

# Union Budget 2020-21: Highlights

## Fiscal Management

- Nominal Gross Domestic Product (GDP) growth for FY21 estimated at 10%
- Revised estimates for fiscal deficit pegged at 3.8% for FY20 vs 3.3% targeted earlier; FY21 deficit budgeted estimates at 3.5%
- The Fiscal Responsibility and Budget Management (FRBM) Act provides for a trigger mechanism for a deviation from the estimated fiscal deficit on account of structural reforms in the economy with unanticipated fiscal implications; a deviation of 0.5% consistent with Section 4(3) of FRBM Act, both for revised estimates of FY20 and budgeted estimates of FY21
- The net market borrowings for FY20 estimated at Rs. 4.99 lakh crores and for FY21 at Rs. 5.36 lakh crores
- A good part of the borrowings for the FY21 to go towards Capital expenditure of the Government that has been increased by more than 21%

## Revenues/Expenditure

- Revised estimates of expenditure for the FY20 are pegged at Rs. 26.99 lakh crores and the receipts are estimated at Rs. 19.32 lakh crores
- Receipts for FY21 are estimated at Rs. 22.46 lakh crores and expenditure has been kept at Rs. 30.42 lakh crores

## Agriculture, Irrigation and Rural Development

- An allocation of around Rs. 2.83 lakh crores for the sector (comprising of Agriculture and allied activities, Irrigation and Rural Development)
  - For Agriculture, Irrigation & allied activities- Rs. 1.60 lakh crores
  - For Rural development & Panchayati Raj- Rs. 1.23 lakh crores
- Agriculture credit target for the year 2020-21 at Rs. 15 lakh crores
- Government is committed to the goal of doubling farmers' incomes by 2022
- To raise fish production to 200 lakh tonnes by 2022-23
- PM KUSUM to cover 20 lakh farmers for stand alone solar pumps and further 15 lakh for grid connected pumps
- Approval of Rs. 3.60 lakh crores for Jal Jeevan Mission; an allocation of Rs. 11,500 crores during the year 2020-21

### **Health and Sanitation**

- An allocation of ₹69,000 crores for the health sector (inclusive of Rs. 6400 crores for Prime Minister Jan Arogya Yojana (PMJAY)
- Allocation for Swachh Bharat Mission is Rs. 12,300 crores in 2020-21.
- Proposes to attach a medical college to an existing district hospital in Public-private partnership (PPP) mode
- Proposes to expand Jan Aushadhi Kendra Scheme to all districts offering 2000 medicines and 300 surgicals by 2024

### **Infrastructure**

- Proposes to set up a project preparation facility for infrastructure projects.
- A National Logistics Policy to be unveiled
- Roads: To undertake the accelerated development of highways. 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
- Railways: Four station redevelopment projects, 150 passenger trains through public private partnership (PPP) mode, more Tejas type trains for tourist destinations.
- Port: Corporatizing at least one major port
- Air: 100 more airports to be developed under Udaan scheme
- To provide about Rs. 1.70 lakh crores for transport Infrastructure in 2020-21
- To allocate about Rs. 22,000 crores to power and renewable energy sector in 2020-21
- To expand the national gas grid from the present 16200 km to 27000 km
- To deepen gas markets, further reforms will be undertaken to facilitate transparent price discovery and ease of transactions

### **Infrastructure Financing**

- Rs. 103 lakh crore National infrastructure Pipeline projects announced on 31 December 2019. It consists of more than 6500 projects across sectors and are classified as per their size and stage of development
  - Allocation of Rs 22,000 crores has already been provided to cater to the equity support to Infrastructure Finance Companies such as India Infrastructure Finance Company Limited (IIFCL) and a subsidiary of National Investment and Infrastructure Fund (NIIF)

- GIFT City to set up an International Bullion exchange with the approval of the regulator

#### **Industry, Commerce and Investment**

- To set up an Investment Clearance Cell that will provide “end to end” facilitation and support, including pre-investment advisory, information related to land banks and facilitate clearances at Centre and State level
- To provide about Rs. 27,300 crores for development and promotion of Industry and Commerce for the year 2020-21

#### **New Economy**

- To bring out a policy to enable private sector to build Data Centre parks throughout the country
- Proposes to provide Rs. 6000 crores to Bharatnet programme in 2020-21.
- Proposes an outlay of Rs. 8000 crores over a period five years for the National Mission on Quantum Technologies and Applications

#### **Women & Child, Social Welfare**

- To provide Rs. 35,600 crores for nutrition-related programmes
- Rs. 28,600 crores allocation for women-specific programs
- A budget provision of about Rs. 85,000 crores for schemes related to SCs & OBCs
- To provide for Rs. 53,700 crores for schemes related to Scheduled tribes
- An enhanced allocation of about Rs. 9,500 crores is being provided for senior citizens and Divyang for 2020-21.

