mint
Thursday, Feb 2, 2023

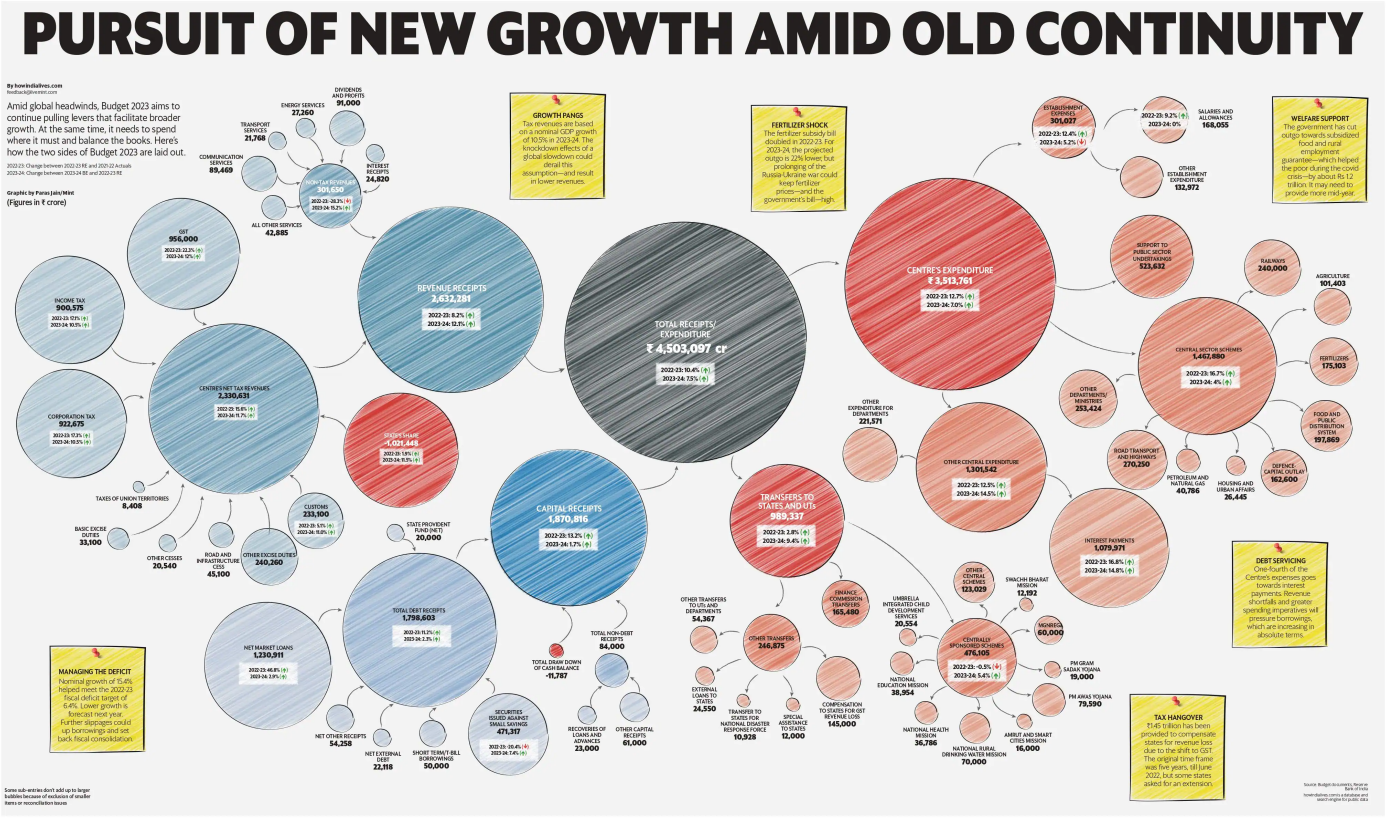
BUDGET 2023 SIMPLIFIED

Powered by AXIS MUTUAL FUND

In the old days, Bollywood movies often promised that they would cover every genre – action, romance, drama, comedy et al. Modi 2.0's last full budget follows the same template with something for everyone. The budget was kept in tune with a financial vision coupled with fiscal discipline that saw India emerge unscathed and as one of the bright marks in a global economy subdued by Covid-19 and the Russia-Ukraine war. The first budget of "Amrit Kaal" – a term PM Modi used during his Independence Day Speech in 2021 and which refers to a golden era of prosperity – will be remembered as a Capex-heavy budget ahead of an election year signifying a government confident in its approach.

The government has achieved a delicate balance between economics and politics, looking to amp up infrastructure while ensuring that welfare schemes reach the last mile. The government is ramping up its digital infrastructure to minimise leakages. But in all, it is intent on keeping a hawkish view on fiscal profligacy to keep the books in order. To achieve Amrit Kaal, Finance Minister Nirmala Sitharaman announced that the government would focus on seven priorities (Saptarishi):

1. Inclusive Development
2. Reaching the Last Mile
3. Infrastructure and Investment
4. Unleashing the Potential
5. Green Growth
6. Youth Power
7. Financial Sector



In major highlights, the Centre's capital expenditure has been hiked by 33% to a record Rs 10 trillion for infrastructure development which is the highest ever capital outlay by India. The CAPEX-to-GDP ratio, which rose to 2.7% in 2022-23 is estimated to be 3.3% in the new financial year. Meanwhile, Indian Railways is set to get a capital expenditure push of Rs 2.4 lakh crore in the financial year 2023-24, an increase of 65.6% from the previous year. The govt also announced a 50-year interest-free loan to states to boost capital expenditure, which is conditional on the states' increasing actual capital expenditure, and parts of this outlay will be linked to reforms.

