Budget 2021

The Indian economy has been heavily impacted by the unprecedented Covid - 19 pandemic during 2020-21. This health crisis has produced one of the deep recessions for the economy that is recorded over the last one hundred year or so. Latest data shows that globally, the Great Lockdown has produced synchronised GDP contractions.

For mitigating the crisis, the government along with the RBI has provided several supportive and stimulus measures for the economy besides launching emergency health support initiatives. The economic damage that the pandemic has produced is perhaps deeper than the health impacts. This budget has thus a mission to rehabilitate the economy from the economic shock created by the pandemic.

TO|O

The economic impact of the covid 19 crisis is well reflected in the quarterly as well as the annual GDP growth rates. Real GDP is estimated to contract by 7.7 percent in 2020-21, compared to a growth of 4.2 percent registered during 2019-20. At the same time, growth rate is expected to make a rebound during 2021-22 because of the supportive measures provided by the Government.

Government interventions throughout the last one year was tremendous in ensuring the wellbeing of the people and the stability of the economy. In March 2020, within 48 hours of declaring a three-week-long complete lockdown, the Pradhan Mantri Garib Kalyan Yojana with a total value of Rs. 2.76 lakh crores were announced by the PM as an immediate relief package. Under this programme several emergency supportive measures including the provision of free food grain to 800 million people, free cooking gas for 80 million families, and cash transfer to over 400 million farmers, women, elderly, the poor and the needy under various schemes were made.

Atmanirbhar Bharat and other incentives

The special economic package provided by the Government under Atmanirbhar Bharat with an allocation of Rs 27.1 lakh crore in three phases is equivalent to 13% of India's GDP. It was started in May 2020, with the launch of the AtmaNirbhar Bharat package (ANB 1.0) and later two more AtmaNirbhar Bharat packages (ANB 2.0 and ANB 3.0).

Along with the Atmanirbhar Bharat, several structural reforms were also announced as part of the package. These includes new PSU Policy, revamping of the

Viability Gap Funding scheme for social infrastructure, expansion of the Production Linked Incentive Scheme, new definition for MSMEs, deregulation of the agricultural sector, commercialization of coal mining, increased FDI limits in critical sectors like defence and space sector, development of Industrial Land/ Land Bank and Industrial Information System, new power tariff policy and incentivizing States to undertake sector reforms etc.

Besides these, several government programmes and income transfer measures were also launched to ensure adequate purchasing power with the people. Emergency food supply were also ensured so that people can meet their immediate priorities despite income loss during the lock down. Support measures by the RBI in the form of liquidity measures and government initiatives like the Emergency Credit Line Guarantee Scheme (ECLGS) 2.0 etc helped the manufacturing and financial sectors to remain safe and functional. These measures are expected to make the economic recovery quick.

TOJO

Part A

Part A of the budget lays down a vision for AtmaNirbhar Bharat. AtmaNirbharta from the ancient Indian angle implies largely self-reliant, and equally, a business epicentre of the world. Now, it is an expression of 130 crores Indians who have full confidence in their capabilities and skills.

Proposals contained in Part A will strengthen the vision of Nation First, Doubling Farmer's Income, Healthy India, Strong Infrastructure, Good Governance, Opportunities for Youth, Education for All, Women Empowerment, and Inclusive Development etc.

Six Pillars: The Budget proposals for 2021-2022 rest on 6 pillars.

The Budget points out six pillars for the current year so that the economic hardships can be overcome through active government intervention.

i. Health and Wellbeing

ii. Physical & Financial Capital, and Infrastructure

iii. Inclusive Development for Aspirational India

iv. Reinvigorating Human Capital

v. Innovation and R&D

vi. Minimum Government and Maximum Governance.

1. Health and Wellbeing

Investment on Health Infrastructure in this Budget has increased substantially. Such an intensive effort in terms of programmes and allocation is needed because of the challenges posed by the Covid 19 pandemic.

Health Systems

Health system will be improved by making multiple efforts under the new programme - AtmaNirbhar Swasth Bharat Yojana.

PM AtmaNirbhar Swasth Bharat Yojana: A new centrally sponsored scheme, PM AtmaNirbhar Swasth Bharat Yojana, will be launched with a funding of about Rs 64,180 crores over the next 6 years. The scheme will develop capacities of primary, secondary, and tertiary care Health Systems, strengthen existing national institutions, and create new institutions, to help the detection and cure of new and emerging diseases. This initiative will be in addition to the existing National Health Mission. The main steps under the scheme are:

a. Support for nearly 17,788 rural and 11,024 urban Health and Wellness Centers.

Tojo

b. Setting up integrated public health labs in all districts and 3382 block public health units in 11 states;

c. Establishing critical care hospital blocks in 602 districts and 12 central institutions;

d. Strengthening of the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units;

e. Expansion of the Integrated Health Information Portal to all States/UTs to connect all public health labs;

f. Operationalisation of 17 new Public Health Units and strengthening of 33 existing Public Health Units at Points of Entry, that is at 32 Airports, 11 Seaports and 7 land crossings;

g. Setting up of 15 Health Emergency Operation Centres and 2 mobile hospitals; and

h. Setting up of a national institution for One Health, a Regional Research Platform for WHO South East Asia Region, 9 Bio-Safety Level III laboratories and 4 regional National Institutes for Virology.

Nutrition

Mission Poshan 2.0: The Supplementary Nutrition Programme and the Poshan Abhiyan will be merged to launch the Mission Poshan 2.0. An intensified effort and strategy will be made to improve nutritional outcomes across 112 Aspirational Districts.

POSHAN Abhiyan

POSHAN (Prime Minister's Overarching Scheme for Holistic Nutrition) Abhiyaan or National Nutrition Mission is Government of India's flagship programme to improve nutritional outcomes for children, pregnant women and lactating mothers. The programme was launched by Prime Minister Shri Narendra Modi in Jhunjhunu, Rajasthan in March 2018.

It has a vision to ensure attainment of malnutrition free India by 2022. The programme is implemented as a multi-ministerial convergence mission with the Ministry of Women and Child Development implementing the scheme in 315 Districts in the first year, 235 Districts in the second year and remaining districts will be covered in the third year.

Tojo

POSHAN Abhiyan has the objective of reducing stunting in identified Districts of India with the highest malnutrition burden by improving utilization of key Anganwadi Services and improving the quality of Anganwadi Services delivery. Its aim to ensure holistic development and adequate nutrition for pregnant women, mothers and children.

The programme targets to reduce the level of under-nutrition and other related problems by ensuring convergence of various nutrition related schemes. It also aims to reduce stunting, under-nutrition, anaemia (among young the children, women and adolescent girls) and low birth rate. The POSHAN Abhiyan as the apex body, monitors, supervises, fix targets and guides the nutrition related interventions across the Ministries.

Universal Coverage of Water Supply

Jal Jeevan Mission (Urban): For ensuring clean water, sanitation, and clean environment, Jal Jeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, besides managing liquid waste in 500 AMRUT cities. The scheme will be implemented over 5 years, with an outlay of Rs 2,87,000 crores.

Swachch Bharat, Swasth Bharat

For improving the swachhta of urban India, the government will focus on complete faecal sludge management and wastewater treatment, source segregation of garbage, reduction in single-use plastic, reduction in air pollution by effectively managing waste from construction-and-demolition activities and bioremediation of all legacy dump sites. For this, the Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs 1,41,678 crores over a period of 5 years from 2021-2026.

Clean Air

To tackle the mounting air pollution problem, the budget provides an amount of Rs 2,217 crores for 42 urban centres with a million-plus population.

Vehicle Scrappage Policy

A voluntary vehicle scrapping policy will be made to phase out old and unfit vehicles. This will help in encouraging fuel-efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles.

Vaccines

The budget allocates Rs 35,000 crores for Covid-19 vaccine in BE 2021-22. Further funds will be provided if required.

The Pneumococcal Vaccine, which is a Made in India product, is now limited to only 5 states and it will be rolled out across the country. This will avoid more than 50,000 child deaths annually.

2. Physical and Financial Capital and Infrastructure

AtmaNirbhar Bharat – Production Linked Incentive scheme (PLI): For India to become a USD 5 trillion economy, our manufacturing sector has to grow in double digits on a sustained basis. Similarly, our manufacturing companies need to become an integral part of global supply chains and has to acquire cutting-edge technology. For realising all these goals, the government launched the PLI schemes for 13 sectors to create manufacturing global champions visioning AtmaNirbhar Bharat. Here, the government has committed nearly Rs 1.97 lakh crores, over 5 years starting FY 2021-22. This initiative will help bring scale and size in key sectors, create and nurture global champions and provide jobs to the youth.

The Budget outlay for Health and Wellbeing is Rs 2,23,846 crores in BE 2021-22 as against this year's BE of Rs 94,452 crores an increase of 137 percentage.

Tojo

Textiles

Mega Investment Textiles Parks (MITRA): MITRA will be launched to help the textile industry to become globally competitive, attract large investments and boost employment generation. As part of this programme, 7 Textile Parks will be established in three years to create world class infrastructure with plug and play facilities to enable create global champions in exports.

PLI Scheme – the game changer

The Production Linked Incentive (PLI) Scheme is a programme of giving incentives to companies for enhancing domestic production of selected manufacturing products. Purpose of the scheme is thus to incentivise domestic production of manufacturing items, and thus to enhance production, employment, exports etc.

