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UNION BUDGET 2021-22

Highlights & Analysis

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Union Budget 2021-22

On February 21, 2021, Union Minister of Finance, Nirmala Sitharama chose to go completely paperless to present her third budget. The budget did address several key expectations of individuals and corporates. The FM reiterated the government's vision towards developing an AtmaNirbhar Bharat. The budget has categorically divided Part A of the budget into six primary pillars - health and wellbeing, physical & financial capital, infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation and R&D, minimum government and maximum governance. During Budget presentation, the FM briefed the parliament on the financial impact of the AtmaNirbhar Bharat packages and continued to reiterate the need to establish an AtmaNirbhar Bharat - a self-reliant India. Budget 2021 focused on 6 major pillars, with healthcare and infrastructure sectors enjoying the maximum levels of attention.

Due to ongoing period of unprecedented economic stress, the Union Budget for FY22 has been very liberal in terms of the targeted fiscal deficit. The Government has taken liberty to spend enough to bring about economic revival. The focus on healthcare, infrastructure and the financial sector indicates that the government is steadily taking more robust measures to realize their vision of AtmaNirbhar India.

Highlights & Important Points

~ Healthcare and Other Allied Services ~

- The Finance Minister placed huge focus on healthcare and allied services. The total budgetary expenditure towards health and wellbeing for the upcoming financial year 2021-2022 was increased multifold to Rs. 2,23,846 Crores from just Rs. 94,452 Crores, marking a massive increase of over 137%.
- Rs. 35,000 Crores was earmarked towards COVID-19 vaccinations in 2021-2022.

- Plan to roll out pneumococcal vaccine throughout the country.
- PM Atmanirbhar Swasth Bharat Yojana
- Around Rs. 64,180 Crores was earmarked to be spent over a period of 6 years towards a new scheme - PM Atmanirbhar Swasth Bharat Yojana, wihich is centered around revamping and developing primary, secondary, and tertiary healthcare systems across India.
- Three other schemes with regards to Nutrition, Water Supply, and Cleanliness were also announced

1. Mission Poshan 2.0 for improving nutritional outcomes
2. Jal Jeevan Mission (Urban) with a total capital outlay of Rs. 2,87,000 Crores over a period of 5 years to ensure universal water supply to over 2.86 crore household tap connections and liquid waste management in 500 AMRUT cities, and
3. Urban Swachh Bharat Mission 2.0 for promoting better cleanliness, at a total capital outlay of Rs. 1,41,678 Crores over 5 years from 2021-2026.

- **Combating Air Pollution**
  - To address the problem of rising air pollution, Rs. 2,217 Crores is provisioned for combating the problem in 42 urban centres, which carry a population of more than a million.

- **Vehicle Scrapping Policy**
  - A new voluntary vehicle scrapping policy was also proposed to phase out polluting and old vehicles. Personal vehicles above 20 years age and commercial vehicles above 15 years age to undergo fitness tests in automated fitness centres

~ Infrastructure Sector ~

- The Budget introduced several new schemes and measures that would bolster the infrastructure in the country.
- **Roads & highways**
  - Proposal to provide around Rs. 1,18,101 Crores to the Ministry of Road Transport and Highways
  - An additional 8,500 kilometers of roads and highways will be awarded under the Bharatmala Pariyojana project, and around 11,000 more kilometers of highways would be completed by March, 2022.

- Plan to develop Economic corridors in the states of Tamil Nadu, Kerala, West Bengal, and Assam are also to undergo construction in the near future.

a. 3,500 km of National Highway works in Tamil Nadu at an investment of Rs. 1.03 Lakh Crores
b. 1,100 km of National Highway works in Kerala at an investment of Rs. 65,000 Crores
c. 675 km of highway works in West Bengal at a cost of Rs. 25,000 Crores
d. Works of more than Rs. 34,000 Crores covering more than 1,300 kms of National Highways to be undertaken in Assam in the coming three years.

❖ **Railways**

- Budget 2021 provides for Rs. 1,10,055 Crores towards the expenditure to be incurred by Indian Railways.
- The Western Dedicated Freight Corridor (DFC) and Eastern DFC would likely be formally commissioned by June 2022. Several other DFC projects such as the Kharagpur to Vijayawada corridor, Bhusaval to Kharagpur to Dankuni corridor, and Itarsi to Vijayawada corridor are also under the pipeline.
- Additionally, 100% electrification of Broad-Gauge routes is also expected to be completed by December, 2023.
- To promote further safety, an automatic train protection system is also to be implemented, which would work to eliminate train collisions due to human error.

❖ **Urban infrastructure**

- Augmentation of public bus transport services at a cost of around Rs. 18,000 Crores through the Public Private Partnership model
- Around 1,016 kilometers of metro and RRTS being constructed in 27 cities
- Central counterpart funding to be provided to:

a. Kochi Metro Railway Phase II

b. Chennai Metro Railway Phase II

c. Bengaluru Metro Railway Project Phase 2A and 2B

d. Nagpur Metro Rail Project Phase II

e. Nashik Metro

~ Power Sector ~

- To introduce a revamped power distribution sector scheme with a capital outlay of Rs. 3,05,984 Crores over a period of 5 years
- To launch a Hydrogen Energy Mission in 2021-22 for generating hydrogen from green power sources.