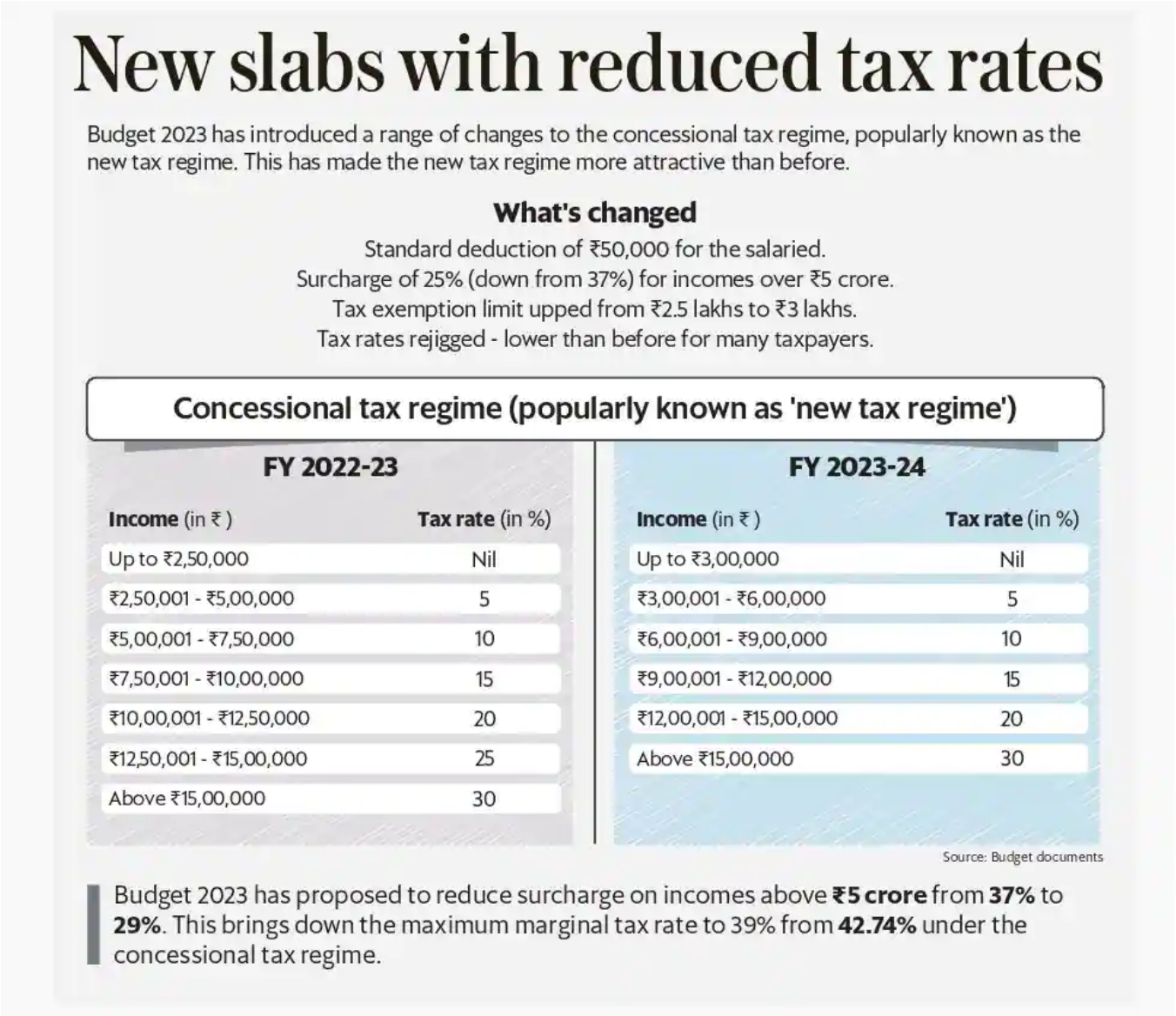
In its disinvestment target to bridge the fiscal deficit, the Centre expects to raise Rs 51,000 crore from stake sales in various state-run companies. Data from the DIPAM website shows that proceeds from disinvestment only stood at Rs 31,106.64 crore, 48% of the budgeted amount of Rs 65,000 crore.

The lavish spending on Railways is to ensure that it puts India's growth on the fast track. With Hydrogen trains in the offing and the undertaking to refurbish 1,275 stations, some real big-ticket plans are afoot to make a truly vande bharat.

Unlocking agriculture potential: The government (through its PM-PRANAM plan) will look to incentivise States and Union Territories to promote alternative fertilisers and balanced use of chemical fertilisers. Through Shree Anna, the plan is to make India a global hub for millets. Sab ka saath, Sab ka vikas: To ensure that no one is left behind, the government has decided to start Pradhan Mantri Development Mission, more teachers will be employed for Ekalvaya Model schools, so that they can impart quality education. With an eye on education, it will set up 157 new nursing colleges and plans to overcome the Covid-19 education gap by encouraging states to set up physical libraries and provide infrastructure access to the National Digital Library.

Also, to help particularly vulnerable tribal groups (PVTGs), it announced the Pradhan Mantra PVTG Development mission with ₹15,000 crores allocated over the next three years to provide PVTG families and habitations with basic facilities.

Indirect and Direct Tax Proposals: The personal income tax regime was further simplified by changing it to five slabs, while the tax rebate ceiling was increased to Rs 7 lakh. Meanwhile, tax benefits were announced for the industry with an enhanced limit for micro-enterprises and extending 15% corporate tax benefits to new co-operatives.



New slabs with reduced tax rates

Budget 2023 has introduced a range of changes to the concessional tax regime, popularly known as the new tax regime. This has made the new tax regime more attractive than before.

What's changed

Standard deduction of ₹50,000 for the salaried.
Surcharge of 25% (down from 37%) for incomes over ₹5 crore.
Tax exemption limit upped from ₹2.5 lakhs to ₹3 lakhs.
Tax rates rejigged - lower than before for many taxpayers.