The scheme provides an incentive of 4 to 6 per cent on incremental sales (compared to the base year) of selective manufacturing items (like mobile phones, pharmaceuticals, automobile components etc) manufactured in India. This incentive will be there for companies registered in India and it will be provided for a period of five years.

Government in April 2020 launched the PLI scheme in three sectors—mobile manufacturing and specified electronics components, drug intermediates and active pharmaceutical ingredients and medical devices. Allocation for the scheme was Rs 51,355 crore. The scheme is implemented by the concerned Ministries.

An important component of the PLI scheme was that by the Ministry of Electronics and Information Technology (MEITY) for promoting the domestic production of mobile phones and other related electronic items as part of the National Electronic Policy. MEITY introduced a Production Linked Incentive Scheme for Large Scale Electronics Manufacturing (Scheme) with effect from April 1, 2020.

As part of this policy, Mobile phones, specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units will get the incentive based on domestic production.

The PLI Scheme registered significant success as several domestic firms and MNCs expanded their production base in India by availing the PLI incentives. Witnessing this success, the government, in November 2020, expanded the eligible items and sectors by adding ten new sectors. The total fund under the scheme was expanded to Rs 1.46 lakh crore. The new sectors that were included under the PLI scheme were auto and auto components, drug manufacturing, telecom, textiles, food, solar photovoltaic modules, white goods like air conditioners and LEDs, specialty steel, electronics and advanced chemistry cell batteries.

Finance Minister Nirmala Sitharaman in her budget envisaged a total budgetary outlay of over Rs 1.96 lakh crore for the PLI scheme in the next five years covering a total of 13 sectors.

Infrastructure

The National Infrastructure Pipeline (NIP) which was announced in December 2019 is the first-of-its-kind, whole-of-government exercise ever undertaken by Government of India. The NIP was launched with 6835 projects; the project pipeline has now expanded to 7,400 projects. Around 217 projects worth Rs 1.10 lakh crores under some key infrastructure Ministries have been completed.

TOJO

The NIP is a specific target which this government is committed to achieving over the coming years. It will require a major increase in funding both from the government and the financial sector. The Budget proposes to take concrete steps in three ways:

(i) Creating the institutional structures.

(ii) Big thrust on monetizing assets, and

(iii) Enhancing the share of capital expenditure in central and state budgets.

National Infrastructure Pipeline

National Infrastructure Pipeline is the investment plan unveiled by the Central Government for enhancing infrastructure in identified sectors for a period of five years from 2020-25. Finance Minister Nirmala Sitharaman announced Rs 102 lakh crore ($1.4 trillion) National Infrastructure Pipeline to spend in the infrastructure sector over a five-year period (2020-25). The plan will help India to reach $5 trillion economy by 2025.

Funding of the scheme: The funding of the National Infrastructure Pipeline will be jointly made by the Centre, states and the private sector in the proportion of 39:39:22 (39 % each by the centre and states and 22% by the private sector).

The infrastructure plan was proposed by the Taskforce on National Infrastructure Pipeline for 2019-2025. Report of the Task Force was also published by the FM.

Infrastructure financing - Development Financial Institution (DFI)

Infrastructure needs long term debt financing. A professionally managed Development Financial Institution is necessary to act as a provider, enabler, and catalyst for infrastructure financing. Hence, the government will introduce a Bill to set up a DFI. The budget provided a Rs 20,000 crores to capitalise this new DFI. The objective is to have a lending size of at least Rs 5 lakh crores for this DFI in three years' time.

Development Financial Institutions

Development Financial Institutions are dedicated financial entities created to provide long term funding to specific sectors. After independence, the government created a group of DFIs given the fund scarcity to support development activities in various sectors especially the industrial sector. Post-independence, there was lack of sources for long term funds for the industry. Hence, the government created many DFIs to provide long term credit to industry. First development financial institution was the Industrial Finance Corporation of India, (IFCI) that was established in 1948 by the government to provide medium- and long-term finance to industry. Then the ICICI was created (private sector) in 1955 followed by the apex financial institution in industrial fiancé – the IDBI in 1964. DFIs performed an exceptional role in providing long term finance to the industry. But, with the emergence of a strong capital market by 1990, the industrial sector could avail funds from the capital market. Besides, several of the DFIs developed high level of NPAs. Hence, the government has asked the DFIs to convert them into banks or NBFIs. Most of the DFIs have thus been converted into banks. As a result of the restructuring of the financial system, the DFIs became almost extinct. The reverse merger of ICICI and IDBI are examples for this.

But the absence of DFIs and the inadequate funding source for long term loans put pressure on the banking system. Here, banks have given tremendous volume of loans to the industrial sector and as a result, they developed huge NPAs. The current NPA problem in the banking sector is significantly contributed by bad debt from the infrastructure sector. Hence, the government is aiming to bring back DFIs to provide long term loans to the infrastructure sector

InVITs and REITs: Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectors. The InVITs and REITs are thus aimed at promoting investment in the real estate sector. Several incentives like allowing FDI in these entities are also made by the government.

REIT and InvIT

Tojo

Infrastructure investment trusts (InvIT) are trusts designed to pool small sums of money from various investors to invest in assets while giving returns to the investors over a period of time. Unlike in the case of REIT, InvITs invest in infrastructure projects including roads or highways that takes a long time to generate cash flows.

Real Estate Investment Trust (REIT) is an investment trust that owns and manages real-estate properties such as offices, malls, industrial parks, warehouses, hospitality, healthcare centers, and they produce an income flow.

Asset Monetisation

In the context of fund constraints to finance new projects, monetizing existing public infrastructure assets is a very important for financing new infrastructure. For this, a 'National Monetization Pipeline' of potential brownfield infrastructure assets will be launched.

An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility of these assets to investors. Following are some of the important measures in the direction of asset monetisation:

a. National Highways Authority of India and PGCIL (Power Grid Corporation of India) have sponsored one InvIT each that will attract international and domestic institutional investors. Here, five operational roads with an estimated enterprise value of Rs 5,000 crores are being transferred to the NHAI InvIT. Similarly, transmission assets of a value of Rs 7,000 crores will be transferred to the PGCIL InvIT.

b. Railways will monetise Dedicated Freight Corridor assets for operations and maintenance, after commissioning.

c. In the same way, lot of Airports will be monetised for operations and management concession.

TOJO

d. Other core infrastructure assets that will be referred for Asset Monetization Programme are: (i) NHAI Operational Toll Roads (ii) Transmission Assets of PGCIL (iii) Oil and Gas Pipelines of GAIL, IOCL and HPCL (iv) AAI Airports in Tier II and III cities, (v) Other Railway Infrastructure Assets (vi) Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others and (vii) Sports Stadiums.

Higher allocation for the Capital Budget

The budget 2021-22 allocates a higher capital expenditure of Rs 5.54 lakh crores compared to the 2020-21 (BE) of Rs 4.12 lakh crore, but the 2020-21 spending may go up to Rs 4.39 lakh crore. Here, the 2021-22 allocation is 34.5% more than the BE of 2020-21.

Roads and Highways Infrastructure

Under the Bharatmala Pariyojana project (Rs 5.35 lakh crores allocation), more than 13,000 km length of roads, at a cost of Rs 3.3 lakh crores, has already been awarded. As of now, 3,800 kms of roads have been constructed under the project.

By March 2022, the government will be awarding another 8,500 kms and complete an additional 11,000 kms of national highway corridors. To further augment road infrastructure, more economic corridors are also being planned. Some of these projects are:

a. National Highway works of 3,500 km in the state of Tamil Nadu at an investment of Rs 1.03 lakh crores. These include Madurai-Kollam corridor, Chittoor-Thatchur corridor. Construction will start next year.

b. National Highway works of 1,100 km in the State of Kerala at an investment of Rs 65,000 crores including 600 km section of Mumbai-Kanyakumari corridor in Kerala.

c. Highway works of 675 km in the state of West Bengal at a cost of Rs 25,000 crores including upgradation of existing road-Kolkata –Siliguri.

d. National Highway works of around Rs 19,000 crores are currently in progress in the State of Assam. Further works of more than Rs 34,000 crores covering more than 1300 kms of National Highways will be undertaken in the State in the coming three years.

Allocation to MORTH: There is an enhanced outlay of Rs 1,18,101 lakh crores for Ministry of Road Transport and Highways, of which Rs 1,08,230 crores is for capital, the highest ever.

Railway Infrastructure

Tojo

A record allocation of Rs 1,10,055 crores, for Railways of which Rs 1,07,100 crores is for capital expenditure.

Indian Railways have prepared a National Rail Plan for India – 2030. The Plan is to create a 'future ready' Railway system by 2030.

