

# UNION BUDGET 2021-22

**“BALANCING ACT”**  
February 01, 2021



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### Preface

Finance Minister Nirmala Sitharaman presented her third and new decades first Union Budget 2021-22 of Narendra Modi 2.0 government in the Lok Sabha. It was the first ever digital Union Budget. The last two years Budget focused on “10 year vision for a New India” and “Ease of Living” but this year on the backdrop of unprecedented COVID-19 crisis budget laid emphasis on **“Aatma Nirbhar Bharat.”** ***Budget proposals revolved around strengthening the Sankalp of Nation First, Doubling Farmer’s Income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for youth, Education for All, Women Empowerment, and Inclusive Development among others.***

Union Budget 2021-22 focussed on the theme with an aim of ‘**Revival & Regeneration of the Indian Economy.**’ Budget has focussed on the development agenda, keeping diverse interest of the nation and its citizens. **The FM has aimed to pave the course for a vibrant India, riding high on inclusive growth and wealth creation with the focus on youth on the one hand and a governance structure underpinned by mutual trust and a recapitalized financial system on the other.** Budget also has a clear eye on the future and signals a willingness to embrace the new economy. Further, in-order to revive the economy which is impacted by the COVID-19 pandemic, **healthcare spending has been doubled along with an allocation of Rs. 35,000 crore for COVID vaccines.**

‘Minimum government, maximum governance’ slogan of the government rests on the twin measures of gradual withdrawal from running businesses as well as the need for increasing participation of the private sector in nation building. The budget acknowledges this as government aims to raise Rs 1.75 lakh crores in FY22 which includes privatisation of two state owned banks & one insurance company. Finance Minister also announced the completion of sales of PSU like BPCL, Air India, BEML, Shipping Corporation of India among others. Legislative amendments required for IPO of LIC would also be brought in 2021-22. **This not only helps to bridge the fiscal deficit, but more importantly, signals the government’s determination to let private sector have a greater play in the economy.** In the medium-term, infrastructure spending will be a crucial driver of economic growth for the Indian economy.

There is a significant capital outlay earmarked for agriculture. The scrappage policy is a much-awaited development which will not only boost demand for the automobile sector but also reduce pollution & fossil fuel consumption while also enabling re-use of steel/aluminium. Proposal to increase the FDI limit for insurers from 49% to 74% is a welcome move as it will provide Indian insurers with new source of funding and access to external know-how that can improve their underwriting performance and unlock new operating efficiencies.

**We believe equity market should look at this budget in a positive way for the medium term and our preferred picks are L&T, M&M, ICICI Bank, Tata Steel, HDFC Life Insurance, BPCL, ITC, Kajaria Ceramics, Supreme Industries and Dixon Technologies.**

India’s fight against COVID-19 continues into 2021 and that this moment in history, when the political, economic and strategic relations in the post-COVID world are changing, is the dawn of a new era – one in which India is well-poised to truly be the land of promise and hope.

Thus, Finance Minister rightly quoted from Rabindranath Tagore’s – “Fireflies – A Collection of Aphorisms”;

***"Faith is the bird that feels the light and sings when the dawn is still dark".***

Team SMIFS

## Union Budget 2021-22 — Highlights

The Budget proposals for 2021-22 rest on 6 pillars:

1. Health and Wellbeing
2. Physical & Financial Capital, and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D
6. Minimum Government and Maximum Governance

### Pillar 1: Health and Wellbeing

There is substantial increase in investment in Health Infrastructure and the Budget outlay for Health and Wellbeing is **Rs. 2,23,846 crore** in BE 2021-22 as against Rs. 94,452 crore in BE 2020-21 – an **increase of 137%**. There has been huge focus on strengthening three areas: **Preventive, Curative, and Wellbeing**.

Following are the steps being taken for improving health and wellbeing:

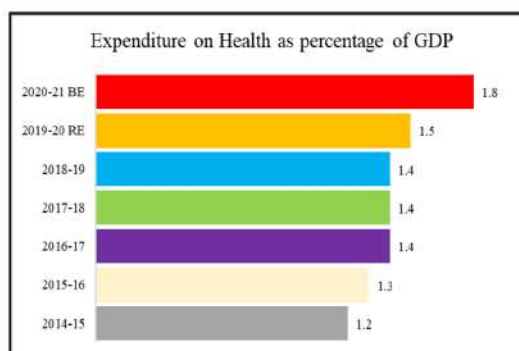
#### ■ Vaccines

- **Rs. 35,000 crore for COVID-19 vaccine** in BE 2021-22
- The **Made-in-India Pneumococcal Vaccine** to be rolled out across the country, from present 5 states – to avert 50,000 child deaths annually.

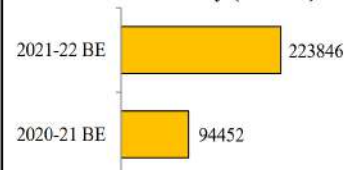
#### ■ Health Systems

- **Rs. 64,180 crore** outlay over 6 years for **PM AatmaNirbhar Swasth Bharat Yojana** – a new centrally sponsored scheme to be launched. Main interventions under the scheme are:
  - ⇒ 17,788 rural and 11,024 urban Health and Wellness Centers
  - ⇒ Integrated public health labs in all districts and 3382 block public health units in 11 states
  - ⇒ Establishing critical care hospital blocks in 602 districts and 12 central institutions
  - ⇒ Strengthening of the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units
  - ⇒ Expansion of the Integrated Health Information Portal to all States/UTs to connect all public health labs
  - ⇒ Operationalisation of 17 new Public Health Units and strengthening of 33 existing Public Health Units at Points of Entry, that is at 32 Airports, 11 Seaports and 7 land crossings
  - ⇒ 15 Health Emergency Operation Centers and 2 mobile hospitals
  - ⇒ Setting up of a national institution for One Health, a Regional Research Platform for WHO South East Asia Region, 9 Bio-Safety Level III laboratories and 4 regional National Institutes for Virology

- Pneumococcal vaccine to be rolled across the country
- ₹35000 crore for Covid-19 Vaccine in 2021-22



Health Outlay (₹ crore)



Introduction of National Commission for Allied Healthcare Professionals Bill

Source: Budget Press Release



## Union Budget 2021-22 — Highlights

### ■ Nutrition

- To strengthen nutritional content, delivery, outreach, and outcome, Government will merge the Supplementary Nutrition Programme and the Poshan Abhiyan and launch the Mission Poshan 2.0. Government will adopt an intensified strategy to improve nutritional outcomes across 112 Aspirational Districts.