Concessional tax regime (popularly known as 'new tax regime')

FY 2022-23

Income (in ₹)	**Tax rate** (in %)
Up to ₹2,50,000	Nil
₹2,50,001 - ₹5,00,000	5
₹5,00,001 - ₹7,50,000	10
₹7,50,001 - ₹10,00,000	15
₹10,00,001 - ₹12,50,000	20
₹12,50,001 - ₹15,00,000	25
Above ₹15,00,000	30

FY 2023-24

Income (in ₹)	**Tax rate** (in %)
Up to ₹3,00,000	Nil
₹3,00,001 - ₹6,00,000	5
₹6,00,001 - ₹9,00,000	10
₹9,00,001 - ₹12,00,000	15
₹12,00,001 - ₹15,00,000	20
Above ₹15,00,000	30

Source: Budget documents

Budget 2023 has proposed to reduce surcharge on incomes above **₹5 crore** from **37%** to **29%**. This brings down the maximum marginal tax rate to 39% from **42.74%** under the concessional tax regime.

Mention must be made of the National Data Governance Policy. The KYC process will be simplified to keep abreast of digital India with a one-stop solution for reconciliation and updating of identity using DigiLocker Service and Aadhaar. PAN would be used as a Common Business Identifier for all digital systems, while a unified filing process would be brought to eliminate unnecessary red tape while filing the same set of information.

Finally, a plethora of announcements were made keeping sustainability in mind which would focus on policies to reduce carbon intensity and provide large-scale green job opportunities. While there was no direct mention of mutual funds, the received wisdom is that debt mutual funds would benefit from fiscal consolidation while infra mutual funds would gain from the continued focus on infrastructure and investment.

BUDGET 2023 - TOP ARTICLES

- Capex raised to ₹10 tn as govt pushes for infra, jobs
- India's latest budget succeeds in hitting all the right notes
- Capex bet and a welfare miss: Story of Budget in nine charts
- Agriculture to zero emissions: here's the budget in 26 letters
- A mixed bag for banking sector with more positives
- India's first-ever Green Budget
- The first Budget of Amrit Kaal has its heart in the right place
- What this Budget has on offer for HNIs
- Will the Budget boost household consumption?
- Tiresome rules out, trust-based model in

Share this document

Download PDF

WIIFM(WHAT'S IN IT FOR ME?)

INDIVIDUALS

Low Income -

- Prime Minister Awas Yojana (PMAY) - enhanced by 66% to over Rs. 79,000 crores (from Rs 48,000 crore in FY2022-2023) to provide affordable houses
- Financial support for poor prisoners to afford penalty or bail amount

Income < ₹7 Lakhs +

Income > ₹7 Lakhs +

Income <₹2 Crores +

Tribes +

Women +

Senior Citizens +

Gen Z +

New vs. Old Tax Regime +

TYPE OF COMPANIES

For all +

Startups +

MSMEs/SMBs and Co-Ops +

Commodities +

Export/Import +

FINANCIAL REGULATION

General +

BY INDUSTRY

Health +

Education & Skilling +

Green Energy and Sustainability +

Infrastructure +

Agriculture +

Technology & AI +

Lab Grown Diamonds (LGD) +

Tourism +

BY PROFESSION

Private Sector Employees +

Govt / PSU Employees +

Business Owners +

Self-Employed +

Farmers +

OTHERS

Miscellaneous +

Be a part of
India's growth story

With
AXIS BUSINESS CYCLES FUND
(An open-ended equity scheme following business cycles based investing theme)

NFO Period: 2nd Feb to 16th Feb 2023

Know more

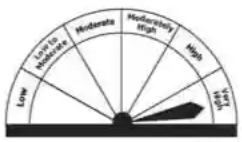
AXIS BUSINESS CYCLES FUND
(An open-ended equity scheme following business cycles based investing theme)

This product is suitable for investors who are seeking*:
- Capital appreciation over long term
- An equity scheme investing in equity & equity related securities with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made.

Product Riskometer



Investors understand that their principal will be at Very High Risk

Statutory Details: Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to ₹1 Lakh). **Trustee:** Axis Mutual Fund Trustee Ltd. **Investment Manager:** Axis Asset Management Co. Ltd.(the AMC). **Risk Factors:** Axis Bank Limited is not liable or responsible for any loss or short fall resulting from the operation of the scheme.

AXIS MUTUAL FUND

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Reaction on budget
Narendra Modi
Prime Minister of India

This year's Budget infuses new energy to India's development trajectory.

Reaction on budget
S Jaishankar
External Affairs Minister

India's aspirations and targets are on a scale that will impact the world. Expect these developments to feature prominently in global conversations, including at G20.

