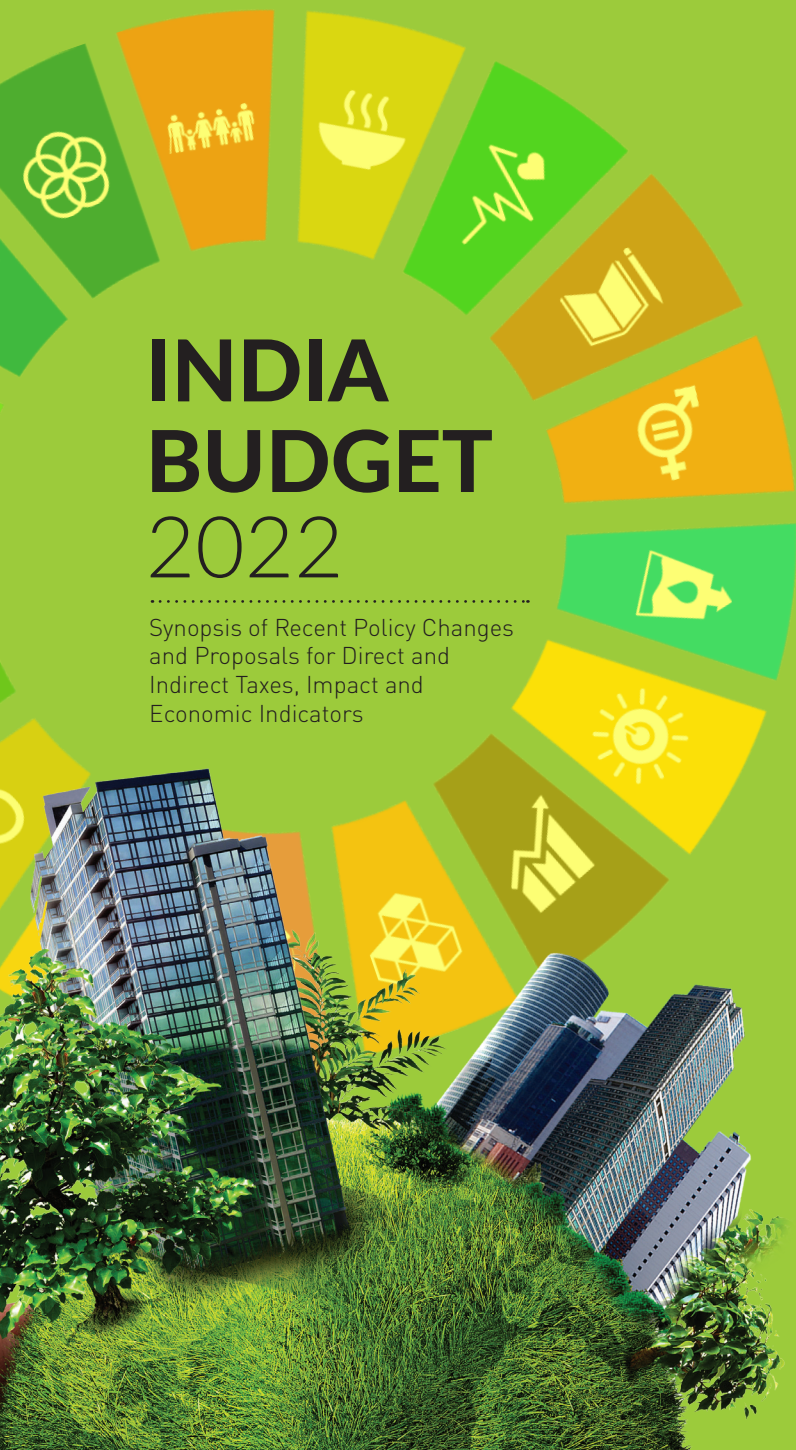



INDIA BUDGET 2022

Synopsis of Recent Policy Changes
and Proposals for Direct and
Indirect Taxes, Impact and
Economic Indicators





For use by clients and firm personnel only

We have taken all steps to ensure that the information contained herein has been obtained from reliable sources and that this publication is accurate. However, this publication is not intended to give legal, tax, accounting or other professional advice. We recommend appropriate advice be taken prior to initiating action on specific issues.



INDEX

Foreword.....	4
Rupee Movement.....	6
In Brief	8
Proposals.....	10
Direct & Indirect Taxes	
Commerce & Trade Focus.....	20
Impact	24
Recent Policy Changes.....	26
Economic Indicators.....	32

FOREWORD



REBOUND AND RECOVERY

Our Finance Minister presented her 3rd Covid Budget. The first came when the slope looked slippery, the next on a slippery slope and, hopefully, this is one when we are slipping out of the covid's hold. To set things right, she has to tackle the fiscal deficit and growing inflation, a situation facing many countries. Employment generation at one end whereas the businessperson mood needing upliftment at the other. Incentives in last 2 years have helped. Productivity Linked Incentive schemes (PLIs) got the desired attention of both domestic and international players. Actually, to her benefit, the global mood for India is up once again, some of it on account of geopolitical reasons. Important FTAs are under discussion. FDI is moving up. In this environment, the focus should be less on dramatic policy shift. It should be on infrastructure and similar spends to give impetus to growth, besides clear steps to attract foreign investors, especially in the manufacturing sector.

In this budget, I think our FM was spot on. Encouraged by healthy tax collections and attainable future possibilities, she tinkered little with direct tax rates and policies, and rather focused on allocations. A chunk of these went to infrastructure, including 400 Vande Bharat trains and 100 cargo terminals in 3 years, masterplan for expressways, 75 digital banking units, 5G roll out, joining of 5 rivers, etc. With an outlook of building India as a financial services base, she is allowing universities specializing in this area, International Arbitration Centers etc in GIFT city. In similar fervor, she announced a Crypto currency to be issued by the RBI in this year, alongside announcing a capital gain tax @ 30 per cent on trading of any virtual digital



asset. Expectedly, the entire speech was generously sprinkled with the word digital, indicating a highly technology focused outlook of the government.

She indicated that the next phase of ease of doing business would be launched together with suitable amendments to simplify tax systems. In order to woo foreign investors as equally domestic players, changes are proposed in the insolvency law to facilitate cross border disputes resolution, bring in a new SEZ legislation within this year, create a trackable e-Bill system to ensure timely payment on government contracts, etc. With an eye on the future, Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems are classified as sunrise industries and are to be given deeper attention. Similarly, a task force is to be set up to build a local base with a global outlook for the Animation, Visual Effects, Gaming and Comic (AVGC) sector. Sustainable growth and reduction of carbon footprints found mention with specific ideas like energy saving in buildings, blended fuel to be made compulsory, etc. May be there is merit in her calling it a budget for India @100.

