

Primer on Union Budget 2021-2022

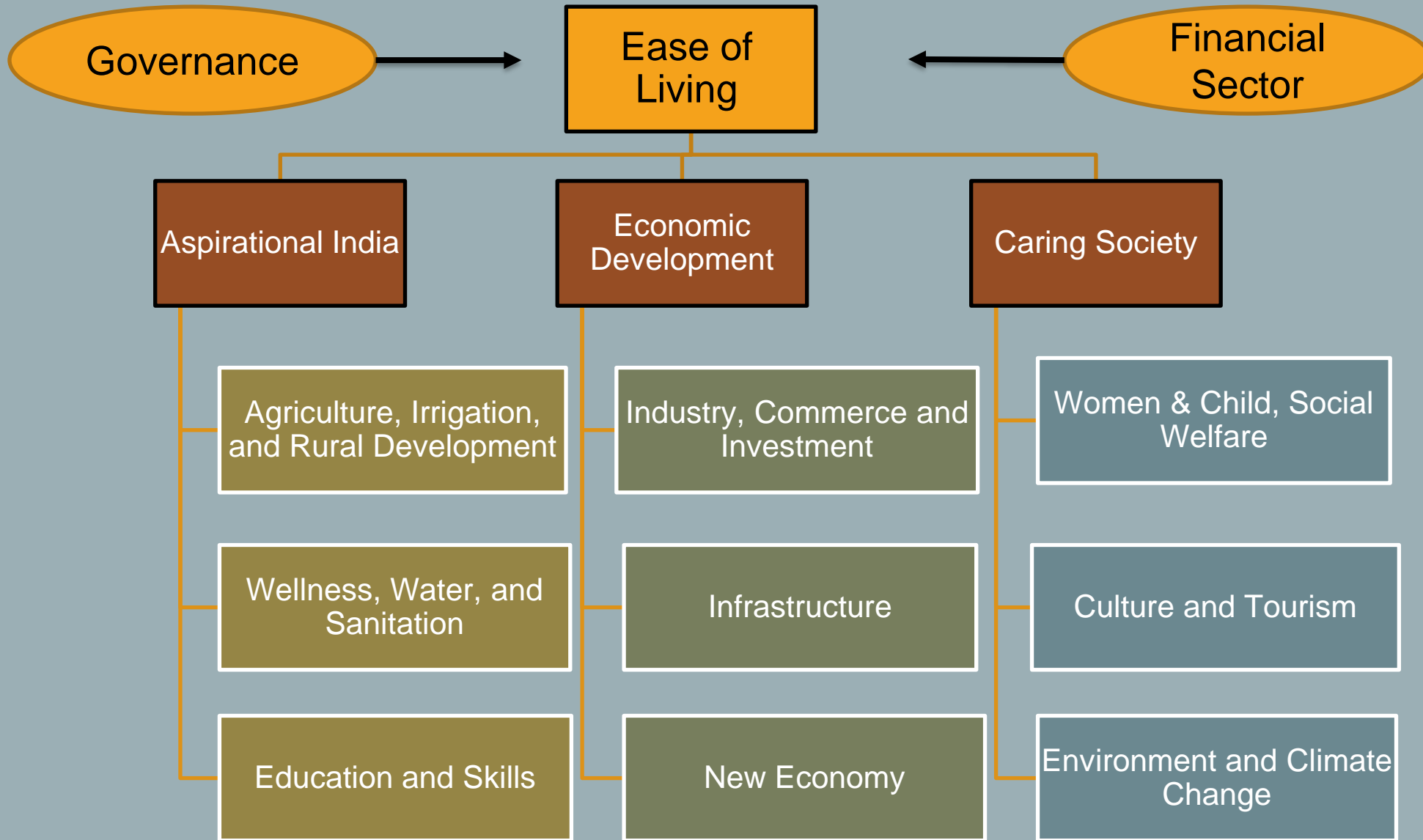
A Brief Analysis of Past Trends

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Prominent Themes of Union Budget 2020-21



