



# Union Budget



*"The principles in these budgets include new opportunities for growth, for youth, new dimension to human resources....."*

***PM Modi***

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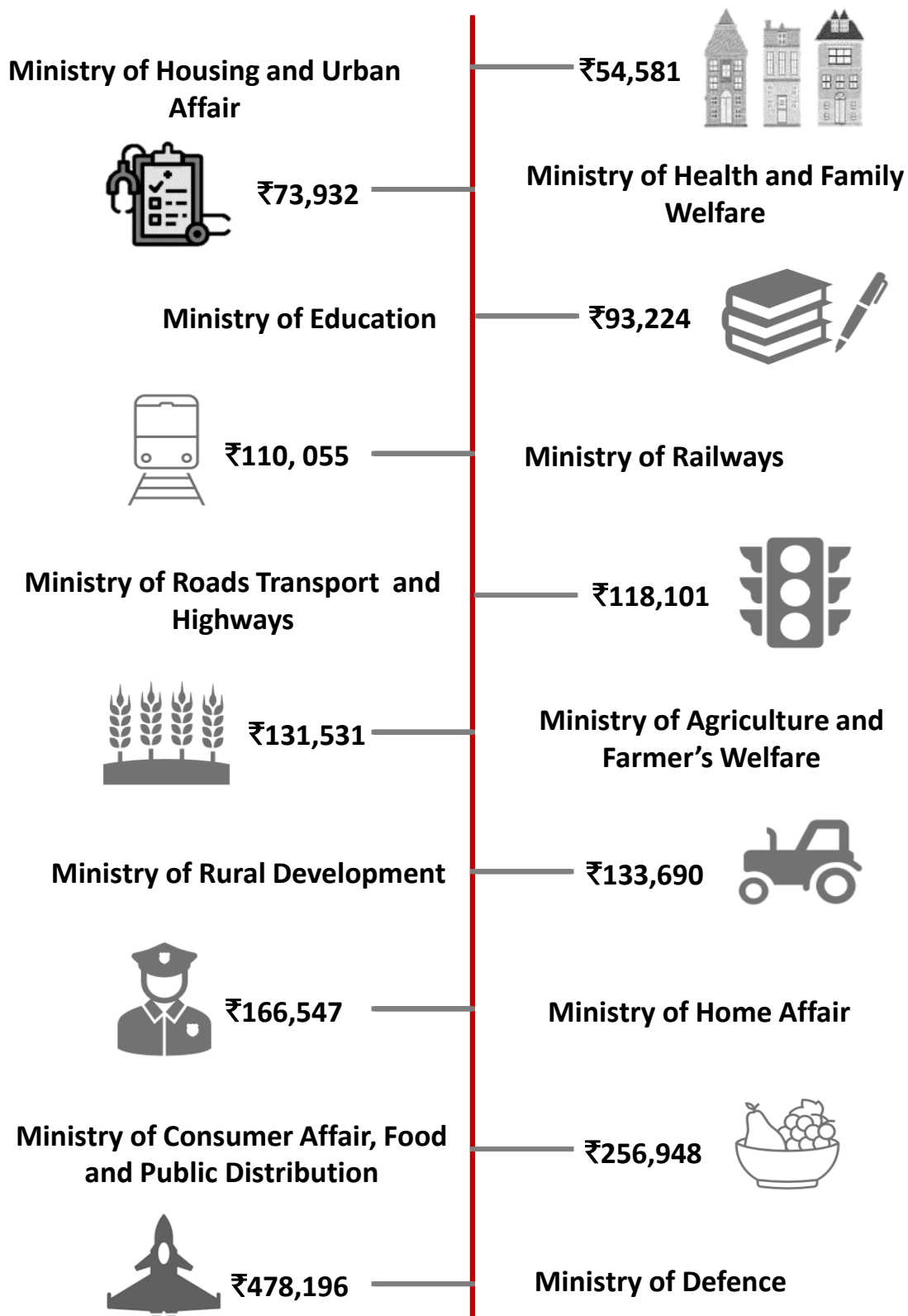
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## Key Highlights of India Budget

### Major Allocation

Rupees Crore





## Key Highlights of India Budget

The 9th budget of NDA 2 has put weightage on creating jobs and rural development - two hardest hit areas during the pandemic. The budget comes as an endeavour of the government to provide succour for the pandemic-battered economy and to steer India with the much-needed stimulus to boost demand and consumer confidence. We have highlighted major budget announcements

### A. Infrastructure – continued emphasis

#### National Rail Plan

- ₹ 1.10 lakh crore for railways, of which ₹ 1.07 lakh crore is capital expenditure
- 100% electrification of Broad Gauge Routes by 2023
- Indigenously developed train protection system to avoid collisions
- To develop adequate rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050.
- The objective is to increase the modal share of rail in freight from the current level of 27 % to 45%

#### National Road Infrastructure

- ₹ 1.18 lakh crore for highways, of which ₹ 1.08 lakh crore for capital expenditure
- Western and Eastern Dedicated Freight Corridor to be launched by June 2022
- Fund to improve rural infra hiked from ₹ 30,000 Cr. to ₹ 40,000 Cr.

#### Ports

- PPP mode to be utilised for managing operational services of major ports

#### Airlines and airports

- AAI owned Airports in tier 2 and 3 cities to be monetized through private participation
- Tax holidays for Aircraft leasing companies

#### Emphasis on Power Sector

- Revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of ₹3,05,984 Cr. over 5 year
- Hydrogen energy mission will be launched
- Liquidity support for discoms
- Elimination of Regulatory Assets
- Commercial coal mining
- Reduction in cross-subsidy

### B. Industry – emphasis on manufacturing

- PLI launched to create manufacturing global champions across 13 sector with amount committed nearly ₹1.97 lakh crore in next 5 year starting FY2021-22
- MITRA Scheme to create world class infrastructure for global champions in textile sector leading to creation of 7 textile parks over 3 year.
- “Sri” Fund of funds will be set up for MSMEs
- Collateral free loans for businesses
- Disallowing global tender of up to ₹ 200 Cr.