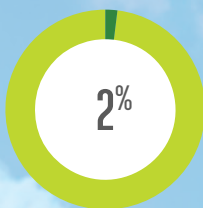
She extended tax incentives for Startups and manufacturing units by a year given the period lost due to covid. Rest was about rationalizing customs duty with Make in India the center of focus. Accordingly, capital goods and project imports duties will be rationalized and exemptions removed in a phased manner on 350 items. The plan being that whatever is or can be manufactured in India will suffer higher duty. Whereas, those items which create domestic value addition or are yet not possible to make in India have enjoyed reduction. While on the Make in India push, 68 per cent of Defence spending and 25 per cent of Defence R&D budget is earmarked for domestic players. Given the sizeable chunk annually allocated here, this is an opportunity sector. Furthermore, there was no mention of strategic divestments. Post the successful sale of Air India, that was a surprise.

It appears she has a realistic target of fiscal deficit @ 6.4 per cent by this year end, but a somewhat ambitious outlook to bring it down to 4.5 per cent by FY 2025–26. But she has placed her bets in an interesting and promising year given the domestic and global mood for Indian economy. She could well get there. All we need now is for Covid to behave and cooperate.

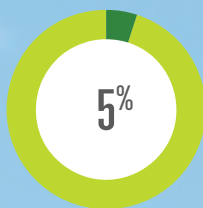
Ajay Sethi



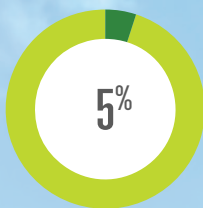
RUPEE COMES FROM



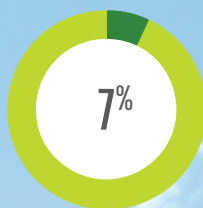
Non-Debt Capital Receipts



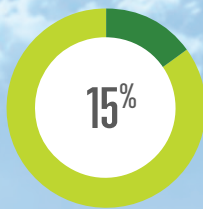
Customs



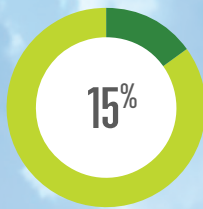
Non-Tax Revenue



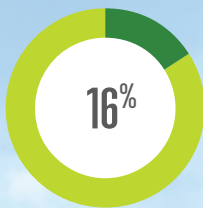
Union Excise Duties



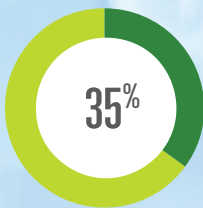
Corporation Tax



Income Tax

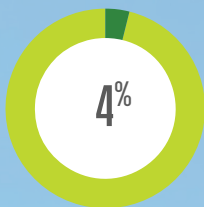


Goods and Services Tax

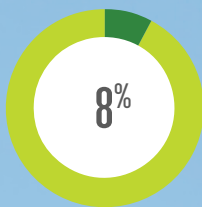


Borrowings & Other Liabilities

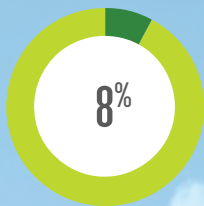
RUPEE GOES TO



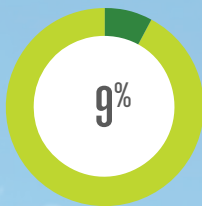
Pensions



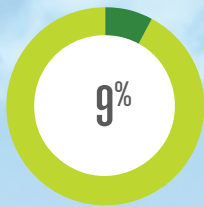
Defence



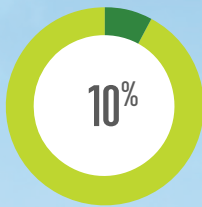
Subsidies



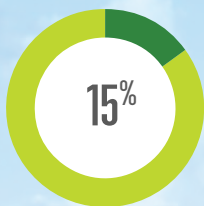
Centrally Sponsored Scheme



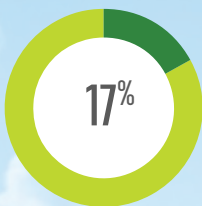
Other Expenditure



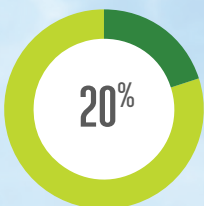
Finance Commission & Other Transfers



Central Sector Scheme



State's Share of Taxes & Duties



Interest Payments

IN BRIEF

BUDGET STATEMENT

DIRECT TAXES

- Virtual Digital Assets brought under tax net
- Extended period to submit updated tax return
- Surcharge on LTCG tax capped at 15 per cent
- Period extended to avail concessional tax rate of 15 per cent
- Faceless assessment scheme modified

INDIRECT TAXES

- Limitation period for claim of input tax credit extended
- Provisions introduced for restricting claim of input tax credit
- Duty free import scheme introduced for bonafide exporters
- Valuation of imports subject to greater scrutiny



COMMERCE & TRADE

- In focus - Infrastructure, logistics, environment and social protection
- 4 Multimodal Logistics Parks to be developed through PPP mode
- Digital Rupee to be introduced by RBI
- Spectrum auctions to facilitate rollout of 5G mobile services

SOCIAL FOCUS

- 'Kisan Drones' to be promoted
- 150,000 post offices to be integrated with core banking system
- e-Passports to be rolled out in FY 2022-23

ECONOMIC INDICATORS

- GDP increases by 9.2 per cent in FY 2021-22
- WPI based inflation at 12.5 per cent
- Foreign exchange reserves at US\$ 633.6 billion
- Increase in production of core industries including coal, natural gas, refinery products, steel, cement and electricity

BUDGET PROPOSALS

This section summarises the significant proposals on Direct and Indirect taxes made by the Finance Minister on February 1, 2022. The direct tax provisions in the Finance Bill, 2022 would ordinarily apply to the Financial Year commencing on April 1, 2022 (Assessment Year 2023-24) whereas the indirect tax provisions would apply with immediate effect, unless otherwise specified. Finance Minister is likely to propose further amendments through separate Bills.

The proposals contained in the Finance Bill are subject to ratification by the Parliament



DIRECT TAXES

INCOME TAX

- Basic tax slabs for individual and HUF remains unchanged i.e.

