

# Union Budget Analysis



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Fiscal year 2023-24

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*India will focus on economic growth and job creation and cut down fiscal deficit.*



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# Budget Highlights

**Expenditure:** The government has pegged the total expenditure in Budget 2023-24 at ₹48.7 lakh crore, up from ₹45.1 lakh crore of the revised estimates for 2022-23. Budget estimates for 2023-24 show an increase of ₹3.6 crores over the revised estimates for 2022-23.

**Receipts:** The receipts in 2023-24 are expected to be ₹45 lakh crore, an increase of 3.1 lakh crore over the revised estimate of 2022-23.

**GDP:** The government has estimated a nominal GDP growth rate of 6% to 6.8% in 2023-24 (i.e., real growth plus inflation).

**Deficits:** The revenue deficit in 2023-24 is targeted at 2.9% of GDP, which is lower than 4.1% in 2022-23. The fiscal deficit in 2023-24 is targeted at 5.9% of GDP, lower than 6.4% of GDP in 2022-23. Interest expenditure at ₹10.8 lakh crore is estimated to be 41% of revenue receipts.

**Ministry allocations:** Among the top 13 ministries with the highest budgets, in 2022-23, the highest percentage increase in funding is observed in the Ministry of Development of North-East(113.86%), Ministry of heavy industries(91.6%), Ministry of railways(71.4%), and Ministry of power(57.71%)

**According to the Budget documents for 2023–24, 58 paise will come from direct and indirect taxes, 34 paise will come from borrowings and other liabilities, six paise will come from non-tax revenue like disinvestment, and two paise will come from non-debt capital receipts for every rupee in the government coffer.**



## Direct Tax

The Budget aimed to reduce the compliance burden, promote entrepreneurial spirit and provide tax relief to citizens.

**The main points highlighted in the budget related to the direct tax were:**

- The enhanced limit for micro-enterprises and professionals to avail benefits of presumptive taxation provided their cash receipts are less than 95%.
- The lower tax rate for new co-operatives.
- The basic exemption limit is hiked from ₹2.5 lakhs to ₹3 lakhs.

**New Tax Slabs:** The income tax slabs under the new income tax regime will be as follows:

- Up to ₹3 lakh-0% tax
- Between ₹3 lakh and 6 lakh-5% tax
- Between ₹6 lakh and 9 lakh-10% tax
- Between ₹9 lakh and 12 lakh-15% tax
- Between ₹12 lakh and 15 lakh-20% tax
- Above ₹15 lakh-30% tax



## Legislative changes

Rebate under Section 87A has been hiked from ₹5 lakhs to ₹7.5 lakhs.

It was proposed to extend the standard deduction benefit to the new tax regime. Each salaried person with an income of ₹15.5 lakhs or more will thus benefit by ₹52,500.

The highest personal income tax surcharge has been significantly reduced from 37% to 25% under the new tax system. As a result, the maximum tax rate, which is currently 42.74% (including all surcharges) on the highest income slab with income over ₹2 crores, will be reduced to 39%.

The limit of 3 lakhs for tax exemption on leave encashment upon the retirement of non-government salaried employees was last set when Atal Bihari Vajpayee was in office, and the highest basic pay in the government was 30,000 per month. Sitharaman suggested raising this ceiling to 25 lakhs to keep up with increases in government salaries.

**The new tax regime will be the default regime, but the people will have the option to choose the older regime.**





## Indirect Tax

Aim to promote exports, boost domestic manufacturing, enhance domestic value addition, encourage green energy and mobility.

### Decrease in Custom Duty -

Compressed biogas and the import of capital goods and machinery are required to produce lithium-ion batteries.

**Benefit** – Green mobility

Import of parts used in the manufacture of mobile phones and televisions.

**Benefit** – Boost domestic manufacturers.

Denatured ethyl alcohol

**Benefit** – Chemical industry and energy transition.

Acid grade fluorspar

**Benefit** – Boost domestic chemical industry competitiveness

Shrimp feed

**Benefit** – Export competitiveness of marine products

Seed used in Lab-grown Diamonds

**Benefit** – Capture an early advantage in the LGD industry.

Raw materials for manufacturing CRGO Steel, ferrous scrap, and nickel cathode.

