



UNION BUDGET 2020-21

Highlights & Analysis



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The Union Budget of India for 2020–2021 was presented by the Finance Minister, Nirmala Sitharaman on 1 February 2020, in a backdrop of a slowing down of the Indian economy with estimated GDP growth for 2019-20 being at an 11-year low of 5%. This is the second budget of Narendra Modi led NDA government's second term. The Economic Survey for 2019-2020 is released on 31 January 2020, a day before the budget. Before the budget speech the report of the 15th Finance Commission was tabled by the Finance Minister. The central ideas of the Budget are - "Aspirational India, Economic development, A Caring Society."

Nirmala Sitharaman read out a Kashmiri poem during the budget speech in the Parliament as well as a Tamil couplet written by Thiruvalluvar. Nirmala Sitharaman delivered the longest budget speech ever by Finance Minister. She becomes the second women to present budget for the second time after Indira Gandhi.

The Union Budget is the annual financial report of India; an estimate of income and expenditure of the government on a periodical basis. As per Article 112 of the Indian Constitution, it is a compulsory task of the government. India's first Budget was presented on 18 February 1860. R K Shanmukham Chetty, the first finance minister of independent India presented the Union Budget on 26 November 1947.

Highlights & Important Points

~ Income Tax & other Personal Taxes ~

- ❖ A simplified and new Income Tax Regime has been proposed as an option to the old regime the old regime.
 - Income between Rs 5 lakh to Rs 7.5 lakh: Reduced to 10% from the current 20%
 - Between Rs 7.5 lakh to Rs 10 lakh: Reduced to 15% from the current 20%
 - Between Rs 10 lakh to Rs 12.5 lakh: Reduced to 20% from the current 30%
 - Between Rs 12.5 lakh to Rs 15 lakh: Reduced to 25% from the current 30%
 - Above ₹15 lakh: Continue at 30%, but without exemptions

However, those who wish to continue to pay old rates may do so.

~ Business Sector ~

- ❖ Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.
- ❖ Corporate tax for existing companies slashed to 22 per cent.
- ❖ Govt proposes 100 per cent tax concession to sovereign wealth funds on investment in infra projects.
- ❖ Concessional tax rate of 15 per cent extended to power generation companies.
- ❖ Tax concession for sovereign wealth fund of foreign governments and other foreign investments.
- ❖ Tax benefits to Start-ups by way of deduction of 100 per cent of their profits are enhanced by increasing turnover limit and period of eligibility period of eligibility.
- ❖ Concessional tax rate for cooperatives proposed.

- ❖ Turnover threshold for audit of MSMEs increased.
- ❖ Extension of time limits pertaining to the tax benefits for affordable housing.
- ❖ Issuance of Unique Registration Number to all charity institutions for easy tax compliance.
- ❖ Health cess to be imposed on imports of medical equipment.
- ❖ Dividend Distribution Tax removed and classical system of dividend taxation adopted
- ❖ Simplified GST return shall be implemented from 1st April 2020. Refund process to be fully automated.
- ❖ National Textile Mission to be launched with a proposed Rs 1,480 crore allocation. National Technical Textiles Mission for a period of 4 years
- ❖ Allocation of Rs 27,300 crore for development of industry and commerce.
- ❖ Foreign direct investment (FDI) into the country has increased to \$284 billion during 2014-19 from \$190 billion in previous five years.
- ❖ Scheme to encourage manufacturing of mobile phones, electronic equipment and semiconductor packaging
- ❖ NIRVIK Scheme for higher export credit disbursement launched
- ❖ Setting up of an **Investment Clearance Cell** to provide end to end facilitation
- ❖ Extension of invoice financing to MSMEs through TReDs
- ❖ A scheme to provide subordinated debt for entrepreneurs of MSMEs
- ❖ Scheme anchored by EXIM Bank and SIDBI to handhold MSMEs in exports markets