INCOME RANGE (₹)	EXISTING ¹ (%)	OPTIONAL ² (%)
Upto 250,000 ¹	Nil	Nil
250,001 – 500,000	5	5
500,001 – 750,000	20	10
750,001 – 1,000,000		15
1,000,001 – 1,250,000	30	20
1,250,001 – 1,500,000		25
1,500,001 and above ³		30

¹Exemption limit for individuals reaching 60 and 80 years remains unchanged at ₹300,000 and ₹500,000 respectively

²Deductions, exemptions and carried forward losses restricted, with certain conditions

³Surcharge remains unchanged at 10 per cent on income exceeding ₹5 to 10 million; stands at 15 per cent on income exceeding ₹10 to 20 million; stands at 25 per cent on income exceeding ₹20 to 50 million; stands at 37 per cent on income exceeding ₹50 million. However, surcharge shall not exceed 15 per cent on dividends, STT paid capital gains and non-STT paid long term capital gains

- Tax rates on partnership firms, local authority and co-operative societies remain unchanged. Surcharge at 12 per cent where, income exceeds ₹10 million. In case of co-operative society, surcharge reduced to 7 per cent on income exceeding ₹10 million and remains unchanged at 12 per cent on income exceeding ₹100 million.
- Surcharge on Association of Persons, consisting of only companies as its members, shall be limited to 15 per cent.
- Corporate tax rates remains unchanged i.e.

COMPANY	RATE (%)
Domestic ¹	
‣ MSME / New enterprise	25 ²
‣ Others	30
Foreign	40 ³

¹Surcharge remains at 7 per cent and 12 per cent where income exceeds ₹10 million and ₹100 million respectively

²The benefit of lower rate of tax is applicable to companies with turnover or gross receipts up to ₹4 billion during financial year 2020-21

³Surcharge remains at 2 per cent and 5 per cent where income exceeds ₹10 million and ₹100 million respectively

- Concessional Tax Scheme

COMPANY	RATE (%)
Domestic ¹	
‣ New enterprise	15 ²
‣ Others	22

¹Deductions under respective provisions of chapter VIA restricted for availing concessional tax rate. Surcharge at 10 per cent and education cess at 4 per cent will be applicable

²Benefit extended to companies registered on or after October 1, 2019 and commencing manufacturing (including electricity generation) on or before March 31, 2024 with certain conditions

VIRTUAL DIGITAL ASSETS ('VDA')

- New scheme of taxation introduced viz.
 - Gain on transfer of VDA taxed at 30 per cent.
 - No deduction other than cost of acquisition allowable in computing such gains.
 - Loss on sale of VDA neither eligible for offset in the same financial year nor allowed to be carried forward to future years.
 - Tax withholding at 1 per cent in respect of transfer of VDA exceeding ₹10,000 to a resident and ₹50,000, where the payer is a specified resident individual or HUF.
 - Transfer of VDA as gift is taxable in the hands of recipient as income from other sources.

INCOME FROM BUSINESS & PROFESSION

- Expenses incurred towards exempt income not deductible even when no such income earned during the assessment year.
- Expenditure incurred in violation of any domestic or international law or rule or regulation or guidelines that govern the conduct of any business or profession, not deductible.
- Conversion of outstanding interest liability into debentures or any other instrument is not actual payment eligible for deduction.
- Surcharge & cess is tax, not deductible as expenditure.
- Benefit of brought forward losses would be available to a public sector company provided its ultimate holding company retains

51 per cent or more of voting power, directly or indirectly, post strategic disinvestment.

CAPITAL GAINS

- Reduction of goodwill from the block of assets considered as Transfer and subjected to capital gains.

TAX WITHOLDING / TAX COLLECTION

- 5 per cent or higher rate of tax deduction / collection applies to resident taxpayers who have not filed tax return in immediately preceding year.
- Benefits or perquisites exceeding ₹20,000 per annum, provided to a resident in the course of business or profession are liable to withholding at 10 per cent.
- Where the stamp duty value of an immovable property exceeds the actual consideration on transfer, 1 per cent withholding shall apply on the higher value.

EASE OF COMPLIANCE

- Enhanced income can be offered to tax by updating the tax returns within an extended period of 24 months from the end of assessment year provided all dues on such enhanced income, along with additional tax at 25 or 50 per cent, are paid prior to such updation.
- Where tax on non-resident payment (other than interest) is paid to the exchequer under a tax protected arrangement, the payer can seek refund from the assessing officer and prefer an appeal, if denied.

ASSESSMENT AND APPELLATE PROCEEDINGS

- Where pursuant to the order of Commissioner (Appeals) or the Income Tax Appellate Tribunal, a question of law arises that is identical to an issue pending for adjudication before the Supreme Court or jurisdictional High Court, the tax authorities may defer filing of subsequent appeals on such question of law.
- Where an order determining the Arm's Length Price is considered prejudicial to the interests of the revenue, it can be revised by the Commissioner of Income-tax.
- **Faceless Assessment Regime**
 - Time limit to introduce faceless assessment/appeal scheme in the matters involving transfer pricing, international tax and Appellate Tribunal extended till March 31, 2024.

- Procedural aspects revamped:
 - Where variation in income is proposed and upon request of taxpayer, opportunity of personal hearing must be provided.
 - Certain lapses may not void the assessment proceedings.
- **Reassessment Provisions Rationalised**
 - Notice for reassessment can no more be issued in respect of the periods prior to April 1, 2021 where the time limit of upto 6 years has lapsed.
 - Once determined a fit case for reassessment during the inquiry process, no further approval is necessary.
 - Scope of information suggesting escapement of income widened to include any audit objection, any information obtained from a foreign jurisdiction, direction of the Court or Tribunal and faceless scheme of collecting information.

TAX INCENTIVES – INTERNATIONAL FINANCIAL SERVICES CENTRE (‘IFSC’)

- Specific tax exemption extended to units in IFSC viz.
 - Income arising to a non-resident from transfer of offshore derivative instruments or over-the-counter derivatives entered with offshore banking unit in IFSC.
 - Income accruing to a non-resident outside India from portfolio of securities in an account with offshore banking unit in IFSC.
 - Royalty or interest income arising to a non-resident from lease of ship to units in IFSC.
 - Income from transfer of leased ship by an IFSC unit eligible for tax holiday.