Completion of Western DFC and Eastern DFC: Bringing down the logistic costs for our industry is at the core of our strategy to enable 'Make in India'. It is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022. The following additional initiatives are proposed:

a. The Sonnagar – Gomoh Section (263.7 km) of Eastern DFC will be taken up in PPP mode in 2021-22. Gomoh-Dankuni section of 274.3 km will also be taken up in short succession.

b. Future dedicated freight corridor projects will be undertaken, and this includes East Coast corridor from Kharagpur to Vijayawada, East-West Corridor from Bhusaval to Kharagpur to Dankuni and North-South corridor from Itarsi to Vijayawada. Detailed Project Reports will be undertaken in the first phase.

c. Broad Gauge Route Kilometers (RKM) electrified is expected to reach 46,000 RKM i.e., 72% by end of 2021 from 41,548 RKM on 1st Oct 2020. Here, 100% electrification of Broad-Gauge routes will be completed by December 2023.

Measures for Passenger safety

Railway will introduce the aesthetically designed Vista Dome LHB coach on tourist routes to give a better travel experience to passengers.

High density network and highly utilized network routes of Indian railways will be provided with an indigenously developed automatic train protection system that eliminates train collision due to human error.

Urban Infrastructure

The budget proposes metro train networks and city bus services for expanding public transportation in urban areas.

Metro rain networks and city bus services: Government will take measures for raising the share of public transport in urban areas through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of Rs. 18,000 crores to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. The scheme will boost the automobile sector, provide fillip to economic growth, create employment opportunities for our youth and enhance ease of mobility for urban residents.

Tojo

MetroLite and MetroNeo: A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS is under construction in 27 cities. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.

Central counterpart funding will be provided to:

a. Kochi Metro Railway Phase-II of 11.5 km at a cost of Rs 1957.05 crores.

b. Chennai Metro Railway Phase-II of 118.9 km at a cost of Rs63,246 crores.

c. Bengaluru Metro Railway Project Phase 2A and 2B of 58.19 km at a cost of Rs 14,788 crores.

d. Nagpur Metro Rail Project Phase-II and Nashik Metro at a cost of Rs 5,976 crores and Rs 2,092 crores respectively.

Power Infrastructure

During the last 6 years India added 139 Giga Watts of installed capacity, connected an additional 2.8 crores households and added 1.41 lakh circuit km of transmission lines.

Raising competition in power distribution: The distribution companies across the country are monopolies, either government or private. There is a need to provide choice to consumers by promoting competition. A framework will be put in place to give consumers alternatives to choose from among more than one Distribution Company.

DISCOMS: The viability of Distribution Companies is a serious concern. A revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of Rs 3,05,984 crores over 5 years. The scheme will provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., tied to financial improvements.

Hydrogen Energy Mission: The Prime Minister in November 2020, had announced plans to launch a comprehensive National Hydrogen Energy Mission and now it is proposed to launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources.

Major Ports will be moving from managing their operational services on their own to a model where a private partner will manage it for them. For the purpose, 7 projects worth more than Rs 2,000 crores will be offered by the Major Ports on Public Private Partnership mode in FY21-22. Tojo

Ports, Shipping, Waterways

A scheme to promote flagging of merchant ships in India will be launched by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs. An amount of Rs 1624 crores will be provided over 5 years.

This initiative will enable greater training and employment opportunities for Indian seafarers besides enhancing Indian companies share in global shipping.

Recycling of Ships: India has enacted Recycling of Ships Act, 2019 and acceded to the Hong Kong International Convention. Around 90 ship recycling yards at Alang in Gujarat have already achieved HKC-compliant certificates. Efforts will be made to bring more ships to India from Europe and Japan. Recycling capacity of around 4.5 Million Light Displacement Tonne (LDT) will be doubled by 2024. This is expected to generate an additional 1.5 lakh jobs for our youth.

Petroleum and Natural Gas

During the COVID-19 lockdown period to improve the lives of the people, following key initiatives are being announced whereas some others are to be implemented:

a. Ujjwala Scheme which has benefited 8 crores households will be extended to cover 1 crores more beneficiaries.

b. Government will 100 more districts in next 3 years to the City Gas Distribution network.

c. A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir.

d. An independent Gas Transport System Operator will be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis.

Financial Capital

Consolidation of certain capital market Acts: The provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 will be consolidated into a rationalized single Securities Markets Code.

GIFT-IFSC: The Government would support the development of a world class Fin-Tech hub at the GIFT-IFSC.

Corporate Bond Market: To instil confidence amongst the participants in the Corporate Bond Market during times of stress and to generally enhance secondary market liquidity, it is proposed to create a permanent institutional framework. The proposed body would purchase investment grade debt securities both in stressed and normal times and help in the development of the Bond market.

SEBI as the regulator of gold exchanges: In the budget of 2018-19, Government had announced its intent to establish a system of regulated gold exchanges in the country. For the purpose, SEBI will be notified as the regulator and Warehousing Development and Regulatory Authority will be strengthened to set up a commodity market eco system arrangement including vaulting, assaying, logistics etc in addition to warehousing.

Towards investor protection, government will introduce an investor charter as a right of all financial investors across all financial products.

Non-conventional energy sources: To provide incentives to the non-conventional energy sector, the budget provides additional capital infusion of Rs 1,000 crores to Solar Energy Corporation of India and Rs 1,500 crores to Indian Renewable Energy Development Agency.

FDI in Insurance Sector will be enhanced: The Insurance Act, 1938 will be amended to increase the permissible FDI limit from 49% to 74% in Insurance

Companies and allow foreign ownership and control with safeguards. Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Stressed Asset Resolution by setting up a New Structure: ARC and AMC

The high level of provisioning by public sector banks of their stressed assets calls for measures to clean up the bank books. *An Asset Reconstruction Company Limited and Asset Management Company* would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.

Recapitalization of PSBs: For the PSBs, further recapitalization of Rs 20,000 crores will be provided during 2021-22.

Deposit Insurance: If a bank is temporarily unable to fulfil its obligations, the depositors of such a bank can get their deposits to the extent of the deposit insurance cover. This would help depositors of banks that are currently under stress.

Minimum asset size for NBFCs under SARFAESI reduced: To improve credit discipline while continuing to protect the interest of small borrowers, for NBFCs with minimum asset size of Rs 100 crores, the minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 is proposed to be reduced from the existing level of Rs 50 lakhs to Rs 20 lakhs.

Company matters

The budget proposes several fresh measures on the corporate area.

Decriminalisation: The decriminalizing of the procedural and technical compoundable offences under the Companies Act, 2013, is now complete. The budget here proposes to next take up decriminalization of the Limited Liability Partnership (LLP) Act, 2008.

Decriminalisation under the Companies Act amendment

Decriminalisation is the action or process of ceasing to treat something as illegal or as a criminal offence. The Corporate are compliant on penal provisions. Here, in this context, the government attempts to decriminalise offenses under the Companies Act, 2013. Criminalisation of offences may not have been necessary in the first place since no company would deliberately be non-compliant with the provisions of the Act.

The Government has introduced Companies (Amendment) Bill, 2020 for decriminalisation and it broadly adopts three mechanisms – i) modification from fines to penalties, ii) compounding offences and iii) alternate redressal mechanism.

Enhancing the capital requirements for small companies: The budget proposes to revise the paid-up capital for Small Companies by increasing their thresholds for Paid up capital from "not exceeding Rs 50 Lakh" to "not exceeding Rs 2 Crore" and turnover from "not exceeding Rs 2 Crore" to "not exceeding Rs 20 Crore" (as per the Companies Act 2013).

One Person Companies: To give benefits to Start-ups and Innovators, the budget proposes to incentivize the incorporation of One Person Companies (OPCs) by allowing OPCs to grow without any restrictions on paid up capital and turnover, allowing their conversion into any other type of company at any time, reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and also allow Non-Resident Indians (NRIs) to incorporate OPCs in India.

One-Person Company

The revolutionary new concept of 'One Person Company' (OPC) was introduced under the Companies Act, 2013. *One Person Company means a company which can be formed by one member and he can be the only Director*. An OPC is incorporated as a private limited company, where there is only one member and prohibition in regard to invitation to the public for subscription of the securities of the company. *As per the Companies Act,* only "NATURALLY-BORN" Indian who is also a resident of India is eligible to incorporate an OPC. An OPC is incorporated as a private limited company, where there is only one member and prohibition in regard to invitation to the public for subscription of the securities of the company.

The idea of OPC was first recommended by the expert committee of Dr. JJ Irani in 2005. OPC provides a simple corporate structure for the young businessman and it gives all benefits of a private limited company. They can access all basic facilities available to usual corporate like credits, bank loans, limited liability, legal protection for business, access to market etc by registering as a separate legal entity.

e-COURS: To ensure faster resolution of cases, NCLT framework will be strengthened, e-Courts system shall be implemented and alternate methods of debt resolution and special framework for MSMEs shall be introduced.

MCA21 Version 3.0: During the coming fiscal 2021-22, the government will be launching data analytics, artificial intelligence, machine learning driven MCA21 Version 3.0. This Version 3.0 will have additional modules for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.

Disinvestment and Strategic Sale

Despite COVID-19, work is progressing on strategic disinvestment. A number of transactions namely BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others would be completed in 2021-22.

Tojo

Privatisation of PSBs and a General Insurance Company: Other than IDBI Bank, the government proposes to consider the privatization of two Public Sector Banks and one General Insurance company in the year 2021-22. This would require legislative amendments and the budget will introduce amendments in this Session itself.

What is strategic disinvestment or strategic sale?

