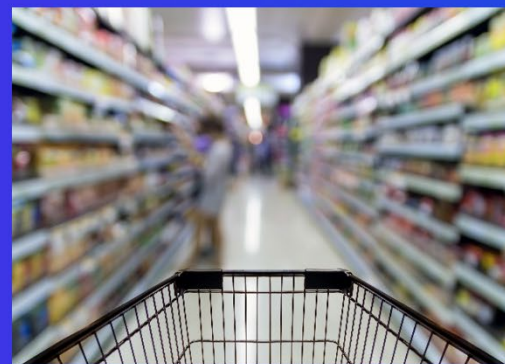


India Union Budget 2023-24

Point of view

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Consumer Markets and E-commerce

Key announcements for the sector

Budget 2023-24 is a credible roadmap for sustainable growth in our journey to India @100. The focus has been to foster inclusive development across all sectors and provide a strong impetus to job creation whilst also rekindling the investment cycle. Further, increasing capex investments also reassures the long-term view of the government for rural growth and development.

Disposable income increase via personal income tax

- Currently, those with income up to INR 5 lakh do not pay any income tax in both old and new tax regimes. Increase in rebate limit has been increased to INR 7 lakh in the new tax regime
- As per the proposed provisions, Resident tax payers not opting for old tax regime, will have Nil tax liability for taxable income up to INR 7 lakh (vis-a-vis INR 33,800 tax earlier).

Agriculture

- Digital public infrastructure for agriculture will enable inclusive, farmer-centric solutions for crop planning, storage, farm finances and market intelligence. Centre of excellence for AI to support this in a positive way
- Agriculture Accelerator Fund will be set up to encourage agri startups by young entrepreneurs in rural area to build customised, innovative and affordable solutions for various issues in the agriculture value chain
- Further, decentralised storage capacities through the network of Primary Agricultural Credit Cooperative Societies (PACS) to help farmers store their produce and time their sale to avoid any possible distress sale during harvesting season
- PM Pranam Scheme along with Bhartiya Prakritik Kheti, a good combination of shift to natural farming and bio-input resource centres to meet the demand for inputs required for natural farming, thus reducing the carbon footprint and also dependency on chemical fertilisers and pesticides
- Setting up 10,000 Bio-Input Resource Centres, creating a national-level distributed micro-fertiliser and pesticide manufacturing network and facilitate one crore farmers to adopt natural farming over the next three years
- Agriculture credit target has been increased to INR 20 lakh crore for FY2024, with focus on animal husbandry, dairy and fisheries
- Comprehensive approach on value chain development in fisheries through sub scheme under Prime Minister Matsya Sampada Yojana (PMMSY) with targeted investment of INR 6,000 crore shall help build post-harvest ecosystem
- To further enhance the export competitiveness of marine products, particularly shrimps, duty is being reduced on key inputs for domestic manufacture of shrimp feed
- Continued focus on building processing capacities for One District One Product (ODOP) products by encouraging states to set up Unity Mall, a centralised marketplace for all ODOP products

- India poised to become global hub for millets “Shree Anna” supporting small and marginal farmers in arid and semi-arid tracks of India to reap the benefit.

Electronics

- Basic Customs Duty on electric kitchen chimney is being increased from 7.5 per cent to 15 per cent and that on heat coils for manufacture of chimney is proposed to be reduced from 20 per cent to 15 per cent subject to IGCR condition
- Reduction of Basic Customs Duty on parts of open cells of TV panels from 5 per cent to 2.5 per cent subject to IGCR condition
- Reduction in Customs duty on certain parts of mobile phones like camera lens
- Certain exemptions/ concessions in Customs duty have been extended till 31 March 2024 on various parts and components used in manufacture of digital still image video camera, television, CCTV camera, etc.

Jewellery

- To encourage indigenous production of lab grown diamond seeds and machines and to reduce import dependency, a research and development grant will be provided to one of the IITs for five years
- The Basic Customs Duty on ‘seeds’ for use in manufacture of rough lab grown diamond is being reduced to nil subject to IGCR condition for a period of two years
- Further, import of silver, articles of precious metals have been saddled with increased import duties.

Cigarettes

- National Calamity Contingent Duty (NCCD) on specified cigarettes (last revised three years ago) is proposed to be revised upwards by about 16 per cent.