### ■ Universal Coverage of Water Supply

- **Rs. 2,87,000 crore** over 5 years for **Jal Jeevan Mission (Urban)** - to be launched with an aim to provide 2.86 crore household tap connections; Universal water supply in all 4,378 Urban Local Bodies and Liquid waste management in 500 AMRUT cities

### ■ Swachh Bharat, Swasth Bharat

- **Rs. 1,41,678 crore** over 5 years for **Urban Swachh Bharat Mission 2.0**

### ■ Clean Air

- **Rs. 2,217 crore** to tackle air pollution, for 42 urban centers with a million-plus population

### ■ Scrapping Policy

- **Voluntary** vehicle scrapping policy to **phase out old and unfit vehicles**
- **Fitness tests** in automated fitness centres — after **20 years** in case of **personal vehicles** & after **15 years** in case of **commercial vehicles**

## Pillar 2: Physical & Financial Capital, and Infrastructure

### ■ Production Linked Incentive scheme (PLI)

- **Rs. 1.97 lakh crore** in next 5 years for PLI schemes in **13 Sectors**
- To create and nurture **manufacturing global champions** for an **AatmaNirbhar Bharat**
- To help manufacturing companies become an integral part of **global supply chains**, possess core competence and **cutting-edge technology**
- To bring **scale and size** in key sectors
- To provide **jobs to the youth**

### ■ Textiles

- **Mega Investment Textiles Parks (MITRA)** scheme, in addition to PLI — **7 Textile Parks** to be established over 3 years

### ■ Infrastructure

- **National Infrastructure Pipeline (NIP)** expanded to 7,400 projects — Around 217 projects worth **Rs. 1.10 lakh crore** completed
- Measures in three thrust areas to increase funding for NIP:
  1. Creation of institutional structures
  2. Big thrust on monetizing assets
  3. Enhancing the share of capital expenditure

## Union Budget 2021-22 — Highlights

### 1. Creation of institutional structures: Infrastructure Financing

- **Rs. 20,000 crore** to set up and capitalise a **Development Financial Institution (DFI)** – to act as a provider, enabler and catalyst for infrastructure financing
- **Rs. 5 lakh crore** lending portfolio to be created under the proposed DFI in 3 years
- **Debt Financing** by Foreign Portfolio Investors to be enabled by amending InvITs' and REITs' legislations

### 2. Big thrust on monetizing assets

- **National Monetization Pipeline** to be launched
- Important **asset monetization** measures:
  - ⇒ 5 operational toll roads worth **Rs. 5,000 crore** being transferred to the **NHAIInvIT**
  - ⇒ Transmission assets worth **Rs. 7,000 crore** to be transferred to the **PGCILInvIT**
  - ⇒ **Dedicated Freight Corridor** assets to be monetized by Railways, for operations and maintenance, after commissioning
  - ⇒ Next lot of **Airports to be monetized** for operations and management concession
  - ⇒ Other core infrastructure assets to be rolled out under the Asset Monetization Programme: **Oil and Gas Pipelines of GAIL, IOCL and HPCL; AAI Airports in Tier II and III cities; Other Railway Infrastructure Assets; Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED; and Sports Stadiums**

### 3. Sharp Increase in Capital Budget

- Rs. 5.54 lakh crore capital expenditure in BE 2021-22 – sharp increase of 34.5% over Rs. 4.12 lakh crore allocated in BE 2020-21

#### ■ Roads and Highways Infrastructure

- **Rs. 1,18,101 lakh crore**, highest ever outlay, for Ministry of Road Transport and Highways – of which Rs. 1,08,230 crore is for capital
- Under the **Rs. 5.35 lakh crore Bharatmala Pariyojana**, more than 13,000 km length of roads worth Rs. 3.3 lakh crore awarded for construction
- By March 2022, Government would be awarding another 8,500 kms and complete an additional 11,000 kms of national highway corridors

#### ■ Railway Infrastructure

- **Rs. 1,10,055 crore** for Railways of which Rs. 1,07,100 crore is for capital expenditure
- **National Rail Plan for India (2030)**: to create a 'future ready' Railway system by 2030
- **100% electrification** of Broad-Gauge routes to be completed by December, 2023
- Broad Gauge Route Kilometers (RKM) electrification to reach 46,000 RKM, i.e. 72% by end of 2021
- Western Dedicated Freight Corridor (DFC) and Eastern DFC to be commissioned by June 2022, to bring down the logistic costs – enabling **Make in India strategy**

## Union Budget 2021-22 — Highlights

### ■ Urban Infrastructure

- Raising the share of public transport in urban areas by **expansion of metro rail network** and augmentation of city bus service
- **Rs. 18,000 crore** for a new scheme, to augment public bus transport
- A total of 702 km of conventional metro is operational and another 1,016 km of metro and RRTS is under construction in 27 cities
- **‘MetroLite’** and **‘MetroNeo’** technologies to provide metro rail systems at much lesser cost with similar experience in Tier-2 cities and peripheral areas of Tier-1 cities.