Chart 1

Aggressive increase in outlay takes capex's share in spending to 19-year high

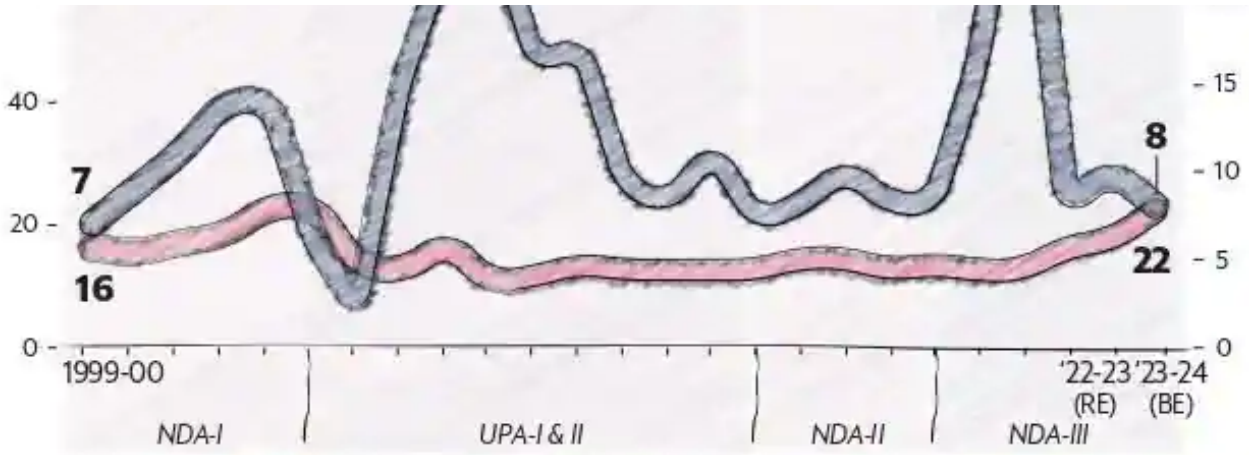
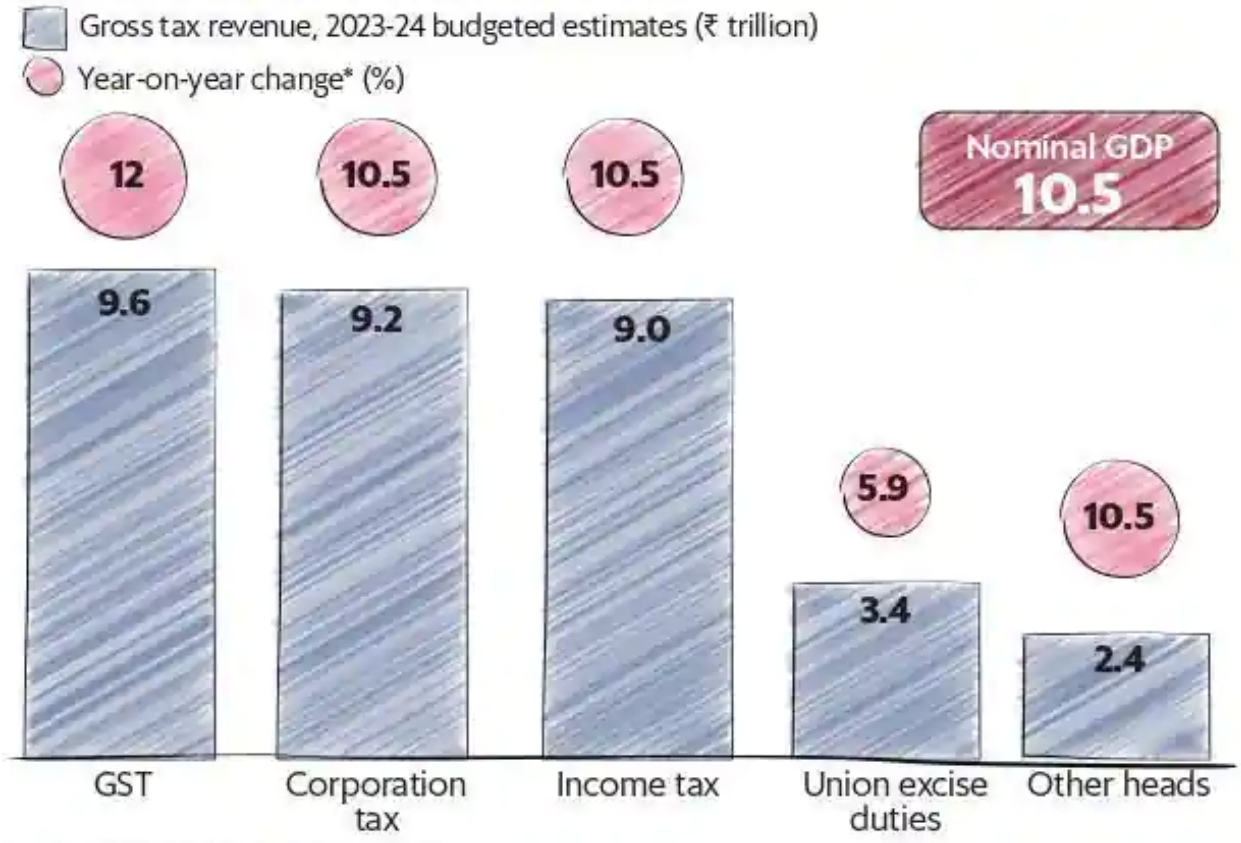


Chart 2

Centre bets on GST tax revenue, while corporate, income tax take backseat again



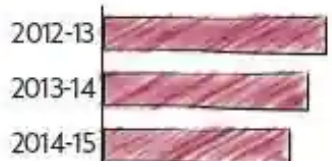
*as compared to 2022-23 (revised estimates)

