

SUMMARY OF UNION BUDGET 2020-21

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Ministry of Finance

Summary of Union Budget 2020-21

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PART-A

Presenting the first Union Budget of the third decade of the 21st century, Finance Minister Smt. Nirmala Sitharaman, today unveiled a series of far-reaching reforms, aimed at energizing the Indian economy through a combination of short-term, medium-term, and long term measures.

The Union Budget has been structured on the overall theme of “Ease of Living.” This has been achieved by farmer friendly initiatives such as Agriculture credit target of Rs 15 lakh crore for 2020-21; schemes of “Kisan Rail” and “Krishi Udaan” for a seamless national cold supply chain for perishables; and expansion of PM-KUSUM to provide 20 lakh farmers for setting up stand-alone solar pumps.

In the health sector, the Budget proposes more than 20,000 empanelled hospitals under PM Jan Arogya Yojana for poor people; and expansion of Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgicals by 2024.

Infrastructure receives a boost, with 100 more airports by 2024 to support Udaan scheme; and operation of 150 passenger trains to be done through PPP mode.

Starting apprenticeship embedded courses through 150 higher educational institutions by March 2021 and a proposal to establish Indian Institute of Heritage and Conservation are some of the other major highlights.

The Finance Minister said that the Union Budget Aims:

- To achieve seamless delivery of services through **Digital governance** To improve physical quality of life through **National Infrastructure Pipeline** Risk mitigation through **Disaster Resilience** Social security through **Pension and Insurance penetration**.

The budget is woven around three prominent themes:

- **Aspirational India** in which all sections of the society seek better standards of living, with access to health, education and better jobs. **Economic development** for all, indicated in the Prime Minister's exhortation of "SabkaSaath, SabkaVikas, SabkaVishwas". **Caring Society** that is both humane and compassionate, where Antyodaya is an article of faith.

The three broad themes are held together by

- Corruption free - policy-driven good governance Clean and sound financial sector.

The three components of Aspirational India are- a) Agriculture, Irrigation and Rural Development , b) Wellness, Water and Sanitation and c) Education and Skills

Agriculture, Irrigation and Rural Development

The Finance Minister said that more than Rs 2.83 lakh crore would be spent on Agriculture, Rural Development, Irrigation and allied activities as farmers and rural poor continue to remain the key focus of the Government. Reiterating the commitment of doubling farmers' income by 2022, She said, Government has already provided resilience for 6.11 crore farmers insured under PM Fasal Bima Yojana. Agriculture credit target for the year 2020-21 has be set at Rs 15 lakh crore. All eligible beneficiaries of PM-KISAN will be covered under the KCC scheme. Moreover, comprehensive measures for one hundred water stressed districts, proposal to expand PM-KUSUM to provide 20 lakh farmers for setting up stand-alone solar pumps and for another 15 lakh farmers to solarise their grid-connected pump sets, setting up of efficient warehouses at the block/taluk level and in Horticulture sector with focus on "one product one district" for better marketing and export are some of the steps in that direction. Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants(PPR) in sheep and goat to be eliminatated by 2025, Coverage of artificial insemination to be increased from the present 30% to 70%, MNREGS to be dovetailed to develop fodder farms, doubling of milk processing capacity from 53.5 million MT to 108 million MT by 2025 to be facilitated. Similarly on the Blue Economy, raising of fish production to 200 lakh tonnes is proposed by 2022-23. Youth to be involved in fishery extension through 3477 Sagar Mitras and 500 Fish Farmer Producer Organisations. Fishery exports hoped to be raised to Rs 1 lakh crore by 2024-25. DeenDayalAntyodayaYojana- for alleviation of poverty, half a crore households are mobilized with 58 lakh SHGs and it will be further expanded.

Wellness, Water and Sanitation

Dwelling on the Wellness, Water and Sanitation theme, Smt Sitharaman said Rs 69,000 crore is being provided for Health care including Rs 6400 crores for Prime Minister Jan ArogyaYojana (PMJAY). She said, under PM Jan ArogyaYojana (PMJAY), there are more than 20,000 empanelled hospitals more in Tier-2 and Tier-3 cities for poorer people. Setting up hospitals in the PPP mode mainly in Aspirational Districts, using machine learning and AI, in the Ayushman Bharat scheme, "TB Harega Desh Jeetega" campaign to end Tuberculosis by 2025, expansion of Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgicals by 2024 are some of the other wellness measures in the Budget.

