

Union Budget 2021-2022: Highlights

Fiscal Management

- The **Fiscal deficit in RE 2020-21 is pegged at 9.5% of GDP.**
- The government would require another Rs. 80,000 crores for which it would be approaching the markets in remaining 2 months of the current fiscal.
- The **fiscal deficit in BE 2021-2022 is estimated to be 6.8% of GDP.**
- The **gross borrowing from the market for the next year estimated at around Rs. 12 lakh crores.**
- The BE estimates for expenditure in 2021-2022 are pegged at Rs. 34.83 lakh crores as against an original BE expenditure of Rs. 30.42 lakh crores for 2020-2021. This includes **Rs. 5.54 lakh crores as capital expenditure**, an increase of 34.5% over the BE figure of 2020-2021.
- The government plans to continue with path of fiscal consolidation and intends to **reach a fiscal deficit level below 4.5% of GDP by 2025-2026** with a fairly steady decline over the period.
- It aims to achieve the consolidation by first, increasing the buoyancy of tax revenue through improved compliance, and secondly by increased receipts from monetization of assets, including Public Sector Enterprises and land.
- The **Contingency Fund of India is being proposed to be augmented from Rs. 500 crores to Rs. 30,000 crores** through Finance Bill.
- Government is allowing a normal ceiling of net borrowing for the states at 4% of GSDP for the year 2021-2022.
 - Additional borrowing ceiling of 0.5% of GSDP will also be provided subject to conditions.
 - A portion of this ceiling will be earmarked to be spent on incremental capital expenditure.
- **States will be expected to reach a fiscal deficit of 3% of GSDP by 2023-24**, as recommended by the 15th Finance Commission.
- The **FRBM act mandates fiscal deficit of 3% of GDP by 31st March 2021**. Due to the effect of this year's unforeseen and unprecedented circumstances **government to submit a deviation statement.**
 - Towards achieving Central Government fiscal deficit along the indicated broad path; it will introduce an amendment to the FRBM Act.

- Rs. 1,18,452 crores as Revenue Deficit grant to 17 states in 2021-22 as against Rs. 74,340 crores to 14 States in 2020-2021.

Health and Wellbeing

- The **Budget outlay for Health and Wellbeing is pegged at Rs. 2,23,846 crores** in BE 2021-22 as against this year's BE of Rs. 94,452 crores, a 137% increase.
- In addition to the National Health Mission, **PM AtmaNirbhar Swasth Bharat Yojana is proposed to be launched with an outlay of about Rs. 64,180 crores over 6 years.**
- Rs. 35,000 crores for Covid-19 vaccine in BE 2021-22 and provide further funds, if required.
- To launch Jal Jeevan Mission (Urban) which will be implemented over 5 years, with an outlay of Rs. 2,87,000 crores.
- The **Urban Swachh Bharat Mission 2.0 to be implemented with a total financial allocation of Rs. 1,41,678 crores over a period of 5 years** from 2021-2026.
- To propose to provide an amount of Rs. 2,217 crores for 42 urban centers in order to tackle the burgeoning problem of air pollution.
- **Proposed a voluntary vehicle scrapping policy** to phase out old and unfit vehicles.

Physical and Financial Capital and Infrastructure

- AtmaNirbhar Bharat – Production Linked Incentive scheme (PLI) schemes to create manufacturing global champions for an AtmaNirbhar Bharat for 13 sectors.
Allocation pegged at Rs. 1.97 lakh crores, over 5 years starting FY 2021-22.
- A scheme of **Mega Investment Textiles Parks (MITRA) to be launched** in order to enable the textile industry to become globally competitive and attract large investments and boost employment generation.
 - 7 Textile Parks to be established over 3 years.

Infrastructure

- For infrastructure financing the government will introduce a Bill **to set up a Development Financial Institution (DFI) and allocated Rs. 20,000 crores** to capitalize this institution. The aim is to have a lending portfolio of at least Rs. 5 lakh crores for this DFI in three years' time.

- Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectors.
- **Allocated Rs. 5.54 lakh crores as capital expenditure, an increase of 34.5%** than the BE of 2020-21.

Roads and Railways

- To further augment road infrastructure, **government to award another 8,500 kms and complete an additional 11,000 kms of national highway corridors.**
 - 3,500 km of National Highway works in the state of Tamil Nadu at an investment of Rs. 1.03 lakh crores.
 - 1,100 km of National Highway works in the State of Kerala at an investment of Rs. 65,000 crores
 - 675 km of highway works in the state of West Bengal at a cost of Rs. 25,000 crores
 - Allocation of Rs. 34,000 crores covering more than 1300 kms of National Highways will be undertaken Assam in the coming three years
- **An enhanced outlay of Rs. 1,18,101 lakh crores for Ministry of Road Transport and Highways**, of which Rs. 1,08,230 crores is for capital, the highest ever.
- Allocated record sum of Rs. 1,10,055 crores for Railways of which Rs. 1,07,100 crores is for capital expenditure.
- To support augmentation of public bus transport services a new scheme will be launched at a cost of Rs. 18,000 crores
- Central counterpart funding to be provided to Kochi Metro Railway Phase-II, Chennai Metro Railway Phase-II, Bengaluru Metro Railway Project Phase 2A and 2B, Nagpur Metro Rail Project Phase-II and Nagpur and Nashik **Metro at an outlay of around Rs. 88,000 crores**

Power Infrastructure

- **A revamped reforms-based result-linked power distribution sector scheme** to be launched with an outlay of Rs. 3,05,984 crores over 5 years.
 - The scheme will provide assistance to DISCOMS for Infrastructure creation including pre-paid smart metering and feeder separation, upgradation of systems, etc., tied to financial improvements.

