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Finance minister lifts cap off Capex, signals digit-all drive, skips populism amid polls

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NEW DELHI: Finance minister Nirmala Sitharaman on Tuesday unveiled a Budget that sought to keep the momentum of economic recovery going with a 35% increase in government spending on asset creation. The Budget, which left income tax rates and slabs unchanged and was bereft of populist promises despite coming ahead of assembly polls, appears to be banking on growth.

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Sitharaman told reporters the PM's message was clear: "No additional taxes" during the pandemic. If the content of the Budget was an intended booster shot, its focus was unmistakably digital with the use of tech to ensure prompt and targeted delivery running as a constant theme through much of her speech. It also marked a bold move into 'sunrise' spheres: green technology, AI, semi-conductors and drones.

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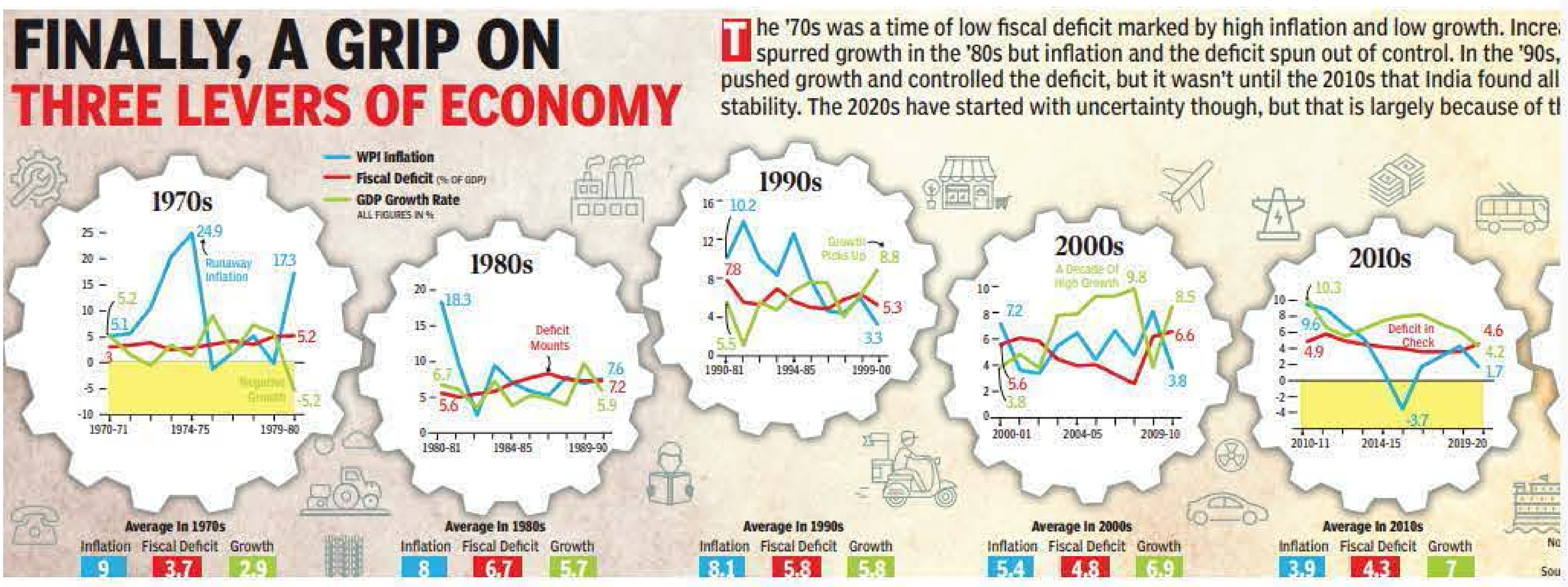
Presenting her fourth Budget, the FM took a 'whole of government approach' on a gamut of infrastructure projects by extending GatiShakti beyond the Centre to the states. GatiShakti, which brings schemes and projects related to seven key sectors on a common platform, has been positioned as a flagship initiative to ensure better delivery of infrastructure, with large dollops of allocation for telecom, highways and railways.



Welfarist measures were not given a go-by with priority on improvement of infrastructure and quality of life in rural areas. But, relatively speaking, they seemed to have yielded to a focus on infra capex.

