

Budget Special : Key Sectoral Expectations from Union Budget 2022

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The Indian economy is recovering from the COVID-19 impact and is gradually picking up amidst these uncertain times and volatile environment. With the Budget round the corner, the Indian industry is expecting that their demands would be heard allowing them to have a good start after the unprecedented covid induced hardships and challenges they faced in their respective sectors.

In this write-up, the Juris Corp team has captured some key expectations of various sectors from the upcoming Budget 2022:

1.Lifesciences sector: This sector expects more to be done for creating an enabling ecosystem for innovation and research. R&D needs extensive funds and to support continued R&D in the country, some tax incentives (like production linked schemes for medical devices segment) or exemption for R&D activities for companies making investments for development of new drugs can be provided or notifying tax-free "Innovation Bonds" like NHA1 or REC bonds.

The other major arm of the sector is manpower and their skill development, which can also be incentivised and funds allocated for skill development program in this segment. Expectation is also to have a favourable policy to boost manufacturing of medical devices in India, increase exemption of import duty on life-saving drugs to lower the burden on end consumer as well as extending sunset clause for concessional tax regime for manufacturing units.

2.Infrastructure sector: This includes railways, roads, ports, metro, urban infra, water, and airports and expects easing of norms for fund raising. The National Infrastructure Plan would fuel the budgetary requirements, but the expectation is that more new projects would be announced to keep the momentum. Also, the industry expects the GST on raw materials such as cement to go down as that has also been proposed to the GST Council.

Covid has also revealed that improvements in the municipal infrastructure in India is essential and that would require introduction of municipal bonds to give a push to this segment. Surety Bonds are most likely to replace bank guarantees allowing urban bodies to raise funds. The housing segment also wishes that some incentive to workers in urban segment would also be introduced. The expectation for a clarity on tax treatment of hybrid annuity model of construction contracts is also expected. Mining is another sector that expects some reduction in taxation and cumbersome process of project implementation.

3.Electric vehicle sector: This sector expects to get a priority sector tag for EV, which even NITI-Aayog recommends and simultaneously reduction in GST on batteries used on EV, overall purchase of EV and even on rentals of EV. The sector also looks forward to announcements of new initiatives to encourage local manufacturing, easy financing schemes and boost to charging points to eventually create a better ecosystem. The hydrogen manufacturers expect PLI scheme for electrolyser manufacturing and some incentives for setting up plants.

4.Real Estate sector: The RBI and the government have been proactively aiding the housing sector by reduction on stamp duty, tax benefits extension on affordable housing and no change in the repo rates for the last nine consecutive bi-monthly monetary policies thereby benefiting lower interest rates to homebuyers, were some key steps. The sector looks forward to further support like hike in the INR 2 lakh tax rebate on housing loan interest rates to at least INR 5 Lakh reduction under Income Tax Act. Providing a personal tax relief through revised tax slabs and increasing the repayment time limit of loan principal would also encourage the home buyers to invest in the real estate sector. Further, looking at the interest of real estate developers, the government should offer flexibility to them to set off the GST paid on construction materials to avoid challenges with respect to availability of cash. Stamp duty reduction in different Indian states (as is done in the Maharashtra) would be a welcome step towards growth and revival of the real estate sector, which currently looks promising and predicted to contribute up to 8% to India's GDP.

5.Start-ups: Drones saw extended usage in the last year. The 1000 drone show in 'Beating the Retreat' ceremony of the Republic Day parade was an amazing sight and was possible because of the boost that this sector has been receiving, including the PLI scheme. Government announced 100% grant of up to INR 10 lakhs for the purchase of drones by agricultural institutes. More such incentive schemes are expected along with the creation of the EXIM policy for drones and drone corridors to continue giving it the necessary boost. Allowing drones for commercial day-to-day usage and simultaneous steps to decrease the price of drone would be the biggest item on the wish list. Such incentivising the usage and lowering prices will help increase the volume of sales.

The expectation for **crypto-based start-ups** is to gain some clarity on the taxation of crypto by knowing how to classify such earning, TDS/TCS and GST deductions, etc.

Digital lending start-ups have a huge bucket list of expectations from this year's budget, including announcement of game-changing reforms, new policies and regulations that will offer relief and tax sops to MSMEs and the overall start-up ecosystem as a focused approach in solving unmet financial needs through technology will significantly benefit the economy. The expectation is that the government may propose alternatives to zero merchant discount rate policy to promote e-payments and drive significant digital adoption among businesses.

Tech-based start-ups expect the government to focus on policies that will create a level playing field for offline and online sellers with less than INR 40 lakh turnover by introducing additional start-up-friendly policies and tax relaxations to enable

spending on innovation, ease-of-doing business and reducing compliance costs.

Ed-tech start-ups expects government's support in finance, technology, accessibility, and longer-term tax exemptions; and the most crucial expectation is removal of GST on education delivered through digital means.

Consumer-tech segment is expecting reduction/exemption in the taxation for manufacturing units, lowering the percentage of customs duty charges and better funding support to fuel the growth of small and mid-size companies.

6. Telecommunication and Technology: The worldwide impact of Covid-19 has added to a significant growth of these sectors. With many industries realizing the importance of technology and digital communications, there appears a major shift to adopting or stepping up their technology. India's telecom sector is the second largest in the world with over 1 billion subscribers.

The **Telecom Sector** is expected to contribute approximately up to 8% of India's GDP in the current financial year. Like many other sectors, the Indian telecom sector has various expectations from the upcoming budget and the key expectations being:

- reduction of levies on the sector by bringing down the license fee and SUC rate
- Commercial deployment of 5G at the earliest and provide a conducive environment from commercial, economical and regulatory standpoint to telcos (including start-ups) to help them create new revenue opportunities. This should also include cutting down in the base price for the 5G auction
- Custom duty exemption on critical telecom equipment is the need of the day as it would help telcos to deploy additional fibre and improve connectivity. Also, in light of the fact that presently there is a limited market for domestically manufactured telecom equipment, requirement to reduce the custom duty is much needed to ease the stress on telcos
- Relief in accumulated input tax credit of INR 35,000 Crores either by way of grant of refund or adjustment of this amount with other statutory fees
- Further reforms to boost investment and promote ease of doing business in India

The **Technology Sector** has witnessed exponential growth and development in India. With several technological developments and advancements, an overhauling and simplifying the SEZ laws is much needed and expected, particularly from procedural as well as compliance standpoint. As far as e-commerce is concerned, the industry expects the government to announce uniform GST and simplifying it. Like offline sellers who must mandatorily register under GST with a turnover of over INR 40 lakhs, it is expected that mandatory GST registration should be made applicable in the same way for online enterprises to offer support to MSMEs, who are unable use online sale due to GST registration requirement.

7. Retail industry: It is one of the strongest and largest industries in India and contributes approximately 10% to India's GDP and 8% to employment. It has evolved and emerged as one of the fast-paced industries, owing to technological advancements and several measures taken by Indian government on technology and digitization, including formulating policies, procedures and regulatory framework for innovative business models such as digital payments and logistics support. One of the key expectations of the retail industry is to fast track the implementation of the National Retail Policy, which is expected to significantly improve ease of doing business by promoting e-commerce using modern technology and digitization of retail sector, filling in the existing infrastructural gaps affecting the retail trade industry, promoting skill development and creating new employment opportunities in retail trade, reducing and streamlining compliance and regulatory obligations etc.

Ahead of the Union Budget 2022, which is to be tabled on 1st February 2022, the Indian Industry is waiting with bated breath to see what reforms and reliefs are introduced for the financial year ahead.