



Union Budget 2021 Highlights

**First Digital Budget
in India**

On 1st February 2021, Nirmala Sitharaman, Finance Minister of India presented first Digital budget of India, (Budget – 2021). In this Budget, Major importance is given to Healthcare and Infra Sectors. Few upcoming Disinvestments is also one of the substantial announcement made in this Budget, which includes disinvestment of 2 public sector Banks and IPO of LIC (Life Insurance Corporation)

Let's discuss in brief about key '**Highlights of Union Budget 2021**'

No Change in Income tax Slab but few reliefs for seniors, small taxpayers

Direct taxes are same as before as no changes has been made in Income tax slab etc. However, the government has offered few relief which are discussed as under:

- Relief to **Senior Citizens of 75 years & above**, who have only rent income and pension, by **exempting them from filing their Income Tax Returns.**
- Setting-up of a faceless dispute resolution mechanism for small taxpayers. Anyone with **taxable income of up to Rs 50 lakh**, disputed **income of up to Rs 10 lakh** eligible to approach dispute resolution committee.
- Simplification of Income Tax Returns, which may include **pre-filled tax forms with respect to details like salary income, tax payment and TDS.**
- Government took steps in **direct tax incentives to ease compliance for taxpayers.** The FM proposed making it so that **advance tax liability on dividend income** shall arise **only after payment of dividend.**

Faceless Resolution

The Budget proposes setting up **faceless dispute resolution** committee for individual taxpayers, **making Income Tax Appellate Tribunal faceless**, and constituting the dispute resolution committee for small taxpayers.

Healthcare

Finance Minister, Nirmala Sitharaman announced that the PM Atmanirbhar Swasth Bharat Yojana will be launched with an outlay of 64,180 crore over 6 years. It will boost National Center for Disease Control.

The allocation to healthcare in this budget has been increased substantially. The total outlay for health and wellbeing is **Rs 2,23,246 Crore**, which is 137% rise from previous budget.

Government also announced that amount of **Rs 35,000 Crore** has been budgeted for **COVID-19 vaccination expenditure**.

Fiscal Deficit

Finance Minister pegged **Financial Year 21 fiscal deficit at 9.5% of GDP**, with **Financial Year 22 fiscal deficit target at 6.8% of GDP**.

There is a hope to get to back to fiscal consolidation path by **Financial Year 26**.

Fiscal deficit will reach **below 4.5% by Financial Year 26**.

Financial Year 22 gross expenditure seen at **Rs 34.83 lakh crore**

Divestment Target

According to the Finance Minister, **fiscal deficit would be 6.8% for Financial Year 2022**, while she had **pegged deficit at 3.5% for Financial Year 2021** in the last Budget.

According to Budget documents, Government aims to get **Rs 1.75 lakh crore** through **divestments in 2021-22**

In FY21, it planned to raise Rs 2.1 lakh crore through divestments, falling short.

LIC IPO

The Government has announced plans to **privatize 2 PSU banks and one general insurance company in FY-22.**

In FY 22, long awaited LIC IPO will also come

Government plans to complete the divestments of BPCL, CONCOR and SCI in 2021-22.

Big Borrowing

It is announced in budget that government will borrow **Rs 80,000 Crore** in the **remaining two months to meet FY21 expenditure.**

It is projected to borrow about **Rs 12 lakh crore in FY22.**

Capital Expenditure

Capital expenditure budget to increase to **Rs 5.54 lakh Crore** in FY'22 from **Rs 4.39 lakh Crore** in RE for FY'21.

Rs 44,000 Crore under capital expenditure will be given to Department of Economic Affairs in FY22.

Road infrastructure

Finance Minister announced **3,500 km** corridor in **Tamil Nadu**, **1,100 km** in Kerala at investment of **Rs 65,000 Crore**, **675 km** in **West Bengal** at a cost of **Rs 95,000 Crore**, **1,300 km** in **Assam** in the next three years .

Government announced that "To award **8,500-km of highways** by **March 2022** and **11,000-km of national highway** corridor to be completed in **2021**."

Banking and Companies

Government announced, "**For start ups**, we are allowing 1% companies to grow without any restriction on their paid up capital.

The finance minister proposed to revise definition under Companies Act, 2013 for small companies by increasing their threshold for capitalization.

The Government plans to allot **Rs 20,000 Crore** for bank recapitalization of **PSBs**.

The Government is set to introduce a **Development Financial Institution (DFI)**. **Rs 20,000 Crore** will be provided to capitalize the new DFI, with an aim to have a **lending portfolio of Rs 5 lakh crore in 3 years**.

Railways

Finance Minister announced **Rs 1,10,055 Crore** outlay for railways. Out of this **Rs 1.07 lakh Crore** is for capital expenditure for FY22.

Government allocated **Rs 25,000 Crore** for projects in **West Bengal** and **Rs 63,000 Crore** for the **Chennai Metro**.

It is also announced that **more metro** and **urban buses** on **PPP model** and **20,000 buses** planned in cities.

Finance Minister said, "**Metrolite** and **Metroneo** technologies will be deployed in **Tier-2 cities** and along the periphery of **Tier-1 cities**."

It is announced that the eastern and western dedicated freight corridors will be commissioned by June 2022.

The FM also announced plans for east coast corridor, east-west corridor, north-south corridors.