OTHERS

- The concessional rate of 15 per cent tax on dividends received by an Indian company, from a foreign company in which it held 26 per cent or more equity, stands withdrawn.
- Tax exemption on remuneration, fee or income of individuals, consultants, their employees and/ or family members assigned with duties in India in connection with approved bilateral technical assistance programs and projects of the Indian government, stands withdrawn.

- Voluntary contributions received by an individual from any person, to meet actual medical expenses for COVID related treatment of self or a member of the family, exempt in hands of the recipient. Additionally, any amount received within 12 months, from an employer of a person deceased due to COVID, and upto ₹1 million from others, is exempt in the hands of recipient member of the family.
- Loans, borrowings and similar sums are considered explained cash credits when the nature and source is explained in the hands of both borrower and lender.



INDIRECT TAXES

CUSTOMS DUTY

Basic Customs Duty ('BCD') maintained at 10 per cent.

HIGHLIGHTS

- Amendments
 - Tariff simplification brought in. Rates prescribed through multiple notifications now included into the Tariff Schedule.
 - Gradual phasing out of more than forty concessions and exemptions on capital goods and project imports for specified sectors.
 - Duty-free imports scheme introduced for bonafide exporters based on end-use monitoring and subject to export of goods within six months.
 - Exemptions and concessions towards Social Welfare Surcharge ('SWS') done away with on specified goods.
 - Clarifications provided on applicability of exemption on Electric Vehicle kits.
 - Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 amended to cover:
 - End to end automation of entire process
 - Standardization and notification of various forms
 - Submission of monthly statement by importer on Common Portal
 - The Board is empowered to prescribe additional obligations on the importer in respect of valuation of imports of specified class of goods.
 - Advance Ruling processes amended, including:
 - Extension of time limit to withdraw the application till pronouncement of the ruling
 - Advance Ruling to be valid upto 3 years from the date of pronouncement of ruling or change in law, whichever is earlier
 - The Class of Officers of Customs and their powers, rationalized with retrospective effect.

▪ Change in BCD rates of certain industries

INDUSTRY	RATE (%)		
	From	↑↓	To
ELECTRICAL AND ELECTRONIC ITEMS			
➤ Smart Meters (<i>w.e.f. April 01, 2022</i>)	15	↑	25
➤ Printed Circuit Board Assembly of Smart Meters (<i>w.e.f. April 01, 2022</i>)	7.5	↑	20
➤ Camera lens for use in manufacture of Camera Module for Cellular Mobile Phone	10/15	↓	2.5
➤ Specified parts for use in manufacture of transformers of chargers/adapters	10/15	↓	5
➤ Copper/Aluminium based copper clad laminate for use in manufacture of PCB/MPCB	5/7.5	↓	0
➤ X-Ray grid, Multi Leaf Collimator/Iris and Static User Interface used in manufacture of X-ray items	5	↑	10
➤ X-Ray Machines	7.5	↑	10
SOLAR ENERGY			
➤ Solar Cells (other than those exclusively used with ITA-1 items) (<i>w.e.f. April 01, 2022</i>)	0	↑	25
➤ Solar Modules (other than those exclusively used with ITA-1 items) (<i>w.e.f. April 01, 2022</i>)	0	↑	40
FUELS, CHECMICALS AND PLASTICS			
➤ Fuel Oil, Straight run fuel oil	5	↓	2.5
➤ Low sulphur wax residue, Vacuum residue, Slurry and Vacuum gasoil	5	↓	2.5

INDUSTRY	RATE (%)		
	From	↑↓	To
➤ Sodium cyanide	7.5	↑	10
PAPER			
➤ Recovered (waste and scrap) paper or paperboard for use in manufacturing of paper, paperboard or newsprint	0	↑	2.5
GEMS AND JEWELLERY			
➤ Cut and Polished Diamonds and Natural Gemstones	7.5	↓	5
CAPITAL GOODS			
➤ S.G. Ingot Castings used in manufacturing of Plastic Processing Machinery	10	↓	7.5
➤ Ball Screw and Linear Motion Guide used in manufacturing of Plastic Processing Machinery	7.5	↓	5
➤ Bushing (made up of platinum and rhodium alloy, imported in exchange of worn-out bushing exported for refurbishment)	10	↓	7.5
➤ Coffee roasting, brewing or vending machineries for use in the manufacturing or processing of coffee	10	↓	7.5

EXCISE DUTY

- Effective October 01, 2022, additional duty of ₹2 per litre imposed on unblended Petrol and High Speed Diesel sold to retail consumers.

GOODS AND SERVICES TAX

- Amendments
 - Introduction of an auto generated statement containing details of Input Tax Credit ('ITC') available / restricted to the taxpayer.

- ITC to be availed only if it is not restricted in the auto generated statement.
- Limitation period extended upto November 30 of the subsequent financial year in respect of:
 - Claim of ITC relating to a financial year
 - Adjustment of tax liability due to issue of credit note towards any supply in a financial year
 - Rectification of any error made in filing of any return of a tax period in a financial year
- ITC availed to be reversed, along with interest, if supplier has not paid the said tax; reclaim permitted upon payment by supplier.
- Provisions introduced for:
 - Specifying maximum proportion of tax liability which may be discharged through ITC utilization
 - Imposing restrictions towards utilization of balance in electronic credit ledger
- Cancellation of registration provisions amended:
 - In case of Composition Dealers, if return for a financial year is not filed beyond 3 months from the due date; and
 - In case of normal taxpayers, if returns are not filed for a continuous tax period as may be prescribed
- Restriction on filing of:
 - GSTR-1 return for a tax period, if past returns are not filed
 - GSTR-3B return for a tax period, if GSTR-1 return is due
- 'Two way' communication process in return filing between supplier and customer done away with.
- Late fee introduced for late filing of return for tax collected at source by e-commerce operators.
- Transfer of balance in electronic cash ledger to own branches permitted.
- Limitation period for claim of refund for any quarter by Embassies, Consulates, agency of United Nations Organisations or other specified taxpayers extended from 6 months to 2 years.
- Retrospective Amendments
 - Effective July 01, 2017, interest on wrong availment and utilization of ITC to be levied at the rate of 18 per cent, in the manner to be prescribed.

COMMERCE & TRADE FOCUS



INFRASTRUCTURE

- Additional 2,000 km of network to be brought under *Kavach*, an indigenously developed signalling-cum-safety device, to reduce railway accidents.
- Central / State ministries and infrastructure agencies to develop capacity in planning, design, financing and implementation through technical support from Capacity Building Commission.
- Outlay towards 'Financial Assistance to States for Capital Investment' enhanced from ₹100 billion (US\$ 1.33 billion) to ₹150 billion (US\$ 2 billion).