#### **Education and Skills**

- Proposes to provide about Rs. 99,300 crores for education sector in 2020-21 and about Rs. 3,000 crores for skill development

#### **Culture & Tourism**

- To provide Rs. 3,150 crores for Ministry of Culture for 2020-21

### **Governance**

- To introduce major reforms in recruitment to Non-Gazetted posts in governments and public sector banks
- New National Policy on Official Statistics would use latest technology including Artificial Intelligence (AI)

### **Financial Sector**

- Deposit Insurance coverage to be increased from Rs. 1 lakh to Rs. 5 Lakh per depositor
- Proposes amendments to the Banking Regulation Act to strengthen the Cooperative Banks
- The limit for Non-Banking Financial Company (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 crores to asset size of Rs. 100 crores or loan size from existing Rs. 1 crore to Rs. 50 lakh
- Propose to make necessary amendments to the Factor Regulation Act 2011. This will enable NBFCs to extend invoice financing to the Micro Small & Medium Enterprises (MSMEs)
- Proposes to sell the balance holding of Government in IDBI Bank to private, retail and institutional investors through the stock exchange
- To introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs
- Debt restructuring window for MSMEs was to end on March 31, 2020. Government has asked RBI to consider extending this window till March 31, 2021

### **Financial Markets**

- Certain specified categories of Government securities to be opened fully for non-resident investors, apart from being available to domestic investors as well
- The limit for FPI in corporate bonds, currently at 9% of outstanding stock, will be increased to 15% of the outstanding stock of corporate bonds
- To expand the scope of credit default swaps
- Proposes to launch a new Debt exchange-traded fund (ETF) to be launched consisting primarily of government securities
- 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

- To further this support of providing liquidity, a mechanism would be devised
- Government will offer support by guaranteeing securities so floated
- Few PSU banks to be encouraged to raise capital from markets

### **Disinvestment**

- The government has proposed to sell a part of its holding in LIC by way of Initial Public Offer (IPO)

### **Tax proposals**

#### **Personal Income Tax and simplification of taxation**

- Simplified and New Income Tax Regime as an option to the old regime the old regime.

<b>Taxable Income Slab (Rs.)</b>	<b>Existing Tax Rates</b>	<b>New Tax Rates<sup>1</sup></b>
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%

Note: Tax rates excluding surcharge, wherever applicable and Health & Education Cess.

- <sup>1</sup>New tax rates are optional; an individual who is currently availing more deductions & exemption under the Income Tax Act may choose to avail them and continue to pay tax in the old regime
- Around 100 exemptions allowed under I-T Act now; removed around 70 of them in the new simplified regime
- The new personal income tax rates will entail estimated revenue forgone of Rs. 40,000 crores per year by the government

### **Dividend Distribution Tax**

- To remove the Dividend Distribution Tax (DDT) and adopt the classical system of dividend taxation under which the companies would not be required to pay DDT; the dividend to be taxed only in the hands of the recipients at their applicable rate
- The removal of DDT will lead to estimated annual revenue forgone of Rs. 25,000 Crores by the government

### **Concessional tax rate for Electricity generation companies**

- Concessional corporate tax rate of 15% to be extended to new domestic companies engaged in the generation of electricity

### **Tax concession for foreign investments**

- To incentivize the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, proposal to grant 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors before 31<sup>st</sup> March, 2024 and with a minimum lock-in period of 3 years
- To extend the period of concessional withholding rate of 5% under section 194LC for interest payment to non-residents in respect of moneys borrowed and bonds issued up to 30<sup>th</sup> June, 2023
- To extend the period up to 30th June, 2023 for lower rate of withholding of 5% under section 194LD for interest payment to Foreign Portfolio Investors (FPIs) and Qualified Foreign Investors (QFIs) in respect of bonds issued by Indian companies and government securities
- To extend the concessional rate of withholding of 5% under section 194LD to the interest payment made on the Municipal Bonds
- To incentivize listing of bonds at IFSC exchange, proposes to further reduce the withholding rate from 5% to 4% on interest payment on the bonds listed on its exchange

### **Others**

- Tax benefits to Start-ups by way of deduction of 100% of their profits are enhanced by increasing turnover limit and 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
- Proposes to amend the Income Tax Act so as to enable Faceless appeal
- A nominal health cess to be imposed on imports of medical equipment given these are made significantly in India
- Propose to raise Excise duty on Cigarettes and other tobacco products, no change made in the duty rates of bidis
- Anti-dumping duty on purified terephthalic acid (PTA) abolished
- Proposes to reduce basic customs duty on imports of news print and light-weight coated paper from 10% to 5%
- Simplified GST return to be implemented from 1<sup>st</sup> April 2020. Refund process to be fully automated

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