### C. Agriculture and Farm Sector

- Concessional Credit Boost to farmer
- Agri Infrastructure Fund
- Emergency working capital for farmer
- Animal Husbandry infrastructure development
- Amendments to the Essential Commodities Act
- Agriculture marketing reforms



## Key Highlights of India Budget

### D. Tax proposals – Relief to individual taxpayer

- **Senior Citizens:** Exemption from filing income tax returns for senior citizens (75 year and above) who only have pension and interest income. The paying bank will deduct the necessary tax on their income.
- National Faceless Income Tax Appellate Tribunal Centre
- **Reduction in time for IT Proceedings:**
  - Reopening of Assessments period reduced from 6 year to 3 year except in cases of serious tax evasion cases
  - Proposal to constitute 'Dispute Resolution Committee'. (Taxable income ₹50 lacs. and disputed income ₹10 lacs).
- **Relaxations to NRI:** Propose to notify rules for removing tax discrepancies on their income.
- **Tax Audit Limit:** Proposal of tax audit increased from ₹5 Cr. to ₹10 cr. (Only for 95% digitized payments business)
- Dividend payment to REIT/InvIT to be exempted from TDS
- Additional deduction of ₹1.5 lacs. shall be available for loans taken up till 31 March 2022 for purchase of affordable house
- Propose to provide relief on advance tax liability on dividend income.
- Prefiling of returns (Salary, Tax payments, TDS etc.) Details of Capital gains from listed Securities, dividend income, etc. will be prefilled

### E. Healthcare – Holistic Approach to Health

- Covid Vaccination: ₹35,000 Cr. allocation for COVID-19 vaccination
- ₹64,180 Cr. for PM Aatmanirbhar Swasth Bharat Yojana over next 6 year
- Setting up of Integrated Public Health Labs
- Establishing critical care hospital blocks

### F. Government Reforms – streamlining the economy

- Increase in borrowing limits of state governments
- Privatisation of Public Sector Enterprise
- **Relaxation in FDI norms in Insurance Sector** - Proposal to increase FDI from 49% to 74 %.
- **Disinvestment:** IPO of LIC, Announced Disinvestment of Companies will be completed in FY 2021-22
- Rationalised single Securities Markets Code by 2022
- World class fintech hub at GIFT IFSC
- Permanent institutional framework for Corporate bond market
- SEBI as regulator and greater role for WDRA for development of commodity market ecosystem
- Investor charter as a right across all financial products
- Asset Reconstruction Company Limited and Asset Management Company to resolve stressed assets problem of PSBs.

### G. Other General Pointers:

- **Fiscal Deficit pegged at 9.5% of GDP for FY 2020-21 and 6.8% for FY 2021-22**
- **Deposit insurance** cover increased from ₹1 lacs to ₹5 lacs. Deposit Insurance cover (DICGC Act 1961 to be amended).
- Proposal to revive definition of '**Small Companies**' under Companies Act 2013. Capital less than ₹2 Cr. and Turnover Less than ₹20 Cr.
- **Small Charitable Trusts.** Increased from ₹1 Cr. to ₹5 Cr. (Compliance limit)
- **Tax exemption to Startups:** Tax holiday exemption for one more year



## Acquisory's View – A Balancing Act

The Budget tabled by the FM concentrated on six key areas for growth - health and wellbeing, infrastructure, inclusive growth, human capital, R&D and minimum government and maximum governance.

### Pros

The Budget laid major emphasis on building and improving health infrastructure, physical infrastructure and manufacturing competitiveness.

- ✓ There is a 137% increase in investment in Health Infrastructure and the Budget outlay for Health and Wellbeing is Rs 2,23,846 crore in BE 2021-22 as against last year's BE of Rs 94,452 crore.
- ✓ PLI schemes to create manufacturing global champions for an AatmaNirbhar Bharat have been announced for 13 sectors. For this, the government has committed nearly Rs.1.97 lakh crore in the next 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 our youth
- ✓ Dwelling on the infrastructure sector, the government has realized that infrastructure needs long term debt financing. A professionally managed DFI will be set up with an allocation of INR 20,000 crores to provide, enable and catalyse infrastructure financing.
- ✓ Ambitious targets of investment in roads, rail, air, ports power etc have also been announced and are welcome moves on the government's part.
- ✓ The government is also keen on monetization of its current physical assets and newly created and operation assets as per the budget announcements

### Cons

- ✓ Faced with of economic slowdown, typical reaction of a government is to increase government spending and boost growth. However, as stated earlier, tackling economic slowdown, increasing growth rate while maintaining fiscal prudence do not go hand in hand and this is now evident in the tripling of the fiscal deficit to 9.5% in FY 2020-21 from the prescribed level of 3.3% under FRBM Act. This will remain a key concern for the long -term sustainability of government finances.
- ✓ In addition, we are concerned that long timelines of 5 – 6 years have been ascribed to significant allocations in key sectors. This may significantly reduce the immediate impact on these sectors

*We believe, any increase in investments in infrastructure, be it in health, physical infrastructure or industrial is expected to improve employment generation, a persistent lack of which remains a key concern. We also believe that asset monetization will provide funds for further improvement of new infrastructure Overall, the FM has attempted a balancing act. Whether it stimulates economic revival and moves it to a higher growth path is awaited.*



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