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The FM said she was laying the foundation for "Amrit Kaal", the 25-year period in the run-up to India at 100, and that the Budget was futuristic and inclusive.

Budget takes note of contemporary challenges

The Budget signals awareness of contemporary challenges: the looming climate threat, procedural hindrances that continue to thwart the ambition to capitalise on the post-pandemic anxiety to diversify global supply chains, the need to upgrade education infrastructure by starting a digital university and bringing in celebrated foreign universities.

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The recognition of mental health as a public challenge could not have been more timely, given the pandemic pressure. The bulk of the higher spending has been earmarked for physical infrastructure and logistics — among other things 25,000km of new highways promised in the coming year, 100 new multi-modal cargo terminals over the next three years and 400 new Vande Bharat trains besides a 5G network and upgradation of airports and ports. River-linking is to take off with the Ken-Betwa project being implemented at a cost of just under Rs 45,000 crore and detailed project reports for five other links having been finalised.

Another proposal of interest to the middle class would be the full integration of post offices into core banking. This would make all the amenities of banking like ATMs, internet banking, online transfers to other banks available for post office accounts too.

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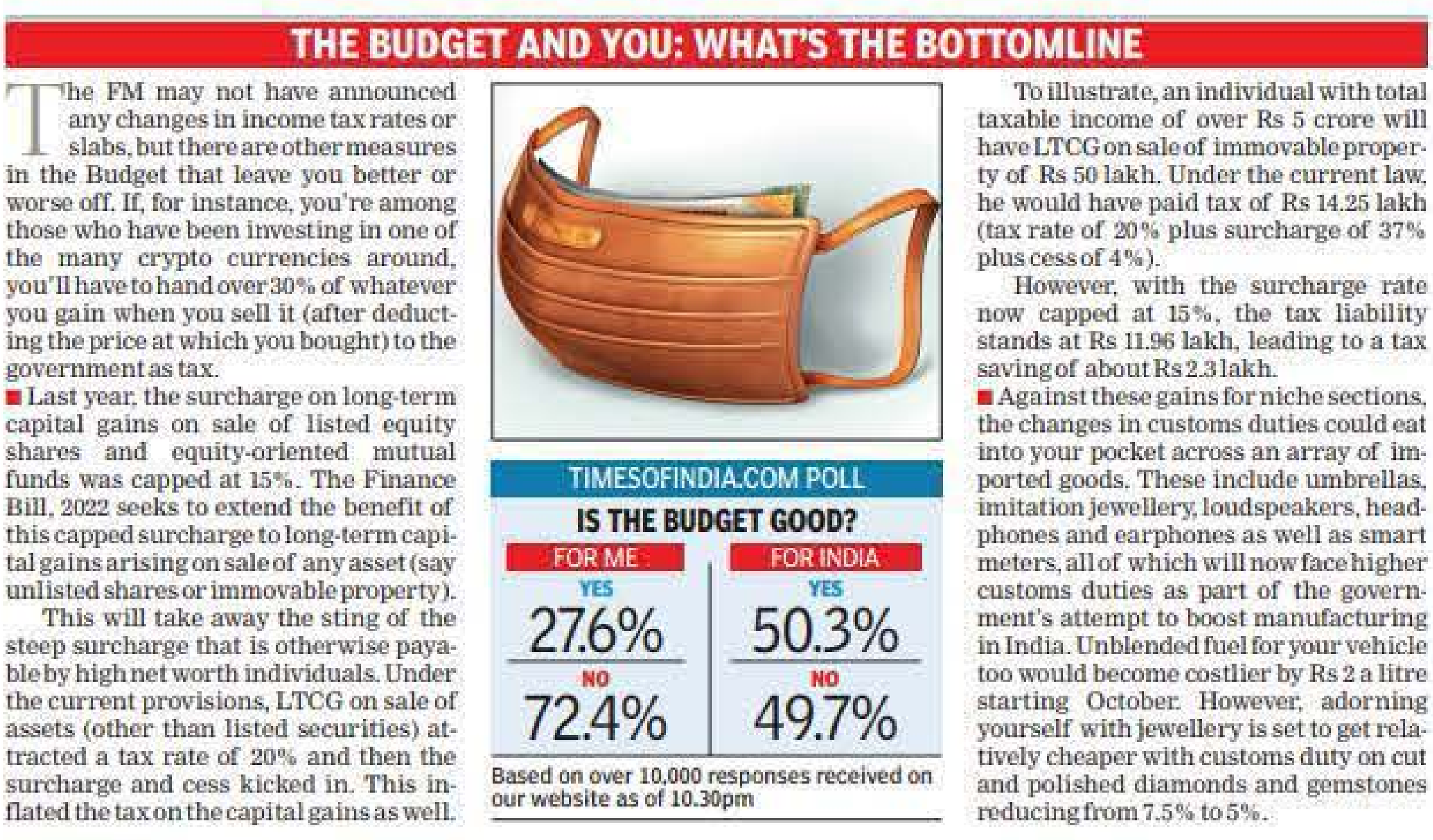
In the run-up to 2047, by which time, over half of India is slated to be urban, Sitharaman called for a "paradigm change" in urban planning and announced setting up of a high level expert panel for making suggestions. Among the various steps being envisaged is a focus on connecting mass urban transport corridors with the railway network and on promoting urban public transport based on clean technologies. The green tinge to the Budget included a proposal for sovereign bonds as a means of funding environment-friendly infrastructure projects besides a new battery-swapping policy that seeks to boost the electric vehicles sector.



