Expectations from Budget 2023

What is the issue?

To maintain the economic growth momentum in the FY23, the expectations from the Union Budget remain reasonably high.

What is necessary for economic development?

- The Indian economy has been doing well in first three quarters of FY22, when compared to FY21.
- To carry this momentum 5 broad areas which could cement this growth would be
    - Domestic Growth
    - Facilitating Export Infrastructure
    - Access to Healthcare
    - Increasing Savings to Help Consumption
    - Support the Geo-Economic preparedness.

What is expected from Budget?

Widening PLI Scheme–

- PLI scheme can
    - take India's exports to a new high
    - diversify the export basket.
- Identify and bring more upcoming industries under PLI.
- Bring the industries like aerospace, warehouse robotics, waste management, including maintenance, repair, and overhaul (MRO) under the ambit of PLI.
- Widen the PLI scheme to make India's exports to reach $1 trillion by 2025.

Enhancing Port infrastructure –

- Encourage PPP with some of the world's largest port players of Singapore, Hong Kong, Busan, and Rotterdam.
- Open the dredging market to increase and maintain draft depth at ports allowing larger vessels.
- Modernise and enhance the connectivity of existing ports.
- These ports can evolve as big manufacturing and export hubs, while also reducing the cost of trans-shipment.
- Give tax exemptions for foreign flag ships to make India a hub in the Asian peninsula.
- Identify a few ports with time bound incentives towards completing them.

Healthcare infrastructure -

- Provide rebates on medical insurance premiums.
- Spend on R&D to boost pharma companies.
- Strengthen the healthcare infrastructure in tier 2 and tier 3 cities.
- Strengthen the hospitals on a public-private mode by extending attractive incentives, tax holiday

- Time-bound upgradation will relieve the pressure on tier-1 cities.

Increasing tax exemption

- **Section 80C present status –** It allows a maximum deduction of Rs1.5 lakh every year from the taxpayers total income.
- Over and above this, the NPS gives an additional deduction of Rs 50,000.
- **Expectations –** Double the yearly contribution under Section 80C to benefit the salaried class.
- **Reason –** The income of people has increased, the interest rates has continued to fall as opposed to cost of living.
- The pandemic has caused many job losses and exposed their financial vulnerabilities.
- **Implications -** Enhancing the ceilings will
    - boost India's domestic savings
    - contribute to government financing its deficits.
- Investment through NPS would allow more investors to participate in the capital market through the various options available in it.
- **Expand the scope of section 80D** – This will allow for deducting the expenditure incurred on any pandemic related treatment irrespective of age.
- Another segment which would have a multiplier effect on the various other sectors of the economy is the residential housing sector -- its contribution to GDP is around 5 per cent -- apart from being a large employment generator.
- **Deduction limit for interest on home loans -** Under section 24(B) enhance the deduction limit above the permissible Rs 2 lakh to boost the overall economic sentiment.

Strategic institutions

- India aspires to produce EVs, mobile phone, solar panels etc.
- For this Lithium needs to be imported.
- So, secure certain assets overseas for importing lithium.
- Dedicate financial institution like Exim Bank to cater overseas strategic needs with government backing, something akin to Chinese government banks and institutions.
- For example USA operationalised a new, Development Finance Corporation (DFC) to
    - specifically countering China's influence on global trade and business
    - further the US foreign policy goals
    - supporting US direct investments abroad.

Reference

1. https://www.thehindubusinessline.com/opinion/expectations-from-budget-2023/article64907106.ece

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