Simply, strategic disinvestment is transferring the ownership and control of a public sector entity to some other entity (mostly to a private sector entity). Unlike the simple disinvestment, strategic sale implies privatisation if the PSE ownership is transferred to the private sector company. But in recent years, strategic investment has been mostly an affair between two public sector companies as the disinvested companies were bought by other PSEs.

The disinvestment commission defines strategic sale:

"Strategic disinvestment would imply the sale of substantial portion of the Government shareholding of a central public sector enterprise (CPSE) of upto 50%, or such higher percentage as the competent authority may determine, along with transfer of management control."

LIC IPO: In 2021-22 government would also bring the IPO of LIC and requisite amendments will be made in this Session itself.

Policy on strategic disinvestment: As part of the AtmaNirbhar Package, the government announced a policy of strategic disinvestment of public sector enterprises. The Government has approved the said policy. The policy provides a clear roadmap for disinvestment in all non-strategic and strategic sectors. Here, the government has kept four areas that are strategic where bare minimum CPSEs will be maintained and rest privatized. In the remaining sectors all CPSEs will be privatized.

NITI Ayog will prepare the list of companies for strategic disinvestment: To fast forward the disinvestment policy, NITI Ayog will be asked to work out on the next list of Central Public Sector companies that would be taken up for strategic disinvestment.

Disinvestment by states: To similarly incentivise States to take to disinvestment of their Public Sector Companies, the central government will work out an incentive package of Central Funds for States.

Monetisation of non-core public sector assets: There is idle non-core assets with the public sector that largely consist of surplus land with government Ministries/Departments and Public Sector Enterprises. Here, monetisation of such assets will be considered. Monetizing of land can either be by way of direct sale or concession or by similar means. This requires special abilities and for this purpose, the propose to use a Special Purpose Vehicle in the form of a company that would carry out this activity.

Sick CPSEs: To ensure timely completion of closure of sick or loss making CPSEs, the government will introduce a revised mechanism that will ensure timely closure of such units.

Disinvestment target 2021-22: Disinvestment target of Rs 1,75,000 crores is set in BE 2021-22.

Government Financial Reforms

TSA: Under the Treasury Single Account (TSA) System autonomous bodies directly draw funds from the Government's account at the time of actual expenditure, saving interest costs. The TSA System will be extended for universal application from 2021-

Ratonalisation of Centrally Sponsored Schemes: After the recommendation of the Fifteenth Finance Commission, government has undertaken a detailed exercise to rationalise and bring down the number of Centrally Sponsored Schemes.

Development of Multistate Cooperatives: For the development of Multi-State Cooperatives and to streamline the 'Ease of Doing Business' for Cooperatives, the government will set up a separate Administrative Structure for them.

3. Inclusive Development for Aspirational India

Agriculture and Allied sectors, farmers' welfare and rural India, migrant workers and labour, and financial inclusion will be taken as a single sector in this budget to announce the budgetary measures.

Agriculture

MSP and payment to farmers: The MSP regime has undergone a sea change to assure price that is at least 1.5 times the cost of production across all commodities. The procurement has also continued to increase at a steady pace. This has resulted in increase in payment to farmers substantially.

Wheat: In case of wheat, the total amount paid to farmers in 2013-2014 was Rs 33,874 crores. In 2019-2020 it was Rs 62,802 crores, and even better, in 2020-2021, this amount, paid to farmers, was Rs 75,060 crores. The number of wheat growing farmers that were benefitted increased in 2020-21 to 43.36 lakhs as compared to 35.57 lakhs in 2019-20.

Rice: For paddy, the amount paid in 2013-14 was Rs 63,928 crores. In 2019-2020 this increased Rs 1,41,930 crores. Even better, in 2020-2021, this is further estimated to increase to Rs 172,752 crores. The number of farmers benefitted increased from 1.24 crores in 2019-20 to 1.54 crores in 2020-21.

Pulses: For pulses, the amount paid in 2013-2014 was Rs 236 crores. In 2019-20 it increased Rs 8,285 crores. Now, in 2020-2021, it is at Rs 10,530 crores, a more than 40 times increase from 2013-14.

SWAMITVA Scheme: Under the SWAMITVA Scheme a record of rights is being given to property owners in villages. Up till now, about 1.80 lakh property-owners in 1,241 villages have been provided cards. This will be extended during FY 2021-22 to cover all states/UTs.

Agricultural credit target: To provide adequate credit to our farmers, the budget raises agricultural credit target to Rs 16.5 lakh crores in FY 22.

RIDF: The budget is enhancing the allocation to the Rural Infrastructure Development Fund from Rs 30,000 crores to Rs 40,000 crores.

Micro Irrigation Fund: The Micro Irrigation Fund, with a corpus of Rs 5,000 crores has been created under NABARD, the budget proposes to double it by augmenting it by another Rs 5,000 crores.

Operation Green Programme: To boost value addition in agriculture and allied products and their exports, the scope of 'Operation Green Scheme' that is presently applicable to tomatoes, onions, and potatoes, will be enlarged to include 22 perishable products.

e-NAM: Around 1.68 crores farmers are registered, and Rs 1.14 lakh crores of trade value has been carried out through e-NAMs. Keeping in view the transparency and competitiveness that e-NAM has brought into the agricultural market, 1,000 more mandis will be integrated with e-NAM.

Agricultural Infrastructure Fund: The Agriculture Infrastructure Fund would be made available to APMCs for augmenting their infrastructure facilities.

Allocation for cotton farmers: The receipts to cotton farmers have seen a stupendous increase from Rs 90 crores in 2013-14 to Rs 25,974 crores (as on 27th January 2021).

Fisheries: Substantial investments in the development of modern fishing harbours and fish landing centres is needed. For this, 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat –will be developed as hubs of economic activity. Government will also develop inland fishing harbours and fish-landing centres along the banks of rivers and waterways.

Seaweed Farming: Seaweed farming is an emerging sector with potential to transform the lives of coastal communities. It will provide large scale employment and additional incomes. To promote seaweed cultivation, a Multipurpose Seaweed Park will be established in Tamil Nadu.

Migrant Workers and Labourers

One Nation One Ration Card: Government launched the One Nation One Ration Card scheme through which beneficiaries can claim their rations anywhere in the country. Migrant workers in particular benefit from this scheme – those staying away from their families can partially claim their ration where they are stationed, while their family, in their native places, can claim the rest. The One Nation One Ration Card plan is under implementation by 32 states and UTs, reaching about 69 crores beneficiaries – that's a total of 86% beneficiaries covered. The remaining 4 states and UTs will be integrated in the next few months.

Portal for gig workers: To further extend our efforts towards the unorganised labour force migrant workers particularly, the budget proposes to launch a portal that will collect relevant information on gig, building, and construction-workers among others. This will help formulate Health, Housing, Skill, Insurance, Credit, and food schemes for migrant workers.

Social security measures for gig workers: For the first time globally, social security benefits will extend to gig and platform workers. Minimum wages will apply to all categories of workers, and they will all be covered by the Employees State Insurance Corporation. Women will be allowed to work in all categories and also in the nightshifts with adequate protection. At the same time, compliance burden on employers will be reduced with single registration and licensing, and online returns.

Financial Inclusion

Stand up India scheme: To further facilitate credit flow under the scheme of Stand-Up India for SCs, STs, and women, the budget propose to reduce the margin money requirement from 25% to 15%, and to also include loans for activities allied to agriculture.

MSMEs: The budget provides Rs 15,700 crores to the MSME sector, more than double of this year's BE.

4. Reinvigorating Human Capital

The National Education Policy (NEP) announced recently has been received well.

School Education

More than 15,000 schools will be qualitatively strengthened to include all components of the National Education Policy. They shall emerge as exemplar schools in their regions, handholding and mentoring other schools to achieve the ideals of the Policy. Besides this, 100 new Sainik Schools will be set up in partnership with NGOs/private schools/states.

Higher Education

The government will be introducing a legislation this year for the setting-up of Higher Education Commission of India. It will be an umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding.

Support to research institutions: Many of our cities have various research institutions, universities, and colleges supported by the Government of India. Hyderabad for example, has about 40 such major institutions. In 9 such cities, the government will create formal umbrella structures so that these institutions can have better synergy, while also retaining their internal autonomy. A *Glue Grant* (fund to study complex issues) will be set aside for this purpose.

Central University in Leh: For promoting accessible higher education in Ladakh, the budget proposes to set up a Central University in Leh.

Scheduled Castes and Scheduled Tribes Welfare

Eklavya schools: The set target of establishing 750 Eklavya model residential schools in our tribal areas will be completed. For this, the budget proposes to increase the unit cost of each such school from Rs 20 crores to Rs 38 crores, and for hilly and difficult areas, to Rs 48 crores. This would help in creating robust infrastructure facilities for our tribal students.

Post matric scholarship scheme for Scheduled Castes: revamped the Post Matric Scholarship Scheme, for the welfare of Scheduled Castes. I have also enhanced the Central Assistance in this regard. Budget is allotting Rs 35,219 crores for 6 years till 2025-2026, to benefit 4 crores SC students.

Skilling

Amendment of the Apprenticeship Act: The National Apprenticeship Promotion Scheme was launched in 2016. The Government proposes to amend the Apprenticeship Act with a view to further enhancing apprenticeship opportunities for our youth. For this, the government will realign the existing scheme of National Apprenticeship Training Scheme (NATS) for providing post-education apprenticeship, training of graduates and diploma holders in Engineering. Over Rs 3,000 crores will be provided for this.