### ■ Power Infrastructure

- 139 Giga Watts of installed capacity and **1.41 lakh circuit km** of transmission lines added, and additional **2.8 crore households** connected in past 6 years
- Consumers to have alternatives to choose the Distribution Company for enhancing competitiveness
- **Rs. 3,05,984 crore** over 5 years for a revamped, reforms-based and result-linked new **power distribution sector scheme**
- A comprehensive **National Hydrogen Energy Mission 2021-22** to be launched

### ■ Ports, Shipping, Waterways

- **Rs. 2,000 crore** worth 7 projects to be offered in **PPP-mode** in FY21-22 for **operation of major ports**
- Indian shipping companies to get **Rs. 1624 crore** worth subsidy support over 5 years in global tenders of Ministries and CPSEs
- To **double the recycling capacity** of around 4.5 Million Light Displacement Tonne (LDT) by 2024; to generate an **additional 1.5 lakh jobs**

### ■ Petroleum & Natural Gas

- Extension of **Ujjwala Scheme** to cover **1 crore more beneficiaries**
- To add **100 more districts** to the City Gas Distribution network in next 3 years
- A **new gas pipeline project in J&K**
- An independent **Gas Transport System Operator** to 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

- A single **Securities Markets Code** to be evolved
- Support for development of a **world class Fin-Tech hub at the GIFT-IFSC**
- A new permanent institutional framework to help in development of Bond market by purchasing investment grade debt securities both in stressed and normal times
- Setting up a system of **Regulated Gold Exchanges**: SEBI to be notified as a regulator and Warehousing Development and Regulatory Authority to be strengthened
- To develop an **investor charter** as a right of all financial investors
- **Capital infusion** of **Rs. 1,000 crore** to Solar Energy Corporation of India and **Rs.1,500 crore** to Indian Renewable Energy Development Agency

## Union Budget 2021-22 — Highlights

### ■ Increasing FDI in Insurance Sector

- To increase the permissible **FDI limit from 49% to 74%** and allow foreign ownership and control with safeguards
- **Stressed Asset Resolution**
- Asset Reconstruction Company Limited and Asset Management Company to be setup
- **Recapitalization of PSBs**
- **Rs. 20,000 crore** in 2021-22 to further consolidate the financial capacity of PSBs

### ■ Deposit Insurance

- **Amendments to the DICGC Act, 1961**, to help depositors get an easy and time-bound access to their deposits to the extent of the deposit insurance cover
- Minimum loan size eligible for debt recovery under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (**SARFAESI Act, 2002**) proposed to be reduced **from Rs. 50 lakh to Rs. 20 lakh** for NBFCs with minimum asset size of Rs. 100 crore

### ■ Company Matters

- To **decriminalize the Limited Liability Partnership (LLP) Act, 2008**
- **Easing Compliance requirement of Small companies** by revising their definition under Companies Act, 2013 by increasing their thresholds for Paid up capital from “not exceeding Rs. 50 Lakh” to “not exceeding Rs. 2 Crore” and turnover from “not exceeding Rs. 2 Crore” to “not exceeding Rs. 20 Cr”.
- **Promoting start-ups and innovators by incentivizing the incorporation of OnePerson Companies (OPCs)**
- Launch of data analytics, artificial intelligence, machine learning driven **MCA21 Version 3.0 in 2021-22**

### ■ Disinvestment and Strategic Sale

- **Rs. 1,75,000 crore** estimated receipts from disinvestment in BE 2020-21
- **Strategic disinvestment** of BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited etc. to be completed in 2021-22.
- Other than IDBI Bank, two Public Sector Banks and one General Insurance company to be privatized
- **IPO of LIC** in 2021-22
- **New policy for Strategic Disinvestment** approved; CPSEs except in four strategic areas to be privatized
- NITI Aayog to work out on the next list of CPSEs to be taken up for strategic disinvestment
- Incentivizing States for disinvestment of their Public Sector Companies, using central funds
- **Special Purpose Vehicle** in the form of a company to monetize idle land
- Introducing a revised mechanism for ensuring **timely closure of sick or loss making CPSEs**

### ■ Government Financial Reforms

- **Treasury Single Account (TSA)** System for Autonomous Bodies to be extended for universal application
- **Separate Administrative Structure** to streamline the ‘Ease of Doing Business’ for Cooperatives



## Union Budget 2021-22 — Highlights

### Pillar 3: Inclusive Development for Aspirational India

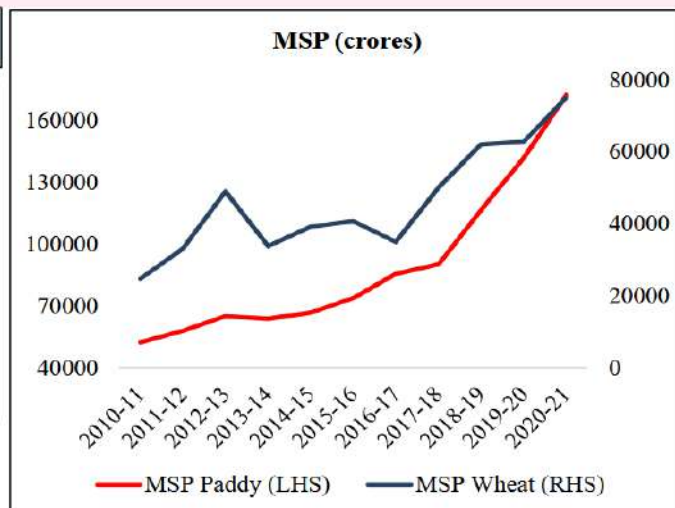
#### ■ Agriculture

- Ensured **MSP at minimum 1.5 times** the cost of production across all commodities.
- SWAMITVA Scheme** to be extended to all States/UTs, 1.80 lakh property-owners in 1,241 villages have already been provided cards
- Agricultural credit** target enhanced to **Rs. 16.5 lakh crore** in FY22 - animal husbandry, dairy, and fisheries to be the focus areas
- Rural Infrastructure Development Fund** to be enhanced to **Rs. 40,000 crore** from Rs. 30,000 crore
- To **double the Micro Irrigation Fund** to **Rs. 10,000 crore**
- '**Operation Green Scheme**' to be extended to **22 perishable products**, to boost value addition in agriculture and allied products
- Around **1.68 crore farmers** registered and **Rs. 1.14 lakh crore** of trade value carried out through **e-NAMs**; **1,000 more mandis** to be integrated with e-NAM to bring transparency and competitiveness.
- APMCs to get access to the **Agriculture Infrastructure Funds** for augmenting infrastructure facilities

