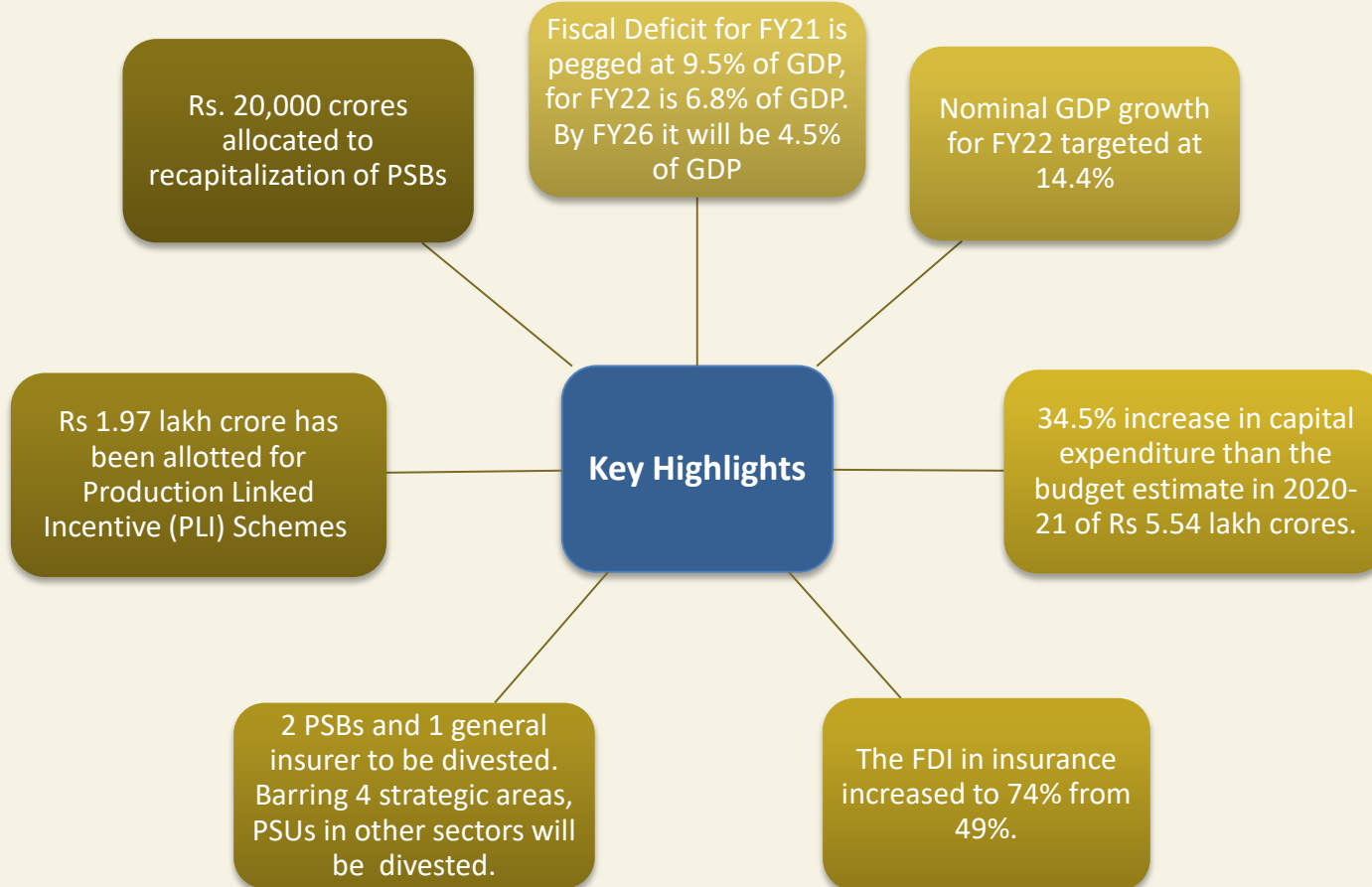


Union Budget - 2021-22 – “A Pro-Growth Budget”