Ports, Shipping, Waterways, Natural gas

- 7 projects worth more than Rs. 2,000 crores will be offered by the major ports on Public Private Partnership mode in FY21-22.
- A scheme to promote flagging of merchant ships in India will be launched by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs. An amount of Rs. 1624 crores will be provided over 5 years.
- To add 100 more districts in next 3 years to the City Gas Distribution network.
- To provide additional capital infusion of Rs. 1,000 crores to Solar Energy Corporation of India and Rs. 1,500 crores to Indian Renewable Energy Development Agency.

Banking and Financial Sector

- To **increase the permissible FDI limit from 49% to 74% in Insurance Companies** and allow foreign ownership and control with safeguards.
- An Asset Reconstruction Company Limited and Asset Management Company would be set up to consolidate and take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.
- To consolidate the financial capacity of **Public Sector Banks (PSBs), further recapitalization of Rs. 20,000 crores is proposed in 2021-22.**
- Government to support development of a world class Fin-Tech hub at the GIFT-IFSC.
- Proposes to consolidate the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code.

Disinvestment and Strategic Sale

- **To take up the privatization of two Public Sector Banks (other than the IDBI Bank) and one General Insurance company** in the year 2021-22
- **Government aims to complete a number of divestment transactions** namely BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others in 2021-22.
- **To bring the IPO of LIC** in 2021-22.
- To fast forward the disinvestment policy, NITI Aayog to work out on the next list of Central Public Sector companies that would be taken up for strategic disinvestment.
- **Rs. 1,75,000 crores as receipts estimated from disinvestment** in BE 2021-22.

Agriculture

- **The agricultural credit target enhanced to Rs. 16.5 lakh crores** in FY22.
- **Allocation to the Rural Infrastructure Development Fund enhanced** from Rs. 30,000 crores to Rs. 40,000 crores.
- Micro Irrigation Fund, under NABARD, is proposed to be augmented by another Rs. 5,000 crores, taking to total Rs. 10,000 crores.

Ministry of Micro, Small & Medium Enterprises (MSMEs)

- To provide Rs. 15,700 crores to MSME sector, more than double of this year's BE.

Tax proposals

Direct tax

Income tax relief

- For senior citizens who are 75 years of age and above, who only have pension and interest income, it is proposed to exempt from filing their income tax returns. The paying bank will deduct the necessary tax on their income.
- To notify the rules for removing their hardship of double taxation for Non-Resident Indians (NRIs) in case of return to India.

Relief for Dividend

- To make dividend payment to REIT/ InvIT exempt from TDS.
- Proposed that advance tax liability on dividend income shall arise only after the declaration/payment of dividend.
- For Foreign Portfolio Investors, it is proposed to enable deduction of tax on dividend income at lower treaty rate.

Related to income tax proceedings

- To reduce the time limit for re-opening of assessment to 3 years from the present 6 years. In serious tax evasion cases, only where there is evidence of concealment of income of Rs. 50 lakh or more in a year, the assessment be re-opened up to 10 years after due approval.
- To further reduce litigation for small taxpayers, it is proposed to constitute a Dispute Resolution Committee for them, which will be faceless to ensure efficiency, transparency and accountability.

Attracting foreign investment into infrastructure sector

- To allow funding of infrastructure by issue of Zero Coupon Bonds, it is proposed to make notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds

Affordable Housing/Rental Housing

- Eligibility of an additional deduction of interest, amounting to Rs. 1.5 lakh, for loan taken to purchase an affordable house will be extended by one more year, to 31st March 2022
- Proposed that affordable housing projects can avail a tax holiday for one more year – till 31st March, 2022.

Tax incentives to IFSC

- In addition to the tax incentives provided, it is proposed to include, among others, tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC and to allow tax exemption to the investment division of foreign banks located in IFSC.

Pre-filling of Returns

- The details of capital gains from listed securities, dividend income, and interest from banks, post office, etc. will also be pre-filled in order to further ease filing of returns.

Rationalization of taxation

- Proposed to restrict tax exemption for the interest income earned on the employees' contribution to various provident funds to the annual contribution of Rs. 2.5 lakh.
- Proposed to allow tax exemption for maturity proceed of the Unit Link Insurance Plan (ULIP) having annual premium up to Rs. 2.5 lakh.

Indirect Tax

Custom duty rationalization

- To review more than 400 old exemptions this year.
- Reduced customs duty uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy and stainless steels.
- Exempted duty on steel scrap for a period up to 31st March, 2022.
- Reduced duty on copper scrap from 5% to 2.5%.
- Reduced the basic customs duty rates on caprolactam, nylon chips and nylon fiber & yarn to 5%.
- The basic customs duty on gold and silver reduced.
- Raised duty on solar inverters from 5% to 20% and on solar lanterns from 5% to 15%

- Some parts of mobiles will move from 'nil' rate to a moderate rate of 2.5%.
- Raised customs duty on cotton from nil to 10% and on raw silk and silk yarn from 10% to 15%.
- Proposed an Agriculture Infrastructure and Development Cess (AIDC) on a small number of items
 - AIDC of Rs. 2.5 per litre has been imposed on petrol and Rs. 4 per litre on diesel, however Basic excise duty and Special Additional Excise Duty rates have been reduced

Others

- To give a further boost to digital transactions, allocation of Rs. 1,500 crores for a proposed scheme that will provide financial incentive to promote digital modes of payment.

Note: BE: Budget Estimates, RE: Revised Estimates, GDP- Gross domestic product, FRBM- Fiscal Responsibility and Budget Management Act, CPSE: Central Public Sector Enterprises, IPO- Initial public offering, Non Resident Indian: NRI, GIFT city: Gujarat International Finance Tec city, IFSC: International Financial Services Centre. TDS: Tax deducted at source. GSDP: Gross State Domestic Product, IPO: Initial Public Offering.

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