सत्यमेव जयते

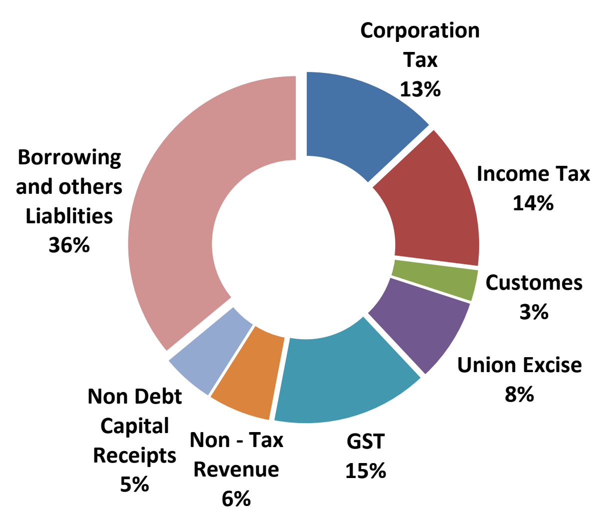
The Goodies

- The Budget maintains a good balance between Infrastructure boost, Healthcare & Inclusive Development
- The Budget has been very practical in assuming growth in Tax Revenues
- Privatisation of 2 PSU banks is a welcome step in the right direction
- Union Budget - 2021 would go down as a Growth Oriented Budget which seized the opportunity to position India well ahead of peers.
- A Pragmatic Budget which delivered on many parameters without resorting to higher taxes.
- The Budget seeks to kickstart growth through higher spends on Infrastructure, Healthcare & Rural India with special focus on MSME and Start Ups as India's demographic profile is now making Tier-2 & Tier-3 cities the new Engine of Growth.
- Increase in FDI limit for Insurance Companies

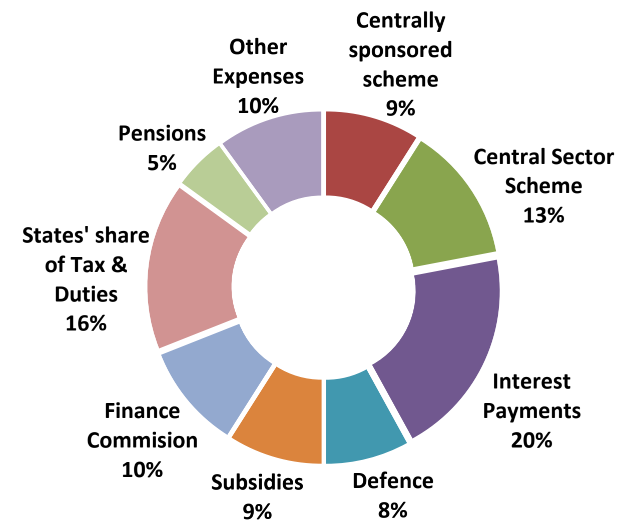
FY21 Fiscal Deficit at 9.5% of GDP:

- FY21 gross expenditure seen at ₹34.5tn with capital expenditure seen at ₹4.39bn. FY21 fiscal deficit pegged at 9.5% of GDP with FY22E fiscal deficit target at 6.8% of GDP.
- FY22 gross expenditure seen at ₹34.83tn with capital expenditure seen at ₹5.54tn.
- To meet the deficit, the market borrowing in FY22 seen at ₹12tn.
- On the way to fiscal consolidation path by FY26, the GOI estimates the Fiscal Deficit will reach below 4.5% by FY26.
- The government will borrow ₹800bn in the remaining two months to meet FY21 expenditure.

Rupee Comes From



Rupee Goes To



Divestment target for FY22 at ₹1.75tn.

