



THE
**UNION BUDGET
OF INDIA: 2023**
KEY HIGHLIGHTS.

THE UNION BUDGET 2023 ADOPTS
THE FOLLOWING SEVEN PRIORITIES:

1. INCLUSIVE DEVELOPMENT;
2. REACHING THE LAST MILE;
3. INFRASTRUCTURE & INVESTMENT;
4. UNLEASHING POTENTIAL;
5. GREEN GROWTH;
6. YOUTH POWER; AND
7. THE FINANCIAL SECTOR.

PRIORITY 1:

**INCLUSIVE
DEVELOPMENT.**

The Government's philosophy of 'Sabka Saath Sabka Vikas' (*"progress for all through cooperation"*) has facilitated inclusive development specifically covering farmers, women, youth, socio-culturally backward sections of society (*Other Backward Castes, Scheduled Castes, Scheduled Tribes*), divyangjan (*"differently-abled people"*), and the economically weaker sections, along with an overall priority for the underprivileged (*"vanchiton ko varyata"*). There also has been a sustained focus on Jammu & Kashmir, Ladakh and the North-East. This Budget builds on those efforts.

**AGRICULTURE
AND COOPERATION.**

Building digital public infrastructure for agriculture.

To be built as an open source, open standard and inter-operable public good to enable inclusive farmer-centric solutions through relevant information services for crop planning & health, improved access to farm inputs, credit, and insurance, help for crop estimation, market intelligence, and support for growth of the agri-tech industry and start-ups.

*Set-up of the
Agriculture Accelerator Fund.*

To encourage agri-start-ups by young entrepreneurs in rural areas, to aim at bringing innovative and affordable solutions for challenges faced by farmers, thereby bringing in modern technologies to transform agricultural practices, increase productivity and profitability.

Enhancing productivity of cotton crop by the adoption of a cluster-based and value chain approach through Public-Private Partnerships (PPP).

To ensure collaboration between farmers, state and industry for input supplies, extension services, and market linkages.

Launch of the Atmanirbhar Horticulture Clean Plant Programme.

To boost availability of disease-free, quality planting material for high-value horticultural crops at an outlay of INR 22 billion.

Providing support to make India a global hub for millets (Shree Anna crops).

To provide sectoral support to India via the Indian Institute of Millet Research, Hyderabad, which in turn shall act as the Centre of Excellence for sharing best practices and research & technologies for millets (i.e., Shree Anna comprising of crops such as jowar, ragi, bajra, kuttu, ramdana, kangni, kutki, kodo, cheena, and sama) at the international level.

Increase in agriculture credit to INR 20 trillion.

To promote agriculture in India with a special focus on animal husbandry, dairy, and fisheries.

Launch of a new sub-scheme, the PM Matsya Sampada Yojana, with a targeted investment of INR 60 billion for Fisheries.

To further enable the activities of fishermen, fish vendors, and micro & small enterprises, to improve value chain efficiencies, and to expand the market.

Computerization of 63,000 Primary Agricultural Credit Societies (PACS); and the formulation of model bye-laws.

To promote cooperative-based economic development model for farmers; and to enable PACS to become multi-purpose PACS.

Set-up of a massive, decentralised storage capacity for farm produce.

To help farmers store their produce and realize remunerative prices through sales at appropriate times.

THE LINK LEGAL PERSPECTIVE.

The Government's proactive focus on the nascent Agri-tech sector has tremendously scaled up. Welcome moves – such as Open-source Digital Public Infrastructure, Agricultural Accelerator Funds for young entrepreneurs with a special focus on technological reforms, increase in the Agri-Credit Target to INR 20 trillion, envisaging India to become the global hub for millets by the Government, with special focus on backing research by funding the Indian Institute of Millets Research – are bound to provide significant backbone support to the farming community in India and transform agricultural practices, increase productivity, and profitability.

HEALTH.

Establishing additional 157 medical & nursing colleges in co-location with existing ones.

To provide the necessary infrastructure for healthcare education, with necessary guidance from existing institutions.

Launch of the Sickle-Cell Anaemia Elimination Mission.