~ Financial reforms ~

- A single Securities Markets Code has been proposed, which would rationalize and consolidate multiple securities laws including the SEBI Act, 1992, the Depositories Act, 1996, the Securities Contracts (Regulation) Act, 1956, and the Government Securities Act, 2007.
- Formation of an institutional framework for the corporate bond market, an investor charter for all financial products, and setting up of regulated gold exchanges.
- Proposal to increase FDI limit of insurance companies from 49% to around 74%, which would effectively enable foreign ownership in the sector.
- Government of India has proposed to start up an Asset Reconstruction Company (ARC) and an Asset Management Company (AMC) to take over stressed assets of PSBs for value realization. Around Rs. 20,000 Crores has been earmarked for recapitalization of PSBs in the year 2021-2022.

~ Fiscal Position ~

- Union Budget estimates for expenditure in 2021-2022 pegged at Rs. 34.83 Lakh Crores - including Rs. 5.54 Lakh Crores as capital expenditure, an increase of 34.5% over the BE figure of 2020-2021.
- The Contingency Fund of India to be augmented from Rs. 500 Crores to Rs. 30,000 Crores through Finance Bill
- Fiscal deficit for FY22: Budget estimate at 6.8% of GDP
- Fiscal deficit for FY21: Revised estimate at 9.5% of GDP

~ Taxation proposals ~

- The budget proposed that senior citizens aged 75 and above, who receive only pension income and interest on deposits, need not file their annual income tax returns. The paying bank would be responsible for deducting taxes from the concerned senior citizen's income and depositing it on their behalf.
- The turnover threshold limit for tax audits would be raised to Rs. 10 Crore from Rs. 5 Crore for assessees who carry out 95% of their transactions through digital means.
- Additional deduction of Rs. 1.5 Lakhs under Section 80EEA of the Income Tax Act, offered on the interest paid on home loans for affordable housing, was extended till March 31, 2022. Affordable housing projects to be eligible to avail a tax holiday for one more year – till 31st March, 2022.
- ULIP proceeds will be taxable for salaried employees making a contribution to EPF over and above Rs. 2.5 Lakhs during any year. In such cases, the interest on contributions over Rs. 2.5 Lakhs will be taxable as a part of the employee's total income. In the case of ULIPs, if the premiums paid during any year exceed Rs. 2.5 Lakhs, the proceeds from the policy will be taxable as capital gains at the time of maturity. Proceeds paid out on death, however, remain exempt from tax.
- Reduction in time limit for reopening of income tax assessment from 6 years to 3 years - only in cases of serious tax evasion, where there is evidence of concealment of income of Rs. 50 Lakhs or more in a year, the time limit for reopening income tax assessment to be 10 years.
- Faceless Income Tax Appellate Tribunal Centre: All communication between the Tribunal and the appellant to be electronic.
- Dividend payment to REIT/ InvIT to be made exempt from TDS

~ Rationalization of Customs Duty ~

- The Finance Minister proposed to review over 400 old exemptions and sought to bring out a revamped customs duty structure by October, 2021.
- Union Budget 2021 aims to promote domestic manufacturing and self-reliance, several key measures with regard to customs duty were proposed. This included an increase in the customs duty on the import of certain electronic and mobile phone parts, solar inverters, solar lanterns, capital equipment and auto parts, cotton, raw silk and silk yarn, and denatured ethyl alcohol, among others.

- In an attempt to reduce the burden on MSMEs and other small industries, the customs duty on various key products was effectively reduced. Non-alloy stainless steel products, iron and steel scrap, copper scrap, nylon chips and fibers, and naphtha, among others were on the list. This move can help reduce the cost of manufacturing.
- To boost domestic MSME production and demand for their products, the customs duty on a few other products were also raised. This included steel screws, plastic builder wares, prawn feed, and synthetic gemstones among others. The exemption given to imported leather goods also stands withdrawn.

~ Education Sector ~

- A Central University to be set up in Leh for accessible higher education in Ladakh
- More than 15,000 schools to be qualitatively strengthened to include all components of the National Education Policy (NEP)
- 100 new Sainik Schools will be set up in partnership with NGOs/private schools/states
- Over Rs. 3,000 Crores to be provided for realigning the existing scheme of National Apprenticeship Training Scheme (NATS) for providing post-education apprenticeship, training of graduates and diploma holders in Engineering.

~ Disinvestment Sector ~

- Proposal for strategic disinvestment of BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited etc. to be completed in 2021-22.
- Two more Public Sector Banks and one General Insurance company to be privatized
- IPO of LIC set to be issued in 2021-22

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 fi nal 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 form 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 though 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 it 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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