~ Health Sector ~

- ❖ Rs 69,000 crores for allocated for the healthcare sector.
- ❖ More than 20,000 empanelled hospitals under PM Jan Arogya Yojana.
- ❖ FIT India movement launched to fight NCDs
- ❖ Expansion of Jan Aushadhi Kendra Scheme to all districts by 2024

~ Infrastructure Sector ~

- ❖ 9,000 km of economic corridor will be set up.
- ❖ Chennai-Bengaluru expressway will also be started.
- ❖ Delhi-Mumbai expressway to be completed by 2023.
- ❖ 100 more airports to be developed by 2025
- ❖ Transport infrastructure: Rs 1.7 lakh crore
- ❖ National Infrastructure Pipeline: Rs 22,000 crore
- ❖ National Logistics Policy to be launched soon
- ❖ Accelerated development of Highways
- ❖ Railways will set up Kisan Rail through PPP model so that perishable goods can be transported quickly.
- ❖ 150 trains will run under the public private partnership (PPP) mode, also four stations will be redeveloped with the help of the private sector.
- ❖ More Tejas type trains for tourist destinations
- ❖ Coporatizing at least one major port
- ❖ An **International Bullion Exchange** to be set up at GIFT City.
- ❖ Power sector: Efforts to replace conventional energy meters by prepaid smart meters.
- ❖ Gas Grid: Expand National Gas Grid to 27,000 km

~ Education & Training ~

- ❖ Rs 99,300 crore allocated for education in FY21.
- ❖ Govt will start Ind-Sat Exam to promote under Study in India programme and a degree-level online education programme for the deprived.
- ❖ A total of Rs 3,000 crore will be given for skill development.
- ❖ About 150 higher educational institutions will start apprenticeship embedded courses.
- ❖ Internship opportunities to fresh engineers by urban local bodies.
- ❖ Special bridge courses to improve skill sets of those seeking employment abroad.

- ❖ Degree level online education programmes for students of deprived sections of the society.

~ Social Welfare Sector ~

- ❖ Allocation for Swachh Bharat Mission for 2020-21 stands at Rs 12,300 crore.
- ❖ In further push to PM Modi's 'Nal se jaal' scheme, govt proposes Rs 3.6 lakh crore towards piped water supply to households.
- ❖ Rs 35,600 crore allocated for nutritional related programme in FY21.
- ❖ Rs 85,000 crore has been budgeted for the welfare of Scheduled Castes and other backward classes.
- ❖ Rs 53,700 crore for Scheduled Tribes
- ❖ Allocation for senior citizens and 'Divyang' enhanced to Rs 9500 crore.
- ❖ Rs 4,400 crore to tackle Delhi's air pollution problem.
- ❖ Extends additional Rs 1.5 lakh tax benefit on interest paid on affordable housing loans to March 2021.
- ❖ Tax holiday to affordable housing developers.

~ Women and Child Development ~

- ❖ A task force to be appointed to recommend regarding lowering MMR and improving nutrition levels
- ❖ Rs 28,600 crore will be allocated in FY21 for women-linked programmes.

~ Banking and Financial Sector ~

- ❖ DICGC has been permitted to increase Deposit Insurance Coverage for a depositor from Rs 1 lakh to Rs 5 lakh per depositor.
- ❖ Amendments in Banking regulation Act to strengthen Cooperative Banks.
- ❖ Proposal to sell balance holding of the government of India IDBI Bank to private investors.

- ❖ Recovery eligibility limit for NBFCs reduced to asset size of 100 crore or loan size of 50 lakh.
- ❖ Separation of NPS Trust for government employees from PFRDAI
- ❖ Specified categories of government securities would be opened for non-resident investors
- ❖ FPI Limit for corporate bonds to be increased to 15 per cent.
- ❖ New debt ETF proposed mainly for government securities

~ Technology Sector ~

- ❖ 550 WiFi facilities have been commissioned at railway stations. 1 lakh gram panchayats to get optical fibre link
- ❖ An allocation of Rs 6,000 crore will be provided for BharatNet scheme.
Rs 20,000 crore for renewable energy sector in a bid to tackle pollution and climate change.
- ❖ A new scheme of smart meters will be launched.
- ❖ An allocation of Rs 8,000 crore will be made for National Mission on Quantum Computing and Technology.
- ❖ Knowledge Translation Clusters for emerging technology sectors
- ❖ Scaling up of Technology Clusters harbouring test beds and small scale manufacturing facilities.

