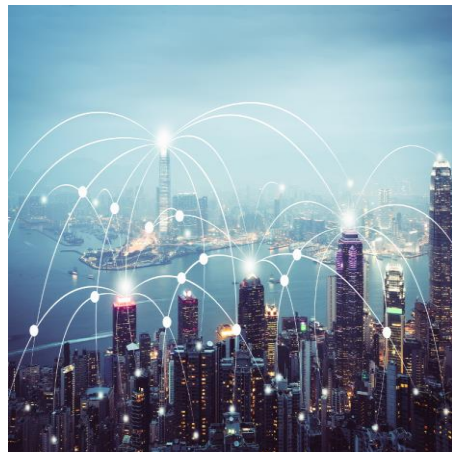
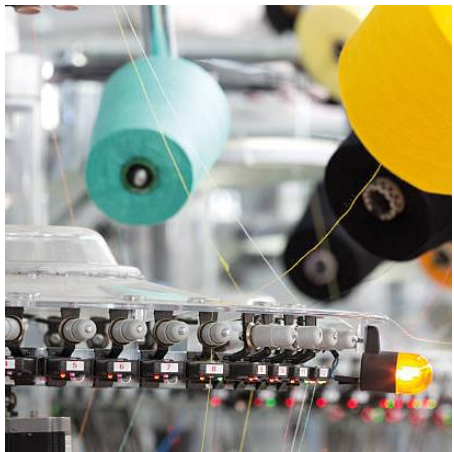


Sector-wise Impact

SBC Budget 2022 Series



Sector-wise impact of Budget 2022

- Life Science and Healthcare
- Real Estate
- Technology
- Telecom
- Startup
- Financial
- Power utilities and renewable
- Agriculture
- Automotive
- Infrastructure
- Aerospace and defense
- Chemicals
- Oil and gas
- Investment management
- Consumer and retail
- Industrial products and mining



Life Science and Healthcare Sector

Key Highlights – Budget 2022



Industry Updates

- Universal healthcare facilitated by digitization through National Digital health Ecosystem Programme
- Better access to quality mental health counselling and care services through National Tele Mental Health Programme
- Mission Shakti, Mission Vatsalya, Saksham Anganwadi, and Poshan 2.0 were recently launched to provide integrated benefits to women and children.

DT Highlights

- Proposal of disallowance of expenses incurred by pharmaceutical companies to health care Professionals.
- 100% tax exemption on amount received from employer for COVID 19 treatment or death (incase of death amount to be received in 12 Months.
- Exemption is available only upto 10 lakhs incase of death when amount received from other than employer.
- Extension of timelines for commencing activities to support start ups and domestic manufacturing companies

Life Science and Healthcare Sector

Contd.



IDT Highlights

- BCD tax rate on X ray machines/specified parts of X ray machines-10 percent(From 1 April 2022 and Artificial kidney and disposable sterilised dialyser and related raw materials, parts, or accessories-Per Tarrif (from 2 Feb 2022)
- Health cess on import of surgical needles for manufacture of surgical sutures reduced from 5% to NIL.
- Validity of customs notification no 16/2017 providing exemption for free supply of drugs and medicines is restricted till 31 March 2023.



Real Estate Sector

Key Highlights – Budget 2022



1. Industry updates

- SEZ Act to be replaced with new legislation enabling States to partner in development of Enterprise and Service Hubs
- Adoption of Unique Land Parcel identification number to facilitate digitization of land records.
- Real Estate Investment Trust included within the purview of bonus stripping and dividend stripping provisions

2. Direct tax proposals

TDS on transfer of Immovable property

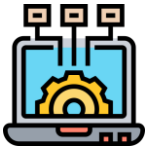
- 1% on transfer other than agricultural land by a resident transferor
- Currently applicable on consideration paid, now to be applicable consideration paid or stamp duty value of the immovable property , whichever is higher.

Fifteen percent surcharge on all LTCGs

- Capping of surcharge at 15 percent for all LTCGs for individual, HUF, AOP, BOI, or any artificial juridical person.
- No extension has been provided for obtaining project approval for tax holiday on affordable housing projects, which ends on 31 March 2022.

