

Synopsis of Union Budget 2021



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BUDGET AT A GLANCE

PARTICULARS	(In Crore)			
	Actuals 2019- 2020	Budget Estimates 2020-2021	Revised Estimates 2020-2021	Budget Estimates 2021-2022
1.Revenue Receipts	1,684,059	2,020,926	1,555,153	1,788,424
2.Tax Revenue (Net to Centre)	1,356,902	1,635,909	1,344,501	1,545,396
3.Non - Tax Revenue	327,157	385,017	210,652	243,028
4.Capital Receipts	1,002,271	1,021,304	1,895,152	1,694,812
5.Recovery of Loans	18,316	14,967	14,497	13,000
6.Other Receipts	50,304	210,000	32,000	175,000
7.Borrowings and Other Liabilities	933,651	796,337	1,848,655	1,506,812
8.Total Receipts (1+4)	2,686,330	3,042,230	3,450,305	3,483,236
9.Total Expenditure (10+13)	2,686,330	3,042,230	3,450,305	3,483,236
10.On Revenue Account of which	2,350,604	2,630,145	3,011,142	2,929,000
11. Interest Payments	612,070	708,203	692,900	809,701
12.Grants in Aid for creation of capital assets	185,641	206,500	230,376	219,112
13.On Capital Account	335,726	412,085	439,163	554,236
14. Revenue Deficit (10-1)	666,545 (3.3)	609,219 (2.7)	1,455,989 (7.5)	1,140,576 (5.1)
15. Effective Revenue Deficit (14-12)	480,904	402,719	1,225,613	921,464
16. Fiscal Deficit 933651	933,651 (4.6)	796,337 (3.5)	1,848,655 (9.5)	1,506,812 (6.8)
17.Primary Deficit (16-11)	321,581 (1.6)	88,134 (0.4)	1,155,755 (5.9)	697,111 (3.1)

Deficit Indicators:

(In Crore)				
Deficit	2019-2020 Actuals	2020-2021 Budget Estimates	2020-2021 Revised Estimates	2021-2022 Budget Estimates
Fiscal Deficit	933,651 (4.6)	796,337 (3.5)	1,848,655 (9.5)	1,506,822 (6.8)
Revenue Deficit	666,545 (3.3)	609,219 (2.7)	1,455,989 (7.5)	1,140,576 (5.1)
Effective Revenue Deficit	480,904 (2.4)	402,719 (1.8)	1,225,613 (6.3)	921,464 (4.1)
Primary Deficit	321,581 (1.6)	88,134 (0.4)	1,155,755 (5.9)	697,111 (3.1)

Finance Minister Smt Nirmala Sitharaman presented the Union Budget 2021-22 in Parliament, which is first budget of this decade and lay a vision for AatmaNirbhar Bharat. **The key budget proposals for 2021-22 have been summarized below, which is based on 6 pillars:**

1. Health and wellbeing

- Substantial increase in investment in Health Infrastructure. Budget outflow of Health and Wellbeing is Rs 2,23,846 crore in BE 2021-22 as against this year's BE of Rs 94,452 crore, an increase of 137 percentage.
- ₹ 64,000 Crore proposed to be allocated to Preventive Healthcare Yojna "PM Aatma Nirbhar Swasth Bharat Yojana"
- Provision of Rs 35,000 crore made for Covid-19 vaccine in BE 2021-22

2. Physical and Financial Capital and Infrastructure

Production Linked Incentive Scheme: Government had announced PLI schemes for 13 sectors to create manufacturing global champions for an AatmaNirbhar Bharat. For this government has committed nearly Rs.1.97 lakh crore in the next 5 years starting FY 2021-22.

Textile: In addition to the PLI scheme, Mega investment textile Parks (MITRA) will be launched. 7 textile parks will be established over 3 years

Infrastructure: The National Infrastructure Pipeline (NIP) was earlier launched with 6835 projects; the project pipeline has now expanded to 7,400 projects.