- In FY21, the GOI had budgeted to raise ₹2.1tn through divestments but fell short. Some of the big ticket divestments planned last year, including the stake sale in LIC, may conclude this year.
- The GOI has approved a new public sector enterprises policy, which is intended to drive privatisation. Fiscal support in FY22 depends on revenue generation from the success of these programmes.
- The GOI proposes to sell the balance stake in IDBI Bank. The GOI holds 47.11% in IDBI while LIC holds 51% .
- The Finance Minister proposed the privatization of Two public sector banks and One General Insurance Company.

Direct Taxes

- Exemption from filing I-T returns for senior citizens above 75 years of age having only pension and interest income.
- Reduction in time limit of reopening of assessment cases to 3 years from the present 6 years. In serious tax evasion cases too, only where there is evidence of concealment of income of ₹50 lakh or more in a year, can the assessment be re-opened up to 10 years. Even this reopening can be done only after the approval of the Principal Chief Commissioner, the highest level of the Income Tax Department.
- Anyone with a taxable income up to ₹50 lakh and disputed income up to ₹10 lakh shall be eligible to approach the Dispute Resolution Committee for faceless, efficient, transparent and accountable litigation.
- Government to set up National Faceless Income Tax Appellate Tribunal Centre. All communication between the Tribunal and the appellant shall be electronic. Where personal hearing is needed, it shall be done through video-conferencing.
- For NRIs, new rules to be proposed to reduce the hardship faced by them for their accrued income in their foreign retirement accounts.
- Tax audit limit increased from current ₹50 mn to ₹100 mn for those who carry out 95% of their transactions digitally.
- Dividend payments to REIT/ InvIT are now exempt from TDS. Advance tax liability on dividend income shall arise only after the declaration/payment of dividend. Also, for Foreign Portfolio Investors, government proposes to enable deduction of tax on dividend income at lower treaty rate.

- Government proposed to make notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds.
- Extension of interest deduction of ₹1.5 lakh on purchase of affordable housing by one more year to 31st March, 2022.
- Extension of Tax Holiday for Affordable Housing projects for one more year till 31st March 2022.
- Government proposed to allow tax exemption for notified Affordable Rental Housing Projects.
- Government 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 International Financial Services Centre (IFSC); and to allow tax exemption to the investment division of foreign banks located in IFSC.
- To further ease the process of Income Tax filing, the details of capital gains from listed securities, dividend income, and interest from banks, post office, etc. will also be pre-filled.
- Proposed to increase the annual receipt criteria from ₹10 mn to ₹50 mn for the blanket exemption to small charitable trusts, running educational institutions and hospitals.
- To ensure that employees' contributions are deposited on time, late deposit of employee's contribution by the employer will not be allowed as deduction to the employer.
- Proposed to extend the eligibility for claiming tax holiday for start-ups by one more year – till 31st March, 2022. Further, in order to incentivize funding of the start-ups, the government proposed to extend the capital gains exemption for investment in start-ups by one more year - till 31st March, 2022.

Indirect Taxes

- Proposed to review more than 400 old exemptions this year. Government will put in place a revised customs duty structure, free of distortions. GOI also proposed that any new customs duty exemption henceforth will have validity up to the 31st March following two years from the date of its issue.
- Withdrawal of few exemptions on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from 'nil' rate to a moderate 2.5%.
- MSMEs and other user industries have been severely hit by a recent sharp rise in iron and steel prices. Government has decided to uniformly reduce custom duties to 7.5% on semis, flats, and long products of non-alloy, alloy and stainless steel.
- Also, to provide relief to metal re-cyclers, mostly MSMEs, duty on steel scrap is exempted for a period up to 31st March, 2022.

Certain Revocation / Temporary Revocation / Discontinuance of Anti-Dumping Duty and Countervailing Duty has also been mentioned in the budget:

- Straight Length Bars and Rods of alloy-steel originating in or exported from People's Republic of China.
- High Speed Steel of Non-Cobalt Grade, originating in or exported from Brazil, People's Republic of China and Germany.