3. Indirect tax proposals

- Basic Custom Duty (BCD) exemption on goods such as marble, Travertine, Granite (other than rough marble and travertine blocks and marble slabs) has been revoked
- Social Welfare Surcharge (SWS) exemption has been granted for stones (blocks/slabs)



Technology Sector

Key Highlights – Budget 2022



Industry Updates

- E-passports to be issued in FY 2022-23 with futuristic technology
- As part of PM Gati Shakti plan, data centres are being considered as basic infrastructure
- For sunrise sectors such as agri-tech, deep-tech and climate action, government is promoting by providing a limited stake of 20 percent.
- Government has promoted to start drone as a service for Agri-tech start-ups.
- Digital Rupee using block chain and other technologies will be introduced by 2022-23.
- 75 Digital banking units to be setup to promote digital banking.
- Digital universities will be established, and e content is made available via internet, mobile phones, TV, etc.
- For API, Unified Logistics Interface Platform will be brought for data exchange.
- National Digital Health Ecosystem will be introduced which consists all healthcare details..
- Digitalization of Ease of doing business process (2.0).

- Moderate tariff of 7.5% to be introduced for Project imports and capital goods.
- Without any domestic regulations, Foreign universities and institutions will be allowed in GIFT City to offer courses.
- For timely settlement of disputes, an International Arbitration Centre to be setup in GIFT City.

Direct Tax

- 30% tax on Income from transfer of virtual digital assets without any deduction except acquisition cost.
- Gift of virtual digital asset to be taxed in the hands of the recipient .
- Loss on transfer of digital assets are not eligible for set off/carry forward.
- TDS @ 1% on transfer of Digital Assets above certain threshold applicable from 1 July 2022.
- The period of incorporation extended to 31 March 2023, for receiving incentives to start-ups u/s 80-IAC.
- For Domestic Manufacturing u/s 115BAB, last date is extended till 31 March 2024 to avail beneficial rate of 15% .

Indirect tax

- Rationalization of Customs duty to promote manufacturing in specified electronic items.



Telecom Sector

Key Highlights – Budget 2022



Industry Updates

- 5G Spectrum Auctions to be conducted during FY 2022-23.
- In order to build strong ecosystem for 5G - A design-led manufacturing scheme to be launched as a part of production linked incentive scheme.
- Broadband and Mobile services to be provided in the rural and remote areas at an affordable rates by allocating 5% of annual collections under Universal Science Obligation Fund.
- Bharat Net is being pushed for introducing Optical Fiber Network to all rural and remote areas by 2025
- Indigenous niche players building up technologies around O RAN, private networks, small cells, amongst others, could benefit with the 5 percent USO layout.

Indirect Tax

- Custom Duty on lenses for manufacturing of cellular mobiles camera modules have been lowered from 15%/10% to 2.5% w.e.f 02/02/2022



Start-up

Budget 2023



Industry Highlights

- Incorporation period for eligible start-ups extended to 31 March 2023(Instead of 31 March 2022). To claim tax holidays under section 80-IAC
- A fund to be set up through NABARD to finance the agricultural and rural start-up enterprises.
- Executive committee to be set up for examination of regulatory framework to scale up investments in start-up ecosystem.

Direct Tax Proposals:

- Subject to conditions, provisions introduced for filing updated income tax return within 24 months from the end of assessment year with payment of 25% or 50% (where return furnished after 12 months from the end of Assessment Year) additional tax on aggregate of tax and interest.
- Surcharge on Long term capital gain is reduced and capped at 15% instead of 37% previously.

Indirect Tax Proposal :

- Timeline to claim input tax credit under GST extended till 30 November of the following financial year.



Financial Sector

Key Highlights – Budget 2022



1. Industry updates

- The RBI to issue “ digital rupee” along with blockchain
- Surety bonds to act as a substitute for bank guarantee in government procurements.
- Scheduled commercial banks to set up 75 digital banking units in 75 districts.
- 1.5 lakhs post offices to connect with core banking system
- International Arbitration Centre to be set-up in GIFT city.
- World-class foreign universities and institutions will be allowed in the GIFT City.