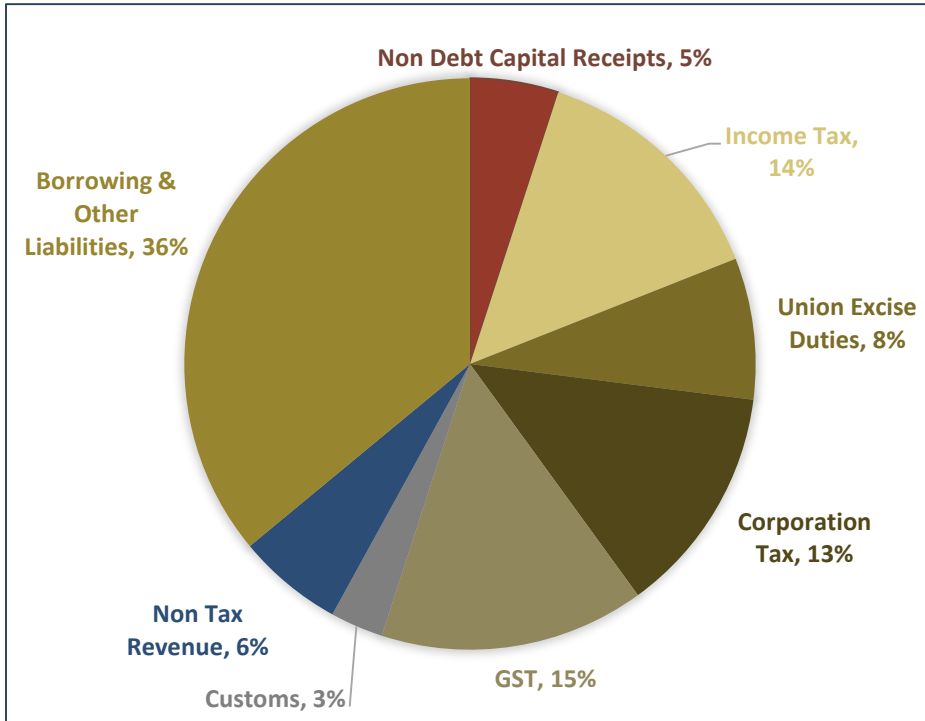


Key Highlights of Budget

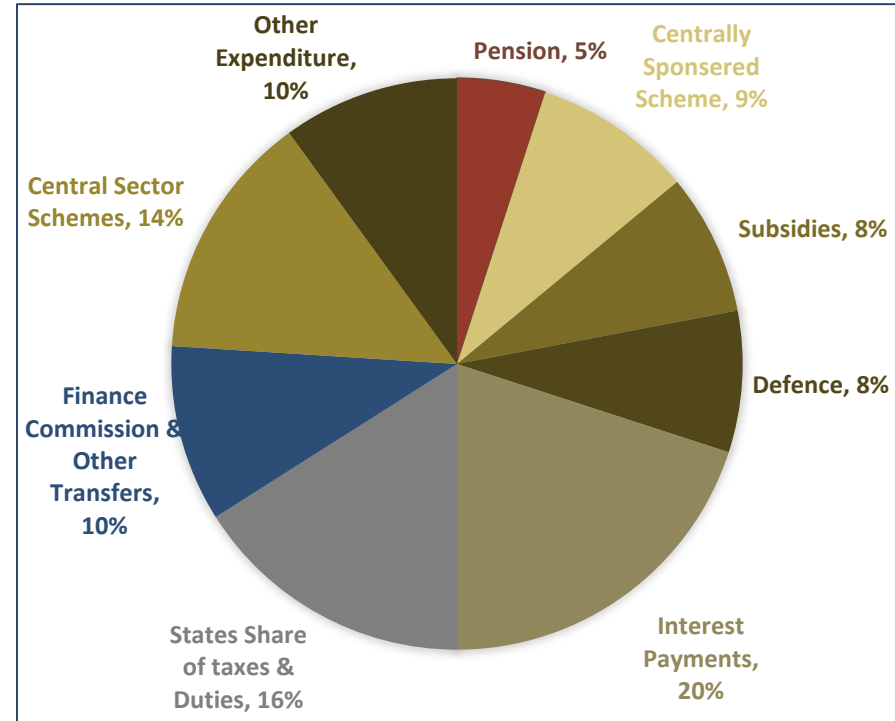


Budget - Receipts and Expenditures

Receipts



Expenditures



Funds Allotted for FY22 to various Ministers



| | |
|---|--|
| Housing and Urban Affairs: Rs. 54,581 Cr | Health and Family Welfare: Rs. 73,932 Cr |
| Railways: Rs. 110,055 Cr | Road Transport and Highways: Rs. 118,101 Cr |
| Rural Development: Rs. 133,690 Cr | Home Affairs: Rs. 166,547 Cr |
| Defence: Rs. 478,196 Cr | Education: Rs. 93,224 Cr |
| Agriculture and Farmers' Welfare: Rs. 131,531 Cr | Consumer Affairs, Food and Public Distribution: Rs. 256,948 Cr |