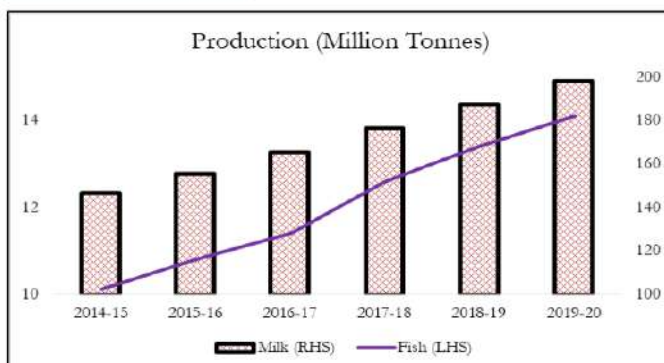


#### AGRICULTURE

- ❑ 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

Source: Budget Press Release

## Union Budget 2021-22 — Highlights

### Fisheries

- Investments to develop modern fishing harbours and fish landing centres – both marine and inland
- 5 major fishing harbours** – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat to be developed as hubs of economic activity
- Multipurpose Seaweed Park** in Tamil Nadu to promote seaweed cultivation

### Migrant Workers and Labourers

- One Nation One Ration Card** scheme for beneficiaries to claim rations anywhere in the country - **migrant workers** to benefit the most
- Portal to collect information** on unorganized labour force, migrant workers especially, to help formulate schemes for them
- Implementation of **4 labour codes** underway

### Financial Inclusion

- Under **Stand Up India Scheme** for SCs, STs and women, margin money requirement reduced to 15%
- Rs. 15,700 crore** budget allocation to MSME Sector, more than double of this year's BE

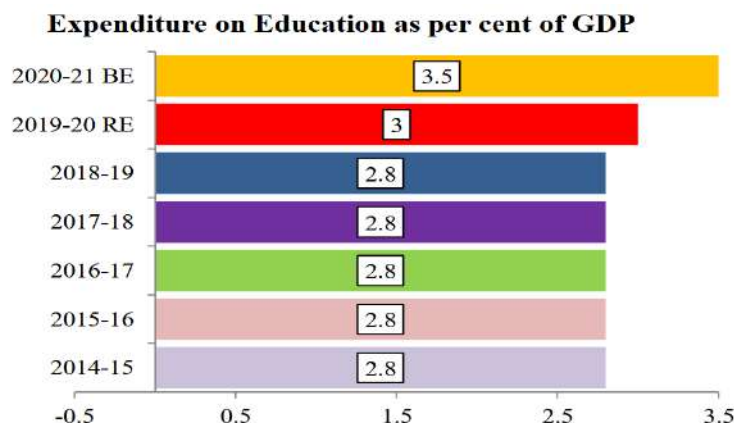
## Pillar 4: Reinvigorating Human Capital

### School Education

- 15,000 schools** to be strengthened by implementing all NEP components. Shall act as exemplar schools in their regions for mentoring others
- 100 new Sainik Schools** to be set up in partnership with NGOs/private schools/states

### Higher Education

- Legislation to be introduced to setup **Higher Education Commission of India** as an umbrella body with 4 separate vehicles for standard-setting, accreditation, regulation, and funding
- Creation of formal umbrella structure to cover all Govt. colleges, universities, research institutions in a city for greater synergy
- Central University** to come up in **Leh** for accessibility of higher education in Ladakh



Source: Budget Press Release

## Union Budget 2021-22 — Highlights

### ■ Scheduled Castes and Scheduled Tribes Welfare

- **750 Eklavya model residential schools** in tribal areas
- Revamped **Post Matric Scholarship Scheme** for welfare of SCs

### ■ Skilling

- Proposed amendment to **Apprenticeship Act** to enhance opportunities for youth
- **Rs. 3,000 crore** for realignment of existing **National Apprenticeship TrainingS cheme (NATS)** towards post-education apprenticeship, training of graduates and diploma holders in Engineering
- Initiatives for partnership with other countries in skilling to be taken forward, similar to partnership with UAE and Japan

