

India Union Budget 2022-23

Point of view

Consumer Markets and E-commerce



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Key announcements for the sector

The India Budget 2022-23 presented has largely focused on a slew of tangible reforms for all-inclusive and futuristic growth. With an aim to revive, reform and sustain, all efforts have been put together to boost consumption with a blend of confidence and transparency. Below are the key announcements for the Budget 2021-22 presented for Consumer Markets:

1. Agri and Agri-tech :

- **New-age agriculture and Agri-tech gaining momentum:**
 - Chemical-free natural farming to be promoted on farmers' lands in 5-km wide corridors along river Ganga
 - Revision of syllabi of agricultural universities to meet the needs of natural, zero-budget, organic farming and modern-day agriculture.
 - Support for appropriate production and harvesting techniques for suitable varieties of fruits and vegetables
 - Use of 'Kisan Drones' will be promoted for crop assessment, digitisation of land records, spraying of insecticides, and nutrients.
- **Augment domestic production of crops:**
 - Direct payment of MSP value to farmers accounts for wheat and rabi.
 - Schemes to provide support for post-harvest value addition and branding millet products nationally and internationally.
 - Custom duty exemptions on implements and tools for agricultural sector
 - Ken Betwa project and other river linking projects to provide irrigation benefits to 9.08 lakh hectare of farmers' lands
- **Access to capital :** A fund with blended capital facilitated through NABARD for startups for agriculture & rural enterprise, relevant for farm produce value chain.

2. Startups & MSMEs:

- Extending the eligibility for claiming tax holiday for start-ups till 31 March 2023.
- Rate of surcharge on long term capital gains on all capital assets (including unlisted shares) in the case of individuals has been reduced to 15 per cent from 37 per cent.
- Promote startups to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS).
- Expert committee to be set up to look at regulatory and other challenges being faced by private equities and venture capitalists

- Schemes for MSMEs:
 - Emergency Credit Line Guarantee Scheme (ECLGS) extended up to March 2023 and its guarantee cover expanded to total cover of INR5 lakh crore
 - Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) scheme to be revamped to facilitate additional credit of INR2 lakh crore
 - Raising and Accelerating MSME Performance (RAMP) programme with outlay of INR6,000 crore over 5 years will be rolled out

3. Durables, Textiles and Fashion Accessories:

- The Government has proposed withdrawal of ~ 350 exemptions under Customs laws.
- Customs duty rates have been rationalised on parts of mobile phones (including camera modules), wearables/hearables devices, loudspeakers etc. to facilitate domestic manufacturing.
- Exemptions have been provided on items such as trimming, buttons, zipper, lining material, furniture fittings and packaging boxes, textiles and leather garments, leather footwear etc.
- It has been proposed to gradually phase the concessional rates of capital goods in sectors like fertiliser, textiles, leather, footwear, food processing etc.

4. Others :

- A seamless multimodal network expansion of the National Highways by 25,000 km coupled with an outlay for capital expenditure stepped up by 35.4 per cent to INR7.50 lakh crore in 2022-23.
- Continued efforts to invest in a robust digital infrastructure encompassing digital banking, payments, fintech, digital education and digital health
- Allowing income tax filers to file an updated return within two years for correcting errors and deferring filing of repetitive appeals by tax authorities
- Other legislative changes include prescribing the validity of advance rulings as three years or till 'change in law'/ facts, whichever is earlier under Customs laws. Additional obligation has been casted on importers to substantiate their transaction value in case of related party imports.
- From GST compliance perspective, relevant period for availing input tax credit, issuance of credit note/debit note and rectification of details reported in periodic monthly return has been extended till 30 November of the following financial year. Secondly, the option to transfer balance in cash ledger (CGST and IGST) between distinct persons, has been implemented.

Implications for the sector

• Agri and Agri-tech :

- Encouraging states to revise syllabi of agricultural universities will help farmers learn new techniques
- Continuity in MSP outlay will be an attempt to secure base-level farmer income.
- Access to capital for agri-startups and providing adequate water supply and irrigation will help boost efficiency and crop productivity.

• Startups and MSMEs :

- Increasing the sunset period for recognition of the start-up is a welcome move for the industry which was impacted by COVID 19. This will provide the necessary boost for new start-ups and upcoming start-ups in the country.
- The reduction of surcharge on long term capital assets to 15 per cent will help investors in startups to reduce their overall cost of exit.
- Export committee to assist private equity and venture capitalists in resolving challenges will aid scaling up the investments and infuse investor confidence

- **Durables, Textiles and Fashion Accessories**

- Customs duty rationalisation and exemptions on certain durables, household categories and fashion accessories will boost domestic manufacturing for domestic consumption and potential exports.

- **Others**

- Government's impetus on PM Gati Shakti plan, to build world class multi-modal infrastructure and logistics will give boost to the consumer sector supply chain, whilst creating employment opportunities in the medium and long term.
- Investments in digital infrastructure, education and skill development initiatives will be crucial to the 'Aspirational India' growth agenda.
- On ease of compliances, allowing income tax filers to file an updated return within two years for correcting errors and deferring filing of repetitive appeals by tax authorities under specified circumstances, are the two announcements that are likely to go well with the industry.
- On Customs, prescribing validity on Advance rulings and providing for additional obligations on importers for substantiating values in case of related party imports, is likely to increase the compliance burden
- On GST front, announcements on extension of time limit for availing previous year credit, fungibility of credit in cash ledger are steps in the right direction to make the regime taxpayer friendly and ease the working capital management

To summarise, increasing investments in infrastructure, MSME and startup development coupled with impetus given to certain sunrise sectors such as logistics, digital banking & finance, and technology (with 5G rollout) reiterate India's ambition for all-inclusive, sustainable and futuristic 5 trillion economy. While the short-term impact may not yield tangible results, we could expect these initiatives to yield fruit in the medium to long-term. Speed of execution and robust implementation will be key!

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