THE BUDGET AND YOU: WHAT'S THE BOTTOMLINE

The FM may not have announced any changes in income tax rates or slabs, but there are other measures in the Budget that leave you better or worse off. If, for instance, you're among those who have been investing in one of the many crypto currencies around, you'll have to hand over 30% of whatever you gain when you sell it (after deducting the price at which you bought) to the government as tax.

- Last year, the surcharge on long-term capital gains on sale of listed equity shares and equity-oriented mutual funds was capped at 15%. The Finance Bill, 2022 seeks to extend the benefit of this capped surcharge to long-term capital gains arising on sale of any asset (say unlisted shares or immovable property).

This will take away the sting of the steep surcharge that is otherwise payable by high net worth individuals. Under the current provisions, LTCG on sale of assets (other than listed securities) attracted a tax rate of 20% and then the surcharge and cess kicked in. This inflated the tax on the capital gains as well.

TIMESOFINDIA.COM POLL
IS THE BUDGET GOOD?

	FOR ME	FOR INDIA
YES	27.6%	50.3%
NO	72.4%	49.7%

Based on over 10,000 responses received on our website as of 10.30pm

To illustrate, an individual with total taxable income of over Rs 5 crore will have LTCG on sale of immovable property of Rs 50 lakh. Under the current law, he would have paid tax of Rs 14.25 lakh (tax rate of 20% plus surcharge of 37% plus cess of 4%).

However, with the surcharge rate now capped at 15%, the tax liability stands at Rs 11.96 lakh, leading to a tax saving of about Rs 2.3 lakh.

- Against these gains for niche sections, the changes in customs duties could eat into your pocket across an array of imported goods. These include umbrellas, imitation jewellery, loudspeakers, headphones and earphones as well as smart meters, all of which will now face higher customs duties as part of the government's attempt to boost manufacturing in India. Unblended fuel for your vehicle too would become costlier by Rs 2 a litre starting October. However, adorning yourself with jewellery is set to get relatively cheaper with customs duty on cut and polished diamonds and gemstones reducing from 7.5% to 5%.

Small and medium-sized businesses were given an extension of the emergency credit line guarantee scheme (ECLGS), introduced to help them tide over the crisis triggered by the pandemic till March next year. There was continuity in policies as well. The Atmanirbhar push was particularly evident in the defence sector in which 68% of the capital procurement budget in the coming year will be earmarked for domestic firms, up from 58% in the current year. The urge to boost domestic manufacturing also saw the finance minister raise customs duties on items like headphones and speakers as well as wearables like smart meters.

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For the farmer, there were promises of high-tech services like 'kisan drones' for crop estimation and pesticide spraying. Chemical-free natural farming would be given a boost starting with a five-kilometre wide corridor along the banks of the Ganga, the FM announced. Increase in allocations notwithstanding, the FM chose to be conservative on the receipts side, budgeting for a rather modest 9.6% increase in taxes, easy pickings in view of the growth recovery and stable GST numbers. The prudence probably had to do with reduced dividend and disinvestment mop-up next year.