Infrastructure financing – Development Financial Institution (DFI): It is proposed to create a professionally managed **Development Financial Institution** to act as a provider, enabler and catalyst for infrastructure financing. Government has provided an initial sum of Rs 20,000 crore to capitalize DFI and plan to have a lending portfolio of at least Rs 5 lakh crore for this DFI in three years' time

Asset Monetization: It is proposed to launch A “National Monetization Pipeline” of potential Brownfield infrastructure assets. An Asset Monetization dashboard will also be created for tracking the progress and to provide visibility to investors. Key measures in the direction of monetization are:

- a. National Highways Authority of India (NHAI) and PGCIL each have sponsored one InvIT that will attract international and domestic institutional investors. Five operational roads with an estimated enterprise value of Rs 5,000 crore are being transferred to the NHAI InvIT. Similarly, transmission assets of a value of Rs 7,000 crore will be transferred to the PGCIL InvIT.
- b. Railways will monetize Dedicated Freight Corridor assets for operations and maintenance, after commissioning.
- c. Other Airports will be monetized for operations and management concession.
- d. Other core infrastructure assets that will be rolled out under the Asset Monetization Programme are:
(i) NHAI Operational Toll Roads (ii) Transmission Assets of PGCIL (iii) Oil and Gas Pipelines of GAIL, IOCL and HPCL (iv) AAI Airports in Tier II and III cities, (v) Other Railway Infrastructure Assets (vi) Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others and (vii) Sports Stadiums.

Roads and Highways Infrastructure: Under Bharatmala Pariyojana project, by March 2022, Government plan to award another 8,500 kms (currently 13,000 km already awarded) length of roads and complete an additional 11,000 kms of national highway corridors. FM provided an enhanced outlay of Rs. 1,18,101 lakh crore for Ministry of Road Transport and Highways, of which Rs.1,08,230 crore is for capital, which is highest ever.

Railway Infrastructure: Indian Railways have prepared a National Rail Plan for India – 2030 to create a ‘future ready’ Railway system by 2030. It is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June 2022. FM provided a record sum of Rs. 1,10,055 crores, for Railways of which Rs. 1,07,100 crore is for capital expenditure.

Urban Infrastructure: Govt plan to raise share of public transport in urban areas through expansion of metro rail network and augmentation of city bus service. A new scheme will be launched at a cost of Rs. 18,000 crore to support augmentation of public bus transport services. Two new technologies i.e., ‘MetroLite’ and ‘MetroNeo’ will be deployed to provide metro rail systems at much lesser cost with same experience, convenience and safety in Tier-2 cities and peripheral areas of Tier-1 cities.

Power Infrastructure: Finance Minister has proposed to launch a revamped reforms-based result-linked power distribution sector scheme 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: The budget proposes to offer more than Rs. 2,000 crore by 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.

Petroleum & Natural Gas: Considering crucial nature of this sector, following key initiatives are announced:

- a. Ujjwala Scheme which has benefited 8 crore households will be extended to cover 1 crore more beneficiaries.
- b. Government will add 100 more districts in next 3 years to the City Gas Distribution network.
- c. A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir.
- d. An independent Gas Transport System Operator will be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines on a non-discriminatory open access basis.

Financial Capital: It is proposed 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. The Government would support the development of a world class Fin-Tech hub at the GIFT-IFSC.

Increasing FDI in Insurance Sector: It is proposed to amend the Insurance Act, 1938 to increase the permissible FDI limit from 49% to 74% and allow foreign ownership and control with safeguards. Under the new structure, the majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Disinvestment and Strategic Sale: The Finance Minister said existing divestment plan of BPCL, Air India, IDBI bank etc. would be completed in 2021-22. Beside these, government propose to take up privatization of two Public Sector Banks and one General Insurance company in the year 2021-22. In 2021-22, Government would also bring the IPO of LIC for which the requisite amendments will be made in this Session itself.

To fast forward the disinvestment policy, NITI Aayog will work out on the next list of Central Public Sector companies that would be taken up for strategic disinvestment. Government has estimated Rs. 1,75,000 crore receipts from disinvestment in BE 2020-21.

3. Inclusive Development for Aspirational India

Agriculture: To provide adequate credit to farmers, Government has enhanced the agricultural credit target to Rs. 16.5 lakh crore in FY22. Also, allocation to the Rural Infrastructure Development Fund increased from Rs. 30,000 crore to Rs. 40,000 crore. The Micro Irrigation Fund, with a corpus of Rs.5,000 crore will be doubled. Further, Agriculture Infrastructure Funds would be made available to APMCs for augmenting their infrastructure facilities.

Fisheries: 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – will be developed as hubs of economic activity.

Migrant Workers and Labourers:

- For the first time globally, social security benefits will be extended to gig and platform workers.
- Minimum wages will apply to all categories of workers, and all be covered by the Employees State Insurance Corporation.
- Women will be allowed to work in all categories and also in the night-shifts with adequate protection.
- Compliance burden on employers will be reduced with single registration and licensing, and online returns.

Financial Inclusion: To further facilitate credit flow under the scheme of Stand-Up India for SCs, STs, and women, the Finance Minister proposed to reduce the margin money requirement from 25% to 15%, and to also include loans for activities allied to agriculture. Further Government has provided Rs. 15,700 crore to MSME sector – more than double of this year's BE.