2. Direct tax proposals

→ Highlights on Virtual Digital Assets

- Transfer-30%
- Withholding rate – 1%
- No expenses will be allowed as deduction except cost of acquisition
- No Set off and Carry forward of losses

-
- Bonus stripping and dividend stripping will now apply to units of business trusts Investment Trust (InvIT), Real Estate Investment Trust (REIT), and Alternate Investment Fund (AIF) and securities
 - Conversion of interest liability payable to financial institutions/non-banking financial company/scheduled bank into debentures shall also not be regarded as discharge of liability and accordingly, will not be allowed as deductible expenditure.
 - Exemption to non-resident on following:
 - Any income from a portfolio of securities/financial products/funds managed by a portfolio manager on behalf of non-resident in an account maintained in OBU (Offshore Banking Unit) in any IFSC.
 - Any income from royalty and interest income on lease of a ship, paid by a unit in IFSC.
 - Income from offshore derivative instrument and over the counter derivatives entered with OBU in an IFSC unit
 - Income arising from transfer of a ship, which was leased by a unit of the IFSC to any person shall be eligible for deduction while computing income of OBU in an IFSC unit, subject to certain conditions.



Power, Utilities and Renewables Sector

Key Highlights – Budget 2022



Industry Updates

- Sovereign green bonds will be issued for deployment of funds towards green infrastructure projects.
- Nearly 5-7% biomass pellets will be co-fired in thermal power plants to reduce carbon emission.
- ESCO Model is promoted for large commercial building to achieve energy efficiency and savings.
- Fiscal deficit of 4% of GSDP to states will be allowed; of which, 0.5 percent will be tied to power sector reforms.
- Adoption of solar and other renewables through Decentralized RE generation helps to achieve 500 GW of renewables by 2030.
- A proposal for developing EV charging infrastructure and battery swapping technology.

Direct tax

- Commencement of power generation by new Domestic Companies is extended for availing a concessional rate of 15% to 31 March 2024 (instead of 31 March 2023).

Power, Utilities and Renewables Sector

Key Highlights – Budget 2022



Indirect tax

→ Changes in Customs Tariff rates w.e.f 1st April 2022 for –

- Solar cells: BCD rate increased to 25 % from 20 %.
- Solar modules: BCD rate increased to 40 % from 20 %.

→ Conditional Exemptions for following entries valid until 31st March 2023 for –

- Machinery/components of new power generation plant
- Machinery, equipment, apparatus, components, and appliances of new fuel cell-based system of generating power

→ Phase out of the following exemptions in a gradual manner:

- BCD rate of 7.5 percent on the goods required in high voltage power transmission projects
- BCD rate of 5 percent on wind operated electricity generators, etc.

Power, Utilities and Renewables Sector

Key Highlights – Budget 2022



→ Concessional BCD rate of 5 percent on the following will be withdrawn in a gradual manner:

- Permanent magnets for manufacturing wind operated electricity generators
- Goods used for renovation or modernisation of a power generation plant (other than a captive power generation plant)
- Goods imported by a manufacturer supplier for manufacturing and supplying machinery and equipment to a power generation plant (other than a captive power generation plant).



Agriculture Sector

Key Highlights – Budget 2022



1. Industry updates

Farmers, agricultural and rural enterprises will be provided with the following benefits -

- Better connectivity and support to market places through “PM GatiShakti” master plan
- Irrigation benefits and increased drinking water supply through Ken-Betwa Link Project
- INR 2.37 Lakh Crore direct payment of MSP Value
- New funds through NABARD for agricultural startups
- Linkage of bank accounts and post office accounts vide the anytime-anywhere Post Office Savings Scheme
- Allocation of funds of INR45,000 crores for promotion of scientific organic farming in north eastern states
- Digital and Hi tech services to be provided to farmers through Public Private Partnership scheme.
- Chemical free natural farming will be promoted with a focus on farmers’ lands in 5 km wide corridors along river Ganga, in the first phase
- Increased Domestic Production of oil seeds
- Use of ‘Kisan Drones’ to promote for crop assessment, digitization of land records, spraying of insecticides, and nutrients

2. Direct tax Proposals

To create a level playing field for organized farming

- Alternate Minimum Tax for co-operative societies is now reduced from 18.5% to 15%
- Surcharge on co-operative societies is now reduced from 12% to 7%
- where the income exceeds INR1 crores and is up to INR10 Crores