**Benefit** – Raw material availability for the steel sector.

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### Increase in Custom Duty -

Gold and platinum articles and silver ore

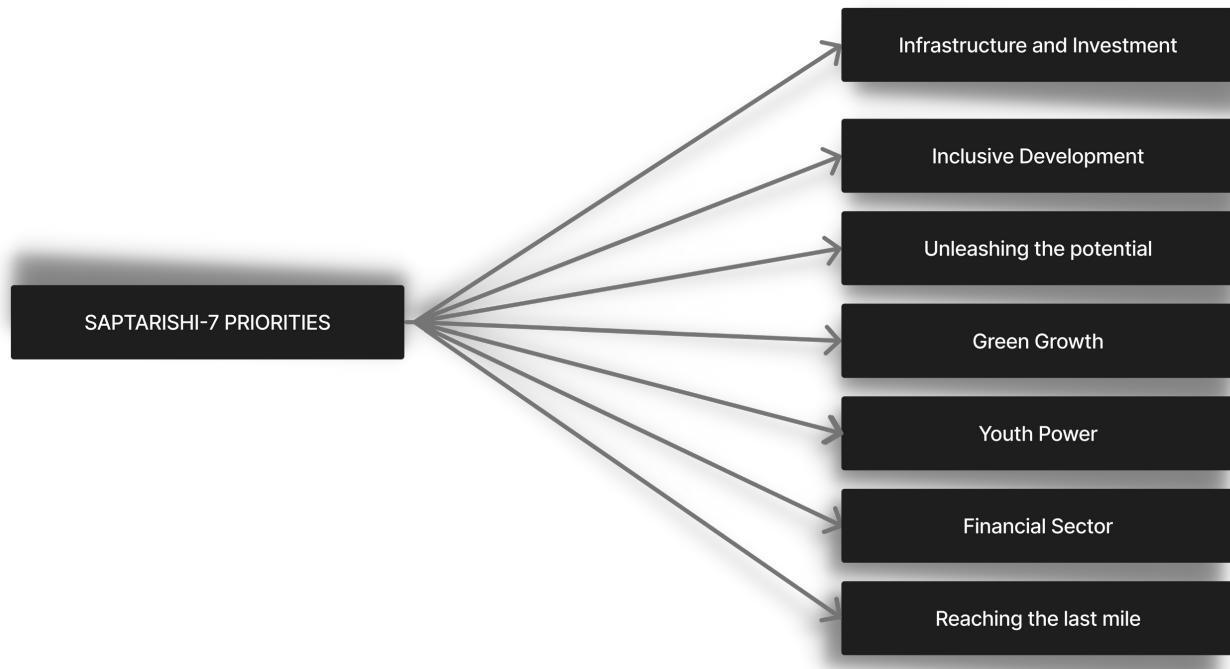
**Benefit** – Enhance the duty differential

Compounded rubber

**Benefit** – Make it par with natural rubber



# Saptarishi- 7 Priorities



Saptarishi-7 priorities are principles and goals applied for the fiscal year 2023-2024. The Finance Minister stated how "Saptarishi" would act as the guiding light for this Amrit Kaal.

**Nirmala Sitharaman said, "This is the first Budget in Amrit Kaal. The world has recognized Indian economy is on the right track and as bright as a star,".**



## Rupee Comes from and Goes To

The budget allocation has changed for the Union Budget 2023-24 has undergone changes, with some being reallocated to other sectors and others receiving increased funding.

### Previously the budget was allotted accordingly:

Income Tax – 15%

Union Excise Duties – 7%

Corporation Tax – 15%

Goods & Services Tax & other taxes – 17%

Customs – 4%

Non-Debt Capital Receipts – 2%

Non-Tax Receipts – 6%

Borrowing and Other Liabilities – 34%

### Union Budget 2023-24 allocations were structured as follows:

Pensions – 4%

Interest Payments – 20%

Centrally Sponsored Schemes – 9%

Subsidies – 7%

Defense – 8%

Central Sector Schemes – 17%

Finance and other transfers – 9%

States' Shares of Taxes and Duties – 18%

Other Expenditure – 8%



# Summary of Expenditure

Budget Estimates of Expenditure for 2023-24 show an increase of 3,15,865 crore over the Revised Estimates for 2022-23.

The increase is due to higher interest payments and servicing of Debt, loans granted to state government, the capital outlay on railways and petroleum, defense services, water supply and sanitation, police, village, and small industries, scientific research, the welfare of ST, SC, OBCs and minorities, irrigation, and other expenditure.

## Breakdown of Central Government Expenditures 2023- 24

Ministry	Actuals 21-22	Budget Est. 22-23	Revised Est 23-24	Budget Est. 23-24
Central Expenditure	29,13,969.01	30,06,111.43	32,82,935.74	35,13,761
Establishment	6,93,271.92	69,22,14.15	7,34,618.65	7,44,339.23
Central Sector Scheme	12,09,949.59	11,81,084.25	14,11,729.00	14,67,879.99
Other Central Expenditure	10,10,747.50	11,32,813.03	11,36,588.09	13,01,541.78
Transfers	8,79,831.62	9,38,797.24	9,04,296.61	9,89,336.45
Centrally Sponsored Schemes	4,54,365.91	4,42,781.19	4,51,901.37	4,76,104.59
Finance Commission Transfers	2,07,434.75	1,92,108.00	1,73,257.20	1,65,480.00
<b>Total Expenditure</b>	<b>42,31,400.69</b>	<b>44,14,361.42</b>	<b>45,88,333.52</b>	<b>49,90,842.73</b>

