



Union Budget 2023

Pragmatism over Populism

Budget 2023 focused on 7 priorities





The total size of the 2023-24 Budget stood at Rs 45.03 lakh crore - a 7.5% jump over the revised estimate for 2022-23

	FY24 BE	FY23 RE	% CHANGE
Fiscal deficit	17.87	17.55	1.8%
Gross market borrowing	15.43	14.21	8.6%
Net market borrowing	11.81	11.08	6.6%
Revenue deficit	8.70	11.11	-21.7%
Total receipts	45.03	41.87	7.5%
- Gross tax revenue	33.61	30.43	10.4%
- Non-tax revenue	3.02	2.62	15.2%
Total expenditure	45.03	41.87	7.5%
- Revenue spend	35.02	34.59	1.2%
- Capital spend	10.01	7.28	37.4%

In. Rs. Lakh Cr

REVENUE BREAK-UP	FY24 BE	FY23 RE	% CHANGE
Gross tax revenue	33.61	30.43	10.4%
- Corporation tax	9.23	8.35	10.5%
- Income tax	9.01	8.15	10.5%
- Customs	2.33	2.10	11.0%
- Excise	3.39	3.20	5.9%
- Central GST	9.57	8.54	12.0%
Non-tax revenue	3.02	2.62	15.2%
- RBI, PSU bank dividend	0.48	0.41	17.2%
Disinvestment	0.51	0.50	2.0%