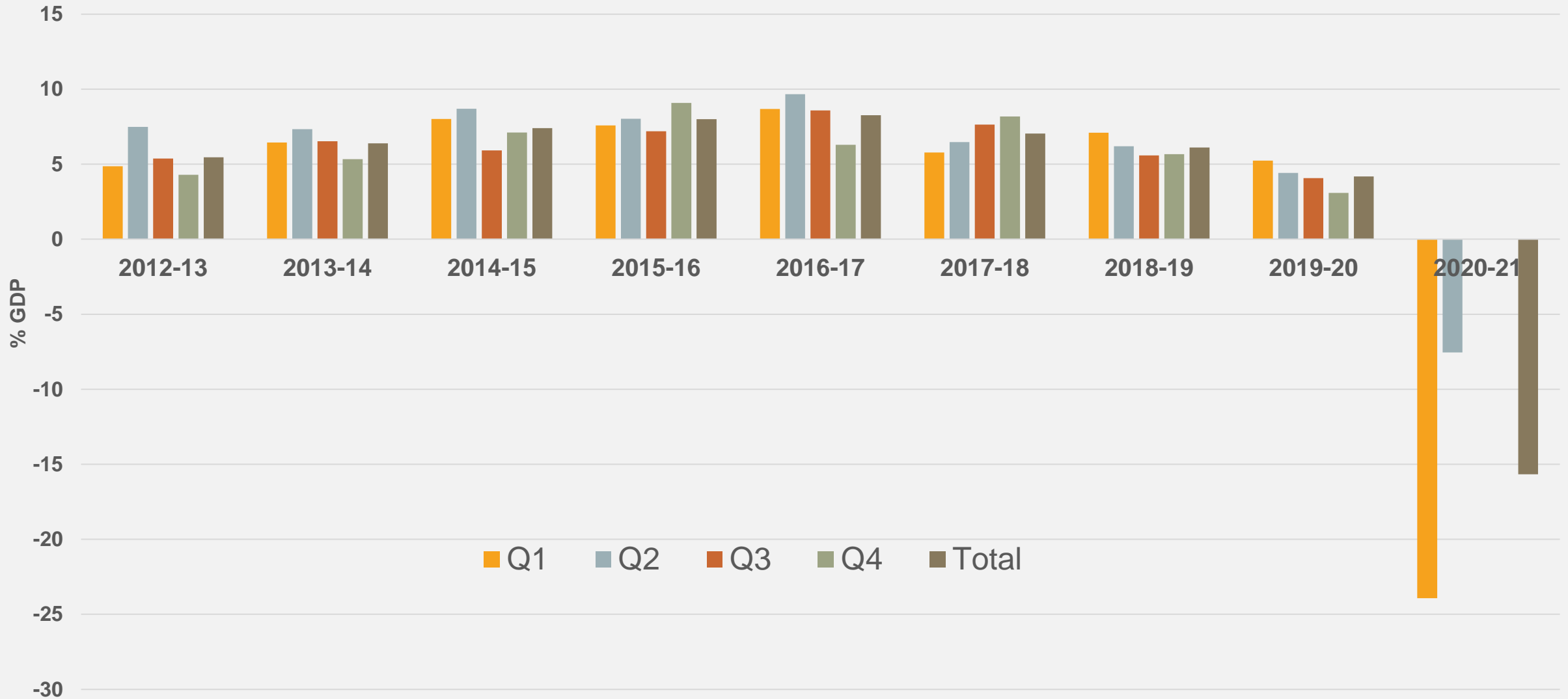
INTRODUCTION

Finance minister, Nirmala Sitharaman recently made a bold statement, saying that the Union Budget 2021-22 would be the “first of its kind in a hundred years”. The Union Budget will be a particularly important one since India’s growth was already at a decadal low in the Financial Year(FY) 2019-20 and after global COVID-19 pandemic in FY 2020-21 which dented most economies of the world; the Indian economy is in urgent need of policy actions.

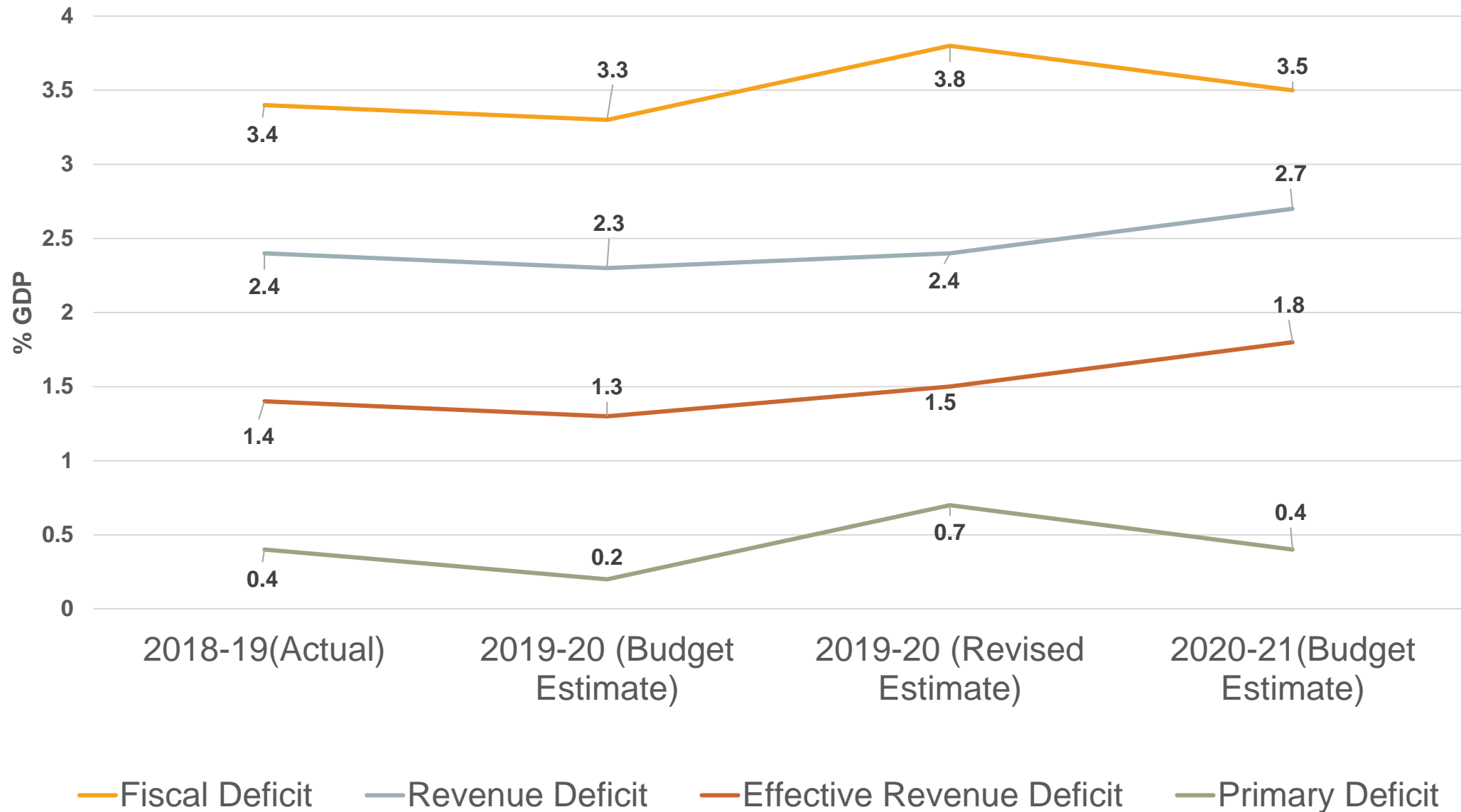
The year was also marked by tension between opposition rules states and the Union government on revenue compensation issues related to GST, a high fiscal deficit which amounted to Rs 11.58 lakh crore at the end of December 2020, which was equivalent to 145.5% of the 2020-21 Budget Estimates (BE). To mitigate the health and economic distress caused by the pandemic, multiple stimulus programs such as PMGKY and Atmanirbhar Bharat were launched.