Partnership with UAE for benchmarking skills: An initiative is underway, in partnership with the United Arab Emirates (UAE), to benchmark skill qualifications, assessment, and certification, accompanied by the deployment of certified workforce. There is also a collaborative Training Inter Training Programme (TITP) between India and Japan to facilitate transfer of Japanese industrial and vocational skills, technique, and knowledge. Government will look forward this initiative with many more countries.

5. Innovation and R&D

National Research Foundation: The setting up of the National Research Foundation was announced in July 2019 budget. The government has now worked out the modalities and the NRF outlay will be of Rs 50,000 crores, over 5 years. It will ensure that the overall research ecosystem of the country is strengthened with focus on identified national priority thrust areas.

Digital Payments: There has been a manifold increase in digital payments in the recent past. To give a further boost to digital transactions, the budget allocates Rs 1,500 crores for a proposed scheme that will provide financial incentive to promote digital modes of payment.

National Language Translation Mission (NTLM): A new initiative – National Language Translation Mission (NTLM) will be launched to enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

PLLV will launch Brazilian Satellite: The New Space India Limited (NSIL), a PSU under the Department of Space will execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites.

Gaganyaan: As part of the Gaganyaan mission activities, four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. The first unmanned launch is slated for December 2021.

Deep Ocean Mission: Our oceans are a storehouse of living and non-living resources. To better understand this realm, we will launch a Deep Ocean Mission with a budget outlay of more than Rs 4,000 crores, over five years. This Mission will cover deep ocean survey exploration and projects for the conservation of deep-sea biodiversity.

6. Minimum Government, Maximum Governance

This is the last of the six pillars. This will outline plans for reforms in one of our core principles of minimum government, maximum governance.

National Nursing and Midwifery Commission Bill: The government introduced the National Commission for Allied Healthcare Professionals Bill in Parliament, for ensuring transparent and efficient regulation of the 56 allied healthcare professions. Additionally, to bring about transparency, efficiency and governance reforms in the nursing profession, The National Nursing and Midwifery Commission Bill will be introduced by the government for passing.

Creation of a Conciliation Mechanism: To have ease of doing business for those who deal with Government or CPSEs, and carry out contracts, government will set up a Conciliation Mechanism and mandate its use for quick resolution of contractual disputes. This will instil confidence in private investors and contractors.

Digital census: The next Census could be the first digital census in the history of India. For this monumental and milestone-marking task, the budget allocates Rs 3,768 crores in the year 2021-2022.

Grants to Goa: A grant of Rs 300 crores will be provided to the Government of Goa for celebrating its diamond jubilee year of the state's liberation from Portuguese rule.

Welfare of tea workers: Budget allocates Rs 1,000 crores for the welfare of Tea workers especially women and their children in Assam and West Bengal. A special scheme will be devised for the same.

TOJO

B. Fiscal Position

The pandemic has significantly reduced government's revenue. This was combined with high expenditure to provide essential relief to vulnerable sections of the society especially the poor, women, SCs and STs.

Unlike many other countries, India opted for a series of medium-sized packages during the pandemic so that we could calibrate and target our response according to an evolving situation. Once the health situation stabilised, and the lockdown was being slowly lifted, we switched to ramping up Government spending so as to revive domestic demand. As a result, against an original BE expenditure of Rs 30.42 lakh crores for 2020-2021, our RE estimates are Rs 34.50 lakh crores. We have maintained the quality of expenditure. The capital expenditure estimated in RE is Rs 4.39 lakh crores in 2020-2021 as against Rs 4.12 lakh crores in BE 2020-21.

The fiscal deficit in RE 2020-21 is pegged at 9.5% of GDP. We have funded this through Government borrowings, multilateral borrowings, Small Saving Funds and short-term borrowings. We would need another Rs 80,000 crores for which we would be approaching the markets in these 2 months. To ensure that the economy is given the required push, our BE estimates for expenditure in 2021-2022, are Rs 34.83 lakh crores. This includes Rs 5.54 lakh crores as capital expenditure, an increase of 34.5% over the BE figure of 2020-2021. The fiscal deficit in BE 2021-2022 is estimated to be 6.8% of GDP.

Extra-budgetary resources

Now there is a trend of financing expenditure by using extra-budgetary resources. Though several state governments follow this undesirable practice, the centre's extra-budgetary borrowing is comparatively less.

Extra-budgetary Resources (EBRs): Govt. fully serviced bonds, NSSF loan and other resources) in Rs crores			
2019-20 (A)	2020-21(BE)	2020-21 (RE)	2021-22 (BE)
148316.13	186100.00	126095.29	30000.00

The gross borrowing from the market for the next year would be around Rs 12 lakh crores. We plan to continue with our path of fiscal consolidation and intend to reach a fiscal deficit level below 4.5% of GDP by 2025-2026 with a fairly steady decline over the period. We hope to achieve the consolidation by first, increasing the buoyancy of tax revenue through improved compliance, and secondly, by increased receipts from monetisation of assets, including Public Sector Enterprises and land. The Contingency Fund of India is being proposed to be augmented from Rs 500 crores to Rs 30,000 crores through Finance Bill.

In accordance with the views of the 15th Finance Commission, the government is allowing a normal ceiling of net borrowing for the states at 4% of GSDP for the year 2021-2022. A portion of this ceiling will be earmarked to be spent on incremental capital expenditure. Additional borrowing ceiling of 0.5% of GSDP will also be provided subject to conditions. States will be expected to reach a fiscal deficit of 3% of GSDP by 2023-24, as recommended by the 15th Finance Commission.

What is escape clause under the FRBM?

One major feature of the 2021-22 budget is that it crosses the FRBM fiscal deficit target of 3%. Here, the government has to amend the FRBM Act to get exemption from the Fiscal Deficit target. In the 2020 budget, the government crossed the fiscal deficit target of 3.5% set for the year as per the FRBM rule.

While crossing the prescribed target in 2019-20, the government has resorted to the concession allowed for it under the FRBM. This concessional provision to go above the allowed fiscal deficit target is popularly known as the escape clause.

So, the escape clause of the FRBM allows the government to borrow more than the statutorily allowed limit during extraordinary circumstances. We can interpret the FRBM as the statute binding for the government to limit its borrowing or fiscal deficit.

Escape clause provision under FRBM

The Fiscal Responsibility and Budget Management (FRBM) Act was passed in 2003 and it sets the fiscal rules to be followed by the government to ensure fiscal consolidation.

In 2018, the Act was amended after a review of the Act made by a committee under Dr NK Singh. The committee suggested several measures; but decisively the committee observed that adhering to fiscal discipline based on target reduction of the fiscal deficit will be good for the government and the economy in general. Overspending causes economic disturbances.

After the recommendations of the committee, the FRBM Act was amended by the government in 2018. The amendment added a new road map and timeline to reduce the fiscal deficit to 3% of GDP by 31st March 2021. It also inserted the escape clause that allows the government to go above the fiscal deficit target set for the year during some extraordinary circumstances.

Grounds for the use of the escape clause

The subsection 4 (2) of the Act says about various grounds on which the FRBM's fiscal deficit target may be exempted during a year.

Exceeding annual fiscal deficit target due to the following ground or grounds may be permitted:

(i) national security, act of war,

(ii) national calamity,

(iii) collapse of agriculture severely affecting farm output and incomes,

(iv) structural reforms in the economy with unanticipated fiscal implications,

(v) decline in real output growth of a quarter by at least three per cent points below its average of the previous four quarters,

The provision that describes about the procedures to be followed in such situations is inserted under Section 4 (5) of the FRBM Act.

“Where the fiscal deficit is allowed to vary from the target prescribed under the provision to sub-section (2) or deviation is initiated under sub-section (4), a statement explaining the reasons thereof and the path of return to annual prescribed targets under this section shall be laid, as soon as may be, before both the Houses of Parliament.”

Amendment to the FRBM Act

The effect of this year’s unforeseen and unprecedented circumstances led to higher fiscal deficit for both 2020-21 and 2021-22. This means that the government has to use the flexibility permitted under the FRBM to accommodate the higher fiscal deficit. According to the FM, the situation has necessitated the submission of a deviation statement under Sections 4 (5) and 7 (3) (b) of the FRBM Act. Towards achieving Central Government fiscal deficit along the broad path that the government is introducing an amendment to the FRBM Act.

The government has accepted the recommendations of the XV FC which submitted its report in December 2020. As per the Commission’s recommendation, Rs 1,18,452 crores will be provided as Revenue Deficit Grant to 17 states in 2021-2022, as against Rs 74,340 crores to 14 States in 2020-2021.

Tax proposals

India’s tax system has to be transparent, efficient, and should promote investments and employment in our country. At the same time, it should put minimum burden on our taxpayers.

Direct Tax Proposals

Already, the government has introduced faceless Assessment and Faceless Appeal. In 2020, the return filers saw a dramatic increase to 6.48 crore from 3.31 crore in 2014. The government would seek to take further steps to simplify the tax administration, ease compliance, and reduce litigation.

