUSINESSES

The Indian Government plans investment in R&D-intensive and future-facing industries like clean and sustainable energy sources, battery systems, and the continued focus on the EV sector will be important for achieving sustainable growth. Similarly, the opening-up of R&D in the Defence sector with an allocation of 25% of total Defence R&D budget for starts ups and private enterprise to build capacity in advanced technologies in India is a further opportunity for strategic partnership between the UAE and India on Defence and Security.

GIFT City is being promoted as a gateway to India's Financial Services sector, promoting knowledge and technology across borders to help build the sector's expertise and capacity. This focus on the importing of knowledge and skills broadens the opportunity beyond FDI models to include academic led partnerships. It represents an exciting opportunity for UAE universities to collaborate with Indian universities and contribute through content and curriculum creation relevant to this dynamic sector's flexible demands.

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❑ Documents (From Public Domain)

- Key Features of Budget 2022-2023
- Key to the Budget Documents 2022-2023

UAE-INDIA BUSINESS COUNCIL (UIBC)

UAE – India Business Council (UIBC) is the only Official Joint Business Chamber set up by both the Governments for promoting economic synergy between the UAE and India. UIBC was formally launched by His Highness Sheikh Abdullah bin Zayed Al Nahyan, UAE Minister for Foreign Affairs and Smt. Sushma Swaraj, Hon'ble Minister of External Affairs of India during 11th Session of the India-UAE Joint Commission Meeting on 3rd September 2015 in New Delhi.

UIBC aims to create an inclusive bilateral trade environment between UAE and India by linking businesses from both the countries and supporting long-term commercial partnerships for developing strategic relationships between businesses and government officials from both the countries.

UIBC acts towards promoting investment promotion and business collaborations/ JVs between UAE and Indian businesses by organizing B2B networking meetings, policy forums and investment focused events, delegations, and other facilities required to succeed. It serves to provide a voice and visibility to the various stakeholders in UAE – India economic space and work towards promoting trade and investment, job creation, innovation, inclusion, and entrepreneurship between the UAE and India.

UIBC MISSION

- ❖ To act as a catalyst engaged in exchange of ideas intended to promote the economic synergy between the UAE and India.
- ❖ To serve as the direct link between business and government leaders of both the countries
- ❖ To work towards providing the critical first 'home-away-from-home' with a network of Government, Policy Makers, Business Leaders and Industry contacts supported by highly skilled secretariat
- ❖ Providing a voice and visibility to the various stakeholders in UAE – India economic space
- ❖ To work towards promoting trade and investment, job creation, innovation, inclusion, and entrepreneurship between the UAE and India

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