LOGISTICS

- The National Highways network will be expanded by 25,000 km in FY 2022-23 as part of the *PM GatiShakti Master Plan* for Expressways with an investment of ₹200 billion (US\$ 2.67 billion).
- Proposal to develop four Multimodal Logistics Parks through PPP mode and 100 additional cargo terminals during the next three years, to improve logistic facilities.
- National Ropeways Development Programme to undertake construction of ropeway projects to improve connectivity and tourism in hilly areas.

E-MOBILITY

- Public transportation to undergo a shift with emphasis on usage of clean tech, special mobility zones with zero fossil-fuel policy and EV vehicles.
- Proposal for formulation of a Battery Swapping Policy to develop sustainable and innovative business models for 'Battery or Energy as a Service'.

EASE OF DOING BUSINESS

- Ease of Doing Business EODB 2.0 and Ease of Living initiatives to improve productivity of capital and human resources, for 'trust-based governance'. This to be done through removal of overlapping compliances, digitisation of manual processes and integration of the central and state-level systems through technology.

MSME

- Emergency Credit Line Guarantee Scheme ('ECLGS') to provide an exclusive cover of ₹500 billion (US\$ 6.67 billion)

to hospitality and related enterprises, extended up to March 2023.

- Raising and Accelerating MSME Performance ('RAMP') programme to be rolled out with an outlay of ₹60 billion (US\$ 800 million) over 5 years.

ENVIRONMENT

- In order to enhance solar power capacity an allocation of ₹195 billion (US\$ 2.6 billion) has been made towards PLI (Production Linked Incentive Scheme) for manufacturing high efficiency solar equipment.
- Replacement of fuel with five to seven per cent biomass pellets in thermal power plants resulting in 38 MMT annual carbon savings.
- Regulatory framework for promotion of agro-forestry and private forestry proposed.
- Four pilot projects for coal gasification and chemical conversion to be undertaken to test financial and technical viability.
- Fast tracking of green clearances through Centralized Processing Centre-Green ('CPC-Green').

SOCIAL PROTECTION

- 'Kisan Drones' to be promoted for crop assessment, digitisation of land records, spraying of insecticides and nutrients.
- ₹600 billion (US\$ 8 billion) allocated to provide potable water to additional 38 million households.
- ₹480 billion (US\$ 6.4 billion) allocated to construct 8 million houses within FY 2022-23.

EDUCATION

- 'One class-one TV channel' programme to be expanded from 12 to 200 TV channels to provide supplementary education in regional languages for classes 1-12.
- 750 virtual labs in science and mathematics and 75 skilling e-labs for simulated learning environment to be set-up in FY 2022-23, to promote critical thinking skills.
- A Digital University to be set up for providing world-class education with personalised learning experience. The university will provide education in different languages and ICT formats. This is to be built on a hub-spoke model with a hub providing the requisite expertise.

BANKING & FINANCE

- 150,000 post offices to be integrated into the core banking system in 2022 enabling inter-operability and financial inclusion.
- 75 Digital Banking Units ('DBUs') to be established in 75 districts by Scheduled Commercial Banks.
- Surety Bonds to be permitted as substitute for bank guarantees in government procurement.
- Government to promote thematic funds with a 20 per cent cap on government holding. This is to encourage investment in sunrise sectors such as climate action, deep-tech, digital economy, pharma and agri-tech.
- Digital Rupee and Central Bank Digital Currency ('CBDC') to be introduced by Reserve Bank of India in FY 2022-23.

FISCAL MANAGEMENT

- Revised Fiscal Deficit in the FY 2021-22 is estimated at 6.9 per cent of GDP as against 6.8 per cent projected in the Budget Estimates, while fiscal deficit in FY 2022-23 is estimated at 6.4 per cent of GDP.
- Outlay for capital expenditure in the Union Budget increased by 35.4 per cent i.e. from ₹5.54 trillion (US\$ 73.87 billion) to ₹7.5 trillion (US\$ 100 billion).
- 'Effective Capital Expenditure' estimated at ₹10.68 trillion (US\$ 142.4 billion) in FY 2022-23, which will be 4.1 per cent of GDP.

TELECOM

- Spectrum auctions to be conducted in 2022 to facilitate rollout of 5G mobile services by private telecom players.
- Scheme for design-led manufacturing to be launched to build a strong 5G ecosystem as part of the PLI initiative.

OTHERS

- The issuance of e-Passports using embedded chip and futuristic technology will be rolled out in FY 2022-23 for convenience in overseas travel.
- 'One-Nation One-Registration Software' to promote uniform process of registration of deeds and documents from anywhere.
- Centre for Processing Accelerated Corporate Exit ('C-PACE') to be established for speeding up the voluntary winding-up process of companies within a period of six months.

IMPACT

CAPITAL MARKET

The Bombay Stock Exchange ('Sensex') closed 1.46 per cent higher at 58,862.57 up by 848.40 points. The National Stock Exchange ('Nifty') gained 1.37 per cent, up by 237 points to close at 17,576.85 points. The Sensex touched an intra-day high of 59,032.20 and a low of 57,737.66 while Nifty touched a high of 17,622.40 and a low of 17,244.55 during the day.

KEY SECTORS

POWER

Production Linked Incentive for manufacture of high efficiency modules with priority to fully integrated manufacturing units from polysilicon to solar PV modules coupled with Sovereign Green Bonds for mobilizing green infrastructure will boost investments in the sector.

RAILWAYS

Launch of 400 new semi-high speed Vande Bharat trains to augment logistical prowess along with enhanced deployment of safety systems and development of 100 new cargo terminals. Emphasis on logistics support to small farmers, SMEs and concept of 'One Station-One Product' would boost supply chain management and integration of local manufacturers.

AUTOMOBILE

The proposed battery swapping policy, zero emission zones and a push to clean technologies, would open opportunities for several new startups. It is expected to encourage further investments and have a positive impact on the public transportation, commercial and passenger vehicles and auto component manufacturers in EV ecosystem.

DEFENCE

Proposed involvement of private sector in design and development of military sector and equipment through dedicated SPV's would promote investments and reduce imports in defence sector.

