

Tax World reacts to Indirect Tax/GST proposals in Budget 2023

Feb 01, 2023



Rajat Mohan (Senior Partner, AMRG & Associates)

"Hon'ble Finance Minister Nirmala Sitharaman, presented a comprehensive and integrated budget that aims to provide a balanced approach to the development of various sectors of the economy. The budget aims to support micro, small, and medium enterprises (MSMEs) and start-ups, boost infrastructure, agriculture, and healthcare, and attract foreign investment.

FM announced a CAPEX bazooka with a 33% hike over last year, Rs 10 lakh crore if you talk about the numbers; the previous year, it was Rs 7.5 lakh crore. Expanding CAPEX is a considerable positive for markets as it will help crowd private investment. This signifies that the government means business and is willing to walk the extra mile to push growth.

Looking at the looming global recessions, post-pandemic and slow growth, FY23 growth is estimated at 7%, which is an optimistic sign. It is the highest among major economies.

Infrastructure is a primary focus of the budget, with a significant allocation for developing roads, ports, airports, and urban transportation. The aim is to improve connectivity and reduce business logistics costs, making the country more competitive and attractive for investment.

Agriculture sector also received significant attention in the budget, with measures aimed at increasing farmers' income and making the sector more sustainable. The budget proposes better access to credit, an increase in the minimum support price for crops, and the development of agro-processing clusters. Healthcare is another key focus of the budget, with a substantial allocation for the sector's development.

Foreign investment is also a key focus of the budget, with measures aimed at reducing the corporate tax rate for new manufacturing companies, improving the ease of doing business, and promoting investment in sectors such as infrastructure and technology.

Budget Speech 2023 includes tax benefits for Senior Citizens, Pensioners, and Salaried Employees.

A simplified tax structure reduces compliance burden and improves tax administration. A perfect budget helps the low-income group and gives them some relief on taxes. Indirect Tax proposals aim to promote exports, boost domestic manufacturing, enhance domestic value addition, and encourage green energy and mobility.

The aspect of the budget speech that the salaried class was most eager to hear about was the announcement of the tax impact, which raise rebate upto INR 7 lac per annum, which will increase net disposable income fueling domestic consumption. The highest effective tax rate for big earners has been reduced from 42.7% to 39%.

Several initiatives to streamline the indirect tax system and boost revenue collection while promoting ease of compliance for taxpayers are put forth in the budget for 2023. Indirect tax proposals aim to promote exports, boost domestic manufacturing, and encourage green initiatives and mobility.

Overall, the budget's proposals on indirect taxation aim to promote a more efficient, transparent, and fair tax system that benefits both taxpayers and the government.

In conclusion, I give three cheers to the overall budget, even though markets have turned quite volatile in the second half of the trading session. I believe long-term perspective of Indian companies is quite bright and we may see more investments flowing in Technology, Green initiatives and infrastructure sector."