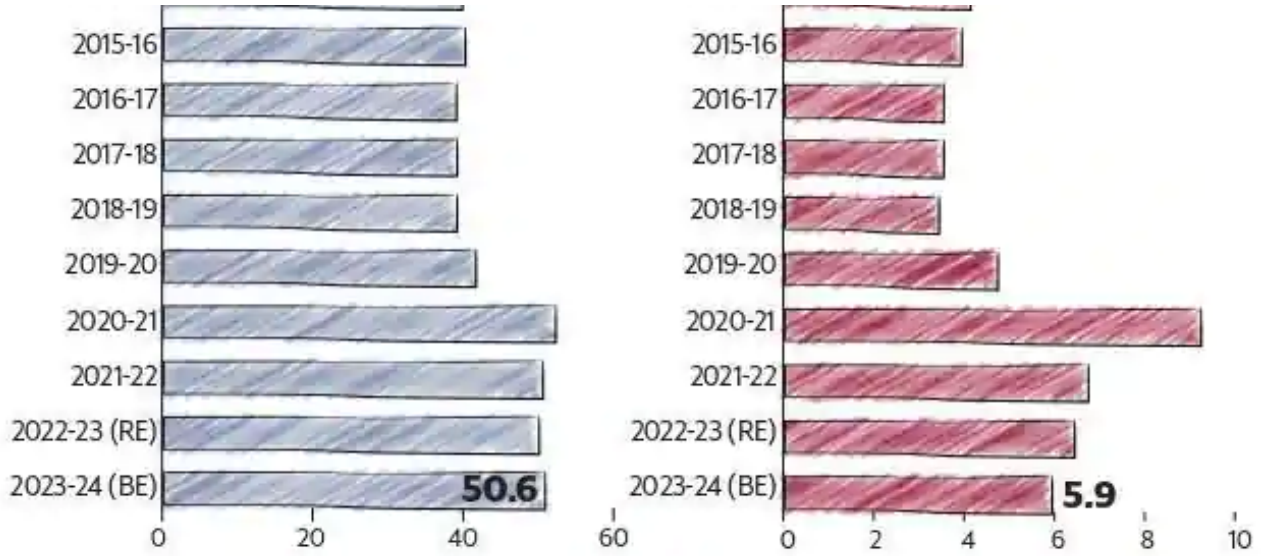
Chart 3

Centre's debt as share of GDP set to rise despite fiscal consolidation

Central govt debt as % of GDP

Fiscal deficit as % of GDP





*Central government debt data is provisional

RE: Revised estimates; BE: Budget estimates.

Source: Budget documents, CMIE, Mint calculations

Chart 4

Transport gets massive boost; rural development, agri left behind

Expenditure on major items (₹ trillion)