### Pillar 5: Innovation and R&D

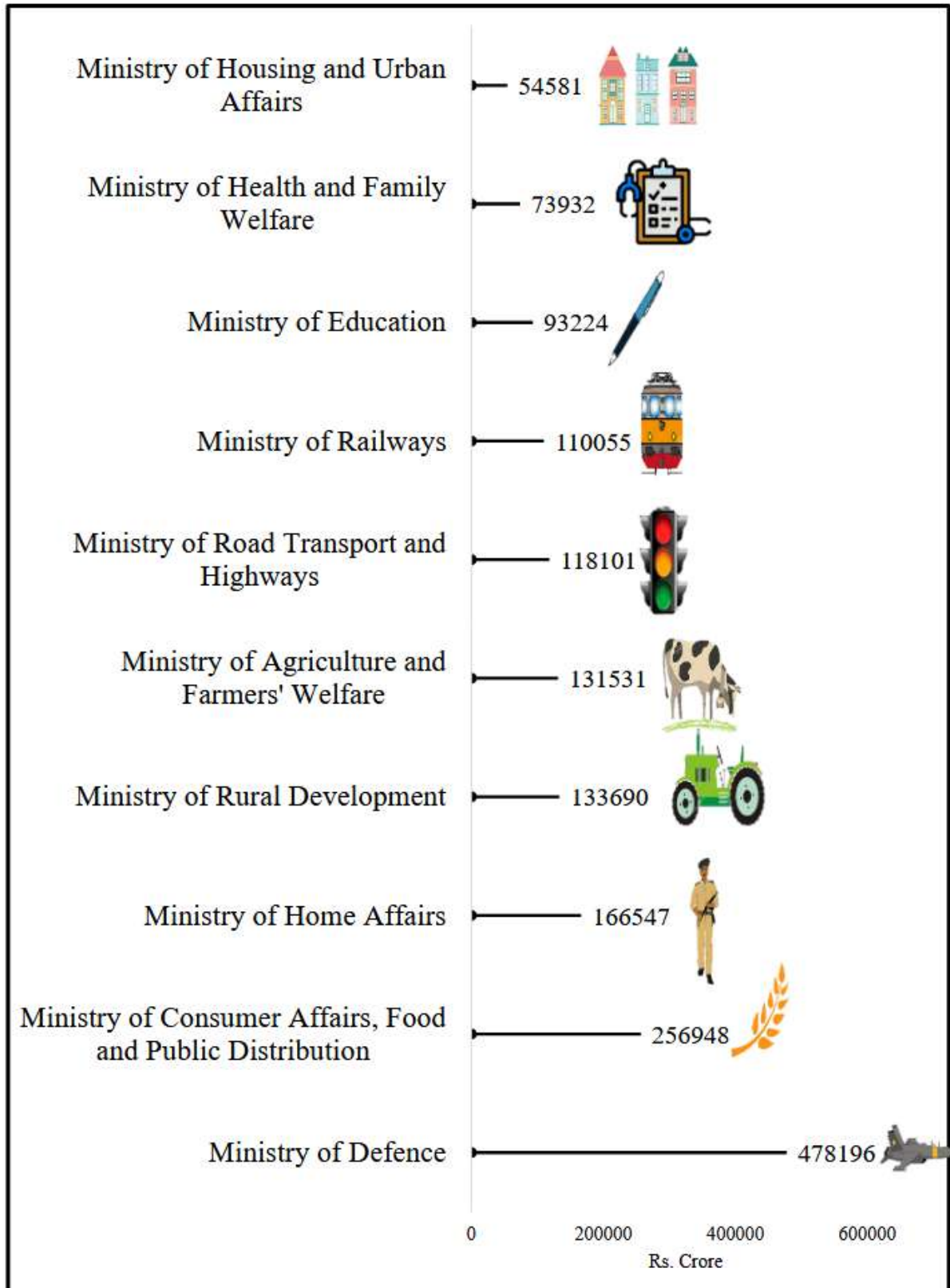
- Modalities of **National Research Foundation** announced in July 2019 – **Rs. 50,000 crore** outlay over 5 years and to strengthen overall research ecosystem with focus on national-priority thrust areas
- **Rs. 1,500 crore** for proposed scheme to promote digital modes of payment
- **National Language Translation Mission (NTLM)** to make governance-and-policy related knowledge available in major Indian languages
- PSLV-CS51 to be launched by **New Space India Limited (NSIL)** carrying Brazil's Amazonia Satellite and some Indian satellites
- As part of the **Gaganyaan** mission activities: **4 Indian astronauts** being trained on Generic Space Flight aspects, in Russia and **first unmanned launch** is slated for **December 2021**
- **Rs. 4,000 crore** over five years for **Deep Ocean Mission** survey exploration and conservation of deep sea biodiversity

### Pillar 6: Minimum Government, Maximum Governance

- Measures being undertaken to bring reforms in Tribunals to ensure speedy justice
- **National Commission for Allied Healthcare Professionals** already introduced to ensure transparent and efficient regulation of the 56 allied healthcare professions
- The **National Nursing and Midwifery Commission Bill** introduced for the same in nursing profession
- Proposed **Conciliation Mechanism** with mandate for quick resolution of contractual disputes with CPSEs
- **Rs. 3,768 crore** allocated for first digital census in the history of India
- **Rs. 300 crore** grant to the Government of Goa for the diamond jubilee celebrations of the state's liberation from Portuguese
- **Rs. 1,000 crore** for the welfare of Tea workers especially women and their children in Assam and West Bengal through a special scheme

## Union Budget 2021-22 — Highlights

### Major Allocations



Source: Budget Press Release

**Budget at a Glance**

Sl. No.	Particulars	FY2019-20	FY2020-21	FY2020-21	FY2021-22
		Actual	Budget Estimates	Revised Estimates	Budget Estimates
<b>1.</b>	<b>Revenue Receipts</b>	<b>1684059</b>	<b>2020926</b>	<b>1555153</b>	<b>1788424</b>
	2. Tax Revenue (Net to Centre)	1356902	1635909	1344501	1545396
	3. Non-Tax Revenue	327157	385017	210652	243028
<b>4.</b>	<b>Capital Receipts</b>	<b>1002271</b>	<b>1021304</b>	<b>1895152</b>	<b>1694812</b>
	5. Recoveries of Loans	18316	14967	14497	13000
	6. Other Receipts	50304	210000	32000	175000
	7. Borrowing and Other Liabilities *	933651	796337	1848655	1506812
<b>8.</b>	<b>Total Receipts (1+4)</b>	<b>2686330</b>	<b>3042230</b>	<b>3450305</b>	<b>3483236</b>
<b>9.</b>	<b>Total Expenditure (10+13)</b>	<b>2686330</b>	<b>3042230</b>	<b>3450305</b>	<b>3483236</b>
	10. On Revenue Account of which	2350604	2630145	3011142	2929000
	11. Interest Payment	612070	708203	692900	809701
	12. Grants in Aid for Creation of Capital Assets	185641	206500	230376	219112
	13. On Capital Account	335726	412085	439163	554236
<b>14.</b>	<b>Revenue Deficit (10-1)</b>	<b>666545</b>	<b>609219</b>	<b>1455989</b>	<b>1140576</b>
		<b>(3.3)</b>	<b>(2.7)</b>	<b>(7.5)</b>	<b>(5.1)</b>
<b>15.</b>	<b>Effective Revenue Deficit (14-12)</b>	<b>480904</b>	<b>402719</b>	<b>1225613</b>	<b>921464</b>
		<b>(2.4)</b>	<b>(1.8)</b>	<b>(6.3)</b>	<b>(4.1)</b>
<b>16.</b>	<b>Fiscal Deficit {9-(1+5+6)}</b>	<b>933651</b>	<b>796337</b>	<b>1848655</b>	<b>1506812</b>
		<b>(4.6)</b>	<b>(3.5)</b>	<b>(9.5)</b>	<b>(6.8)</b>
<b>17.</b>	<b>Primary Deficit (16-11)</b>	<b>321581</b>	<b>88134</b>	<b>1155755</b>	<b>697111</b>

In INR Crores

\*Includes drawdown of Cash Balance

**Notes:**

(i) GDP for BE FY2021-22 has been projected at INR 22287379 crore assuming 14.4% growth over the estimated GDP of INR 19481975 crore for FY2020-21 (RE).