Other consumables

- To promote exports, domestic manufacturing and value addition, the Budget has proposed import duty rationalisation
- Increase in Customs duty on bicycles, toys, vehicle in Semi-Knocked Down (SKD) / Completely-Built Unit (CBU) etc.
- Reduction in Customs duty on capital goods/machinery for manufacture of lithium-ion cells for use in EVs
- Certain exemptions/concessions in Customs duty have been extended till 31 March 2024 on various parts and components used in manufacture of LED lights/lamps
- Import of specified capital goods/machinery for manufacture of lithium-ion cell for use in battery of electrically operated vehicle, have been exempted.

Others

- Start-ups and MSMEs
 - National Data Governance Policy will be brought out, enabling access to anonymised data
 - Focus on Vivad se Vishwas continues as 95 per cent of the forfeited amount during COVID-19 relating to bid or performance security, will be returned to MSMEs by government and government undertakings. Voluntary settlement scheme with standardised terms will be introduced to settle contractual disputes
 - Credit guarantee schemes will take effect from 1 April 2023 through infusion of INR 9,000 crore in the corpus. This will enable additional collateral-free guaranteed credit of INR 2 lakh crore. Further, the cost of the credit will be reduced by about 1 per cent.
- Skill India
 - Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. 30 Skill India International Centres will be set up across different states.

Implications for the sector

Disposable income increase via personal income tax

- The government has provided much awaited tax reliefs for the middle-class consumers and reduction in tax liabilities will lead to increase in disposable income, which will further augment the demand for consumer products. Reduction of rates on tax slabs will provide much needed disposable income in lower and middle class to spur consumer spending.

Agriculture

- Investments in Digital Public Infrastructure for Agriculture could help farmers in crop planning, farm financial requirements (credit and insurance) and market intelligence. The integrated focus is not just focusing on production efficiencies but trying to build financial and marketing efficiencies for better farmer realisation
- Given the matured startup ecosystem in India, setting up an agri accelerator fund could help in more than one way, providing employment to rural youth and building geography specific innovative and cost-effective solutions to problems faced by the farmers. Digital initiatives and centre of excellence for AI would act as efficient enablers
- Steps towards encouraging production of bio resources for balanced use of fertilisers are aimed at reducing carbon footprint and focus on farmers adopting natural farming with availability of bio inputs would help enhancing the revenue for farmers
- Increasing credit availability to farmers, especially in animal husbandry, dairy and fisheries, is a big step for agri-allied industries, thereby reducing dependency of farmers on agriculture alone for their financial requirements
- Reduction in basic customs duty on products related to fish feed manufacturing, increased focus on credit access to fisheries, Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) sub scheme with focus on post-harvest clubbed with reduction of export duties for marine products is a step forward to boost agri-exports significantly.

Electronics

- One of the key focus areas of the government has been the 'Make in India' campaign and India is seen as a viable option to China to become a global manufacturing hub. Reduction of import duties on inputs for mobile phones and TV panels is expected to further promote electronics manufacturing in India and the sector is expected to see more new entrants into India for electronics manufacturing.

Jewellery

- In our effort to move to a cleaner India, promoting lab grown diamonds is a great initiative. Given the job creation opportunities it has to offer, and the potential it has to reduce imports, research on cost of lab grown diamonds could prove to be highly beneficial.

Cigarettes

- Hike in NCCD may impact volume sales. Branded manufacturers will have to see how to manage the price sensitive consumers who may downgrade to an unorganised/unbranded segment.

Other consumables

- The measures can also impact an individual consumption level driven by the change in prices of the consumer products.

Others

- Start-ups and MSMEs
 - Government's startup initiatives are likely to help unlock innovation and research by start-ups and academia. By way of providing credit schemes and Vivad se Vishwas programmes, access to capital will be easy for the Indian startup ecosystem, given the tremendous opportunities for job creation.
- Skill India
 - Providing futuristic tech-based trainings to youth could help play a major role in the Indian demographic landscape, thus augmenting job efficiency across industries.

Overall, this budget provides a long-term vision to maintain a careful balance between strengthening infrastructure, modernisation and rekindling the investment cycle to drive sustainable growth. Speed and robust implementation of schemes and initiatives will be key to maximise benefits for overall development.

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