3. Indirect tax Proposals

Changes in Basic Custom Duty exemption rates

Nature of goods	Earlier BCD Rate	New BCD Rate
Ethyl alcohol and other spirits, denatured	30%	5%
Residues and waste from the food industries; prepared animal fodder	30%	15%
Inorganic Chemicals (other than Chemical Elements, Phosphoric Acid, Boric Acids, Ammonia, Titanium Dioxide etc.	10%	7.5%
Organic Chemicals (except Mannitol, D-glucitol (Sorbitol) and 6Hexanelactum)	10%	7.5%
Fertilizers (other than Ammonium Sulphate, Ammonium Nitrate, Sodium nitrate, Potassium Sulphate, Minerals or Chemical fertilizers of NPK)	10%	7.5%
Raw Silk (not thrown)	30%	15%



Automotive Sector

Key Highlights – Budget 2022



1. Industry updates

- Battery or Energy as a Service – to be developed by the Private Sector. Eg- Electric Vehicles (EV)
- The PM GatiShakti National Master Plan has laid a specific focus on multi-modal connectivity by increasing the network of national highways by 25,000 Km
- Battery Swapping Policy and interoperability standards to be announced considering urban space constraints

2. Direct tax proposals

- Concessional tax rate of 15% to new manufacturing companies which were to commence operations by 31 March 2023 have one additional year till 31 March 2024 to commence operations.
- The benefit of concessional rate of duty available to CKD/SKD kits would still be available, provided it has the essential character of EV.
- BCD rate - kits for the conversion of petrol/diesel into CNG driven vehicles increased from 5% to applicable tariff rate w.e.f. 01 April 2022.
- 15%- SKD Imports when no components are interconnected
- 25%-30%- Other SKD Imports



Infrastructure

Key Highlights – Budget 2022



Industry Highlights

- One hundred PM Gati Shakti cargo terminals are to be developed in railways over the next three years.
- National highways are to be expanded by 25,000 km in FY 2022–23.
- Capital expenditure compared to FY2020-21 is increased substantially by 35.4% to INR 7,500bn.
- As a part of ‘Atmanirbhar Bharat’, 2,000 KM of rail network will be brought under ‘Kavach’, 400 new-generation ‘VandeBharat Trains’
- Government targets to achieve 280 GW of installed Solar capacity during 2023..
- Eight ropeway projects covering a distance of 60 km are to be awarded in FY 2022-23 Under the National Ropeways Development Programme, and the PPP model.
- Phasing out concessional rates and apply a moderate customs tariff of 7.5% in capital goods and project imports.
- The technology is playing a crucial role in exchanging information of all modes through United Logistics Interface Platform(ULIP) for seam less movement of goods and passengers.
- The postal and railways networks are to be integrated for seamless movement of parcels.



Infrastructure

Key Takeaways



Industry Highlights contd.

- An open-source mobility stack to organize seamless travel of passengers is also being facilitated.
- Multimodal logistics parks are to be developed at four locations under PPP model in FY 2022-23.
- INR 1,000 is allocated to the states for capital investment to enhance the infrastructure and capital investment Projects at state level.

Updates :

- Defense budget is increased to 11% compared to last year which was 4.6%
- Capital budget has increased by 12.8% and Revenue budget by 9.9%.
- Budgeted estimate for capital expenditure on equipment modernization has experienced growth of 10.4%
- 25% of defense R & D budget is allocated to startups and academia
- A Separate body is to be set up to meet testing and certification requirements.
- There is a focus on sunrise opportunities: artificial intelligence, geospatial systems and drones, semiconductors and their ecosystem and space economy.



Infrastructure

Key Takeaways



- Continued focus on various infrastructural projects under PM GatiShakti Master Plan, PM's Development Initiative for north-east region and announcement of Vibrant Villages Programme for development of villages in border areas, and urban development projects
- Battery Swapping Policy , allocation towards solar PLI for manufacturing of high efficiency polysilicon and photovoltaic modules, Contracts for laying optical fibernet in rural areas under the Bharatnet Project through PPP model will have a positive impact on the chemical industry.
- The above Initiatives will give a boost to the varied specialty chemicals including construction chemicals, silicon used in manufacturing solar panels, chemicals used for manufacturing optical fiber, lithium-ion used for manufacturing electric vehicle batteries and address the logistic issues faced by the chemical sector,.
- With several chemical companies evaluating expanding manufacturing capacity in India this new scheme could support the Indian chemical industry to become more competitive in the global market.



Chemicals

Key Highlights – Budget 2022



Direct Tax Proposals :

- The last date for commencement of operations by new manufacturing companies for availing concessional tax rate of 15% to be extended by 1 year from 31 March 2023 to 31 March 2024 this will give an impetus to fresh investment in chemical manufacturing.