On sanitation front, Government is committed to ODF Plus in order to sustain ODF behaviour and the total allocation for Swachh Bharat Mission is Rs.12,300 crore in 2020-21. Similarly, Rs 3.60 lakh crore approved for Jal Jeevan Mission and Rs 11,500 crore in 2020-21.

Education and Skills

On Education and Skill front, the Finance Minister said Rs 99,300 crore is being allocated in 2020-21 and Rs 3000 crores for skill development. New Education Policy will be announced soon. About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021. Degree level full-fledged online education programme to be started. Under its "Study in India" programme, an Ind-SAT is proposed to be held in Asian and African countries. A National Police University and a National Forensic Science University are being proposed in the domain of policing science, forensic science, cyber-forensics etc. It is proposed that special bridge courses be designed by the Ministries of Health, Skill Development.

Economic Development

Industry, Commerce and Investment

Referring to the theme of Economic Development, the Finance Minister said that Rs 27300 crore would be allocated for development and promotion of Industry and Commerce for the year 2020-21. An Investment Clearance Cell will be set up to provide "end to end" facilitation. It is proposed to develop five new smart cities in collaboration with States in PPP mode. A scheme to encourage manufacture of mobile phones, electronic equipment and semi-conductor packaging is also proposed. A National Technical Textiles Mission would be set up with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of Rs 1480 crore to position India as a global leader in Technical Textiles. To achieve higher export credit disbursement, a new scheme, NIRVIK is being launched to support mainly small exporters. Government e-Marketplace (GeM) is moving ahead for creating a Unified Procurement System in the country for providing a single platform for procurement of goods, services and works. It is

proposed to take the turnover of GeM to Rs 3 lakh crores. 3.24 lakh vendors are already on this platform.

Infrastructure

On Infrastructure sector as highlighted by the Prime Minister that Rs 100 lakh crore would be invested over the next 5 years, National Infrastructure Pipeline was launched on 31st December 2019 of Rs 103 lakh crore. It consists of more than 6500 projects across sectors and are classified as per their size and stage of development. She said that about Rs 22,000 crore has already been provided as support to Infrastructure Pipeline. Accelerated development of highways will be undertaken. This will include development of 2500 Km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and 2000 Km of strategic highways. Delhi-Mumbai Expressway and two other packages to be completed by 2023. Chennai-Bengaluru Expressway also be started. It is proposed to monetise at least 12 lots of highway bundles of over 6000 Km before 2024. Indian Railways aims to achieve electrification of 27000 Km of tracks. She said that within 100 days of assumption of this government, it has commissioned 550 wi-fi facilities in as many stations. Four station re-development projects and operation of 150 passenger trains would be done through PPP mode. The process of inviting private participation is underway. More Tejas type trains will connect iconic tourist destinations. High speed train between Mumbai to Ahmedabad would be actively pursued. Similarly, 100 more airports would be developed by 2024 to support Udaan scheme. Air fleet number expected to go up from the present 600 to 1200 during this time. Allocation of Rs 1.70 lakh crore proposed for transport Infrastructure in 2020-21. Similarly, allocation of Rs 22,000 crore proposed for power and renewable energy sector in 2020-21. Expansion of the national gas grid from the present 16,200 km to 27,000 km proposed.

New Economy

On New Economy, Smt Sitharaman said that a policy to enable private sector to build Data Centre parks throughout the country will be brought out soon. Fibre to the Home (FTTH) connections through Bharatnet will link 100,000 gram panchayats this year. It is proposed to provide Rs 6000 crore to Bharatnet programme in 2020-21. Measures proposed to benefit the Start-ups include a digital platform for seamless application and capture of IPRs, Knowledge Translation Clusters to be set up across different technology sectors including new and emerging areas. For designing, fabrication and validation of proof of concept, and further scaling up Technology Clusters, harbouring test beds and small scale manufacturing facilities to be established. It is proposed to provide an outlay of Rs 8000 crore over a period five years for the National Mission on Quantum Technologies and Applications.

Caring society

Women and Child, Social Welfare

Harping on the theme of Caring Society, the Finance Minister said that Rs 35,600 crore proposed for nutrition-related programmes for the financial year 2020-21. Rs 28,600 crore proposed for programs that are specific to women. Moreover, Rs 85000 crore would be allocated towards the welfare of Scheduled Castes and Other Backward classes for 2020-21. Similarly, for furthering development and welfare of Scheduled tribes, Rs 53,700 crore is proposed for 2020-21. She said, the government is mindful of the concerns of senior citizens and Divyang. Accordingly, an enhanced allocation of Rs 9,500 crore is being provided for 2020-21.