TELECOM

Proposal for spectrum auction for roll out of 5G mobile services and production linked incentives in design lead manufacturing for 5G ecosystem would boost investments and employment in telecom sector thereby bolstering India's image as a global manufacturing hub.

EASE OF DOING BUSINESS

Proposal of supportive policies, light touch regulations, facilitative actions, consolidation of labour law management (Udyam, e-Shram, NCS and ASEEM portals) would significantly aid ease of doing business in India along with digitisation of government procurement system for single window environmental clearances.

INFRASTRUCTURE

The large capex outlay for cement sector is viewed as a vital boost for infrastructure companies as it will provide a fillip to their order books on account of increased government project tendering. Cement companies to also benefit from the higher spending on public investment and on affordable housing. Inclusion of 'Infrastructure status' provided to data centres and energy storage systems and grid-scale battery systems, will initiate a cycle of tech capex in India.

RECENT POLICY CHANGES

Production Linked Incentives

Foreign Direct Investment

Corporate Law

Corporate Social Responsibility

Micro, Small And Medium Enterprises

Reserve Bank of India

Taxation



PRODUCTION LINKED INCENTIVES

Production Linked Incentive Scheme ('PLI') and operational guidelines launched to boost domestic manufacturing in below mentioned industries.

- **Automobile and Automobile Component**-With a budgetary outlay of ₹259.38 billion (US\$ 3.46 billion), this will boost manufacturing of advanced automotive technology products.
- **Advanced Chemical Cell (ACC) Batteries**-This is expected to attract investments worth ₹450 billion (US\$ 6 billion) considering the budgetary outlay of ₹181 billion (US\$ 2.41 billion).
- **Telecom and Networking Products**-This is expected to attract an investment of ₹ 33.45 billion (US\$ 446 million) over the next four years and 40,000 additional jobs.
- **Drone Manufacturing**-This is expected to attract an investment of ₹50 billion (US\$ 666.67 million) and generate additional employment for 500,000 people in three years.
- In addition to these, PLI schemes were proposed for:
 - Key starting materials / drug intermediaries and API
 - Large Scale Electronics Manufacturing
 - Manufacturing of Medical Devices
 - Electronic / Technology Products
 - Pharmaceutical Drugs
 - Food Products
 - White Goods
 - High-Efficiency Solar PV Modules
 - Textile Products
 - Speciality Steel

FOREIGN DIRECT INVESTMENT ('FDI')

- Investments by Non-Resident Indians ('NRIs') or entity controlled by NRIs on a non-repatriation basis, to be considered domestic investments at par with investments made by Residents.
- **FDI limit in insurance companies increased from 49 to 74 per cent.**
- FDI limit for strategic disinvestments in Public Sector Undertakings ('PSU') in petroleum refining, increased from 49 to 100 per cent.
- **FDI limit under automatic route in telecom services (including telecom infrastructure providers category-I) increased from 49 to 100 per cent.**

- In view of the impending cessation of LIBOR as a benchmark rate, AD banks have been permitted use of any other widely accepted / alternative reference rate in the currency concerned, for financial transactions.

CORPORATE LAW

- Restrictions on convening physical board meetings for resolutions like approval of financial statements, merger / amalgamation, takeover / acquisition and prospectus for issue of shares have been done away with. These can now be done through video conferencing.
- Companies being newly setup can now avail registration of Shops and Commercial Establishments during incorporation itself.
- Pre-packaged Insolvency Resolution Process Rules, 2021 ('PPIRP') notified with effect from April 09, 2021.
- ₹1 million (US\$ 13,333) specified as the minimum amount of default for matters relating to PPIRP of corporate debtor under Insolvency and Bankruptcy Code, 2016.
- Every company using accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made along with the date of change and ensuring that the audit trail cannot be disabled.
- Non compliances with respect to unpaid dividend to attract a penalty of ₹0.1 million (US\$ 1,333) and additional penalty in case of continuing failure, subject to a maximum of ₹1 million (US\$ 13,333).

CORPORATE SOCIAL RESPONSIBILITY ('CSR')

- CSR expenses are eligible for input tax credit.
- Expenditure incurred on setting up makeshift hospitals and temporary COVID care facilities shall be eligible as CSR expenditure.

MICRO SMALL AND MEDIUM ENTERPRISES ('MSME')

- The Ministry of MSME has decided to include retail and wholesale trades under MSMEs and allow them to be registered on "Udyam" registration portal.

- Factoring Regulation (Amendment) Bill, 2021 has been passed to help MSME sector to avail easy working capital. The key highlights are:
 - Amendment in the MSME definition to make them consistent internationally
 - Relaxation to NBFCs' Factoring threshold levels
 - Trade receivables to be filed with the Central Registry by Trade Receivables Discounting System ('TreDS')
 - RBI to be the regulatory authority.

RESERVE BANK OF INDIA ('RBI')

- Threshold for loans granted by banks to related parties increased from ₹2.5 million (US\$ 33,333) to ₹50 million (US\$ 666,667).
- Prior approval from RBI for acquisition and transfer of immovable property in India, other than agricultural land / farmhouse / plantation property relaxed for NRIs / OCIs.

TAXATION

- With effect from April 1, 2021, e-invoicing applicability under GST laws widened to include taxpayers with aggregate turnover exceeding ₹500 million (US\$ 6.67 million).
- Non-Resident foreign investors exempt from obtaining PAN while transacting through foreign currency in a capital asset listed on a recognised stock exchange located in International Financial Services Centre.
- Any sum received from the employer or any person towards COVID-19 treatment during FY 2019-20 as well as in subsequent years shall be exempt under Income-Tax.
- GST paid on land taken on lease for construction of a manufacturing plant shall not be permitted for input tax credit, even if it is used in course or furtherance of business.
- Managerial and leadership services provided by corporate office to its branch offices and group companies shall be taxable under GST even when consideration is not involved.