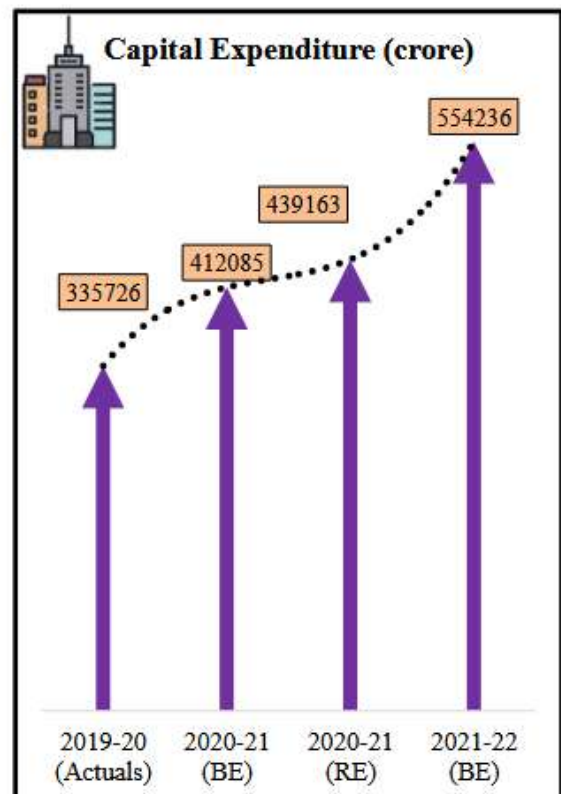
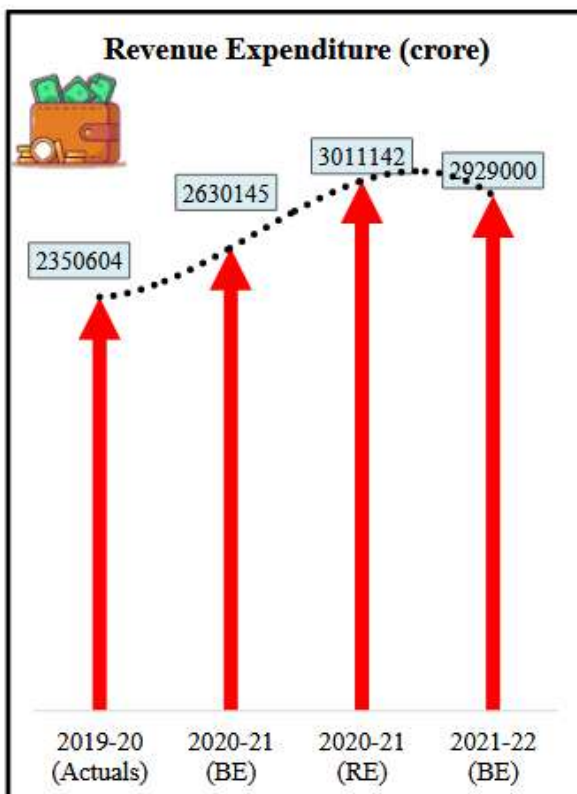
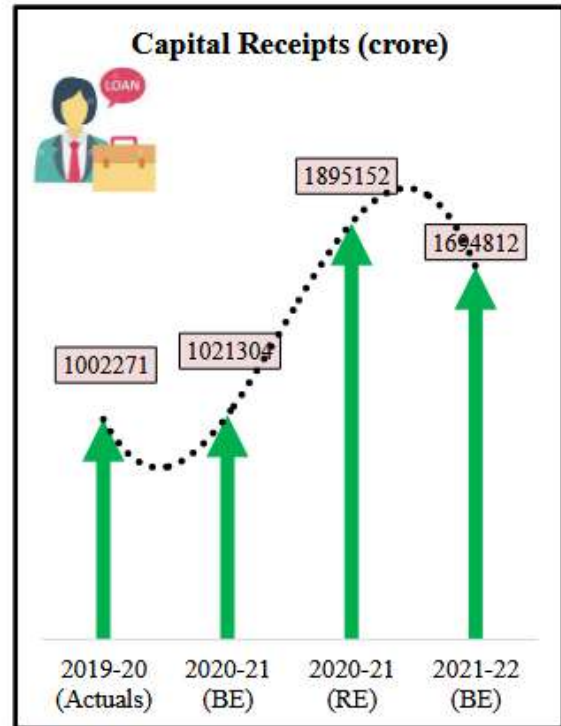
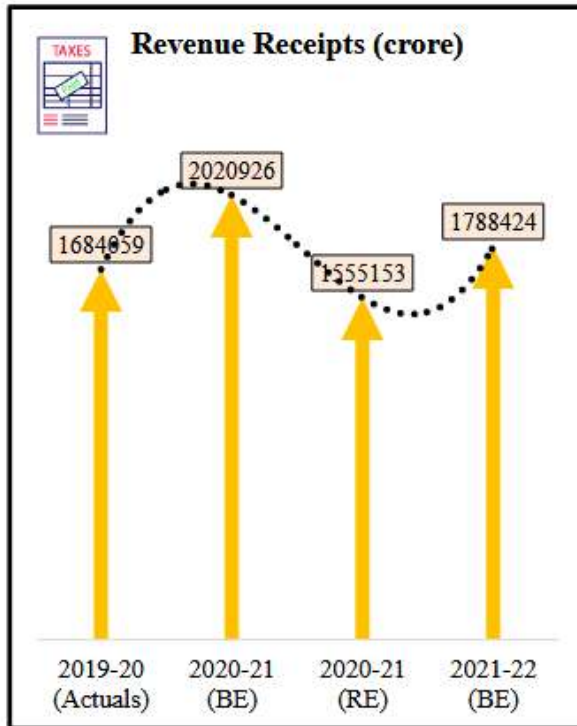
(ii) Individual items in this document may not sum up to the totals due to rounding off