A mission to entail awareness creation, universal screening of 70 million people in the age group of 0-40 years in affected tribal areas, and counselling through collaborative efforts of central ministries and state governments to eliminate Sickle Cell Anaemia by 2047.

Joint public and private medical research to be encouraged via select ICMR Laboratories.

To encourage collaborative research and innovation amongst public and private medical college faculty and private sector R&D teams.

Launch of a new programme to promote research and innovation in pharmaceuticals through centres of excellence.

To promote pharmaceutical innovation and encourage industries to invest in research & development in specific priority areas.

Supporting dedicated multidisciplinary courses for medical devices in existing institutions.

To ensure availability of skilled manpower for futuristic medical technologies, and high-end manufacturing & research.

THE LINK LEGAL PERSPECTIVE.

With the above announcements, the Government has focused on strengthening India's healthcare infrastructure. The expansion of nursing homes and the promotion of skill development and research will provide the necessary opportunities and attract investments.

EDUCATION AND SKILLING.

Re-envisioning the training of teachers through district institutes of education and training.

To provide better and revamped training to teachers through innovative pedagogy, curriculum transaction, continuous professional development, dipstick surveys, and ICT implementation.

Set-up of the National Digital Library for children and adolescents.

To facilitate availability of quality books across geographies, languages, genres and levels, and device-agnostic accessibility. States will be encouraged to set up physical libraries for them at panchayat and ward levels and provide infrastructure for accessing the National Digital Library resources.

THE LINK LEGAL PERSPECTIVE.

The Union Budget has taken a step forward with an objective to promote the Digital India Campaign by introducing the National Digital Library, which will ensure wider access of educational resources for the teachers as well as students.

PRIORITY 2:

**REACHING
THE LAST MILE.**

Launch of the Pradhan Mantri Particularly Vulnerable Tribal Groups (PVTG) Development Mission to improve socio-economic conditions of the PVTGs and saturate PVTG families and habitations with basic livelihood, education and healthcare facilities.

Recruitment of 38,800 more teachers for 740 Eklavya Model Residential Schools to serve 350,000 tribal students in the next three years.

Financial assistance for sustainable micro irrigation in drought prone regions of Karnataka.

Enhanced outlay to the PM Awas Yojana (an initiative by the Government of India in which affordable housing will be provided to the urban poor) by 66%.

Set-up of the Bharat Shared Repository of Inscriptions (Bharat SHRI) in a digital epigraphy museum, for digitization of over 100,000 ancient inscriptions.

Supply of free food grains to all antyodaya and priority households for the next one year, under PM Garib Kalyan Anna Yojana, a scheme under the 'Atmanirbhar Bharat Abhiyaan' (the self-reliant India campaign) to supply free food grains to migrants and poor.

THE LINK LEGAL PERSPECTIVE.

Once again, the Government has focused on the benefits for the lower and middle-income group population, and has also taken a step to provide them with basic living, healthcare and educational standards.

PRIORITY 3:

**INFRASTRUCTURE
& INVESTMENT.**

Steep Increase in capital investment outlay by 33% to INR 10 trillion (with a special focus on railways).

To enhance the growth potential and create jobs, crowd in private investments, and provide a cushion against global headwinds to economic growth.

Continuation of the 50 year interest-free loan to state governments for capital investment.

To spur investment in infrastructure by the state governments and to incentivize them for complementary policy actions.

Creation of an Urban Infrastructure Development Fund (UIDF) through priority sector lending shortfall.

To create urban infrastructure in Tier 2 and Tier 3 cities and encourage states to leverage existing resources from existing grants and schemes, and to adopt appropriate user charges.

Assistance to stakeholders by Infrastructure Finance Secretariat.

To enhance opportunities for private investment in the infrastructure space including railways, roads, urban infrastructure, and power.

Promulgation of 100 transport infrastructure projects under logistics.

To provide for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors.

Creation of 50 additional airports, heliports, water aerodromes and advance landing grounds.

Increasing regional connectivity and improving regional air connectivity.

Fostering 'Sustainable Cities of Tomorrow' through urban planning reforms and actions by the State Governments.