(In ₹ crores)



## Expenditure for Major Schemes

(In ₹ crores)

Scheme	FY22	FY23
Development of Pharmaceutical Industry	100	1,250
Jal Jeevan Mission	60,000	70,000
Ekalavya Model Residential Schools	2,000	5,943
PM Awas Yojana	48,000	79,590
Scheme for adoption & manufacturing of EV's	2,908	5,172
North East special infrastructure development s	1,419	2,491

## Expenditure for Major Ministries and Departments

Ministry	FY 22	FY 23
Defence	5.25	5.94
Road Transport and Highways	1.99	2.70
Railways	1.40	2.41
Consumer Affairs, Food & Public Distribution	2.17	2.06
Home Affairs	1.85	1.96
Chemical and fertilizers	1.07	1.78

(In ₹ lakh crores)



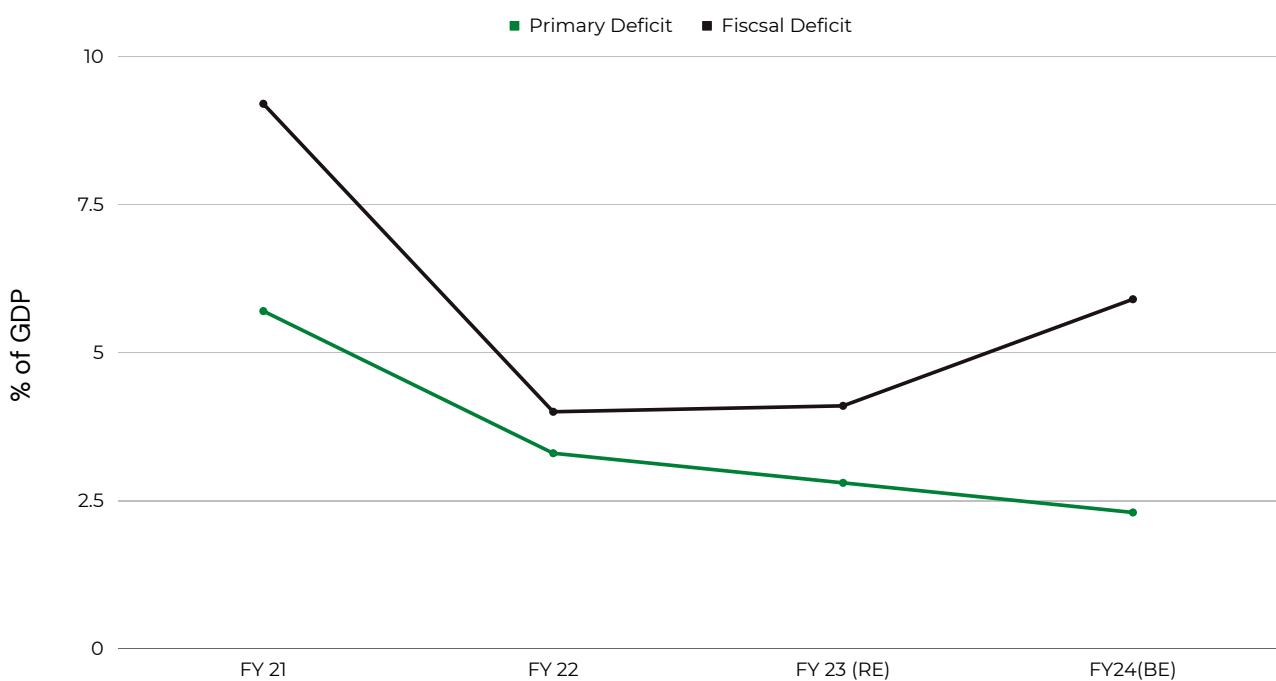
# Fiscal Deficit

A fiscal deficit indicates that the government is borrowing to finance its expenditures.

The Central government is obligated to reduce its debt, revenue shortfall, and fiscal deficit following the Fiscal Responsibilities and Budget Management (FRBM) Act of 2003.

**The Finance Minister, Nirmala Sitharaman, has projected the fiscal deficit for 2023-2024 to be 5.9% of GDP, substantially lower than the 6.4% budgeted for 2022-2023. The fiscal deficit for 2021-22 was 6.7%, lower than the revised budget estimate of 6.9%.**

The government aims to increase capital spending to support growth and lower its budget deficit to less than 6% of GDP for the first time since March 2020. The lower fiscal deficit target for 2023-2024 is anticipated due to a potential decrease in global commodity prices and reduced spending on subsidies as the government discontinues pandemic-related benefits.