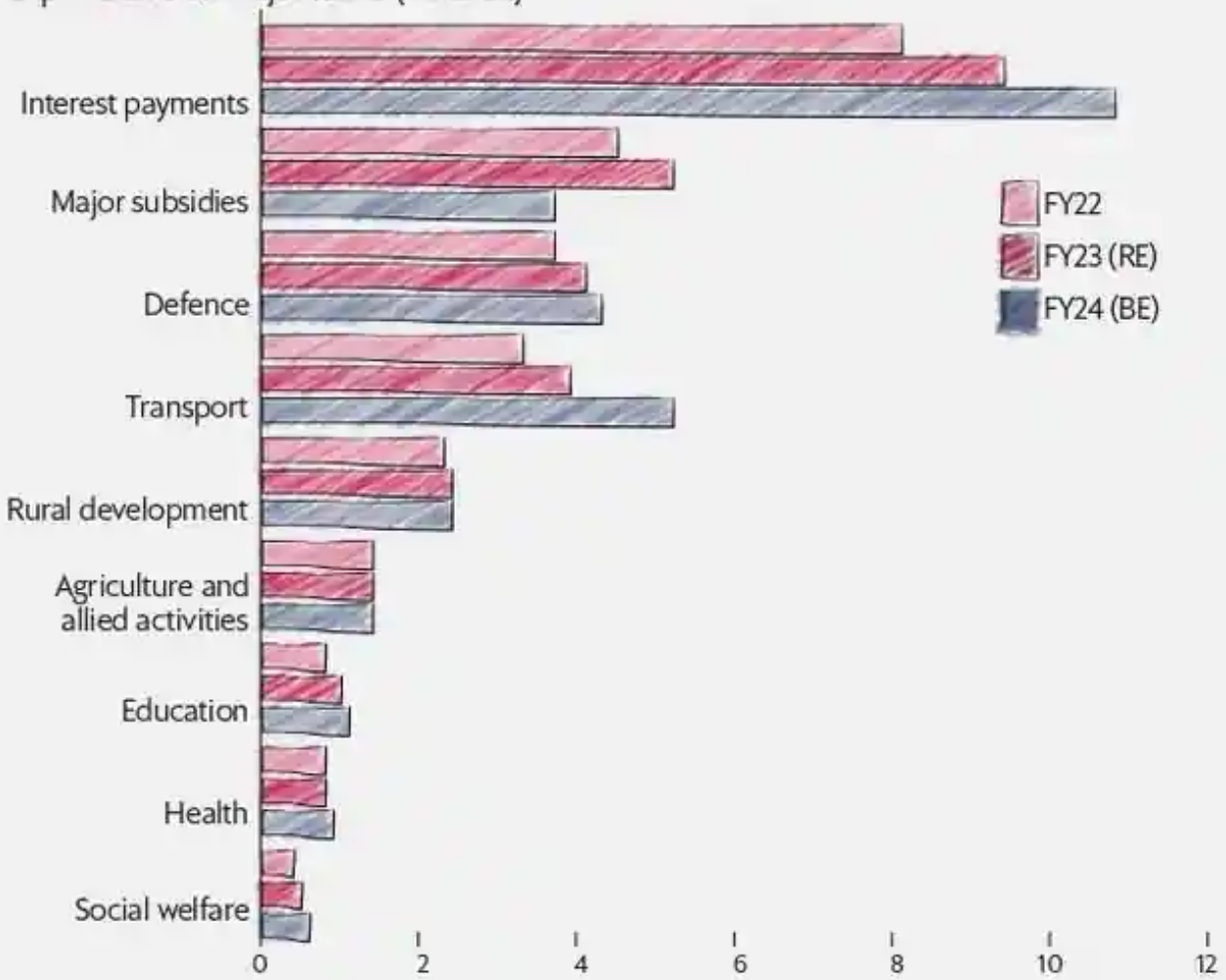


Chart 5

Massive cut to MGNREGS allocation, budgeted at six-year low

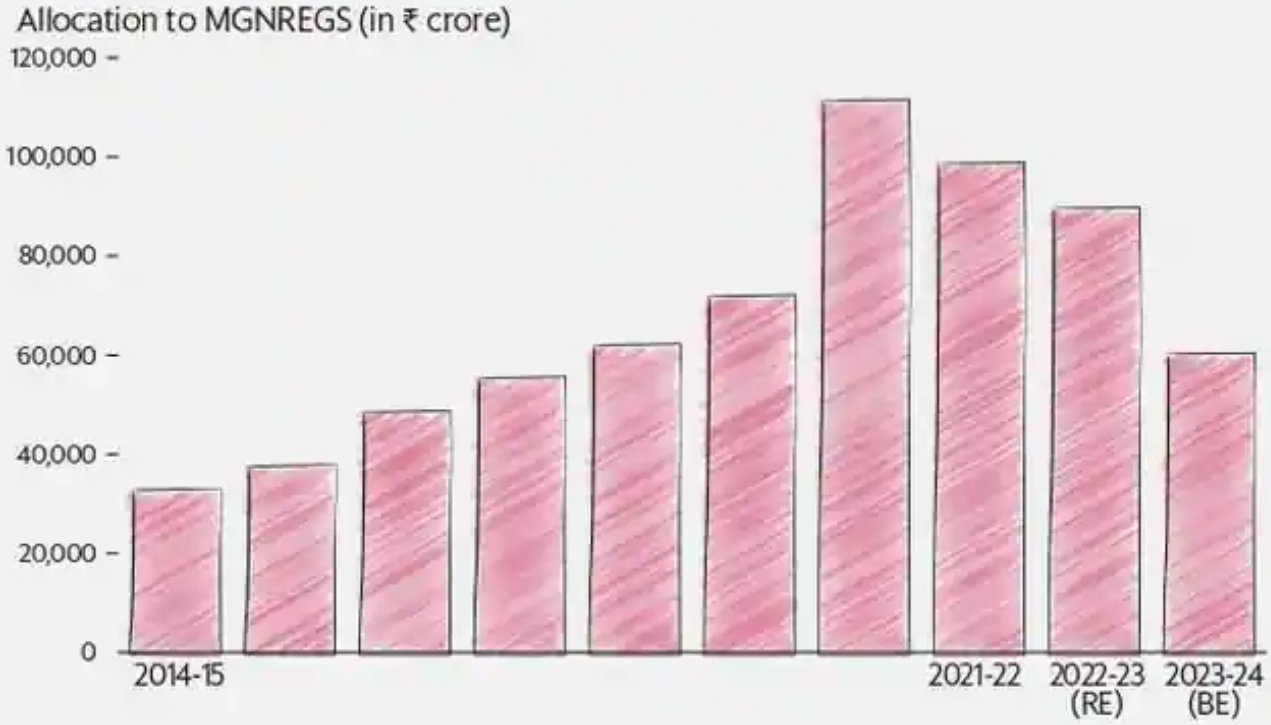
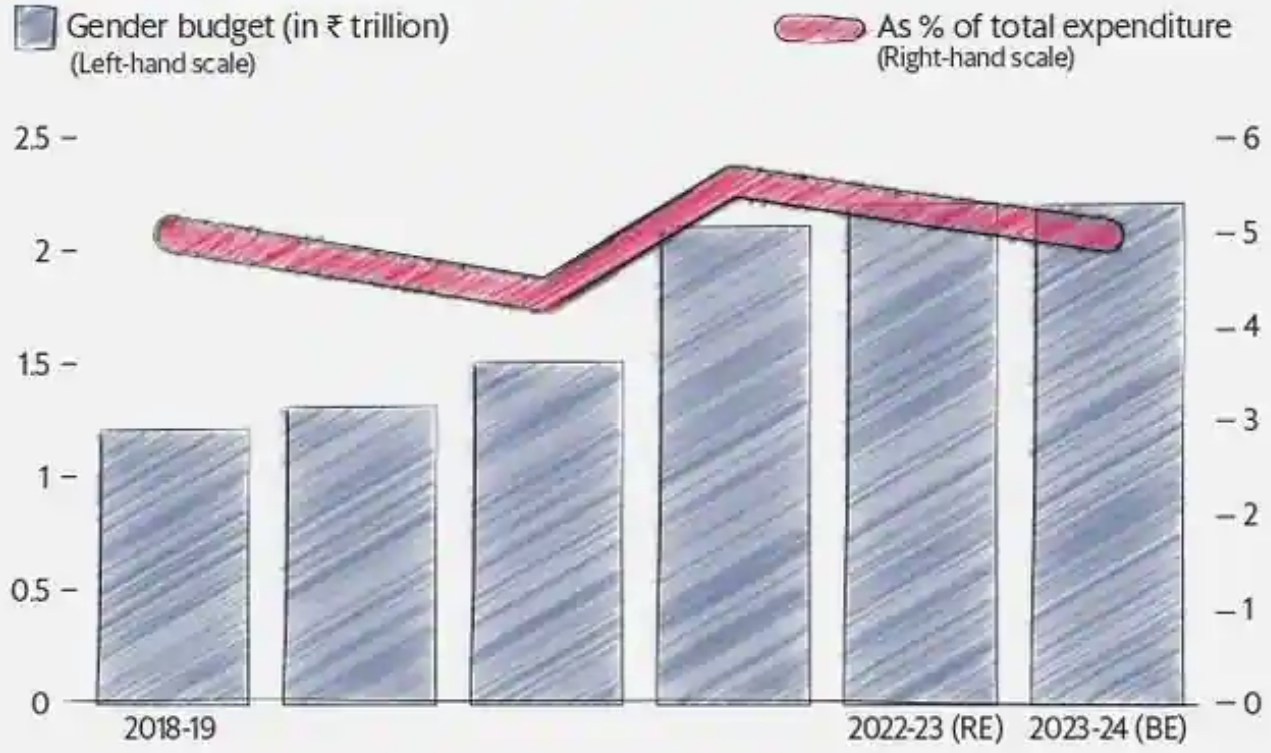


Chart 6

Gender budget as a proportion of total expenditure sees a decline



RE: Revised estimates; BE: Budget estimates. Source: Budget documents, CMIE, Mint calculations