Physical and Financial Capital and Infrastructure

- Increase in **capital expenditure to Rs. 5.54 lakh crores** which is 34.5% more than the BE of 2020-21.
- Production Linked Incentive schemes (PLI) for 13 sectors with Rs. 1.97 lakh crores.
- **Infrastructure:**
 - **National Infrastructure Pipeline (NIP)** Project pipeline expanded to 7400 projects.
 - A **National Monetization Pipeline** for potential brownfield infrastructure assets.
 - **Rs. 20,000 crores to set up Development Financial Institution (DFI)** for long term debt financing for infrastructure needs.
 - Suitable amendments in the relevant legislations to be made to enable debt financing of InVITs and REITs by Foreign Portfolio Investors.
 - **Ports, Shipping, Waterways:** PPP mode to be utilised for managing operational services of major ports. Subsidy support to promote flagging of merchant ships
 - **Transport:** MetroLite and MetroNeo for tier 2 and peripherals of tier 1 cities. Innovative PPP models to augment public bus transport
- **Power:**
 - 139 GW of installed capacity added in 6 years connecting additional 2.8 cr. households with addition of 1.41 lakh circuit km of transmission lines.
 - Result-linked power distribution sector scheme to be launched with an outlay of ₹3,05,984 crore over 5 years.
 - Hydrogen energy mission will be launched.
- **Textile:** 7 textile parks over 3 years to be created under **Mega Investment Textiles Parks (MITRA)** scheme.
- **PNG:** Ujjwala scheme to cover 1 crore more beneficiaries.

Physical and Financial Capital and Infrastructure

➤ **National Rail Plan:**

- Aims at developing rail infrastructure by 2030 to cater to the projected traffic requirements up to 2050.
- The objective is to increase the modal share of rail in freight from the current level of 27 per cent to 45 per cent.
- 100% electrification of Broad Gauge Routes by 2023.
- Indigenously developed automatic train protection system to be launched.

➤ **Financial Reforms:**

- Rationalised single Securities Markets Code by 2022
- World class fintech hub at GIFT IFSC
- Permanent institutional framework for Corporate bond market
- SEBI as regulator and greater role for WDRA for development of commodity market ecosystem
- Investor charter as a right across all financial products
- Amending the Insurance Act, 1938 to increase the FDI limit with safeguards
- Asset Reconstruction Company Limited and Asset Management Company to resolve stressed assets problem of PSBs.

Health and well-being

- The Budget outlay is Rs. 2,23,846 crores in BE 2021-22.
- **AtmaNirbhar Swasth Bharat Yojana** - Rs. 64,180 crores.
- Mission Poshan 2.0.
- Jal Jeevan Mission - an outlay of Rs. 2,87,000 crores over 5 years.
- Urban Swachh Bharat Mission 2.0 - total allocation of Rs. 1,41,678 crores over a period of 5 years.
- To tackle air pollution - Rs. 2,217 to be provided to 42 urban centres.
- A **voluntary vehicle scrapping policy**, to phase out old and unfit vehicles.
- **Vaccine**: The Pneumococcal Vaccine, a Made in India product, to be rolled out across the country, which presently limited to only 5 states. **Rs. 35,000 crores to allocated for Covid-19 vaccine** in BE 2021-22.

Inclusive Development

- **Agriculture**: Extending coverage of **SWAMITVA** Scheme to all states/UTs. Expansion of Operation Green scheme to include 22 perishable products. 1000 more mandis to be integrated with e-NAM.
- **Fisheries**: Development of modern fishing harbours and fish landing centres. Multipurpose Seaweed Park to be set up in Tamil Nadu.
- **Migrant workers and labourers: One nation one ration card scheme** under implementation in 32 states and UTs. A portal to be launched for gig, building and construction workers. Social security benefits will be extended to gig and platform workers.

Key Themes of Budget



Innovation and R&D

- **National Research Foundation** with outlay of Rs. 50,000 crore over 5 yrs
- **National Language Translation Mission** to boost internet access
- **Deep Ocean Mission** for ocean exploration and biodiversity conservation
- **Digital payments** - earmark Rs. 1,500 crores for a proposed scheme
- **New Space India Limited (NSIL)** - will execute the PSLV-CS51 launch
- **Gaganyaan mission** - first unmanned launch is slated for December 2021

Minimum Government & Maximum Governance

- To **rationalize the functioning of Tribunals** for speedy delivery of justice.
- **National Commission for Allied Healthcare Professionals** to ensure transparent and efficient regulation.
- Set up a **Conciliation Mechanism** to have ease of doing business for those who deal with **Government or CPSEs**, and **carry out contracts**.
- **First digital census** in the history of India – Allocated Rs. 3,768 crores for FY22

Reinvigorating Human Capital

- **Expenditure on Education Increased** from 2.8% of GDP in FY19 and from 3.0% of GDP in FY20 (RE) to **3.5% of GDP in FY21 (BE)**
- Revamped **Post Matric Scholarship Scheme** for welfare of SCs
- 100 new Sainik schools, 750 Eklavya schools in tribal areas
- **Partnership with UAE and Japan** in area of skill development and recognition

Direct Tax:

- **Exemption from filing income tax returns for senior citizens (75 years and above)** who only have pension and interest income.
- **Dividend payment to REIT/InvIT to be exempted from TDS**
- **Additional deduction of Rs. 1.5 lakh** shall be available for loans taken up till 31 March 2022 for purchase of affordable house.
- **Zero Coupon Bonds** issued by notified Infrastructure debt fund **to be eligible for tax benefit.**
- **Tax exemption for maturity proceed of the ULIP** having annual premium up to Rs. 2.5 lakh.
- 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.
- Details of capital gains from listed securities, dividend income, and interest from banks, post offices, etc. will be **pre-filled to ease tax filing.**
- Rules to be notified for **aligning the taxation of income** arising on **foreign retirement benefit account**
- **Increase in limit for tax audit** for persons who carry out 95% of their transactions digitally.
- Eligibility for claiming **tax holiday for start ups** proposed to be extended by one more year
- **Reducing time limit for reopening of income tax assessment.**

Indirect Tax:

- **Rationalisation of custom duty on gold and silver.**
- **Rationalisation of customs duty** structure by eliminating outdated exemptions
- Support to MSMEs hit by recent sharp rise in iron and steel prices and relief to metal recyclers
- **Rationalisation of duties** on raw material inputs to man made textiles
- **Increase in duty on solar invertors and lanterns** to promote domestic production
- Agriculture Infrastructure and Development Cess on small number of items

Sectors & Impact



| Sector | Reform | Impact |
|----------------|---|--|
| PSU | IDBI Bank apart, FM proposes to push privatization of 2 PSB and 1 General Insurer . Disinvestment in all non-strategic and strategic Sectors | Government to stay out of business which it has no business to be in. More jobs and better allocation of public funds |
| Healthcare | Proposes to double its spending on healthcare , finally giving the sector its due in a pandemic. | Creacking public health system to be improved. |
| Auto | A voluntary scrapping policy , aimed to phase out old and unfit vehicles. | A positive move to create employment and demand cleaner cars . |
| Finance | NaBFID to help the process of infrastructure financing | This Development Financial Institution will play a key role as an enabler for infrastructure financing in the country |
| Energy | Scheme to assist Discoms will be launched. | A framework that will help consumers to choose electricity suppliers will unleash competition |
| Infrastructure | Ticked all the infra boxes, allocating money for a raft of sectors such as power, rail, roads, metros, clear water, solar energy etc. | Boost growth in the medium term and can amplify demand and create jobs in rural areas |

Sector & Impact



| Sector | Reform | Impact |
|-------------|--|---|
| Banking | Announced “ Bad Bank ” to address the stressed assets of banks. To set up Asset Reconstruction Company (ARC) model. | A major boost for bad asset resolution in the financial system, will allow banks to focus on new business |
| Startups | One more year tax holiday , LTCG exemption, a push for one-person companies, potentially egging NRIs to become entrepreneurs. Social security for gig workers. | The government has announced some helpful measures. More protection for gig workers can spur more hiring. |
| Real Estate | Additional interest deduction (Sec 80 EEA) of Rs. 1.5 lakh for affordable housing to be extended for loans taken till 31 Mar 2022. | It will help home buyers and boost governments housing for all mission. Will also help real estate sector. |
| Aviation | Tax exemption on aircraft lease rental paid by air carriers to foreign lessors | A relief for the aviation sector that has been ravaged by the pandemic |
| Farm Sector | Outlay for agriculture and rural sector increased to Rs. 16.5 lakh crore | It will boost farm income , which in turn will help demand which the economy badly needs |
| Insurance | FDI in Insurance has been increased from 49% to 74% | Attract enhanced flow of capital to the sector benefiting the economy. |

The Finance minister in the precedence to the budget had promised **“A budget like never before”**. We believe that the government has lived up to the expectations and delivered a **pro-growth budget**. The **equity markets gave a thumbs-up to it as it registered its biggest budget day gain (in absolute terms)**, settling around 5.0% higher. The government **shed its fiscal conservatism**, ramped up capital expenditure, and pushed structural reforms, thereby **concentrating on “Growth”**.

Equity Market Outlook

- Budget **tilted more towards growth even at the cost of higher borrowing**. At the same time, without resorting to higher taxes is positive and should support the economic recovery.
- The measures announced in the budget and should provide thrust to the capex recovery in the economy and give boost to sectors like **defence, auto, healthcare, affordable housing & manufacturing**.

Debt Market Outlook

- The **higher borrowing program** to meet the increased expenditure resulted in **bond markets reacting negatively**.
- Over the coming year, **higher market borrowing, concerns over inflation** and a move towards **normalizing liquidity** conditions by the RBI could **maintain pressure on yields**.
- With liquidity at comfortable level, the **future direction of yields will be determined by RBI actions going ahead**.

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