FOREIGN TRADE

(April – November 2021)

MAIN TRADING PARTNERS FOR INDIA				
S. No.	Main Exports to	Share (%)	Main Imports from	Share (%)
1	USA	18.43	China	15.47
2	UAE	6.57	UAE	7.30
3	China	5.87	USA	7.15
4	Bangladesh	3.48	Saudi Arabia	5.03
5	Hong Kong	2.83	Iraq	4.86
6	Singapore	2.77	Switzerland	4.66
7	Netherlands	2.60	Hong Kong	3.16
8	UK	2.54	Indonesia	2.94
9	Belgium	2.39	Singapore	2.93
10	Germany	2.30	South Korea	2.91

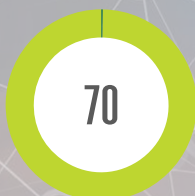
FOREIGN DIRECT INVESTMENT

(US\$ million)

FDI EQUITY INFLOWS (top ten countries)						
Rank	Country	2019-20 (Apr - Mar)	2020-21 (Apr - Mar)	2021-2022 (Apr - Sep)	Cumulative Inflows (Apr 2000 - Sep 2021)	% to total Inflows
1	Mauritius	8,241	5,639	4,338	152,688	27
2	Singapore	14,671	17,419	8,057	123,146	22
3	USA	4,223	13,823	4,633	48,235	9
4	Netherlands	6,500	2,789	2,139	38,780	7
5	Japan	3,226	1,950	804	36,253	6
6	UK	1,422	2,043	1,149	31,404	6
7	Germany	488	667	431	13,294	2
8	Cayman Islands	3,702	2,799	2,158	12,493	2
9	UAE	339	4,203	480	11,673	2
10	Cyprus	879	386	75	11,209	2

SECTORAL COMPOSITION OF FDI

(Apr'21 - Sep'21) (US\$ million)



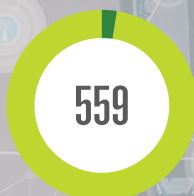
Construction
Development



Telecommunications



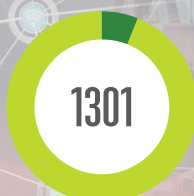
Chemicals



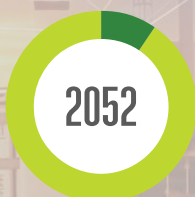
Drugs &
Pharmaceuticals



Construction
(Infrastructure)



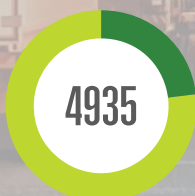
Metallurgical
Industries



Trading



Services



Automobile
Industry



Computer Software
& Hardware

ECONOMIC INDICATORS

GDP

Inflation

Foreign Trade

Foreign Exchange Reserves

Infrastructure



OVERVIEW

GROSS DOMESTIC PRODUCT ('GDP')

GDP is estimated to increase at 9.2 per cent for the FY 2021-22 compared to a decline to 7.3 per cent in the FY 2020-21.

Overall GDP growth (%)

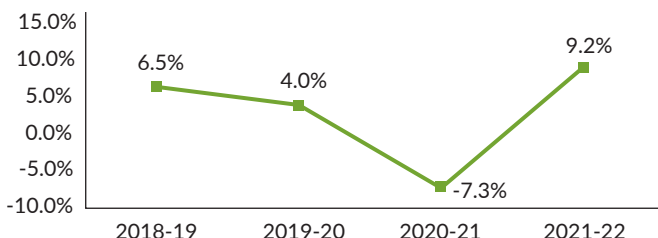


Figure for FY 2020-21 is provisional estimate

Figure for FY 2021-22 is first advance estimate

INFLATION

Inflation based on Wholesale Price Index ('WPI') increased from 1.3 per cent in the FY 2020-21 to 12.5 per cent in FY 2021-22.

Inflation based on WPI (%)

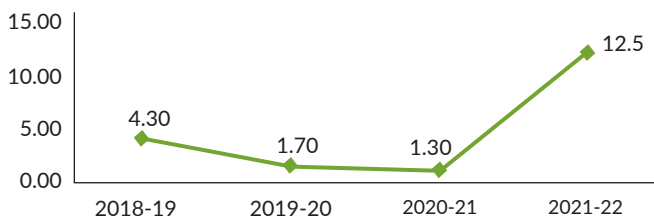


Figure for FY 2021-22 is for the period Apr – Dec.



FOREIGN TRADE

Exports till September 2021 were US\$ 202.29 billion registering a substantial increase of 58.11 per cent for a similar period till September 2020. Imports till September 2021 were US\$ 277.42 registering a substantial increase of 80.74 per cent for a similar period till September 2020.



Figure for FY 2021-22 is preliminary estimate from Apr – Sep.

FOREIGN EXCHANGE RESERVES

The foreign exchange reserves increased by US\$ 56.63 billion as of December 2021 compared to March 2021. India's foreign exchange reserves continue to be comfortably placed at US\$ 633.61 billion.

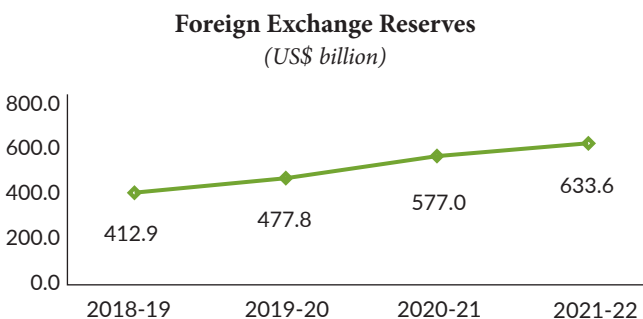


Figure for FY 2021-22 is for Dec end 2021



INFRASTRUCTURE

CORE INDUSTRIES

Cement production during April to November 2021 grew by 28.3 per cent over the corresponding period of the previous year. Production of natural gas and refinery products increased, while there was a decline in production of crude oil and fertilizers.

Growth in Core Industries (%)

SECTOR	2018-19	2019-20	2020-21	APRIL TO NOVEMBER	
				2020-21	2021-22
Coal	7.4	-0.4	-1.9	-2.6	11.6
Crude Oil	-4.1	-5.9	-5.2	-6.0	-2.7
Natural Gas	0.8	-5.6	-8.2	-12.1	22.8
Refinery Products	3.1	0.2	-11.2	-14.9	10.6
Fertilizers	0.3	2.7	1.7	3.8	-0.6
Steel	5.1	3.4	-8.7	-18.2	25.3
Cement	13.3	-0.9	-10.8	-19.5	28.3
Electricity	5.2	0.9	-0.5	-4.6	10.2
Overall Index	4.4	0.4	-6.4	-11.4	13.7

POWER

Total power generation registered an increase of 8.75 per cent during April to December 2021 compared to corresponding period of the previous year. Thermal electricity generation grew by 10.84 per cent.

(billion units)

POWER SOURCE	APRIL TO DECEMBER		
	2020	2021	GROWTH %
Thermal	736.92	816.78	10.84
Nuclear	33.95	34.77	2.41
Hydro	126.64	126.39	-0.20
Bhutan Import	8.41	7.28	-13.43
Total Power Generation	905.92	985.22	8.75

Figures for Apr-Dec 2021 are provisional.