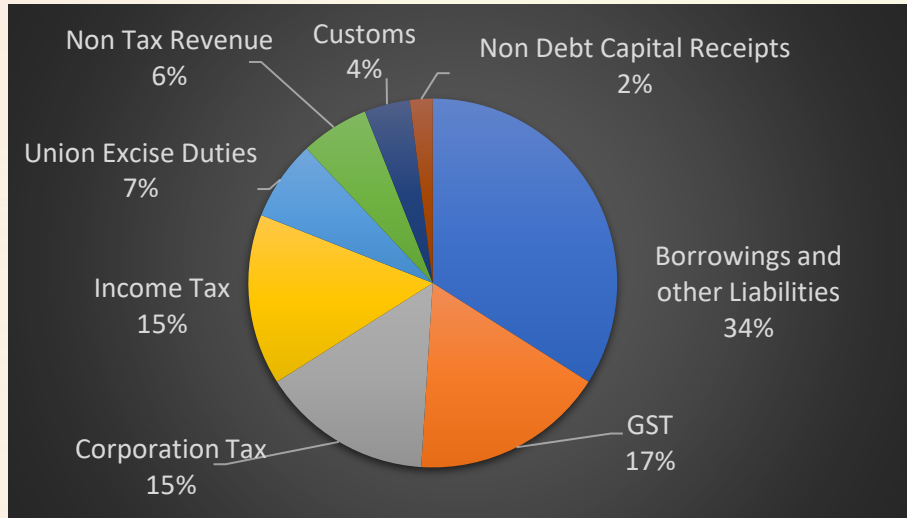
In. Rs. Lakh Cr



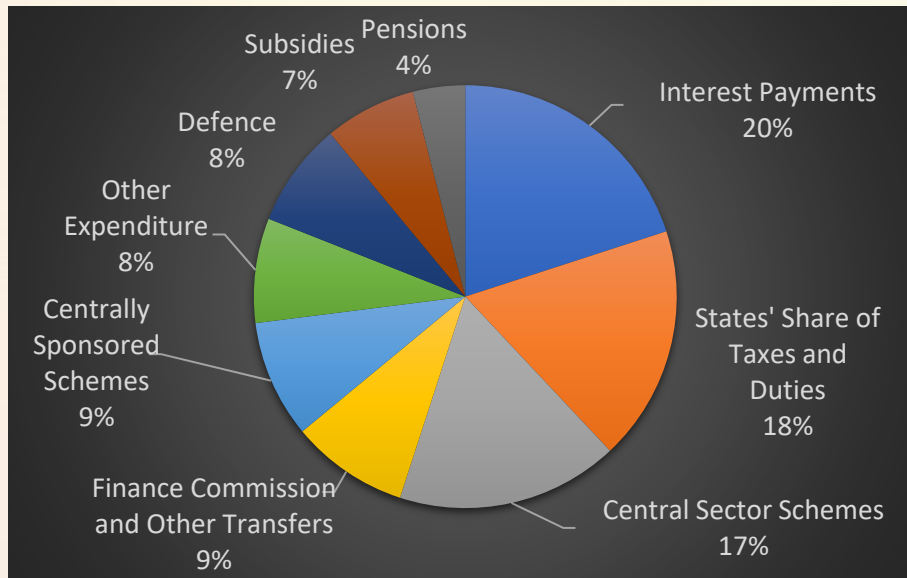
BUDGET 2023



Budget - Receipts and Expenditures



Receipts



Expenditures



Source: Union Budget FY24 document

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Nominal GDP: FY24 Nominal GDP growth targeted at 10.5%



FY24 Fiscal Deficit Target: 5.9%



Estimated Gross Market Borrowing: ₹15.43 lakh crore



Estimated Net Market Borrowing: ₹11.80 lakh crore



Disinvestments and Dividends target from the Reserve Bank of India (RBI): ₹61,000 crore



Expected Dividends from Central and Public Sector Banks: ₹48,000 crore



Capex: FY24 Effective Capex will be ₹13.7 lakh Crore; forming 4.5% of GDP



Estimated Gross Tax Collections: ₹33.61 lakh Crore





Allocation to Specific Ministries



Tax Announcements





- ❖ **New tax regime to be default:** The new Income Tax regime would henceforth be the default. However, citizens have the option to opt for benefits in the old tax regime.
- ❖ **Rebate limit hiked:** Rebate limit increased to ₹7 lakh from ₹5 lakh in new tax regime.
- ❖ **Benefit of standard deduction extended:** For the salaried plus pensioners, the benefit of standard deduction has been extended to the new tax regime. Each salaried person with an income of ₹15.5 lakh or more will stand to benefit by ₹52,500.
- ❖ **Reduction in maximum tax rate:** The highest tax rate is 42.74%. The Budget reduced the highest surcharge rate from 37% to 25% in the new tax regime. This will result in reduction of the highest tax rate to 39%.
- ❖ **Proceeds from life insurance premium** over the annual premium of ₹5 lakh would be taxable from new financial year i.e. from 1st April 2023. While the FM made it clear that the new income tax rule will keep death benefit on such premium would continue to remain tax exempted. She also announced that the new income tax rule won't be applicable on ULIP (Unit Linked Insurance Plan).
- ❖ **Tax-exemption on leave encashment at retirement:** The limit of ₹3 lakh for tax exemption on leave encashment on retirement of non-government, salaried employees was last fixed in 2002. The Budget increased this limit to ₹25 lakh.





New Tax Regime

Income	Slab Rate FY23
up to ₹2.5 lakh	Nil
₹2.5 lakh - ₹5 lakh	5%
₹5 lakh - ₹7.5 lakh	10%
₹7.5 lakh - ₹10 lakh	15%
₹10 lakh - ₹12.5 lakh	20%
₹12.5 lakh - ₹15 lakh	25%
Above ₹15 lakh	30%

Those earning upto ₹5 lakh will be entitled to a rebate

New Tax Regime (Revised w.e.f. April 01, 2023)

Income	Slab Rate FY24
up to ₹3 lakh	Nil
₹3 lakh - ₹6 lakh	5%
₹6 lakh - ₹9 lakh	10%
₹9 lakh - ₹12 lakh	15%
₹12 lakh - ₹15 lakh	20%
Above ₹15 lakh	30%