(iii) Figures in parenthesis are as a percentage of GDP



## Budget at a Glance

### Budget at a Glance



Source: Budget Press Release

## Tax proposals

Vision of a transparent, efficient tax system to promote investments and employment in the country with **minimum burden on tax payers**

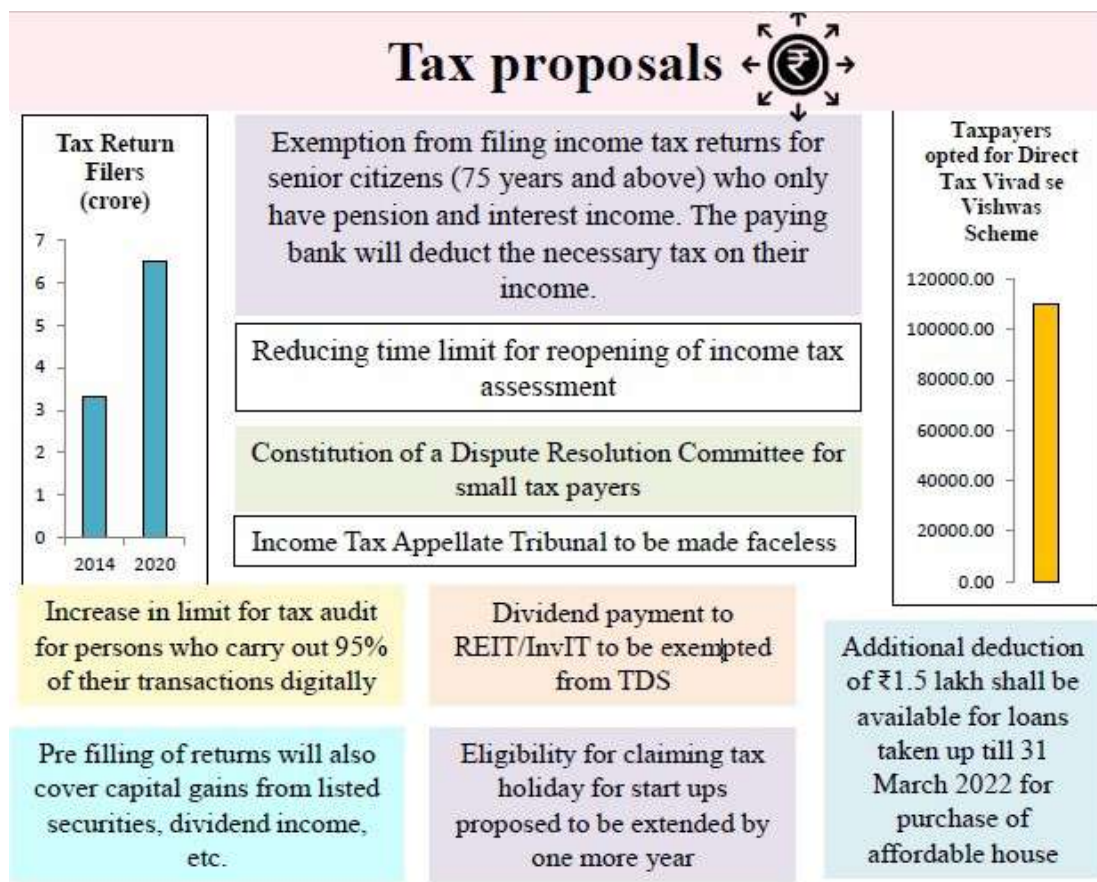
### Direct Taxes

#### ■ Relief to Senior Citizens

- Exemption from filing tax returns for senior citizens over 75 years of age and having only pension and interest income; tax to be deducted by paying bank.

#### ■ Reducing Disputes, Simplifying Settlement

- Time limit for re-opening cases reduced to 3 years from 6 years.
- Serious tax evasion cases, with evidence of concealment of income of Rs. 50 lakh or more in a year, to be re-opened only up to 10 years, with approval of the Principal Chief Commissioner.
- Dispute Resolution Committee to be set up for taxpayers with taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh.
- National Faceless Income Tax Appellate Tribunal Centre to be established
- Over 1 lakh taxpayers opted to settle tax disputes of over Rs. 85,000 crore through Vivad Se Vishwas Scheme until 30 January 2021.



Source: Budget Press Release

## Tax proposals

### ■ **Relaxation to NRIs**

- Rules to be notified for removing hardships faced by NRIs regarding their foreign retirement accounts

### ■ **Incentivising Digital Economy**

- Limit of turnover for tax audit increased to Rs. 10 crore from Rs. 5 crore for entities carrying out 95% transactions digitally

### ■ **Relief for Dividend**

- Dividend payment to REIT/ InvIT exempt from TDS
- Advance tax liability on dividend income only after declaration/ payment of dividend
- Deduction of tax on dividend income at lower treaty rate for Foreign Portfolio Investors

### ■ **Attracting Foreign Investment for Infrastructure**

- Infrastructure Debt Funds made eligible to raise funds by issuing Zero Coupon Bonds
- Relaxation of some conditions relating to prohibition on private funding, restriction on commercial activities and direct investment

### ■ **Supporting 'Housing for All'**

- Additional deduction of interest, up to Rs. 1.5 lakh, for loan taken to buy an affordable house extended for loans taken till March 2022
- Tax holiday for Affordable Housing projects extended till March 2022
- Tax exemption allowed for notified Affordable Rental Housing Projects

### ■ **Tax incentives to IFSC in GIFT City**

- Tax holiday for capital gains from incomes of aircraft leasing companies
- Tax exemptions for aircraft lease rentals paid to foreign lessors
- Tax incentive for relocating foreign funds in the IFSC.
- Tax exemption to investment division of foreign banks located in IFSC.