Relief to Senior Citizens by reducing their compliance burden: For senior citizens who are 75 years of age and above and who have only pension and interest income, the budget exempts them from filing their income tax returns. The paying bank will deduct the necessary tax on their income.

Reduction in Time for Income Tax Proceedings: For reducing the uncertainty about tax impacts, the time-limit for re-opening of assessment will be reduced to 3 years from the present 6 years. In serious tax evasion cases too, only where there is evidence of concealment of income of Rs 50 lakh or more in a year, can the assessment be re-opened up to 10 years. Even this reopening can be done only after the approval of the Principal Chief Commissioner, the highest level of the Income Tax Department.

Vivad Se Vishwas Scheme effects: The Government came out with the Direct Tax Vivad Se Vishwas Scheme to give taxpayers an opportunity to settle long pending disputes and be relieved of further strain on their time and resources. The response from the taxpayers has been the best ever as over 1 lakh ten thousand taxpayers have already opted to settle tax disputes of over Rs 85,000 crores under this Scheme.

Setting up the Dispute Resolution Committee:

To reduce the litigations further for small taxpayers, the budget proposes to constitute a Dispute Resolution Committee for them, which will be faceless to ensure efficiency, transparency and accountability. Anyone with a taxable income up to Rs 50 lakh and disputed income up to Rs 10 lakh shall be eligible to approach the Committee.

Faceless ITAT

For ease of compliance and to reduce discretion, the government is committed to make the taxation processes faceless. Government has already introduced faceless assessment and appeal this year.

The next level of income tax appeal is the Income Tax Appellate Tribunal. The budget hence proposes to make this Tribunal faceless. National Faceless Income Tax Appellate Tribunal Centre will be established. All communication between the Tribunal and the appellant shall be electronic. Where personal hearing is needed, it shall be done through videoconferencing.

What is faceless assessment in tax administration?

The Faceless assessment scheme for tax administration was launched by the Finance Minister in the Union Budget 2019 (July) to ensure transparency in tax administration by avoiding the direct contact between the tax official and the taxpayer.

What is faceless assessment?

Under faceless assessment, verification, and assessment of tax statements of taxpayers are done remotely and electronically without having direct contact between the taxpayer and the tax officials.

So, the direct contact between the tax officials and taxpayers are avoided. This reduces scope for any corruption and harassment.

Both direct tax department (CBDT) and the indirect taxes department (CBIC) have launched faceless assessment for their important taxes.

Faceless assessment is thus a tax reforms aimed to ensure transparency in the dealings of the tax officials in their contact with taxpayers.

Objective of the scheme

The scheme aims to eliminate the human interface between the taxpayer and the income tax officials. So, there can be more transparency in the communication provided by the tax department to the taxpayers. The scope for corruptive intervention by tax officials can be avoided through faceless assessment.

It brings greater transparency with randomised and automated system in the correspondence between the taxpayer and tax officials. There is no individual discretion in assessment process and thus it enhances trust between income tax department and taxpayers.

Method for faceless assessment

The scheme adopts procedures to carry out a faceless assessment through electronic mode. Faceless randomised assessments have two stages — technical assessment and verification.

In the first stage, a team of experts will assess technical aspects associated with personal or corporate tax. In the second stage, assessment will be verified by another team before sending a notice to the taxpayer. Officials for assessment will be selected randomly. So, under faceless assessment, officials will have no link with assesses, and taxpayers will not face any alleged harassment by tax officials.

Implementation of the programme by CBDT and CBIC

Both the Central Board of Direct Taxes (CBDT) for direct taxes and the Central Board of Indirect Taxes and Customs (CBIC) have launched steps for implementing faceless assessment ford their corresponding tax administrations. Still, the CBDT has launched extensive measures as the faceless assessment is very important for direct taxes.

Relaxation to NRI

When Non-Resident Indians return to India, they have issues with respect to their accrued incomes in their foreign retirement accounts. This is usually due to a mismatch in taxation periods. They also face difficulties in getting credit for Indian taxes in foreign jurisdictions. The budget proposes to notify rules for removing their hardship of double taxation.

Exemption from Audit: Currently, if your turnover exceeds Rs.1 crore, the NRI has to get his accounts audited. In the February 2020 Budget, this has been increased the limit for tax audit to Rs 5 crore for those who carry out 95% of their transactions digitally. To further incentivise digital transactions and reduce compliance burden, the propose to increase this limit for tax audit for such persons from Rs 5 crore to Rs 10 crore.

Relief for Dividend: In the previous Budget, the Dividend Distribution Tax (DDT) has been abolished in order to incentivise investment. Dividend was made taxable in the hands of shareholders. Now, in order to provide ease of compliance, the budget exempts dividend payment to REIT/ InvIT from TDS. Similarly, the advance tax liability on dividend income shall arise only after the declaration/payment of dividend. Also, for Foreign Portfolio Investors, the budget proposes to enable deduction of tax on dividend income at lower treaty rate.

Attracting foreign investment into infrastructure sector

Liberalising foreign investment norms to attract investment in infrastructure projects: In the last budget, for attracting foreign investment in the infrastructure sector, the government granted 100% tax exemption, subject to certain conditions, to foreign Sovereign Wealth Funds and Pension Funds, on their income from investment in Indian infrastructure. The government here, has noticed that few of such Funds are facing difficulties in meeting some of these conditions. In order to ensure that a large number of Funds invest in India, the budget proposes to relax some of these conditions relating to prohibition on private funding, restriction on commercial activities, and direct investment in infrastructure.

Zero Coupon bonds for infrastructure: In order to allow funding of infrastructure by issue of Zero-Coupon Bonds, the budget allows notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero-Coupon Bonds.

> **Zero-Coupon Bonds**
>
> Zero-coupon bonds are those that pay no coupons and thus have a coupon rate of 0%. Such bonds make only one payment: the payment of the face value on the maturity date. To compensate the bondholder for the time value of money, the price of a zero-coupon bond will always be less than its face value on any date before the maturity date. The difference between the price and the face value provides the bondholder with the positive return that makes purchasing the bond worthwhile.

Affordable Housing/Rental Housing

Additional deduction of interest extended till March 2022: 'Housing for All' and affordable housing are priority areas. The July 2019 Budget provided an additional deduction of interest, amounting to Rs 1.5 lakh, for loan taken to purchase an affordable house. Here, this budget extends the eligibility of this deduction by one more year, to 31st March 2022. The additional deduction of Rs 1.5 lakh shall therefore be available for loans taken up till 31st March 2022, for the purchase of an affordable house.

Tax holiday for affordable housing projects till 2022: Besides, the enhance the supply of affordable houses, the budget propose that affordable housing projects can avail a tax holiday for one more year – till 31st March, 2022.

Affordable Rental Housing for Migrant Workers: the government is committed to promote supply of Affordable Rental Housing for migrant workers. For this, the budget proposes to allow tax exemption for notified Affordable Rental Housing Projects.

Tax incentives to IFSC

The Government is committed to make the International Financial Services Centre (IFSC) in GIFT City a global financial hub. In addition to the tax incentives already provided, the budget proposes to include, among others, tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC; and to allow tax exemption to the investment division of foreign banks located in IFSC.

Pre-filling of Returns: For taxpayers, the details of salary income, tax payments, TDS, etc. already come pre-filled in income tax returns for easing tax payment. To further ease filing of returns, details of capital gains from listed securities, dividend income, and interest from banks, post office, etc. will also be pre-filled.

Relief to Small Trusts: Government hope to reduce compliance burden on small charitable trusts running educational institutions and hospitals. So far, there is a blanket exemption to such entities, whose annual receipt does not exceed Rs 1 crore. The budget enhances this limit to Rs 5 crore.

Labour Welfare: Some employers deduct the contribution of employees towards Provident funds, superannuation funds, and other social security funds but do not deposit these contributions within the specified time. For the employees, this means a loss of interest or income. In cases where an employer later becomes financially unviable, non-deposit results in a permanent loss for the employees. In order to ensure that employees' contributions are deposited on time, the late deposit of employee's contribution by the employer will not be allowed as deduction to the employer.

Incentives for Start-ups: In order to incentivise start-ups in the country, the eligibility for claiming tax holiday for start-ups to be extended by one more year - till 31st March 2022. Further, in order to incentivise funding of the start-ups, the budget extends the capital gains exemption for investment in start-ups by one more year - till 31st March 2022.

Indirect Tax Proposals

GST

The GST is now four years old and the government has introduced following important measures in recent years to enhance GST platform.

i. Nil return through SMS,

ii. Quarterly return and monthly payment for small taxpayers,

iii. Electronic invoice system,

iv. Validated input tax statement,

v. Pre-filled editable GST return, and

vi. Staggering of returns filing.

The capacity of GSTN system has also been enhanced. Government also deployed deep analytics and Artificial Intelligence to identify tax evaders and fake billers and launched special drives against them.

Custom Duty Rationalization

Our Custom Duty Policy should have the twin objective of promoting domestic manufacturing and helping India get onto global value chain and export better. The thrust now has to be on easy access to raw materials and exports of value-added products.

Towards this, last year, we started overhauling the Customs Duty structure, eliminating 80 outdated exemptions. The budget now proposes to review more than 400 old exemptions this year. From 1st October 2021, the government will put in place a revised customs duty structure, free of distortions. Any new customs duty exemption henceforth will have validity up to the 31st of March following two years from the date of its issue.