To inculcate efficient use of land resources, adequate resources for urban infrastructure, transit-oriented development, enhanced availability and affordability of urban land, and opportunities for all.

Incentivizing cities for municipal bonds.

Through introduction of property tax governance reforms and ring-fencing user charges on urban infrastructure, to improve the credit worthiness of cities for Municipal Bonds.

THE LINK LEGAL PERSPECTIVE.

This Union Budget 2023 packs a punch on incentives to boost investments in infrastructure and productive capacity of the nation. These moves will enhance growth potential, ramp-up the virtuous cycle of investment and job creation in the Indian economy.

PRIORITY 4:

UNLEASHING THE POTENTIAL.

For the enhancement of ease of doing business, over 39,000 compliances were reduced and over 3,400 legal provisions were decriminalized by the Government. For furtherance of a trust-based governance, the Jan Vishwas Bill has been introduced to amend 42 central acts of law. Against this backdrop, the following announcements were made in the Union Budget:

Set-up of 3 Centres of Excellence for Artificial Intelligence in top educational institutions.

To partner in conducting interdisciplinary research, develop cutting-edge applications, and scalable problem solutions in the areas of agriculture, health, and sustainable cities to galvanize an effective AI ecosystem and nurture quality human resources in the field.

Announcement of a National Data Governance Policy.

To unleash innovation and research by start-ups and academia that will enable access to anonymized data.

Simplification of Know Your Customer (KYC) process.

To meet the contemporary needs of digital India, the KYC process will be simplified by adopting a 'risk-based' approach instead of a 'one size fits all'.

Establishing a 'one-stop solution' for updating the identity and address of individuals.

A one stop solution for reconciliation and updates to the identity and address of individuals maintained by various government agencies, regulators, and regulated entities will be established using the DigiLocker service and Aadhaar as its foundational identity.

Permanent Account Number (PAN) as a common business identifier.

To help business establishments for ease of doing business and further facilitated through a legal mandate.

A unified filing process.

That will obviate the need for separate submissions of the same information to different government agencies, and enable filing of information or returns in simplified forms on a common portal, and will be shared with other agencies on the filer's choice.

*Vivad se Vishwas I
– Relief for MSMEs.*

In cases of failure by MSMEs to execute contracts during the Covid-19 pandemic, 95% of the forfeited amount relating to bid or performance security furnished by MSMEs, will be returned to them by government and government undertakings.

*Vivad se Vishwas II
– Settling Contractual Disputes.*

In order to reduce the pendency of Government-related contractual disputes where the arbitral award is under challenge in a court, the Government proposes to introduce a voluntary settlement scheme with standardized terms. This will ensure timely resolution of such disputes while reducing the burden on the bench.

Launch of Phase 3 of E-Courts.

To enhance swift access to justice, judicial productivity, effective administration of justice, and a considerable decrease in cost and time.

Expanding the scope of documents available in the DigiLocker for individuals.

To enable more Fintech innovative services in India.

Set-up of an Entity DigiLocker for MSMEs.

To store and share documents securely online, whenever needed, with various regulators and third parties.

Set-up of 100 laboratories for the development of 5G-enabled applications such as smart classrooms, precision farming, intelligent transport systems, and health care applications.

To realise a new range of opportunities, business models, and the employment potential in India.

Providing a research and development grant to IIT for Lab-Grown Diamonds (LGD).

To realise the employment potential in India, encourage indigenous production of LGD seeds and machines, and reduce import dependency.

THE LINK LEGAL PERSPECTIVE.

The Government has followed the objectives of the 'Digital India Campaign' and the 'Ease of Doing Business' which will further improve and strengthen the country's data and technology Infrastructure. These are welcome initiatives which are expected to streamline the process of business registrations as well as the services provided by the Government to the businesses in India.

PRIORITY 5:

GREEN GROWTH.

The Budget builds on the focus on green growth and aims to progressively steer the Indian economy on the sustainable development path.

The National Green Hydrogen Mission.