Indirect Tax Proposals :

- Customs tariff structure is being simplified and rates have also been rationalized. As a result, applicable BCD rates on chemical sector will operate almost entirely through tariff, which shall support the domestic manufacturers from Make In India perspective.
- There has been key changes proposed in the Basic Customs Duty (BCD) rates with effect from 2 February 2022.
- Blending of fuel is a priority of this government. To encourage the efforts for blending of fuel, unblended fuel shall attract an additional differential excise duty of INR2 per litre from 1 October 2022.

Nature of Goods	Existing BCD Rates	Proposed BCD Rates
Sodium Cyanide	7.5%	10%
Methyl Alcohol	5%	2.5%
Acetic Acid	7.5%	5%
Myrobalan Fruit extract	2.5%	7.5%
Triband Phosphor	NIL	7.5%
Ceramic colours	5%	7.5%
Glass Frit and other glass, in the form of powder, granules	5%	7.5%
Vinyl Polyethylene Glycol	7.5%	10%
Fuel Oil, Straight run fuel oil, Sulphur wax residue, vacuum residue and vacuum glass oil	5%	2.5%



Oil and Gas Sector

Key Highlights – Budget 2022



Industry Updates

- For Coal gasification and conversion of coal into chemicals, 4 pilot projects are proposed to be setup.

Direct tax

- PSUs are now allowed to carry forward business losses after a change in control (subject to conditions) due to its strategic disinvestment.

Indirect Tax

- Customs Duty on coal, and peat is reduced from 10 percent to 5 percent.
- Rationalized BCD rate on motor spirit, HSD, ATF, LNG, and natural gas by withdrawing exemption but the effective BCD rate has not changed.
- For E12 and E15 fuel blends conforming to standard IS 17586, BCD rate of 2.5 % and excise duty @ 14% plus INR 15 per liter is introduced
- For certain chemical products falling under chapters 28 and 29, reduced tariff rates will be applicable.



Oil and Gas Sector

Key Highlights – Budget 2022



- BCD rate has been reduced from 5% to 2.5% for fuel oil, straight run fuel oil, low sulphur wax residue, vacuum residue, slurry and vacuum gas oil.
- Customs duty on base oil has been increased to 5%.
- Kerosene imported by IOCL, HPCL, BPCL, and IBP company Ltd. for ultimate sale through the PDS will now attract a BCD of 5%.
- Withdrawal in the concessional BCD rates @ 5% w.e.f 2 February 2022 for –
 - Import of kerosene by a manufacturer of linear alky benzene for extracting N paraffin.
 - Import of bis phenol A, epichlorohydrin for manufacturing of goods, and phenol and acetone for manufacturing bis phenol A
- New projects registered after 30 September 2022 under project import (including power, water and & LNG regassification) will attract 7.5 percent BCD
- Existing projects can be benefited with an old BCD rate of 5 percent until 30 September 2023. But after 30 September 2023, a BCD rate of 7.5 percent will be applicable



Oil and Gas Sector

Key Highlights – Budget 2022



BCD Exemptions on certain Petroleum Products

- Withdrawn of exemption for 11 items from 1st April 2022 (in respect of goods used in setting up crude petroleum refinery).
- Withdrawn of exemption on parts and raw materials needed for manufacturing goods used for offshore oil exploration and exploitation from 1 April 2023
- Withdrawn of exemption on kits and parts that are required to convert motor spirit and diesel driven vehicles into those driven on compressed natural gas or propane or liquefied petroleum gas from 1st April 2022



Investment Management

Key Highlights – Budget 2022



Industry Highlights

- Bonus stripping provisions have now been extended to units of AIFs/REITs/InvITs.
- AIFs Cat I and Cat II located in IFSC-GIFT City to benefit from the safe harbour provided to Indian portfolio companies that raise funding from them, as it provides such investment funds with a level playing field vis-à-vis similarly placed SEBI registered domestic AIFs.
- The proposal to set up an expert committee to address challenges faced by VCFs and private equity funds to project India as an attractive investment destination for such financial investors.

DT Highlights

- Deduction of employer contribution to National Pension System (NPS) will be increased from 10% to 14% for State Government employees, to reduce the parity between State and Central Government Employees.