Culture and Tourism

On Culture and Tourism, establishment of an Indian Institute of Heritage and Conservation under Ministry of Culture proposed with the status of a deemed University. 5 archaeological sites to be developed as iconic sites with on-site Museums - Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu). Re-curation of the Indian Museum in Kolkata, announced by Prime Minister in January 2020. Museum on Numismatics and Trade to be located in the historic Old Mint building Kolkata. 4 more museums from across the country to be taken up for renovation and re-curation. Support for setting up of a Tribal Museum in Ranchi (Jharkhand). Maritime museum to be set up at Lothal- the Harrapan age maritime site near Ahmedabad, by Ministry of Shipping.

Environment and Climate Change

On Environment, States that are formulating and implementing plans for ensuring cleaner air in cities above one million to be encouraged. Parameters for the incentives to be notified by the Ministry of Environment, Forests and Climate change and the allocation for this purpose is Rs 4,400 crore for 2020-21.

Governance

Dwelling on the issue of Governance as clean, corruption-free, policy driven and good in intent

and most importantly trusting in faith, the Finance Minister announced setting up of a National Recruitment Agency (NRA) as an independent, professional, specialist organisation for conduct of a computer-based online Common Eligibility Test for recruitment to Non-Gazetted posts. A test-centre in every district, particularly in the Aspirational Districts would also be set up. It is also proposed to evolve a robust mechanism for appointment including direct recruitment to various Tribunals and specialised bodies to attract best talents and professional experts. Deliberation to strengthen the Contract Act is also on.

Financial Sector

The Finance Minister said that In the last few years, Government of India has infused about Rs 3,50,000 crore by way of capital into Public Sector Banks for regulatory and growth purposes. Governance reforms would be carried out in these banks, so that they become more competitive. Government has already approved consolidation of 10 banks into four. Further, the Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now Rs one lakh to Rs five lakh per depositor. The limit for NBFCs to be eligible for debt recovery under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 is proposed to be reduced from Rs. 500 crore to asset size of Rs 100 crore or loan size from existing Rs 1 crore to Rs 50 lakh. To meet the need for greater private capital, it is proposed to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange. To help easy mobility while in jobs, we wish to infuse into the Universal Pension coverage with auto enrolment. More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI in the last year. The restructuring window was to end on March 31, 2020. Government has asked RBI to consider extending this window till March 31, 2021. For selected sectors such as pharmaceuticals, auto components and others, it is proposed to extend handholding support – for technology upgradations, R&D, business strategy etc. A scheme of Rs 1000 crore will be anchored by EXIM Bank together with SIDBI.

Financial Markets

On Financial Markets, about deepening of the bond market, certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors as well. Government also proposes to expand by floating a new Debt-ETF consisting primarily of government securities. This will give retail investors access to government securities as much as giving an attractive investment for pension funds and long-term investors. To address the liquidity constraints of the NBFCs/HFCs, post the Union budget 2019-20, the government formulated a Partial Credit Guarantee scheme for the NBFCs. The Government and RBI has taken various measures to permit Rupee derivatives to be traded in the International Financial Services Centre at GIFT city, Gujarat.

Disinvestment

On Disinvestment, the Finance Minister said that listing of companies on stock exchanges discipline a company and provides access to financial markets and unlocks its value. It also gives opportunity for retail investors to participate in the wealth so created. The government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO).

Fiscal Management

On Fiscal Management, the Finance Minister said that XV Finance Commission has given its first report pertaining to Financial Year 2020-21. In the spirit of co-operative federalism, Government in substantial measure, accepted the recommendations of the Commission. The commission would submit its final report to the President during the latter part of the year, for five years beginning 2021-22. She also announced to transfer to the GST Compensation Fund balances due out of collection of the years 2016-17 and 2017-18, in two instalments. Hereinafter, transfers to the fund would be limited only to collection by way of GST compensation cess. The Revised Estimates of Expenditure for the Financial Year 2019-20 are at a level of Rs 26.99 lakh Crore and the receipts are estimated at Rs.19.32 lakh crore.

