Budget 2022-23: Indirect Taxes

For Prelims: Indirect Taxes, Budget, GST, Special Economic Zones, Make in India.

For Mains: Trustworthy tax regime.

Why in News

The **Union Budget 2022-23,** while continuing with the declared policy of a stable and predictable tax regime, intends to bring more reforms that will take ahead the vision to establish a **trustworthy tax regime.**

- An indirect tax is a tax that is levied upon goods and services before they reach the customer who ultimately pays the indirect tax as a part of market price of the goods or service purchased. For example, **Goods and Services Tax** (GST), Import duties.

What are the Key Proposals?

- **Record GST Collection: GST** collections touched a record of Rs 1.40 lakh crore in January 2022 on rapid economic recovery (despite the coronavirus pandemic).
    - GST showcases the spirit of **Cooperative Federalism** and fulfills the dream of India as **one market-one tax.**
- **Special Economic Zones:** Customs Administration of **SEZs** shall be fully IT driven and function on the **Customs National Portal** with a focus on higher facilitation and with only risk-based checks.
- **Customs Reforms and Duty Rate Changes:** Faceless Customs has been fully established. Customs' reforms have played a very vital role in:
    - Domestic capacity creation,
    - Providing a level playing field to MSMEs,
    - Easing the raw material supply side constraints,
    - Enhancing ease of doing business
    - Being an enabler to other policy initiatives such as **PLIs** and Phased Manufacturing Plans.
- **Project Imports and Capital Goods: National Capital Goods Policy, 2016** aims at **doubling the production of capital goods by 2025.**
    - This would create employment opportunities and result in increased economic activity.
    - However, several duty exemptions, even extending to over three decades in some cases, have been granted to capital goods for various sectors like power, fertilizer, textiles, leather, footwear, food processing and fertilizers.
        - These exemptions have hindered the growth of the domestic capital goods sector.
    - The budget proposed gradual **phasing out of the concessional rates** in capital goods and project imports.
    - The Budget provided for applying a **moderate tariff of 7.5% which** will be conducive to the growth of the domestic sector and **'Make in India'**.
- **Sector-specific Proposals:**
    - **Electronics:** Customs duty rates to be balanced to provide a graded rate structure - to

facilitate domestic manufacturing of wearable devices and electronic smart meters.

    - Announced **a new Phased Manufacturing Programme (PMP)** for producing wrist wearable devices, hearable devices and electronic smart meters in the country.
    - The PMP incentivises the manufacture of low value accessories initially, and then moves on to the manufacture of higher value component.
- **Gems and Jewelry:** Customs duty on cut and polished diamonds and gemstones being reduced to 5%.
    - Nil customs duty to be imposed on simply sawn diamond.
- **MSME & Exports:** Exemption being rationalised on implements and tools for agri-sector which are manufactured in India.
    - Further, to incentivise exports, exemptions are being provided on many items.
- **Tariff to Encourage Blending of Fuel:** Tariff measures will be introduced to encourage the blending of fuel.
    - Meanwhile, unblended fuel will attract an additional differential excise duty of Rs 2/ litre from 1st October, 2022, to further encourage the blending of fuel.

Source: IE