- Flat rolled product of steel, plated or coated with alloy of Aluminium or Zinc, originating in or exported from People's Republic of China, Vietnam and Korea RP.
- Certain Hot Rolled and Cold Rolled Stainless Steel Flat Products, originating in or exported from People's Republic of China.
- Provisional Countervailing duty is being revoked on imports Flat Products of Stainless Steel, originating in or exported from Indonesia.
- Anti-dumping duty on Cold-Rolled Flat Products of Stainless Steel of width 600 mm to 1250 mm and above 1250 mm of non bonafide usage originating in or exported from People's Republic of China, Korea RP, European Union, South Africa, Taiwan, Thailand and United States of America has been discontinued upon expiry of the anti-dumping duty.

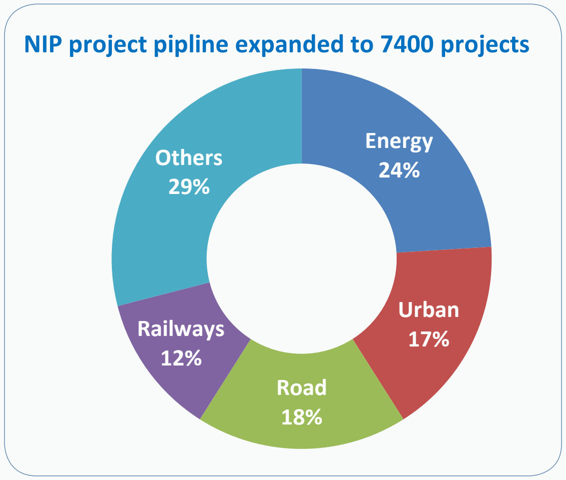
→ Rationalization of duties on Gold and Silver prices will also be taken since prices of precious metals have risen sharply.

→ To encourage domestic production of solar cells and panels, the government is increasing the duty on solar invertors from 5% to 20%, and on solar lanterns from 5% to 15%.

→ An Agriculture Infrastructure and Development Cess (AIDC) of ₹2.5 per litre has been imposed on petrol and ₹4 per liter on diesel. Consequent to imposition of the AIDC on petrol and diesel, the Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) rates have been reduced on them so that overall consumer does not bear any additional burden.

- Unbranded petrol and diesel will attract basic excise duty of ₹1.4, and ₹1.8 per liter respectively. The SAED on unbranded petrol and diesel shall be ₹11 and ₹8 per liter respectively.
- To rationalize duties on raw material inputs to manmade textiles, GOI is now bringing nylon chain on par with polyester and other man-made fibers. Uniform reduction in the BCD rates on caprolactam, nylon chips and nylon fiber & yarn to 5%. This will help the textile industry, MSMEs, and exports.
- Proposal to withdraw exemptions on tunnel boring machine which will now attract a customs duty of 7.5%; and its parts a duty of 2.5%.
- Customs duty on certain auto parts increased to 15% to bring them on par with general rate on auto parts.
- Increase of custom duty on cotton from nil to 10% and raw silk and silk yarn from 10% to 15%.
- Withdrawal of end-use based concession on Denatured Ethyl Alcohol.

Infrastructure, Transportation and Logistics



- An enhanced outlay of ₹1.18 tn for Ministry of Road Transport and Highways, of which ₹108.2 tn is for capital expenditure, the highest ever.
- To further augment road infrastructure, more economic corridors are planned - such as 3500 km for Tamil Nadu at ₹1.03 tn, 1,100 km for Kerala at ₹650 bn, 675 km for WB at ₹250 bn and 1300 km for Assam at ₹340 bn.
- Production Linked Incentive (PLI) schemes have been announced for 13 sectors within the manufacturing industry, for which ₹1.97 tn has been announced for 5 years starting from FY21-22.
- For 2021-22, the FM has proposed a sharp increase in capital expenditure and thus has provided ₹5.54 tn which is 34.5% more than the BE of 2020-21 of ₹4.39 tn.
- A bill has been introduced to set up DFI (Development Financial Institution) and a sum of ₹200 bn has been announced to capitalise this institution.
- An outlay of a record sum of ₹1.10 tn for Railways has been announced, of which ₹1.07 tn is for capital expenditure.