Those earning upto ₹7 lakh are entitled to a rebate



- ❖ **Removal of the minimum threshold of ₹10,000 on TDS.**
- ❖ **FM proposed to use PAN card as a common identifier for all digital system at government agencies.**
- ❖ **The conversion of physical gold to Electronic Gold Receipt (EGR) and vice versa is proposed not to be treated as a transfer and not to attract any capital gains.** This would promote investments in electronic equivalent of gold.
- ❖ **Capital gains on investment in residential house** under sections 54 and 54F to be capped to ₹ 10 crore.
- ❖ **Extend the date of incorporation for income tax benefits to start-ups from 31 March 2023 to 31 March 2024.**
Benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years to be provided to start-ups.
- ❖ **New co-operatives that commence manufacturing activities till 31 March 2024** shall get the benefit of a lower tax rate of 15%, as is presently available to new manufacturing companies.



- ❖ **Customs duty rates on goods** except textiles will be **reduced from 21 to 13.**
- ❖ There are **minor changes in cess and levies on products** such as toys, naphtha and automobiles.
- ❖ To further provide impetus for green mobility, **customs duties will be reduced for batteries used in EV** including lithium ion.
- ❖ **Customs duty relief** will be provided to support **mobile phone manufacturing.**
- ❖ **To enhance exports of marine products**, especially shrimp, the **import duty on their feed is being reduced.**
- ❖ **Relief in customs duties on import of certain parts and inputs** like camera lens and batteries for another year to encourage mobile phone manufacturing.
- ❖ A **new Income Tax form and improved grievance redressal mechanism** will be rolled out.

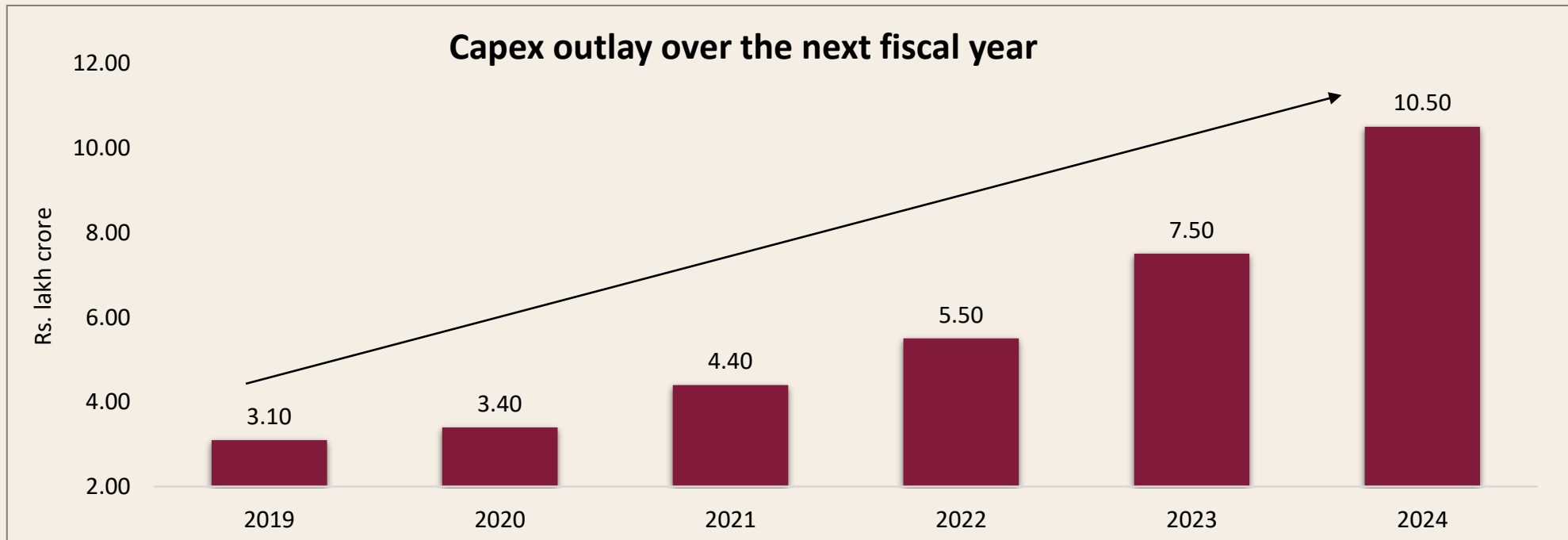


Sector Announcements





- ❖ FM proposed to raise the capital expenditure target by 33% to Rs. 10 lakh crore for FY24, which would be 3.3% of GDP.
- ❖ The increased capex will continue to fund the development of roads and highways, ports, railways, shipyards, airports, public transport, and inland waterways.
- ❖ Railway capex outlay of ₹2.40 lakh crore, highest ever.