Electronic and Mobile Phone Industry: Domestic electronic manufacturing has grown rapidly. India is now exporting items like mobiles and chargers. For greater domestic value addition, we are withdrawing a few exemptions on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from 'nil' rate to a moderate 2.5%.

Iron and Steel: MSMEs and other user industries have been severely hit by a recent sharp rise in iron and steel prices. Therefore, Customs duty will be reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels. To provide relief to metal re-cyclers, mostly MSMEs, an exemption from duty will be given on steel scrap for a period up to 31st March 2022. Further, the budget also revokes ADD and CVD on certain steel products. Also, to provide relief to copper recyclers, g duty on copper scrap will be reduced from 5% to 2.5%.

Textile: The Textiles Sector generates employment and contributes significantly to the economy. There is a need to rationalize duties on raw material inputs to manmade textiles. Hence, the budget is uniformly reducing the BCD rates on caprolactam, nylon chips and nylon fiber & yarn to 5%. This will help the textile industry, MSMEs, and exports, too.

Chemicals: The government has calibrated customs duty rates on chemicals to encourage domestic value addition and to remove inversions. Apart from other items, the government is reducing customs duty on Naptha to 2.5% to correct inversion.

Gold and Silver: Gold and silver presently attract a basic customs duty of 12.5%. Since the duty was raised from 10% in July 2019, prices of precious metals have risen sharply. To bring it closer to previous levels, the government is rationalizing custom duty on gold and silver.

Renewable Energy: To build up domestic solar capacity, the government will notify a phased manufacturing plan for solar cells and solar panels. Tojo At present, to encourage domestic production, the budget proposes to raise duty on solar invertors from 5% to 20%, and on solar lanterns from 5% to 15%.

Capital Equipment and Auto Parts: There is immense potential in manufacturing heavy capital equipment domestically. Here, the government will comprehensively review the rate structure in due course. here, the budget proposes to withdraw exemptions on tunnel boring machine. It will attract a customs duty of 7.5%; and its parts a duty of 2.5%. The customs duty on certain auto parts will be increased to 15% to bring them on par with general rate on auto parts.

MSME Products: To benefit MSMEs, the budget is increasing duty from 10% to 15% on steel screws and plastic builder wares. On prawn feed we increase it from 5% to 15%. Government aims to rationalise the exemption on import of duty-free items as an incentive to exporters of garments, leather, and handicraft items. Almost all these items are made domestically by our MSMEs. Hence, the government is withdrawing exemption on imports of certain kind of leathers as they are domestically produced in good quantity and quality, mostly by MSMEs. Government is also raising customs duty on finished synthetic gem stones to encourage their domestic processing.

Agriculture Products: To benefit farmers, customs duty on cotton will be increased from nil to 10% and on raw silk and silk yarn from 10% to 15%. Budget is also withdrawing end-use based concession on denatured ethyl alcohol. Currently, rates are being uniformly calibrated to 15% on items like maize bran, rice bran oil cake, and animal feed additives.

Agriculture Infrastructure and Development Cess (AIDC): To improve agricultural sector infrastructure, an Agriculture Infrastructure and Development Cess (AIDC) will be imposed on a small number of items. However, this cess will not put additional burden on consumers on most items.

Budget 2021: at a Glance				
	2019-2020 Actuals	**2020-2021 Budget Estimates**	**2020-2021 Revised Estimates**	**2021-2022 Budget Estimates**
1. Revenue Receipts	**1684059**	**2020926**	**1555153**	**1788424**
2. Tax Revenue (Net to Centre)	1356902	1635909	1344501 Tojo	1545396
3. Non-Tax Revenue	327157	385017	210652	243028
4. Capital Receipts	**1002271**	**1021304**	**1895152**	**1694812**
5. Recovery of Loans	18316	14967	14497	13000
6. Other Receipts	50304	210000	32000	175000
7. Borrowings and Other Liabilities	933651	796337	1848655	1506812
8. Total Receipts (1+4)	**2686330**	**3042230**	**3450305**	**3483236**
9. Total Expenditure (10+13)	**2686330**	**3042230**	**3450305**	**3483236**
10. On Revenue Account	2350604	2630145	3011142	2929000
of which				
11. Interest Payments	612070	708203	692900	809701
12. Grants in Aid for creation	185641	206500	230376	219112
of capital assets				
13. On Capital Account	335726	412085	439163	554236
14. Revenue Deficit (10-1)	**666545 (3.3)**	**609219 (2.7)**	**1225613 (7.5)**	**1140576 (5.1)**
15. Effective Revenue Deficit (14-12)	**480904 (2.4)**	**402719 (1.8)**	**307807 (6.3)**	**921464 (4.1)**
16. Fiscal Deficit [9-(1+5+6)]	**933651 (4.6)**	**796337 (3.5)**	**1848655 (9.5)**	**1506812 (6.8)**
17. Primary Deficit (16-11)	**321581 (1.6)**	**88134 (0.4)**	**1155755 (5.9)**	**697111 (3.1)**

Rationalization of Procedures and Easing of Compliance

The budget proposes certain changes in the provisions relating to ADD and CVD levies for some fine-tuning. In 2020, the government has rolled out the Turant Customs initiative, which brought in Faceless, Paperless, and Contactless Customs measures. With effect from September 2020, the government implemented a new procedure for administration of Rules of Origin. This has helped in putting a check on misuse of FTAs.

Part C: Budget 2021-22 through tables and diagrams

Table:1 Deficit trends

Budget 2021-22: Major Deficit indicators					
	Fiscal Indicator	**2019-2020 Actuals**	**2020-2021 (BE)**	**2020-2021 (RE)**	**2021-2022 (BE)**
1.	**Fiscal Deficit**	933651 (4.6)	796337 (3.5)	1848655 (9.5)	1506812 (6.8)
2.	**Revenue Deficit**	666545 (3.3)	609219 (2.7)	1225613 (7.5)	1140576 (5.1)
3.	**Effective Revenue Deficit**	480904 (2.4)	402719 (1.8)	307807 (6.3)	921464 (4.1)
	Fiscal Deficit	933651 (4.6)	796337 (3.5)	1848655 (9.5)	1506812 (6.8)
4.	**Primary Deficit**	321581 (1.6)	88134 (0.4)	1155755 (5.9)	697111 (3.1)

Table 2: Major Tax Revenues of the centre

Budget 2021-22: Major tax revenues of the centre		
Tax	**Amount (Rs crores)**	**Percentage share in total tax revenue**
GST	630000	28%
Personal Income Tax	561000	25%
Corporate Income Tax	547000	25%
Union Excise Duties	335000	15%

Customs Duties	136000	6%
Gross Tax revenue of the centre*	2217059	100%
*Before giving states' share		

Table 3: Non-Tax revenues of the centre: Budget 2021-22

Sl No.	**Non-tax revenue item**	**2021-22 (BE)(Rs crores)**
1	Interest Dividends and Profits	115079.59
2	Fiscal Services	Tojo 701.9
3	General Services	20723.87
4	Social and Community services	2881.08
5	Economic Services	100363.82
6	Grants in aid and contribution	747
7	Non-tax revenue from UTs	2530.64
	Total	**243027.9**

Union Excise Duties:

The increased prices of petroleum goods saved government's finances during this Covid crisis where all other tax revenues registered sharp decline.

Table 4: Union Excise Duties: Revenue impacts of the price hike in petroleum products in recent years.

Union Excise Duties - revenue impacts of the price hike in Petroleum products			
2019-20 (A)	**2020-21 (BE)**	**2020-21 (RE)**	**2021-22 (BE)**
240615	267000	361000	335000

Tax revenue from Union Excise Duties went up from Rs 2.4 lakh crore (2019-20) to Rs 3.61 lakh crores during 2020-21 budget (RE). Compared to this, tax revenues for most other taxes registered sharp decline with the Corporate Income Tax expected to be the third largest tax revenue after GST and Personal Income Tax (fore 2021-22).