Chart 7

States set to receive lower share from Centre's tax kitty

Centre's transfers to states

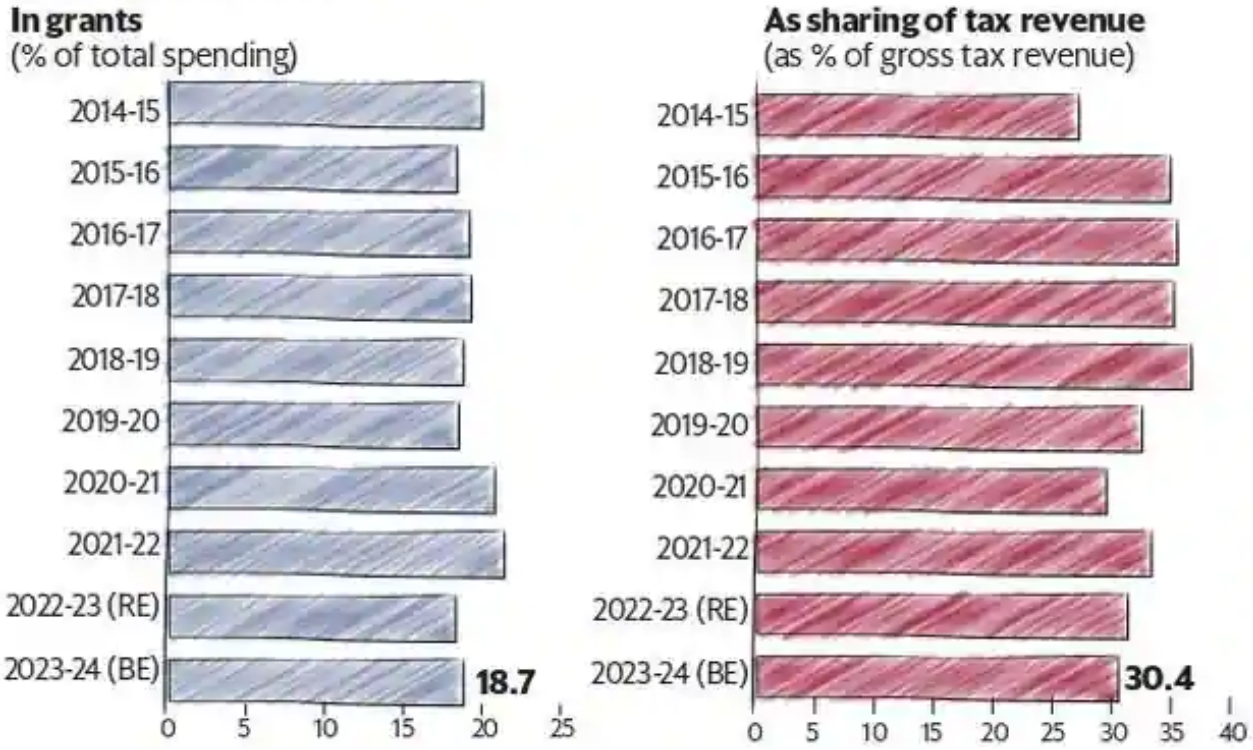
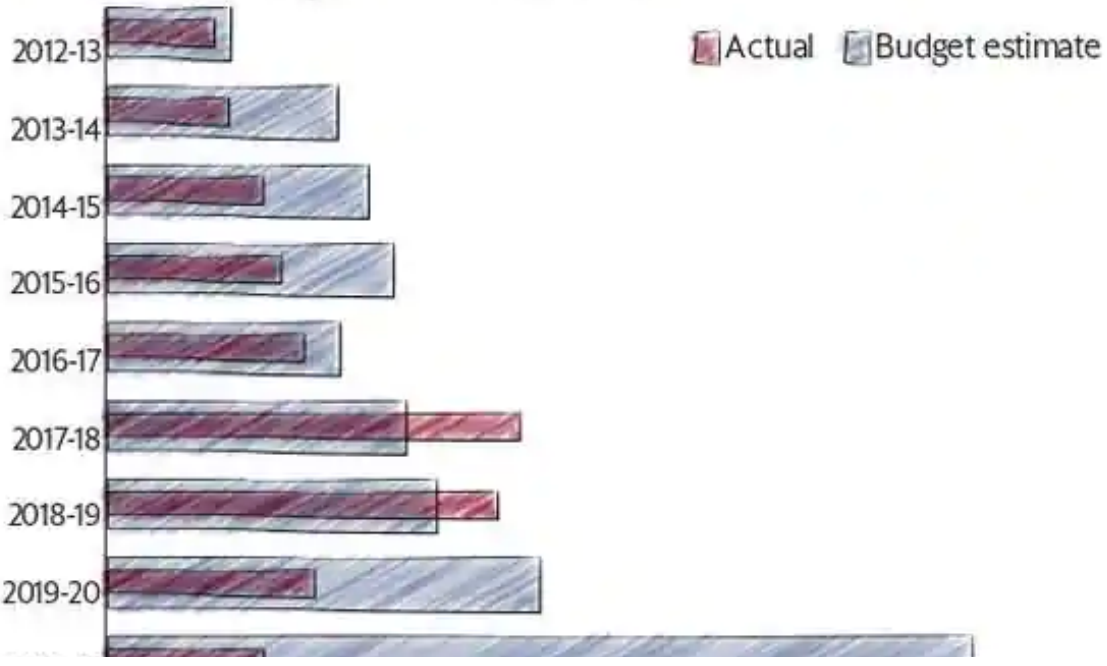
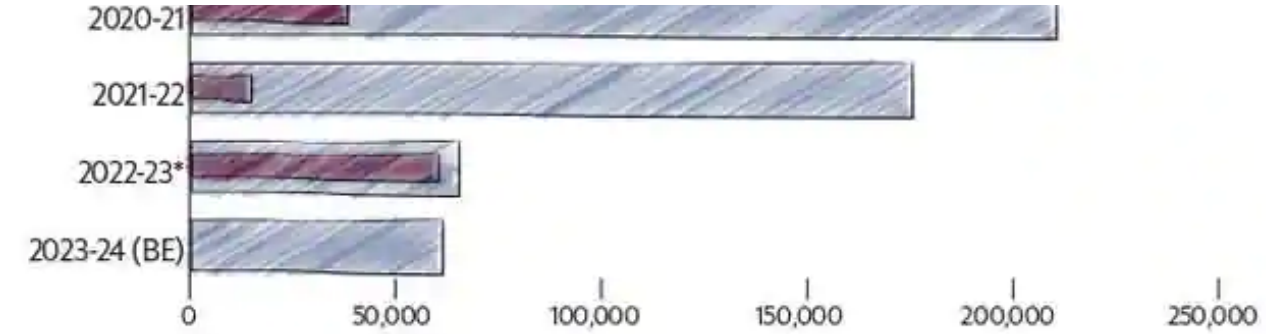