Consumer and Retail

Key Highlights – Budget 2022



Industry Highlights

- Rationalized customs tariff is to be proposed for the inputs and raw materials of textile and leather products.
- The exemptions are also proposed for the duty-free import of specified goods by bonafide exporters of handicrafts, apparel, leather garments and footwear, etc.
- Make in India campaign due date has been extended for one more year i.e. till 31st March 2024 for commencing commercial production by new manufacturing units has been proposed under Section 115BAB.
- Proposal to set up Regulatory body for regulation for the exports of jewellery by e-commerce.
- A reduction in customs duty rate has been proposed on cut and polished diamonds/gemstones.
- Composite BCD of 20 percent or INR 400 rupees/kg, whichever is higher, is imposed on “imitation jewellery” from 2 February 2022.
- A proposal to increase customs duty on parts of electronic toys and to amend custom duty on certain food products such as cocoa and fresh fish.



Industrial Products and Mining

Key Highlights – Budget 2022



Industry Highlights

- In order to cover an amount of INR 5,000 billion, the emergency credit line guarantee scheme will be extended up to March 2023.
- The Credit Guarantee Trust for Micro and Small Enterprises scheme to facilitate additional credit of INR 2,000 billion for MSMEs and expand employment opportunities.
- Raising and accelerating the MSME performance programme with an outlay of INR 60 billion over a period of five years.
- PM Gati Shakti, a transformative approach for economic growth and sustainable development, is introduced and is expected to provide impetus to job and entrepreneurial opportunities for all.
- PLI scheme was launched with a view to create 6 million new jobs and 3 million additional production within a period of next 5 years.
- Four hundred new-generation Vande Bharat trains with better energy efficiency will be developed and manufactured during the next three years.

IDT Highlights

- BCD exemption on scrap of iron and steel, including stainless steel is extended until 31 March 2023. Later shall be taxed at 2.5%.



Industrial Products and Mining

Key Highlights – Budget 2022



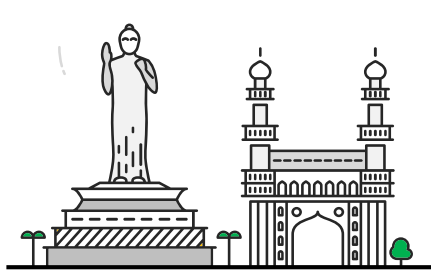
- BCD exemption is introduced for “Simply Sawn Natural Diamonds” imported under KPCS, and on cost of exchange bushing has been reduced from 10% to 7.5% with effect from 2 February 2022.

IDT Highlights

- Concessional rate of duty on various products falling under chapter 84 will be revoked in a phased manner.
- Anti Dumping and countervailing is revoked on import of certain steel products and alloy steel from China PR, Brazil, Vietnam, Germany and Korea.
- BCD of 7.5 percent is reduced to 5 percent on “cut and polished diamonds” and “cut and polished natural gemstones” from 2 February 2022

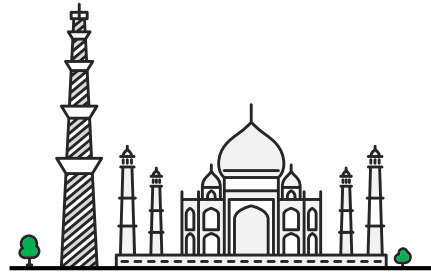
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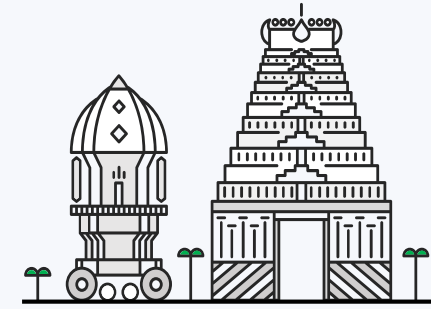
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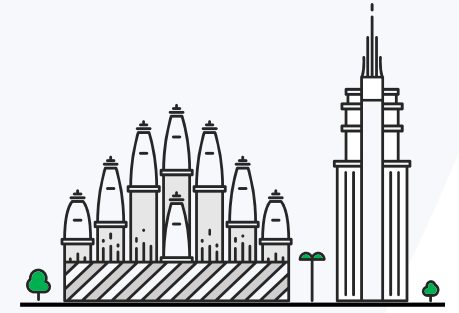
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