She said, Government has estimated nominal growth of GDP for year 2020-21, on the basis of trends available, at 10%. Accordingly, receipts for the year 2020-21 are estimated at Rs. 22.46 lakh cr and, keeping in mind commitment of the Government towards various schemes and need for improvement in quality of life, level of expenditure has been kept at Rs 30.42 lakh cr. A good part of the borrowings for the financial year 2020-21 would go towards Capital expenditure of the Government that has been scaled up by more than 21%. She said that the measures would spur growth impulses in the economy.

PART-B

Finance Minister Smt Nirmala Sitharaman said that the Union Government has spearheaded radical fiscal measures to ensure that India's economy continues to tread the path of high growth. She said that to make sure India stays globally competitive and a favoured destination for investment, a bold historic decision was taken to reduce the corporate tax rate for new companies in the manufacturing sector to an unprecedented level of 15%. For existing companies, the rate has been brought down to 22%. As a result, our corporate tax rates are now amongst the lowest in the world.

The Finance Minister said that in continuation of the reform measures already taken so far, the tax proposals in this budget introduce further reforms to stimulate growth, simplify tax structure, bring ease of compliance, and reduce litigations.

Personal Income Tax and Simplification of Taxation

In order to provide significant relief to the individual taxpayers and to simplify the Income-Tax law, the Finance Minister has proposed to bring a new and simplified personal income tax regime, wherein income tax rates will be significantly reduced for the individual taxpayers who forego certain deductions and exemptions.

The proposed changes in tax slabs are listed in the following table:

T a x a b l e Income Slab (Rs.)	Existing Tax Rates	New Tax Rates
0-2.5 Lakh	Exempt	Exempt
2.5-5 Lakh	5%	5%
5-7.5 Lakh	20%	10%
7.5-10 Lakh	20%	15%
10-12.5 Lakh	30%	20%
12.5-15 Lakh	30%	25%
Above 15 Lakh	30%	30%

Surcharge and cess shall be continued to be levied at the existing rates.

In the new tax regime, substantial tax benefit will accrue to a taxpayer depending upon exemptions and deductions claimed by him. For example, a person earning Rs. 15 lakh in a year and not availing any deductions etc., will pay only Rs. 1,95,000 as compared to Rs. 2,73,000 in the old regime. Thus, his tax burden shall be reduced by Rs. 78,000 in the new regime. He would still be the gainer in the new regime, even if he was taking deduction of Rs. 1.5 Lakh under various sections of Chapter VI-A of the Income Tax Act under the old regime.

The new tax regime shall be optional for taxpayers. An individual who is currently availing more deductions and exemption under the Income Tax Act may choose to avail them and continue to pay tax in the old regime.

The new personal income tax rates will entail estimated revenue foregone of Rs. 40,000 crore per year. Measures have been initiated to pre-fill the income tax return so that an individual who opts for the new regime would need no assistance from an expert to file his return and pay income tax.

The Finance Minister said she had reviewed all exemptions and deductions which got incorporated in the income tax legislation over the past several decades. Currently more than one hundred exemptions and deductions of different nature are provided in the Income Tax Act. She said that she has removed around 70 of them in the new simplified regime. She said that the remaining exemptions and deductions would also be reviewed and rationalized in the coming years, with a view to further simplifying the tax system and lowering the tax rate.

Dividend Distribution Tax

Currently, companies are required to pay Dividend Distribution Tax (DDT) on the dividend paid to its shareholders at the rate of 15% plus applicable surcharge and cess, in addition to the tax payable by the company on its profits. In order to increase the attractiveness of the Indian Equity Market and to provide relief to a large class of investors, the Finance Minister has proposed to remove DDT, and adopt the classical system of dividend taxation, under which the companies would not be required to pay DDT. The dividend shall be taxed only in the hands of the recipients at their applicable rate.

In order to remove the cascading effect, the Finance Minister has proposed to allow deduction for the dividend received by holding company from its subsidiary. The removal

of DDT will lead to estimated annual revenue foregone of Rs. 25,000 crore. This will further make India an attractive destination for investment.

Concessional Tax Rate for Electricity Generation Companies

New provisions were introduced in September 2019, offering a concessional corporate tax rate of 15% to the newly incorporated domestic companies in the manufacturing sector which start manufacturing by 31st March, 2023.

In order to attract investment in the power sector, it has been proposed to extend the concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity.

Tax Concession for Foreign Investments

To incentivize investment by Sovereign Wealth Fund of foreign governments, the Finance Minister has proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of the investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years.