4. Reinvigorating Human Capital

- FM Announced 100 new Sainik Schools in partnership with NGOs/private schools/states.
- Proposal to set up a Higher Education Commission of India, as an umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding.
- For accessible higher education in Ladakh, Government proposed to set up a Central University in Leh.
- Target of establishing 750 Eklavya model residential schools in tribal areas
- An initiative is underway, in partnership with the United Arab Emirates (UAE), to benchmark skill qualifications, assessment, and certification, accompanied by the deployment of certified workforce.

5. Innovation and R&D

Government will undertake a new initiative – National Language Translation Mission (NTLM). This will enable the wealth of governance-and-policy related knowledge on the Internet being made available in major Indian languages.

The New Space India Limited (NSIL), a PSU under the Department of Space will execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil, along with a few smaller Indian satellites.

As part of the Gaganyaan mission activities, four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. The first unmanned launch is slated for December 2021.

6. Minimum Government, Maximum Governance

- It is proposed to take further measures to rationalize functioning of Tribunals.
- Government has introduced the National Commission for Allied Healthcare Professionals Bill in Parliament, with a view to ensure transparent and efficient regulation of the 56 allied healthcare professions.
- Fiscal deficit in RE 2020-21 is pegged at 9.5% of GDP and has been funded through Government borrowings, multilateral borrowings, Small Saving Funds and short-term borrowings.
- Government would need another Rs 80,000 crore for which it would be approaching the markets in these 2 months.
- 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 would be around 12 lakh crore.
- Government plan to continue the path of fiscal consolidation, and intend to reach a fiscal deficit level below 4.5% of GDP by 2025-2026 with a fairly steady decline over the period.
- Government is allowing a normal ceiling of net borrowing for the states at 4% of GSDP for the year 2021-2022.
- On the 15th Finance Commission's recommendation, the Budget provided Rs. 1,18,452 crores as revenue deficit grant to 17 states in 2021-22.

Tax and Corporate Law related proposal:

Corporate Law:

- **Increasing in FDI limits in Insurance Companies:** It is proposed to increase the permissible FDI limit from 49% to 74% in Insurance companies with majority of Resident Directors on Board along with key management persons
- **Incentivisation to One person Company:** In order to promote and assist Start Ups and innovators, it has been proposed to incentivise OPCs by removal of restrictions on paid up capital and turnover and allowing Non-Resident Indians (NRIs) to incorporate OPCs in India. It has been further proposed that OPC shall be allowed to be converted into any other type of company at any time and the residency limit for an Indian citizen to set up an OPC has further been reduced from 182 days to 120 days.
- **Revamp in definition of ‘Small Companies’ under Companies Act, 2013:** In order to ease compliance requirements, Small companies have been re-defined under CA 13 by increasing their paid up capital thresholds to ‘not exceeding Rs. 2 Crores’ and turnover to ‘not exceeding Rs. 20 Crores’ from ‘not exceeding Rs. 20 lakhs’ and ‘not exceeding Rs. 2 Crore’ respectively.
- **Decriminalisation of offence under LLP, 2008:** It is proposed to take up decriminalization of the Limited Liability Partnership (LLP) Act, 2008.
- **Rationalization of Tribunals for faster resolution of cases:** It is proposed to strengthen the NCLT framework with implementation of e-Courts system and alternate methods of debt resolution and introduction of special framework for MSMEs
- **Launch of version MCA21 3.1:** With advancement of technologies and era of artificial intelligence slowly coming in place, it has been further proposed to revamp and introduce additional modules in MCA21 via Version 3.0 for e-scrutiny, e-Adjudication, e-Consultation and Compliance Management.
- **Incentives for Start-ups:** In order to further incentivise start-ups in the country, it has been proposed to extend the eligibility for claiming tax holiday for start-ups by one more year i.e., till 31st March, 2022 and extending the capital gains exemption for investment in start-ups till 31st March, 2022.