TELECOMMUNICATIONS

Total telephone subscriber base in India has increased from 933.02 million in March 2014 to 1200.88 million in March 2021. 45 per cent of subscribers were based in rural India and 55 per cent in urban areas. Internet subscribers increased from 302.33 million in March 2015 to 833.71 million in June 2021. While 67.2 per cent of internet subscribers had narrow-band connections and 32.8 per cent had broadband connections in 2015, the composition has undergone a substantial shift by June 2021.

Total volume of wireless data usage increased more than 7 fold from 4,206 petabytes in Q1 of FY 2017-18 to 32,397 petabytes in Q1 of FY 2021-22.

RAILWAYS

Indian Railways ('IR') with over 68,102 route kms is the third largest network in the world under a single management. An average of 1,835 km per year of new track length has been added through new-line and multi-tracking projects during FY 2014-21 compared to an average of 720 kms per year during FY 2009-14.

During FY 2020-21, IR carried 1.23 billion tonnes of freight and 1.25 billion passengers. Consequential train accidents decreased from 59 in FY 2018-19 to 55 in FY 2019-20 and further to 22 in FY 2020-21.

IR has operated 1,841 Kisan Rail services, transporting approximately 600,000 tonnes of perishables including fruits and vegetables.

ROADS

The Indian Road network of over 6.37 million km (provisional) as at March 31, 2019 consisting of National Highways, State-Highways, District Roads, Rural Roads, Urban Roads and Project Roads is the second-largest in the world, after the United States which stands at 6.7 million kms.

There has been an increase of 30.2 per cent in the construction of National Highways. 13,327 kms of roads were constructed in FY 2020-21 as compared to 10,237 kms in FY 2019-20.

IMPORTANT FILING DATES FOR THE YEAR 2022-23

*(The dates may be revised
as per the notification by the regulators)*

REGULATORY MATTER	DUE DATE
Corporate Law	
Board Meeting	Four meetings every year with a gap not exceeding 120 days between two such meetings
Annual General Meeting ('AGM') (adoption of financials)	Within 6 months of end of the financial year
Annual Return with the ROC	Within 60 days from conclusion of AGM
Tax	
Corporate Tax Return	October 31st/ November 30th
Tax Audit Report	September 30th/ October 31st
Transfer Pricing Report	October 31st
TDS Returns (Tax Withholding)	Quarterly
Individual Tax Return	July 31st
GST Return*	
- Turnover > ₹50 million)	Monthly
- Turnover ≤ ₹50 million)	Quarterly/Monthly
Compliance	
Deposit of TDS	7th of every month
Deposit of GST	
- Turnover > ₹50 million)	20th of every month
- Turnover ≤ ₹50 million)	20th/ 22nd/ 24th of every month/ Quarter**

*It includes GSTR 1 and GSTR 3B

**Differs according to State

ABOUT US

A full services firm of corporate strategists, accountants, tax advisory experts and financial and marketing analysts.

SERVICES

- Accounting and Business Support
- Assurance
- Business Advisory
- Cyber Security
- Global Offshoring Services
- Risk Advisory
- Taxation
- Transaction Advisory

Well structured teams with domain specialization are guided by leaders who possess expertise and experience and are present PAN India to ensure excellent client service.

6000
CLIENTS

60+
LOCATIONS



PRESENTLY POSITIONED IN THE

TOP 10 ACCOUNTING & CONSULTING FIRMS

700 in-house
PROFESSIONALS

35 DIRECTORS
AND ADVISORS

30 YEARS
OF EXPERIENCE

18 INDIAN LOCATIONS AND 6 FOREIGN
DESKS COMBINED WITH INTERNATIONAL
AFFILIATIONS ENSURES GLOBAL
STANDARDS WITH REGIONAL EXPERTISE

DIRECTOR LED OFFICES IN 8 KEY LOCATIONS ACROSS INDIA

New Delhi

Aurobindo Tower
81/1 Third Floor Adchini
Aurobindo Marg
New Delhi 110 017 INDIA
T +91 11 4100 9999

Sunil Arora *Partner*
sunil.arora@asa.in

Ahmedabad

306B, Pinnacle Business Centre
Corporate Road, Prahlad Nagar
Ahmedabad 380015 INDIA
T + 91 79 4891 5409

Himanshu Srivastava *Partner*
himanshu.srivastava@asa.in

Bengaluru

Level - 2, Park Square
No.150, 36th Cross
Jayanagar 7th Block
Bengaluru 560 082 INDIA
T +91 80 4907 9600

D. Ramprasad *Partner*
ramprasad.d@asa.in

Chennai

Unit No. 709 & 710,
7th Floor 'Beta Wing'
Raheja Towers
New No. 177
Anna Salai, Chennai 600 002 INDIA
T +91 44 4904 8200

DK Giridharan *Partner*
dk.giri@asa.in

National Affiliates

Bhubaneswar, Chandigarh, Pune and Vishakhapatnam

International Affiliates

Algeria, Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Denmark, Egypt, France, Finland, Germany, Hong Kong, Hungary, Israel, Italy, Japan, Luxembourg, Malaysia, Mexico, Morocco, New Zealand, Netherlands, Norway, Poland, Portugal, Romania, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Sweden, Thailand, Tunisia, Turkey, UAE, UK, USA, Vietnam

Gurgaon

Times Square Fourth Floor
Block B, Sushant Lok 1
Gurgaon 122 002 INDIA
T +91 124 4333 100

Sundeep Gupta *Partner*
sundeep.gupta@asa.in

Hyderabad

Vasavi's MPM Grand, 11th Floor,
Unit No 1204, Yella Reddy Guda Road,
Ameerpet, Hyderabad,
Telangana - 500073 INDIA
T +91 40 2776 0423

K Venkatraman *Partner*
k.venkat@asa.in

Kochi

Pioneer Tower
207-208 Second Floor, Marine Drive
Kochi 682 031 INDIA
T +91 484 410 9999

P N Ramachandra Kamath *Partner*
pnr.kamath@asa.in

Mumbai

Lotus Corporate Park
D-401, CTS No.185/A
Graham Firth Compound
Western Express Highway
Goregaon (East)
Mumbai 400 063 INDIA
T +91 22 4921 4000

Keyur Dave *Partner*
keyur.dave@asa.in