

Harnessing Yuva Shakti to Help India Become a 5 trillion \$ Economy

Jan 24, 2023



Amit Ganatra

Partner at BDO India LLP



Vivek Churiwala

Associate Director at BDO India LLP



Chandni Korwani

Assistant Manager at BDO India LLP

The Hon'ble Prime Minister inaugurated the 26th National Youth Festival 2023 in Hubabli, Karnataka to mark the birth anniversary of Swami Vivekananda. The theme of the festival was "**Viksit Yuva Viksit Bharat**" and the event was held to provide exposure to our talented youth for stirring them to the path of Nation Building. In the festival he stated that **youth power is the driving force of India's future** and their role / aspiration would decide India's destination in the next 25 years.

Considering, our country's population which is likely to become the talent pool for the world comprising of youth in the age group of 16-30, **the Budget 2023 should give sufficient focus disseminate education** through digital transformation.

The government in the last union budget had made major allocation for the education sector basically for higher education to ensure higher literacy rate. Moreover, the government had introduced some new initiatives and made certain policy changes under the New Education Policy (NEP) like national innovation and entrepreneurship policy for schools, launch of Kalashala initiatives in 750 schools to promote country's rich cultural heritage, Promotions of 75 Bharatiya games in schools, SAFAL, Vidya Pravesh, Nishtha 2.0 for secondary school teachers, National Higher Education Qualification Framework (NHEQF), Vidya Amrit Portal, 200 new virtual labs, Digital University, therefore the Union Budget 2023 is expected to include some significant announcements to accelerate some of the foundational principle of **NEP 2020 which are access, equity, quality, affordability and accountability** and likely aims to bring transformation reforms to schools and higher education vide various measures including **digitization, internationalization of higher education, skill development, providing free or subsidized tuitions, getting up scholarship and grants and emphasis of regional languages in technical and medical education among others etc.**

Considering its focus for development of youth and channelizing them in proper manner, some big announcements are expected in the field of education, namely : -

- **Foreign Institutes / universities** - Considering the relationship of India with the other countries, it is expected that this budget is likely to pave way for formal partnership with the eminent universities abroad, to offer online and hybrid degree programs in order to achieve of the Gross Enrolment Ratio (GER) targets set by the government. To achieve the GER the government also needs to expand the education system both in terms of quantity and quality which will require huge capital expense in the form of infrastructure, laboratories, research, faculty development etc. From a tax perspective, specific exclusion of foreign universities providing education through online platform from the purview of equalization levy / income tax would be a welcome step. There are multiple tax and regulatory measures which needs to be undertaken in respect of foreign universities / institutes setting up branch in India.
- **Research and Development Centers** - The focus would be to create high-quality research-intensive institutes. These universities can be encouraged to bring back the foreign educated Indian academics, which in turn will bring their valuable collaborative network resulting in enhanced quality research. A unified approach to research would also provide better results and would also encourage the private player participation. Extension of 15% tax rate to these initiatives coupled with weighted deduction on research and development expenses could provide an attractive proposition in the short run.
- **Vocational programmes** - At present, only few selected educational institutions are having vocational courses from secondary level, however as per the NEP, it is advised that students should be given exposure to vocational institutions at the early stage of their career which will have far reaching outcomes. Therefore it is essential that the government invest in skilling or can incentivize the Universities and Higher Education Institutions (including private) that run vocational programmes, specifically Bachelors of Vocation programmes by subsidizing the programmes or partially reimbursing the cost directly to the students. Further, tax break in the form of deduction to parents / individuals on fees paid for taking up such vocational courses would also be a welcome step.
- **Other Initiatives**
 - To ensure effective implementation of NEP, teacher training programs may be provided a higher share of budget allocation.
 - Facilitating education loan for students from low socio-economic backgrounds would encourage them to pursue their careers and would also promote the education ecosystem in the country.
 - To increase the ambit of the term “financial institution” as defined in section 80E of the IT Act, to include NBFC’s as well under its purview.
 - GST on education services to be reduced and GST on upskilling programme to be removed.
 - More focus on counselling and wellness scheme for students in schools and colleges as it will go a long way in improving mental health of study and would promote a health environment.
 - Promote girl child education by providing scholarships or tax exemptions as the same will also help the Government to achieve the gender-based targets as set by NEP 2020
 - As digitization is one of the key drivers of NEP 2020, it is expected that the government may encourage setting up of digital library and such mechanism can work along with digital universities and the result of such collaboration will not only aid the learners but will also provide support classroom learners by giving them access to the authentic content.

India is targeting to become a 5 trillion \$ economy by 2025 **Startups can play** a major role, both in terms of employment generation as well as being an incubator for disruptive technology. India has already has the third largest startup ecosystem in the world after US and China.

S Startups have repaid the faith shown by the government and have contributed to the GDP of the country. However last year has not been promising as many of the startup employees lost their jobs and lay off was announced in the beginning of this year 2023 by entities like Dunzo, Mohalla Tech etc. With funding drying up , startups are expected to reduce or curtail their work force Therefore, to keep the animal spirits of the Startup’s alive and to encourage or boost the initiative of “**Make in India**”, the

government should take some positive steps and initiatives as Startups have immensely contributed in nations building and on the Government's vision to make India the **hub of innovation**

Some actions anticipated are as follows: -

- Reducing the Minimum Alternate Tax from 15% to 9%, as it would ensure more working capital in the hands of Startup for meeting their day-to-day requirement.
- Budget 2020 provided relief to startups being recognized by Inter-Ministerial Board (IMB) by deferring the taxation of ESOP's, similar tax neutrality is expected for Startup's not recognized by IMB.
- To encourage new Startups to continuously emerge, tax holiday benefit provided to Startup under section 80IAC should be extended.
- To encourage the demand of co-working space and aid working capital management, TDS should be lowered from the existing rate of 10%.
- Presently the benefit of Section 80JJAA is available to the existing business who are liable for tax audit It is expected that these benefits are to be extended to new business also. Additionally, considering the inflationary pressure, the monthly emolument limit should be enhanced to Rs 50,000/- from the present limit of INR 25,000/-.
- To ensure ease of doing the business for startups, there should be single window process for incorporation, shop establishments, MSME certificates etc.
- Considering the drastic increase in the startup's, the definition of startups may be modified to increase the turnover threshold from INR 100 Crs to INR 250 Crs.

The Budget 2022-23 has already **provided a blueprint to drive the economy over the next 25 years from India at 75 to India at 100 with a vision** and let's hope that the Budget 2023, which tends to be the last full budget of the present government provides a boost to the education sector and to the startup's which would enable India's to achieve its ambition of becoming **developed nation**. The need is the **powerhouse of the youth** must strive to make their own lives better while contributing towards the growth and advancement of the nation.

** Views expressed above are personal and may not reflect that of the organisation.*