This recently launched mission, with an outlay of *INR* 197 billion, will facilitate transition of the economy to a low-carbon intensity, reduce dependence on fossil fuel imports, and make India assume technology and market leadership in this sunrise sector. India has targeted to achieve an annual production of 5MMT by 2030.

The Government to provide INR 350 billion for priority capital investments towards energy transition and net zero objectives, and energy security.

Supporting battery energy storage systems with capacity of 4,000MWH with viability gap funding, along with formulation of a detailed framework for Pumped Storage Projects.

Construction of an inter-state transmission

system for evacuation and grid-integration of 13GW renewable energy from Ladakh, with an investment of *INR* 207 billion.

Green Credit Programme.

This programme, proposed to be notified under the Environment (Protection) Act, 1986, will encourage behavioural changes and incentivize environmentally sustainable and responsive actions by companies, individuals and local bodies, and help mobilize additional resources for such activities.

Launch of the PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM-PRANAM) to incentivize states and union territories to promote alternative fertilizers and balanced use of chemical fertilizers.

Establishment of the Galvanizing Organic Bio-Agro Resources Dhan (GOBARdhan) Scheme.

500 new 'waste to wealth' plants, including 200 Compressed Bio-gas (CBG) plants with 75 plants in urban areas, and 300 community or cluster-based plants, will be established for promoting a circular economy, vide a net investment of INR 100 billion. Further, in due course of time, the introduction of a 5% CBG mandate for all organizations marketing natural and bio-gas. Lastly, for collection of bio-mass and distribution of bio-manure, the appropriate fiscal support will be provided by the Government.

Set-up of 10,000 Bhartiya Prakritik Kheti Bio-Input Resource Centres over the next 3 years, to create a national-level distributed micro-fertilizer and pesticide manufacturing network and promote natural farming.

Undertaking 'Mangrove Initiative for Shoreline Habitats & Tangible Incomes' (MISHTI) for plantation of mangroves along the coastline and on salt pan lands, wherever feasible, through a convergence between the Mahatma Gandhi National Rural Employment Guarantee Act, 2005, the Compensatory Afforestation Fund Management and Planning Authority Fund, and other sources.

Promotion of unique conservation values 'Amrit Dharohar Scheme', targeted to be implemented over the next 3 years, to encourage optimal use of wetlands and enhance bio-diversity, carbon stock, eco-tourism opportunities, and income generation for local communities.

Promotion of Coastal Shipping through the PPP mode with viability gap funding as a step towards energy efficiency and a lower-cost mode of transport, both for passengers and freight.

Allocation of additional funds towards replacement of old vehicles and ambulances, in furtherance of the Vehicle Scrapping Policy.

THE LINK LEGAL PERSPECTIVE.

In line with India's commitment to achieve the Net Zero target by 2070, this budget has put its weight behind 'Green Growth' and sustainability. With a target to reach an annual production of 5MMT by 2030, the Government has budgeted a INR 350 billion capital investment towards energy transition and net zero objective and energy security. Demonstrating its unabated approach to promote 'Green Growth', this has been included as one of the 'Saptrishi' which would drive India through the 'Amrit Kaal' by reducing carbon intensity of the Indian economy and providing large-scale green job opportunities. Recognising the need for bringing about the much-needed behavioural change, the Government has also proposed to introduce a 'Green Credit Programme' to incentivize environmentally sustainable and responsive actions by companies, which will go a long way in encouraging Indian corporates to adopt more sustainable means of growth and work towards a circular economy.

PRIORITY 6:

**YOUTH
POWER.**

Youth empowerment has been identified as one of the top priorities, and against this backdrop, the following announcements have been made in the Union Budget 2023:

Formulation of a National Education Policy focused on skilling and adoption of economic policies which further facilitates job creation at scale and supports business opportunities.

Launch of the Pradhan Mantri Kaushal Vikas Yojana 4.0 (PMKVY 4.0) to skill the youth within the next 3 years with an emphasis on on-job training, industry partnership, and alignment of courses with needs of the industry, along with the set-up of 30 Skill India International Centres across the country.

Launch of 'Skill India Digital Platform' to expand the current digital ecosystem to enable demand-based formal skilling, linking with employers including MSMEs, and facilitating access to entrepreneurship schemes.