The capital investment allocation for the 2023 Union Budget has increased by 33% to INR 10 lakh crore (\$122 billion), or 3.3% of GDP.

The overall budget size for FY24 will increase from INR 41 lakh crore (\$500 billion) to INR 45 lakh crore (\$550 billion), with a focus on increased capital spending, which has grown from INR 7.3 lakh crore (\$89 billion) to INR 7.5 lakh crore (\$92 billion) in FY23, to INR 10 lakh crore (\$122 billion) in FY24. This also includes providing states with 50-year, interest-free financing for capital projects, which has been increased to INR 1.3 lakh crore (\$16 billion) for FY24, an increase of INR 30,000 crore (\$37 billion).

The states will be allowed to maintain a fiscal deficit of 3.5% of GSDP, with 0.5% set aside for power sector reforms.



# Policy Highlights

## Agriculture Sector:

The announcement of the Agriculture Accelerator Fund aims to encourage young entrepreneurs in rural areas to start agri-businesses, bringing modern technologies to transform agricultural practices and increase productivity and profitability.

The agricultural credit target has been increased to INR 20 trillion, with a focus on animal husbandry, dairy, and fisheries, compared to INR 18 trillion for 2022-23 fiscal, up from INR 16.50 trillion in 2021-22 fiscal. The launch of PM-PRANAM will encourage states with union territories to promote alternative fertilizers and the balanced use of chemical fertilizers.

## Defence Sector:

A total of INR 1.62 lakh crore has been set aside for capital expenditures, including purchasing new weapons, aircraft, warships, and other military hardware. Capital expenditure in the defense sector is essential for India to become self-sufficient in defense manufacturing and to counter the growing threat from China and Pakistan by building infrastructure and implementing cutting-edge technology.

## Transport Sector:

The Railway Ministry will receive its largest capital expenditure allocation of INR 2.4 trillion in FY24. The government also announced an investment of INR 75,000 crore for 100 critical infrastructure projects and a reduction in customs duty on lithium batteries.



## **Energy Sector:**

The annual budget allocated INR 10,222 crore towards the renewable energy sector, a 48% increase from the previous year's allocation. A green credit program has been introduced to promote green and sustainable practices.

## **Infrastructure and Real Estate:**

Capital expenditure has increased by 33% to INR 10 lakh crore for infrastructure development in 2023-23. The budget also announced the Urban Infrastructure Development Fund (UIDF), which aims to create infrastructure in Tier 2 and 3 cities.

## **Science and Technology:**

An allocation of INR 16,361.42 Cr has been made to the Ministry of Science and Development, representing a 15% increase from the previous budget. The government has also launched the National Green Hydrogen Mission, with an outlay of INR 19,700 Cr, aimed at facilitating the transition to a low-carbon economy and reducing dependence on fossil fuel imports.

## **Health Sector:**

The Union Budget announced the launch of a mission to eliminate Sickle Cell Anemia by 2047 and the opening of 157 new nursing colleges and dedicated multidisciplinary courses for medical devices. The government is also investing in specific Indian Council of Medical Research (ICMR) lab facilities and showing an increased interest in healthcare research and development.



## **Finance:**

The credit guarantee scheme for Micro, Small, and Medium Enterprises(MSMEs) has been revised and will take effect on April 1, 2023, with the infusion of INR 9000 Cr into the corpus. This will enable an additional INR 2 lakh Cr of collateral-free guaranteed credit and reduce the cost of credit by about 1%.

A National Financial Information Registry will be established as a central repository of financial and ancillary information to improve the flow of credit, promote financial inclusion, and support financial stability. A Central Processing Center will be set up for faster responses to companies by centralizing the handling of various forms filed with field offices under the Companies Act.

## **Education Sector:**

The 2022-23 Union Budget allocated INR 1.12 lakh Crore for the education sector, an 8% increase from the previous budget. A National Digital Library for children and adolescents will be established, and three centers of excellence in top Indian institutions will be opened to boost artificial intelligence in India. One of the Indian Institutes of Technology(IITs) will receive a grant for research and development in lab-grown diamonds.

## **Corporate Affairs:**

Of the total INR 756.19 Cr for the next fiscal year, INR 714.19 Cr will be from the revenue side and INR 42 Cr from the capital side for 2023-24. Funds for regional directors, official liquidators, and other expenditures related to various bodies under the Companies Act have been increased to INR 330 Cr.

The Competition Commission of India(CCI) has been allocated INR 51 Cr, and the Insolvency and Bankruptcy Code (IBBI) will receive INR 41.85 Cr in the next fiscal year. Expenditures will also be made for the Serious Fraud Investigation Office(SFIO), National Company Law Tribunal (NCLT), National Company Law Appellate Tribunal (NCLAT), and other related bodies.



## Sources

**Union Budget Website.**  
**Finance Minister Speech.**

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