Budget 2023-24

Our Views

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Strictly Private and Confidential

Budget 2023, a precision targeted dose for long-term cure!

Being a student of the Union Budget for the past 40 years, 1983 being the first budget that I looked at, I must say this budget is set to have a far-reaching long-term impact. This budget is designed to be a targeted treatment which will deliver precision results when implemented. It is a perfect medicine for long lasting cure.

The government has yet again been fiscally disciplined and maintained the fiscal deficit target of 6.4% in the revised estimate for FY 2022-23 and decreased it to 5.9% for the following fiscal year. It reaffirmed its intention to continue fiscal consolidation, targeting a fiscal deficit of less than 4.5% by FY 2025-26, with a relatively steady decline. Budgeted tax revenue for the next fiscal year also looks realistic at INR 23.3 lakh crore, and states will be allowed a fiscal deficit up to 3.5% of GSDP. To finance the fiscal deficit in 2023-24, it is estimated that net market borrowing will be INR 11.8 lakh crore.

The highlight of the budget is, increased infrastructure expenditure by 33.0% to INR 10.0 lakh crore in 2023-24 (3.3% of GDP). In addition, a committee of experts will be established to ensure that the infrastructure classification and financing framework are suitable for Amrit Kaal.

Considering the anticipated slowdown in global growth, relying on public capital expenditures as a countercyclical policy will assist in sustaining overall growth. With state finances gradually improving, there is hope that this will be supplemented by an increase in state capex in FY24. This in turn will propel investment by private sector.

The budget has proposed to provide incentives for urban civic organizations to improve their finances and creditworthiness and to assist them in raising funds through municipal bonds. Listing municipal bonds on stock exchanges can pave the way for the much-needed development of a secondary market in India for municipal bonds.

Conversion of physical gold to digital gold will not be subject to capital gains or taxes which would unlock non-commercial household savings in gold into tradable digital equivalent of gold.

Indian Railways will receive INR 2.4 lakh crore capital expenditure boost in the upcoming fiscal year (65.6% increase compared to FY 2022-23). The funds will be used to construct railway tracks, wagons, trains, electrification, signaling, and station facilities with a focus on safety, thereby providing the necessary impetus for the country's logistics infrastructure.

The proposed steps towards a new, simplified KYC regime from a 'one size fits all' approach to a 'risk-based' approach is a welcome move. All the financial sector regulators, including the RBI, IRDAI and SEBI, shall be encouraged to make changes and stand to benefit from the shift.

As mentioned in my pre-budget article, government's continued focus on 'Vivad se Vishwas' as a dispute resolution mechanism has gone a long way towards creating ease of doing business. This scheme has been expanded further to cover a number of commercial disputes. Phase 3 of the E-courts project by a renewed outlay of INR 7,000 crore shall be initiated additionally, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized. The government has also announced returning 95% of the forfeited amount back to MSMEs, relating to bid or performance security in case of them failing to execute contracts due to Covid. Apart from making a huge difference to project execution and costs, this will also reduce the load of our judiciary and enable it to take up other important matters more expeditiously.

In a bid towards further digitization push, the government shall expand the scope of Digi Locker facilities to allow more documents to be made available for individuals, micro-small and medium enterprises and charitable organizations.

Streamlining regulations pertaining to GIFT IFSC will help enhance the business activities and give a boost to creating a global financial hub. The powers under SEZ Act shall be delegated to IFSCA to avoid dual regulation and a single window IT system for registration and approval shall be created. Newer financial products shall be promoted such as, recognition of offshore derivative instruments as valid contracts and permission of acquisition financing by IFSC Banking Units of foreign banks. Further, a subsidiary of EXIM Bank is proposed to be set up for trade re-financing.

The government has provided a shot in the arm for smaller taxpayers by increasing rebates and ensuring that there is no income tax levied up to INR 7 lakhs in the new tax regime. The revised tax slabs under the new tax regime and the extension of the standard deduction will provide much needed impetus to fuel private consumption. The government has shown its inclination for moving towards new tax regime by making it the default tax structure.

Lower tax rates to new cooperatives commencing manufacturing activities along with further relaxation to MSMEs and Professionals in form of enhancing limits for presumptive taxation will boost the private investment in the country. It was also positive to see that the budget has maintained the status quo on the taxes for long-term and short-term capital gains.

Having said this, I would have liked more emphatic move towards privatization to enhance the efficiency in the economy. Overall, in my view the budget is practical, realistic, and growth driven which will keep on showing its positive impact in the long run.

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