Chart 8

Disinvestment target remains elusive, continues to undershoot estimates

Disinvestment receipts: budgeted vs actual (in ₹ crore)



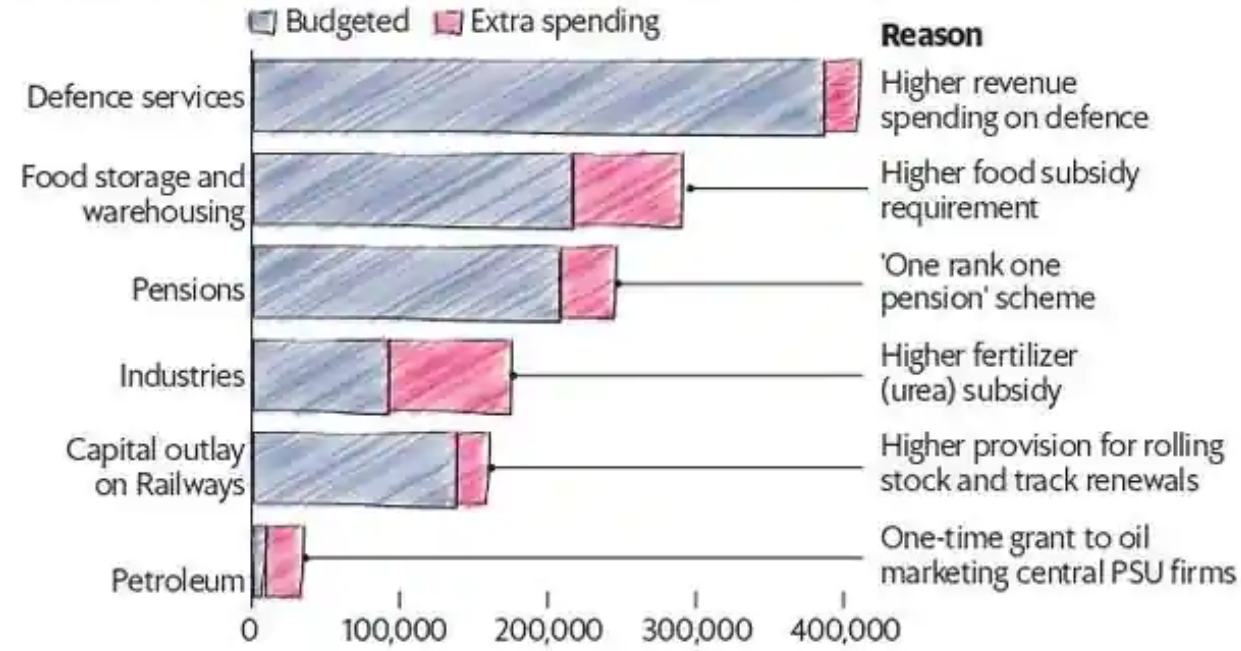


*Revised estimates used instead of actuals.

Chart 9

Here are the areas where Centre is set to overshoot its FY23 budget the most

Areas where the Centre will spend beyond budgeted (in ₹ crore)



RE: Revised estimates; BE: Budget estimates.

Source: Budget documents, CMIE, Mint calculations

EXPERT SPEAK

Chandresh Nigam
Managing Director & Chief Executive Officer, Axis AMC

"Capex is the primary theme of the budget. While the government has threaded the needle on fiscal consolidation, the crux of the policy announcements are in line with the larger economic and reformist agendas of the government."

Jinesh Gopani
Head, Equity, Axis Mutual Fund

"Sound and balanced budget, keeping in mind all strata of society. Fiscal deficit and net borrowing targets are a big positive keeping in mind the growth story of India."

Devang Shah
Co-Head, Fixed Income, Axis Mutual Fund

"Budget is meeting the agendas of the government and is very productive in nature. Fiscal deficit estimates and the trajectory towards normalisation is in line with market expectations."

Ashwin Patni
Head Products & Alternatives, Axis AMC

"Budget has focus on four key areas - a continued push towards better quality capital spending, promoting make in India, reiterating the path of fiscal consolidation (albeit in a measured manner), and an effort towards streamlining the individual direct tax regime. Overall it is a budget that should satisfy all key segments and should help support the economy to maintain its growth trajectory."

Raghav Iyengar
Chief Business Officer, Axis AMC

"The budget is a step in the right direction where the fiscal deficit estimates and the trajectory towards normalisation of the fiscal deficit is in line with the market expectations. The budget is an extension of the key agendas driven by the Government over the last 8 years and the numerous developmental projects aimed at making India the 5th largest economy. On the personal and income tax front, the Government's intension is clearly to streamline taxations and increasing the efficiency of tax collections. We have seen significant fruit borne out of the various changes done to the income tax act in favour of citizens and corporates."

Read more..