~ Disinvestment ~

- ❖ Govt proposed an ambitious disinvestment target of PSU stake sales to the tune of Rs 2.1 lakh crore in the next financial year 2020-21.
- ❖ Government to sell part holding in LIC.
- ❖ Govt to also sell stake in IDBI Bank to private investors.

~ Agriculture & Allied Sectors ~

- ❖ Budget allocation of Rs 2.83 lakh crore for agriculture and allied activities.
- ❖ Doubling farmers incomes by 2020.
- ❖ Krishi Udaan under Ministry of Civil Aviation on international and national routes to benefit farmers. Krishi Udaan scheme to transport agri products to national as well international destinations to be launched.
- ❖ Self Help Groups will be allowed to set up village agri storage facilities.
- ❖ NABARD will map and geo-tag 162 mn tonne capacity agri warehouses across country. FCI and Warehousing Corporation of India to build warehousing facility on their land. Government to incentivise farmers to go solar.
- ❖ Over 6 crore farmers under Pradhan Mantri Fasal Bima Yojna have been insured.
- ❖ Pradhan Mantri Kisan Urja Suraksha and Utthan Mahabhiyan (PM KUSUM) to be expanded, providing 20 lakh farmers in setting up standalone solar pumps.
- ❖ Railways will set up Kisan Rail through PPP model so that perishable goods can be transported quickly.
- ❖ Agri-credit target for the year 2020-21 has been set at Rs 15 lakh crore.
- ❖ One horticulture crop in one district on cluster basis will be promoted. Viability gap funding for creation of efficient warehouses on PPP mode.
- ❖ SHGs run Village storage scheme to be launched.
- ❖ Integration of e-NWR with e-NAM.
Elimination of FMD and brucellosis in cattle and PPR in sheep and goat by 2025.
- ❖ Increasing coverage of artificial insemination to 70 per cent.
- ❖ Doubling of milk processing capacity by 2025.
- ❖ Fishery extension through 3477 Sagar Mitras and 500 fish FPOs.
- ❖ Raise fishery exports to `1 lakh crore by 2024-25
- ❖ Fish Production target of 200 lakh tonnes by 2022-23.

~ Culture & Tourism ~

- ❖ Five archaeological sites would be developed as iconic sites with on-site museums would be developed at Rakhigarhi in Haryana, Hastinapur in Uttar Pradesh, Sivasagar in Assam, Dholavira in Gujarat and Adichanallur in Tamil Nadu.
- ❖ Indian Institute of Heritage and Conservation
- ❖ Museum of Numismatics and trade
- ❖ Tribal museum in Ranchi
- ❖ Maritime Museum in Lothal
- ❖ Tourism promotion gets Rs 2500 crore.
- ❖ Ministry of Culture to get Rs 3,150 crore.

~ Fiscal Scenario ~

- ❖ Fiscal deficit target pegged at 3.8% of GDP for FY 2019-20. FY21 fiscal deficit target pegged at 3.5% of GDP.