Rolling out of the 'National Apprenticeship Promotion Scheme' to provide a stipend support to 4.7 million youth in the next 3 years.

Boosting Tourism by selection of 50 destinations and developing them as complete packages for domestic & foreign tourists to enhance tourist experiences and revenue.

Set-up of Unity Malls in state capitals or most prominent tourism centres or the financial capitals of states to promote the sale of a state's own ODOPs (*One District, One Product*), GI (*Geographical Indication*) and handicraft products.

THE LINK LEGAL PERSPECTIVE.

While focusing on the realization of the employment potential across various sectors, the Government has parallelly focused on providing the appropriate skills and training to the youth, thus making them capable of joining their preferred workstreams and sustain therein.

PRIORITY 7:

THE FINANCIAL SECTOR.

With an aim to further financial inclusion at scale, better and faster service delivery, ease of access to credit, and participation in financial markets in the improving economy and digitization of India, this budget laid down the following reforms:

Revamping of the Credit Guarantee for MSMEs from April 1st, 2023. To be achieved through infusion of INR 90 billion in the corpus, thus enabling an additional collateral-free guaranteed credit of INR 2 trillion and reducing the cost of the credit by about 1%.

Set-up of a National Financial Information Registry to facilitate efficient credit flow, promote the financial sector, and foster financial stability.

Review of Financial Sector Regulations to facilitate optimum regulation with public consultation as necessary and feasible, and to further simplify, ease and reduce the cost of compliance.

Measures to enhance business activities in GIFT IFSC.

Measures include delegation of powers under the Special Economic Zones Act, 2005 (“SEZ Act”) to IFSCA to avoid dual regulation; set-up of a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI; permitting acquisition financing by IFSC Banking Units of foreign banks; establishing a subsidiary of the EXIM Bank for trade re-financing; amending the International Financial Services Centres Authority Act, 2019 (IFSCA Act) for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act; and recognizing offshore derivative instruments as valid contracts.

Set-up of Data Embassies of Nations looking for data continuity solutions in the IFSC Gift City.

Improving Governance and Investor Protection in the Banking Sector by suitably amending the Banking Regulation Act, the Banking Companies Act, and the Reserve Bank of India Act.

Empowering SEBI to develop, regulate, maintain and enforce norms and standards for education in the National Institute of Securities Markets and recognizing the award of degrees, diplomas, and certificates with an aim to build capacity of functionaries and professionals in the securities market.

Set-up of a Central Data Processing Centre for faster response to companies through the centralized handling of various forms filed with field offices under the Companies Act, 2013.

Establishment of an Integrated IT Portal to provide aid and recourse to investors in reclaiming shares and unpaid dividends from the Investor Education and Protection Fund Authority.

Continuing the fiscal support for Digital Public Infrastructure in lieu of the wide acceptance of Digital Payments in India.

Launching the 'Mahila Samman Bachat Patra', a one-time small savings scheme for a tenure of 2 years with deposit facility up to INR 200,000 for women or girls.

Benefits for Senior Citizens.

Enhanced maximum deposit limits for the Senior Citizen Savings Scheme from INR 1.5 million to INR 3 million. Further, the maximum deposit limit for the Monthly Income Account Scheme will be enhanced from INR 450,000 to INR 900,000 for single accounts and from INR 900,000 to INR 1.5 million for joint accounts.

Allowing Fiscal Deficit of 3.5% of GSDP for states, of which 0.5% will be tied to reforms for the power sector.

THE LINK LEGAL PERSPECTIVE.

MSMEs have always served as the growth engines of the Indian economy. This budget provides multifarious reliefs and safeguards and has instilled trust and hope for this ever-growing sector in India. With these measures, the Government has tried to curtail the practical impediments faced by MSMEs presently and have provided them with the necessary support required.

TAX BENEFITS FOR INDUSTRIES.

MSMEs.