100% electrification of broad-gauge routes will be completed by **December 2023**.

Agriculture and Agriculture Credit

The Government announced that agricultural infrastructure funds will be made available to APMCs for augmenting their infra facilities.

"In case of wheat, the amount paid to farmers in 2019–2020 was Rs 62,802 Crore and in 2020–2021 it was further increased to Rs 75,060 Crore."

For paddy the **amount paid in 2013–14 was Rs 53,928 Crore. In 2019–20, this increased to Rs 1.41 lakh Crore.** Even better, in 2020–21, this is further **estimated to increase to Rs 1,72,752 Crore."**

"Cotton farmers saw stupendous increase in the amount that was paid to them in 2013–14, that was Rs 90 Crore and it was increased to over 25,000 Crore in 2020–21." Government announced that **1,000 more mandis** would be integrated into the E-NAM market place.

The Budget set **agriculture credit target of Rs 16.5 lakh Crore for FY22**, and will further increase provision to rural infra development fund to **Rs 40,000 Crore** from earlier **Rs 30,000 Crore**.

Fuel and Liquor Cess

Agri Infrastructure and Development Cess on a number of items including fuel and liquor was announced today but the finance minister also said there would be no additional burden on the consumer overall.

Budget imposed: –

**Rs 2.5 per liter Agri infra cess on petrol,
Rs 4 on diesel,
100% on alcoholic beverages**

Revised Customs Duty Structure

Government has propose to review more than **400 old exemptions to customs duty**, and from October 1 will put in place a revised customs duty structure free of any distortion.

Government plans on reducing customs duty uniformly to **7.5%** on products of **non-alloy, alloy and stainless steel, exempting duty on steel scrap till March 2022.**

To provide relief to copper recyclers, the government will be **reducing duty on copper scrap from 5% to 2.5%.**

Minimum Wages

Minimum wages will now apply to all categories of workers and women will be allowed to work in all categories with adequate protection.

Cell Phone parts

The government has **raised basic customs duty on import of sub-parts of mobile phones and battery chargers** from **nil to 2.5% in FY21-22**. The price impact will be known once the details are clear.

Textile parks

India will set up **seven textile parks** over **three years** under the scheme of mega investment textile parks, which was announced in Budget FY22.

The parks to be **setup over 1,000 acres of land** with world class infrastructure, and plug-and-play facilities, will be addition to the **Rs 10,683 Crore production linked incentive (PLI)** scheme for technical textiles and manmade fibers.

Power Distribution

Finance Minister, Nirmala Sitharaman announced, the government will enable electricity connections portability to consumers by introducing competition in the power distribution space and kick start a **Rs 3 lakh Crore** reforms scheme for state power distribution companies.

Ujjwala boost

The government announced the free cooking gas LPG scheme; Ujjwala will be **extended to one crore more beneficiaries.**

City gas distribution network of providing CNG to automobiles and piped cooking gas to households will be **expanded to 100 more districts.**

One-Nation, One-Ration card

69 crore beneficiaries (86% beneficiaries) were covered under the One-Nation, One-Ration card implemented by **32 states and union territories**.

MSME Allocation

The Government proposed doubling of MSME allocation, setting aside **Rs 15,700 Crore** for medium and small enterprises in FY22.

One-person companies

The government plans to allow incorporation of one-person companies **with no restriction on paid-up capital and turnover**.

Non-resident Indians will also be allowed to incorporate one-person companies in India.

Deep Ocean Mission

India to launch **Deep Ocean Mission**, with allocation of **Rs 4,000 Crore** over next **four years**.

First Digital Census

Government allocates **Rs 3,726 Crore** for the forthcoming Census, calling it "the First Digital Census"

NRI Boost

Government to notify rules to **eliminate double tax for NRIs** on **foreign retirement funds**.

Tax Holiday Extended

Government to extend eligibility of erstwhile tax sop on home loan up to FY22.

The finance minister announced that **affordable housing projects** can further avail **tax holiday for one more year**.

The FM proposed **extension of tax holiday for start-ups by one more year**, a tax exemption for relocating funds to IFSC, and tax holiday for aircraft leasing business in Gift city.

Foreign Direct Investment

FDI in insurance was increased to **74%**.

Finance Minister said, "FDI in insurance raised from **49% to 74%**. Key management to be resident Indians."

Swachh Bharat and Swasth Bharat

The government announced the Urban Swachh Bharat Mission with outlay of **Rs 1,41,678 Crore** over **5 years**.

Clean Air

The Government has announced **Rs 2,217 crore for 42 urban Centers** with a million plus population in this Budget.

Sitharaman said, "We are separately announcing a voluntary vehicle scrapping vehicles to phase out old and unfit vehicles."

She said "Vehicles will undergo **fitness tests after 20 years** for passenger vehicles, **15 years for commercial vehicles.**"

Jal Jivan Mission

Government has announced that a Jal Jivan Mission will be launched across all urban local bodies.

Finance Minister stated that **Rs 2.87 lakh Crore** outlay for Jal Jivan Mission over **five years.**

Amendments

Finance Minister, Sitharaman proposed to consolidate provisions of the **SEBI Act, Depositories Act, Securities Contracts Regulation Act**, and the **Government Securities Act**.

Government **aims to amend Insurance Act** to allow higher FDI, increasing FDI limit in insurance to 74% from 49% and allowing foreign ownership.