Direct Tax Proposals:

- No change in personal and corporate tax rates.
- Senior citizens having age of over 75 years need not to file Income Tax Return, if they are having interest income & pension income only. The paying Bank will deduct the necessary tax on their income.
- It is proposed to notify rules for removing the hardship of non-Resident Indians returning to India on the issue of their accrued incomes in their foreign retirement account.
- The Budget proposes deduction of tax on dividend income at lower treaty rate in case of Foreign Portfolio Investors.
- It is provided that advanced tax liability on dividend income shall arise only after the declaration or payment of dividend, since the amount of dividend income cannot be estimated correctly by the shareholders for paying advance tax.
- TDS need not to be deducted on dividend paid to REIT/INVIT (Business Trust)
- It is proposed to extend the eligibility period for claim of additional deduction u/s 80EEA for interest of Rs. 1.5 lakh paid for loan taken for purchase of an affordable house to 31st March, 2022. Section 80EEA provides for an additional deduction of interest on home loan of an amount of ₹ 150,000 over & above deduction of ₹ 200,000 available under “Income from house property” for housing loan taken for affordable housing projects.
- In order to increase the supply of affordable houses, eligibility period for claiming tax holiday under section 80-IBA for affordable housing projects is extended by one more year to 31st March, 2022
- For promoting supply of affordable rental housing for the migrant workers, a new tax exemption for the notified affordable rental housing projects has been announced.
- In order to incentivize startups, it has been proposed to extend the eligibility for claiming tax holiday under section 80IAC for startups by one more year (i.e., upto 31st March 2022). Further Capital Gains exemption for investment in startups is also extended by one more year till 31st March, 2022.
- In order to ensure timely deposit of employee’s contribution to various welfare funds (like PF, ESI, LWF) by the employers, it is announced that late deposit of employee’s contribution shall never be allowed as deduction to the employer.
- In order to reduce compliance burden, Time limit for reassessment under section 147 to be reduced from 6 years to 3 years from the end of relevant Assessment Year. In serious tax evasion cases, where there is evidence of concealment of income of Rs. 50 lakh or more in a year, the assessment can be reopened upto 10 years but only after the approval of the Principal Chief Commissioner.
- To further reduce litigation of small tax payers, Dispute Resolution Committee would be setup for small taxpayers having taxable income upto 50 lakhs & disputed income upto 10 lakhs, which will prevent new disputes & settle the issues at initial stage only.
- FM also announced setting up of National Faceless Income Tax Appellate Tribunal Centre.
- To incentivize digital transaction and to reduce the compliance burden for the persons who are doing transactions digitally, it is proposed to increase the limit for tax audit for assessee having more than 95% non-cash receipts & payment, from existing Rs. 5 Crore to Rs. 10 Crore.

- In order to allow funding of infrastructure by issue of zero coupon bonds, the Budget proposes to make notified infrastructure debt funds eligible to raise funds by issuing tax efficient zero coupon bonds.
- Income Tax Return prefill option shall include capital gains on listed securities, Dividend, Interest from banks and post office. Details of salary income, tax payment, TDS etc. already come pre-filled in returns.
- Turnover limit for educational & medical trusts claiming exemption under section 10(23C) has been increased from 1 Crore to 5 Crores for non-applicability of various compliances

Customs:

Finance Minister has made following announcements/proposals: -

- To review about 400 old exemptions through extensive consultation after which a revised Customs Duty structure will be introduced by 1st October' 2021. It is also proposed that any new custom duty exemptions henceforth will have validity upto to the 31st March following 2 years of the date of its issue.
- Mobile phones likely to become costlier as FM announced that some mobile parts/components which were earlier exempt will now be subjected to “moderate” customs duty @ 2.5%.
- Custom duty on semis, flat and long products of non-alloy and stainless steel has been uniformly reduced at 7.5% and exemptions provided on steel scrap for a period upto 31st March 2022
- Customs duty on automobile parts increased to 15%.
- Rationalization of customs duty on gold and silver by reducing rates from 12.5% to 7.5%+2.5% cess
- With a purpose of helping textile industry, MSME and Exports, Uniform deduction of the BCD rates on Caprolactam, nylon chips, nylon fiber and yarn to 5%.
- Customs duty on Shrimp feed hiked from pre-existing 5% to 15%.
- It is proposed to withdraw exemption on imports of leather.
- The Finance Minister has proposed to increase customs duty on solar invertors and solar lanterns from 5% to 20% and 5% to 15% respectively.
- To facilitate ease of business in India the government has introduced “Turant Customs” initiative for faceless, paperless, and contactless customs measures.
- Introduction of Agriculture Infrastructure & Development Cess (AIDC) on certain items like coal, petrol, gold and other agriculture products to boost agriculture infrastructure.
- Levy of definitive anti-dumping duty on import of some products like Flat rolled products of steel, plated or coated with alloy of aluminum and zinc and high-speed steel of non-cobalt grade from certain countries.
- Finance Minister has recommended levy of definitive counter-veiling duty on import of some products like hot rolled and cold rolled stainless steel flat products from certain countries.

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