~ Miscellaneous ~

- ❖ G20 Presidency in 2022 – Allocation of Rs 100 crore
- ❖ Allocation of Rs 30,757 crore for Union Territory of Jammu & Kashmir
- ❖ Allocation of Rs 5,958 crore for Union Territory of Ladakh

§ State of Indian Economy §

- ❖ Between 2006-2016, 271 million are out of poverty and we should be proud of it.
- ❖ Total of 60 lakh new taxpayers and 105 crore e-way bills generated under GST
- ❖ Central government debt reduced to 48.7 per cent of GDP in 2019 from 52.2 per cent.
- ❖ India is now 5th largest economy in world.
- ❖ Gross enrollment of girls is 94.32 per cent in elementary levels, 81.32 per cent in secondary level and 59.7 per cent in higher secondary level.
- ❖ Foreign direct investment (FDI) into the country has increased to \$284 billion during 2014-19 from \$190 billion in previous five years.
- ❖ Nominal growth of GDP for 2020-21 has been estimated at 10 per cent
- ❖ Receipts for 2020-21 estimated at 22.46 lakh crore rupees, and expenditure at 30.42 lakh crore rupees
- ❖ 'Vivad se Vishwas' scheme for direct tax payers whose appeals are pending at various forum. 4.83 lakh direct cases pending in various appellate forums. Under the scheme, taxpayer to pay only amount of disputed tax. They will get complete waiver on interest and penalty if scheme is availed by March 31, 2020.
- ❖ 15th Finance Commission has cut state share of central taxes by one percentage point to 41 per cent.
- ❖ Rs 12.7 lakh crore to be transferred to states and union territories in 2020-21.
- ❖ Government has insured 6.11 crore farmers under Pradhan Mantri Fasal Bima Yojna

Budget Glossary of Terms

Consolidated Fund

All revenues received by the Government including tax and non-tax revenues, loans raised and repayment of loans given (including the interest thereon) form the Consolidated Fund. All expenditure and disbursements of the Government, including release of loans and repayments of loans taken (and the interest thereon), are met from this fund.

Contingency Fund

A reserve fund set aside for possible unforeseen expenditure and established under Article 267(2) of the Constitution. It is an imprest placed at the disposal of the Governor.

Public Account

All public moneys received, other than those credited to the Consolidated Fund, are accounted for under the Public Account. In respect of such receipts, Government acts as a banker or trustee. The Public Account comprises of repayable like Small Savings and Provident Funds, Reserve Fund, Deposits and Advances, Suspense and Miscellaneous transaction (adjusting entries pending booking to final heads of account), Remittances between accounting entities, and Cash Balance.

Deficit

It is the gap between Revenue and Expenditure. The kind of deficit, how the deficit is financed, and application of funds are important indicators of prudence in Financial Management.

Fiscal Deficit

When the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall. The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit.

Primary Deficit

The primary deficit is the fiscal deficit minus interest payments. It tells how much of the Government's borrowings are going towards meeting expenses other than interest payments.

Revenue Deficit/ Surplus

It is the gap between Revenue Receipts and Revenue Expenditure. Revenue Expenditure is required to maintain the existing establishment of Government and ideally, should be fully met from Revenue Receipts.

Direct and Indirect Taxes

Direct taxes are the one that fall directly on individuals and corporations. Eg. Income tax, corporate tax etc. Indirect taxes are imposed on goods and services. They are paid by consumers when they buy goods and services. These include excise duty, customs duty etc.

Fiscal policy

It is the government actions with respect to aggregate levels of revenue and spending. Fiscal policy is implemented through the budget and is the primary means by which the government can influence the economy.

Capital Budget

The Capital Budget consists of capital receipts and payments. It includes investments in shares, loans and advances granted by the central Government to State Governments, Government companies, corporations and other parties.

Revenue Budget

The revenue budget consists of revenue receipts of the Government and its expenditure. Revenue receipts are divided into tax and non-tax revenue.

Tax revenues constitute taxes like income tax, corporate tax, excise, customs, service and other duties that the Government levies.

Non-tax revenue sources include interest on loans, dividend on investments.

Budget Estimates Amount of money allocated in the Budget to any ministry or scheme for the coming financial year.



Guillotine

Parliament, unfortunately, has very limited time for scrutinizing the expenditure demands of all the Ministries. So, once the prescribed period for the discussion on Demands for Grants is over, the Speaker of Lok Sabha puts all the outstanding Demands for Grants, Whether discussed or not, to the vote of the House.

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