Start-ups

The Finance Minister noted that during their formative years, Start-ups generally use Employee Stock Option Plan (ESOP) to attract and retain highly talented employees. Currently, ESOPs are taxable as perquisites at the time of exercise. In order to give a boost to the start-up ecosystem, the Finance Minister has proposed to ease the burden of taxation on the employees by deferring the tax payment for five years or till they leave the company or when they sell their shares, whichever is earliest.

An eligible Start-up having turnover upto 25 crore is allowed deduction of 100% on its profits for three consecutive assessment years out of seven years if the total turnover does not exceed 25 crore rupees. The Finance Minister has proposed to increase this limit to Rs. 100 crore. She has also proposed to extend the period of eligibility for claim of deduction from the existing 7 years to 10 years.

Concessional Tax Rate for Cooperatives

Cooperative societies are currently taxed at a rate of 30% with surcharge and cess. As a major concession, and in order to bring parity between the cooperative societies and corporates, the Finance Minister has proposed to provide an option to cooperative societies to be taxed at 22% plus 10% surcharge and 4% cess with no exemptions/deductions. She has also proposed to exempt these societies from Alternative Minimum Tax (AMT), just like companies under the new tax regime are exempted from the Minimum Alternate Tax (MAT).

Medium, Small and Micro Enterprises

In order to reduce the compliance burden on small retailers, traders, shopkeepers who comprise the MSME sector, the Finance Minister has proposed to raise by five times, the turnover threshold for audit from the existing Rs. 1 crore to Rs. 5 crore. In order to boost less-cash economy, she has proposed that the increased limit shall apply only to those businesses which carry out less than 5% of their business transactions in cash.

Affordable Housing

In the last budget, the Finance Minister had announced an additional deduction of upto one lakh, fifty thousand rupees for interest paid on loans taken for purchase of an affordable house. The date of loan sanction for availing this additional deduction is proposed to be extended by one year, beyond 31st March, 2020.

Charity Institutions

Income of Charity Institutions is fully exempt from taxation. Donation made to these institutions is also allowed as deduction in computing the taxable income of the donor. It is proposed to pre-fill the donee's information in taxpayer's return on the basis of information of donations furnished by the donee.

In order to claim the tax exemption, charity institutions have to be registered with the Income Tax Department. It is proposed to make the registration completely electronic under a unique registration number (URN) to be issued to all new and existing charity institutions.

Faceless Appeals

In order to impart greater efficiency, transparency and accountability to the assessment process, a new faceless assessment scheme has already been introduced. It is proposed to amend the Income Tax Act so as to enable Faceless appeal on the lines of Faceless assessment.

'Vivad se Vishwas' scheme

Under the proposed 'Vivad se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty, provided he pays by 31st March, 2020. Those who will avail the scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June 2020.

Instant PAN through Aadhaar

In order to further ease the process of allotment of PAN, a system will be launched under which PAN shall be instantly allotted online on the basis of Aadhaar, without any requirement for filling up of detailed application form.

Indirect Tax

GST

A simplified GST return shall be implemented from the 1st April, 2020. It will make return filing simple with features like SMS based filing for nil return, return pre-filing, improved input tax credit flow and overall simplification. Dynamic QR-code is proposed for consumer invoices. GST parameters will be captured when payment for purchases is made through the QR-code.

Customs

On the Customs side, India has taken a quantum leap in the "Trading Across Border"

parameter of Ease of Doing Business rankings by the World Bank. India's rank has improved from 146 to 68.

Imports under Free Trade Agreements are on the rise. Undue claims of FTA benefits have posed threat to domestic industry. In the coming months, Rules of Origin requirements shall be reviewed, particularly for certain sensitive items, so as to ensure that FTAs are aligned to the conscious direction of our policy.

Labour intensive sectors in MSME are critical for employment generation. Cheap and low-quality imports are an impediment to their growth. Keeping in view the need of this sector, customs duty is being raised on items like footwear and furniture. Rate of Duty for footwear is being raised from 25% to 35%; and for "parts of footwear" from 15% to 20%. Rate of Duty for specified Furniture goods is being raised from 20% to 25%.

To give impetus to domestic industry, and to generate resource for health services, it is proposed to impose a nominal health cess of 5% on imports of specified medical equipment. Basic customs duty on imports of newsprint and light-weight coated paper is being reduced from 10% to 5%.

An increase is proposed in National Calamity Contingent Duty (NCCD) on Cigarettes and Tobacco products. NCCD on Bidis remains unchanged.

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