### ■ **Ease of Filing Taxes**

- Details of capital gains from listed securities, dividend income, interest from banks, etc. to be pre-filled in returns

### ■ **Relief to Small Trusts**

- Exemption limit of annual receipt revised from ₹1 crore to ₹5 crore for small charitable trusts running schools and hospitals

### ■ **Labour Welfare**

- Late deposit of employee's contribution by the employer not to be allowed as deduction to the employer.
- Eligibility for tax holiday claim for start-ups extended by one more year
- Capital gains exemption for investment in start-ups extended till 31 March, 2022

## Tax proposals

### Indirect Taxes

#### Custom Duty Rationalization

- Twin objectives: Promoting domestic manufacturing and helping India get onto global value chain and export better.
- 80 outdated exemptions already eliminated.
- Revised, distortion-free customs duty structure to be put in place from 1 October 2021 by reviewing more than 400 old exemptions.
- New customs duty exemptions to have validity up to the 31 March following two years from its issue date.

#### Electronic and Mobile Phone Industry

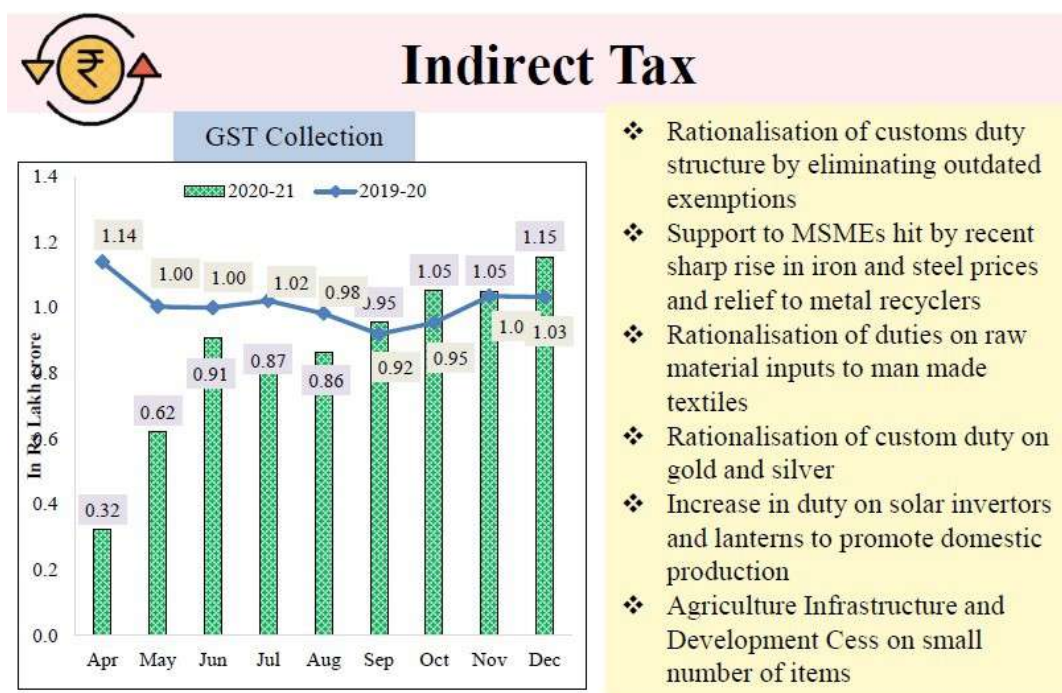
- Some exemptions on parts of chargers and sub-parts of mobiles withdrawn.
- Duty on some parts of mobiles revised to 2.5% from 'nil' rate.

#### Iron and Steel

- Customs duty reduced uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels.
- Duty on steel scrap exempted up to 31 March, 2022.
- Anti-Dumping Duty (ADD) and Counter-Veiling Duty (CVD) revoked on certain steel products.
- Duty on copper scrap reduced from 5% to 2.5%.

#### Textiles

- Basic Customs Duty (BCD) on caprolactam, nylon chips and nylon fiber & yarn reduced to 5%.



Source: Budget Press Release

### Tax proposals

#### ■ **Chemicals**

- Calibrated customs duty rates on chemicals to encourage domestic value addition and to remove inversions.
- Duty on Naptha reduced to 2.5%.

#### ■ **Gold and Silver**

- Custom duty on gold and silver to be rationalized.

#### ■ **Renewable Energy**

- Phased manufacturing plan for solar cells and solar panels to be notified
- Duty on solar invertors raised from 5% to 20%, and on solar lanterns from 5% to 15% to encourage domestic production.

#### ■ **Capital Equipment**

- Tunnel boring machine to now attract a customs duty of 7.5%; and its parts a duty of 2.5%.
- Duty on certain auto parts increased to general rate of 15%.

#### ■ **MSME Products**

- Duty on steel screws and plastic builder wares increased to 15%.
- Prawn feed to attract customs duty of 15% from earlier rate of 5%.
- Exemption on import of duty-free items rationalized to incentivize exporters of garments, leather, and handicraft items.
- Exemption on imports of certain kind of leathers withdrawn.
- Customs duty on finished synthetic gem stones raised to encourage domestic processing.

#### ■ **Agriculture Products**

- Customs duty on cotton increased from nil to 10% and on raw silk and silk yarn from 10% to 15%.
- Withdrawal of end-use based concession on denatured ethyl alcohol.
- Agriculture Infrastructure and Development Cess (AIDC) on a small number of items.

#### ■ **Rationalization of Procedures and Easing of Compliance**

- Turant Customs initiative, a Faceless, Paperless, and Contactless Customs measures.
- New procedure for administration of Rules of Origin.



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