Table 5: Capital Receipts

Capital receipt item	**Rs crores**
1. Recovery of Loans	13000
2. Other Receipts (Disinvestment)	Tojo 175000
3. Borrowings and Other Liabilities	1506812
Total Capital Receipts	**1694812**

Table 6: Debt Receipts to finance Budget 2021-22

Table: Debt receipts or financing of the fiscal deficit (2021-22)	
Debt receipts	**In Rs crores**
Market borrowings (G-sec + T Bills)	967708
Securities against small savings	391927
State PF	20000
Other Receipts	54280
External Debt	1514
Drawn down of cash balance	71383
Grand total	**1506812**

Table: 7: Rupee Comes from:

Budget 2021-22: Rupee comes from

Item	Percentage
Borrowing & other liabilities	36
CIT	13
GST	15
Non-tax revenue	6
Union Excise Duties	8
Customs	3
Income tax	14
Non-Debt Capital Receipts	5

Figure: Rupee Comes from

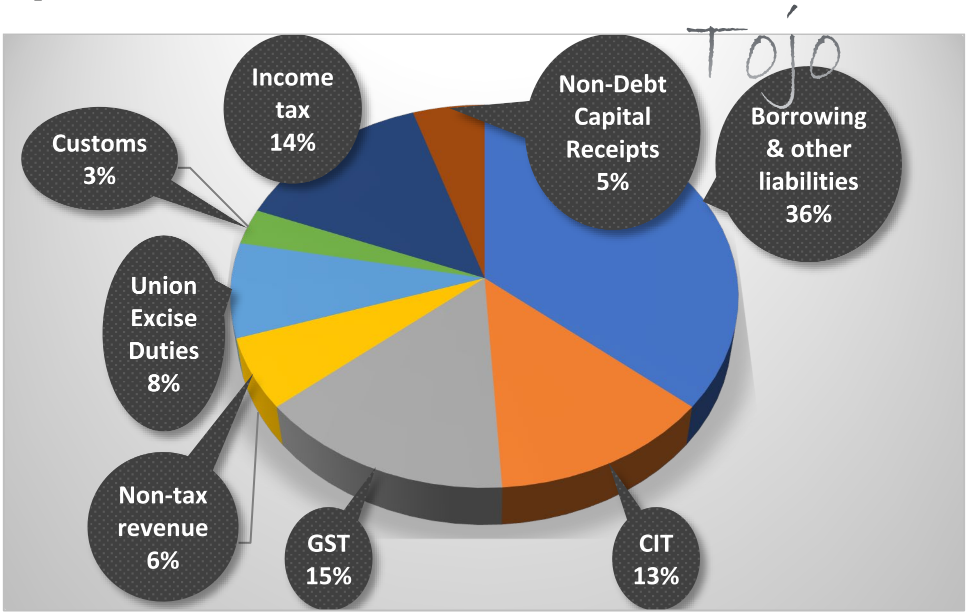

Table 8: Rupee Goes to.

Budget 2021-22: Rupee Goes to	
Item	%
Centrally Sponsored Schemes	9
Central Sector Schemes	13
Other Expenditure	10
Pension	5
State share of taxes and duties	16
Interest payments	20
Defence	8
Subsidies	9
Finance Commission & other transfers	10

Figure: Rupee Goes to

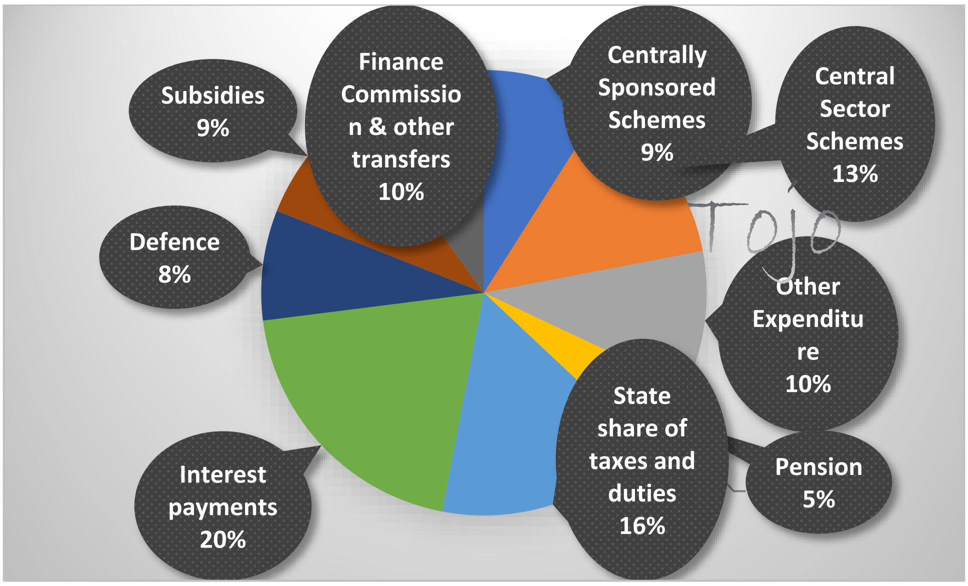

Table 9: Subsidies

Subsidy Scheme Name	2021-22 (RE)	2020-21 (BE)
1. Food	**242836**	**422618.14**
2. Fertiliser	**79529.68**	**133947.3**
a. Urea Subsidy	58767.68	94957.42
b. Nutrient Based Subsidy	20762	38989.88
3. Petroleum	**39054.79**	39054.79
a. LPG Subsidy	60521	36072.47
b. Kerosene Subsidy	….	2982.32
4. Interest Subsidies	**26282.35**	**32024.51**
Grand Total	**369898.88**	**648736.4**

Table 10: Major Revenue Expenditure items for 2021-22 BE

Expenditure items	**Rs crores**	**As a % of total expenditure**

Interest Payments	809701	23%
Subsidies	369898	11%
Defence	347088	10%
Pension	189328	5%
Total Revenue Expenditure	**2929000**	**84%**

Tojo

Table 11: Disinvestment targets and actuals (Rs crores)

Year	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Target	100000	80000	105000	210000	175000
Realised	100056	94726	65000	32000	

Covid and its impact on the budget

Two budgets 2020-21 and the 2021-22 (BE) are significantly affected by the Covid pandemic. Here, the impact is maximum in the case of the 2020-21 budget. The impact of Covid on government finances can be obtained by comparing the expenditure and revenues of the government between 2020-21 BE and 2020-21 RE. Table 12 and 13 gives an idea about the adverse effects of the Covid induced expenditure hike and revenue shortages.

To counter the Covid, the government launched several measures like additional food supply, provision of additional work through NREGS and several income transfer measures. The impact of these measures was that the government's expenditure increased tremendously on all of these items. This can be visible from table 12. For example, food subsidy was targeted at Rs 11.5 lakh crores, but it increased to 4.2 lakh crore. Similarly, compared to the targeted Rs 61000 crores allocation to NREGS, the government provided 111500 crores for the scheme. Allocation to civil supplies increased by 457%. Total expenditure of the government was around Rs 26.8 lakh crores for 2019-20 budget. But this went up sharply to Rs 34.5 lakh crores as per the RE for 2020-21. This means that total expenditure increased by 29% in just one year due to Covid fight measures. Seven of the eight heads (table 12) where expenditure registered significantly were areas related to Covid rehabilitation.

Though the expenditure under 2020-21 (RE) increased by 29%, the total expenditure under the budget 2021-22 (BE) increased by just 1% (Rs 34.5 lakh crores for 2020-21 RE, whereas Rs 34.8 lakh crores for 2021-22 BE) compared to the RE of 2020-21. Please refer the ***Budget at a Glance*** table to understand this interesting fact.

Lockdown and the cut down of economic activities have contributed to decline in revenues for the government. This is visible from table 13. Net tax revenue of the entre decreased by 18%, non-tax revenue decreased by 45%, disinvestment receipts fell by 84%, whereas total expenditure increased by 13% under 2020-21 RE compared to the BE for the same year.

Tojo

The Table 12: Covid and its impact on expenditure

	Statement of major variations of Expenditure between BE 2020-21 and RE 2020-21				
	Item	**2020-21 (BE)**	**2020-21 (RE)**	**Variation**	**Variation (%)**
1	Food Subsidy	115570	422618	(+) 307048	265%
2	Fertilizer Subsidy	71309	133947	(+) 62638	87%
3	Rural Employment	61500	111500	(+) 50000	81%
4	Capital Expenditure of Railways	70000	108398	(+) 38398	55%
5	Social Security and Welfare	7503	36037	(+) 28534	380%
6	Defence	323053	343822	(+) 20769	46.40%
7	Civil Supplies	1922	10716	(+) 8794	457%
8	Medical & Public Health	29774	33896	(+) 4122	148%

Table 13: The Covid impact on various items of government budget

	Statement of major budgetary items between BE 2020-21 and RE 2020-21				
	Item	2020-21 (BE) Rs crores	2020-21 (RE) Rs crores	Variation (Rs crores)	Variation in %
1	Net Tax revenue to the centre	163909	1344501	(-) 291498	-18%
2	Non-tax Revenue	385017	210652	(-) 174365	-45%
3	Disinvestment	210000	32000	(-) 178000	-84%
4	Total Expenditure	3042230	3450305	(+) 408075	13%
5	Borrowing or FD	796337	1848655	(+) 1052318	132%
6	Market borrowing (G Sec + T-Bills)	53587	1273788	(+) 737918	137.00%

Part D: Personal Income Tax structure

The personal income tax structure remains the same under 2021-22 budget.

Tojo

Table: the PIT structure introduced in 2020

Taxable Income Slab (Rs)	New Tax Rates
0-2.5 Lakh	Exempt
2.5-5 Lakh	5%
5-7.5 Lakh	10%
7.5-10 Lakh	15%
10-12.5 Lakh	20%
12.5-15 Lakh	25%
Above 15 Lakh	30%

The above tax regime will be optional for the taxpayers.

The existing PIT structure (from 2020 budget) that is with exemptions and deductions is as following:

Tax Slab	**Tax Rate**
Upto Rs 250000*	Nil
Rs 250001 to Rs 5 lakh	5 per cent
Rs 500001 to Rs 10 lakh	20 per cent
Above Rs 10 lakh	30 per cent
*Rebate of Rs 5 lakh is applicable	

NB: Most of the tables have been sourced from the Budget 2021-22 statements and documents.

Tojo Jose

Indianeconomy.net

****