Source: Union Budget FY24 document

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- ❖ **Agriculture credit target increased by 11% to ₹20 lakh crore for FY24** with a focus on animal husbandry, dairy and fisheries.
- ❖ **An Agriculture Accelerator Fund will be set up** to encourage agri-startups by young entrepreneurs in rural areas.
- ❖ **Budget will introduce a sub-scheme under the PM Matsya Sampada Yojana** with a total of ₹6,000 crore to encourage those who are involved in fishing
- ❖ The **PM-PRANAM** (Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth) scheme will be launched to incentivise states and union territories to use alternative fertilisers, in a **boost to “green farming”**.
- ❖ **“Aatmanirbhar Clean Plant Programme”** to boost the availability of disease-free, quality planting material for high value horticultural crops at an outlay of ₹2,200 crore.
- ❖ **₹2 lakh crore for the entire year will be introduced by the center under “PM Garib Kalyan Anna Yojana”** which will aim to supply free food grains for one year to all Antyodaya and priority households.





- ❖ **A revamped credit guarantee scheme is being launched for MSMEs through infusion of ₹9,000 crore from April 1.** This will enable collateral-free borrowings worth ₹2 lakh crore with reduced cost of credit by about 1%.
- ❖ **National Financial Information** repository to be set up.
- ❖ **Financial sectors regulators** will be requested to **carry review of existing regulations.**
- ❖ **To enhance business activities in GIFT IFSC,** various measures will be taken.
- ❖ **To improve bank governance and enhance investors' protection,** certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act are proposed.
- ❖ **SEBI will be empowered to develop, regulate, maintain and enforce norms and standards for education** in the National Institute of Securities Markets.
- ❖ **For investors to reclaim unclaimed shares and unpaid dividends** from the Investor Education and Protection Fund Authority with ease, **an integrated IT portal will be established.**





- ❖ **Senior Citizens' Savings Scheme (SCSS) deposit limit raised** from ₹15 lakh to ₹30 lakh.
- ❖ **Azadi ka Amrit Mahotsav Mahila Sammaan Bachat Patra** - A one-time new small savings scheme will be made available for a two-year period upto March 2025. This will offer deposit facility of upto ₹ 2 lakh for a tenure of two years with an interest rate of 7.5% with partial withdrawal allowed.



Impact on Markets



- ❖ Despite upcoming elections in 2024, **FM Nirmala Sitharaman did not deliver a populist budget** and reiterated her focus on capex-led growth while maintaining fiscal prudence.
- ❖ The **infrastructure development will boost private investment** and spur employment generation.
- ❖ The **new tax regime augurs well for consumption-led growth.**
- ❖ **Focus on green energy adoption and adoption of new-age digital technologies** will strengthen the sustainable growth agenda.
- ❖ **Overall budget was more focused on making economy more resilient** in light of the global slowdown.

Debt Market Update:

Indian government bond yields reversed course and dropped from the day's high after the government's borrowing target for the next financial year came in lower than estimates. The **benchmark 10-year yield closed at 7.28% after hitting a high of 7.42%.**

Equity Market Update:

Markets remained volatile on the Union Budget day and ended eventually on a mixed note.

Index	1 day change
Sensex	0.27%
Nifty 50	-0.26%
Nifty Midcap 150	-0.85%
Nifty Smallcap 250	-1.15%

Source: BSE India and NSE India. Data as on Feb 01, 2023



Thank You!



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11th Floor, Tower A, Peninsula Business Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.