- Enhanced limits for micro enterprises and professionals to avail the benefits of the Presumptive Taxation Scheme for eligible businesses, from INR 20 million to INR 30 million, and for specified professions from INR 5 million to INR 7.5 million. The increased limit will apply only in case the amount or aggregate of the amounts received during the year, in cash, does not exceed 5% of the total gross receipts/turnover. This means that 95% of receipts in such cases should be non-cash.

- Deductions for expenditure incurred on payments made to MSMEs only allowed when the payment is actually made.

COOPERATIVES.

- New co-operatives which commence their manufacturing activities up to March 31st, 2024 shall receive the benefit of a lower tax rate of 15%, as is presently available to new manufacturing companies.

- A higher limit of INR 200,000 per member for cash deposits to, and loans in cash by Primary Agricultural Co-operative Societies (PACS) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) to be provided.
- A higher limit of INR 30 million for Tax Deduction at Source (TDS) on cash withdrawal to be provided to co-operatives.

START-UPS.

- Extension of the date of incorporation by one year (i.e. , from March 31st, 2023 to March 31st, 2024) for start-ups to avail their income tax benefits.
- Benefit of carrying forward losses on change of shareholding of start-ups, from 7 years of incorporation to 10 years.

PROPOSALS FOR RATIONALIZATION & SIMPLIFICATION.

- Income of authorities, boards, and commissions set up by statutes of the union or state governments to be exempted from income tax in certain sectors.
- Extension of period of tax benefits to funds relocating to IFSC, GIFT City till March 31st, 2025.
- Removal of the minimum threshold of INR 10,000 for TDS and clarifications on taxability relating to online gaming.
- Excluding the conversion of gold into electronic gold receipt ("EGR") and vice versa from treatment as a form of capital gain.
- Reduction of the rate of TDS from 30% to 20% on the taxable portion of the Employee Provident Fund (EPF) withdrawals in non-PAN cases.

- Taxation on income from Market Linked Debentures.
- Extension of period of tax benefits to funds relocating to IFSC, GIFT City till March 31st, 2025.
- Decriminalisation under section 276A of the Income Tax Act, 1961.

RELAXING APPLICABLE CUSTOMS DUTIES.

Positive Step:

Extending the customs duty exemption on import of capital goods & machinery for lithium-ion battery manufacturing.

Benefits:

For greener mobility.

Positive Step:

Relief in customs duty on import of certain parts and inputs like camera lens for mobile phones.

Benefits:

To deepen domestic value addition in the manufacture of mobile phones.

Positive Step:

Reduction of basic customs duty on parts of open cells of TV panels.

Benefits:

To promote value addition in the manufacture of TVs.

Positive Step:

Exemption of basic customs duty on denatured ethyl alcohol.

Benefits:

To support the Ethanol Blending Programme and facilitate the endeavour for energy transition.

Positive Step:

Reduction of basic customs duty on acid grade fluorspar and crude glycerine.

Benefits:

To make the domestic chemical industry competitive.

Positive Step:

Reduction of customs duty on key inputs for domestic manufacture of shrimp feed.

Benefits:

To enhance the export competitiveness of marine products.

Positive Step:

Reduction of basic customs duty on seeds used in the manufacture of Lab Grown Diamonds (LGDs).

Benefits:

To enhance the export-promotion measures on LGDs.

Positive Step:

Continuation of exemption from basic customs duty on raw materials for manufacture of CRGO steel, ferrous scrap, copper scrap, and nickel cathodes.

Benefits:

To facilitate the availability of raw materials for the steel sector and secondary copper producers.

LINK LEGAL:

**KEY
CONTACTS.**



NUSRAT HASSAN
MANAGING PARTNER

nusrat@linklegal.in
+91-98927-42700



ATUL SHARMA
EXECUTIVE CHAIRMAN

atul@linklegal.in
+91-98110-55984



ANAND SRIVASTAVA
MANAGING PARTNER

anand@linklegal.in
+91-98110-43316



MILIND JHA

PARTNER

milind.jha@linklegal.in
+91-99588-61811



ANUJ TRIVEDI

PARTNER

anuj.trivedi@linklegal.in
+91-99719-92092



AMBUJ SONAL

ASSOCIATE PARTNER

ambuj.sonal@linklegal.in
+91-86520-60925

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