- A new scheme will be launched at a cost of ₹180 bn to support augmentation of public bus transport services. The scheme will facilitate deployment of innovative PPP models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses. This can be a major boost to the auto industry, especially the Commerical Vehicles.
- In order to reduce pollution, a separate Scrappage Policy will be shortly announced to phase out old and unfit vehicles. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles. This will aid demand in the Automobile industry.
- Outlay for Metro Rails in various cities like Kochi, Chennai, Bengaluru, Nashik and Nagpur accounts for ~₹880 bn.
- A revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of ₹3.06 bn over 5 years.
- Operational services will be offered at 7 major ports worth ₹20 bn in FY21-22.
- City Gas Distribution service will add 100 more districts in next 3 years.
- Railways to monetise Dedicated Freight Corridor Assets

Healthcare

- The Budget outlay for Healthcare is ₹2.24 tn in BE 2021-22 as against BE 2020-21 of ₹945 bn, an increase of 137 %.
- A new centrally sponsored scheme for stregthening the healthcare system of the country, PM AtmaNirbhar Swasth Bharat Yojana (PMASBY), will be launched with an outlay of about ₹642 bn over 6 years.
- Support for 17,788 rural and 11,024 urban Health and Wellness Centers will be provided under the PMASBY scheme.
- The Jal Jeevan Mission (Urban), will be launched aiming at universal water supply in all 4,378 Urban Local Bodies with 2.86 crores household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years, with an outlay of ₹2.87 tn.
- The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of ₹1.42 tn over a period of 5 years from 2021-2026.
- A provision of ₹350 bn for Covid-19 Vaccine in BE 2021-22 is announced. If required, further funds will be provided.
- A provision of an amount of ₹22.2 bn for 42 urban centres with a million-plus population has been made in this budget.

Rural India

- Agriculture credit announced target is now enhanced to ₹16.5 tn in FY 22, which includes increased credit flow to animal husbandry, dairy and fisheries.
- FM has assured that MSPs for agricultural produce shall remain at 1.5x the cost of production across all commodities.
- Rural infrastructure Development Fund is now pegged at ₹400 bn, higher from earlier allocation of ₹300 bn.
- Micro irrigation fund, created by NABARD is doubled from ₹50 bn to ₹100 bn.

Public Sector Banks – Growth Capital & Stress Asset Resolution.

- The GOI had earlier approved consolidation of 10 banks into 4. In the last few years, it has infused about ₹3.5tn by way of capital into Public Sector Banks for regulatory and growth purposes.
- Additionally the GOI has proposed to allot ₹200bn for bank's recapitalization.
- The high level of provisioning by PSBs of their stressed assets calls for measures to clean up the bank books. An Asset Reconstruction Company Limited (ARC) and Asset Management Company (AMC) 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 (AIF) and other potential investors for eventual value realization.

Higher FDI on Insurance & FPI limit in corporate bonds

- FDI limit in insurance companies increased to 74% from 49%. GOI allows foreign ownership in insurance with safeguards.
- 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.

Working Capital boost to MSMEs

- Working capital credit remains a major issue for the MSMEs. The Budget proposed to introduce a scheme to provide subordinate debt for entrepreneurs of MSMEs. This subordinate debt to be provided by banks would count as quasi-equity and would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE).
- The corpus of the CGTMSE would accordingly be augmented by the government.
- More than five lakh MSMEs have benefitted from restructuring of debt permitted by RBI 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.

Safeguarding depositors’ money and small borrowers

- The Deposit Insurance and Credit Guarantee Corporation (DICGC) has been permitted to increase Deposit Insurance Coverage for a depositor, which is now ₹1 lakh to ₹5 lakh per depositor.
- The limit for NBFCs to be eligible for debt recovery under the SARFAESI Act 2002 is proposed to be reduced from ₹5bn to asset size of ₹1bn or loan size from existing ₹10mn to ₹5mn.

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