Thus, there are expectations that the Union Budget FY2021-22 will be oriented to support economic recovery against the backdrop of a contraction of -7.7% in GDP. There may also be emphasis on increasing the expenditure in the healthcare sector.

GDP Growth Rate of India (% GDP)



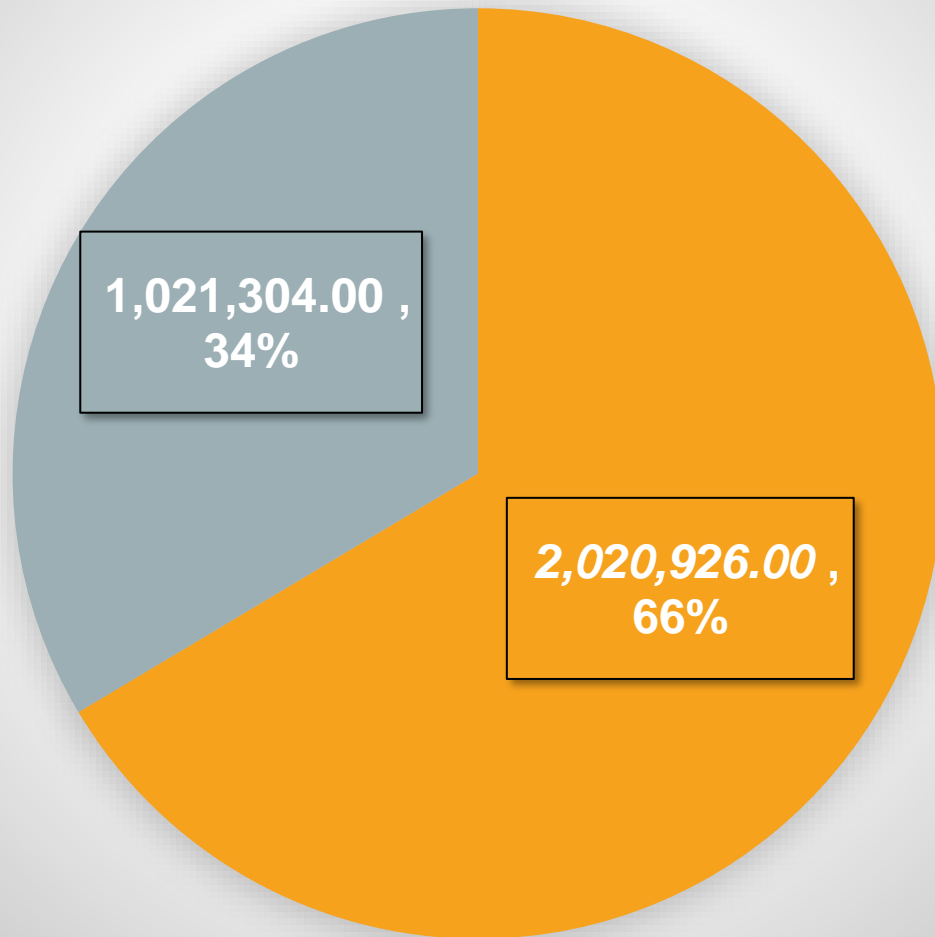
Deficit (FY 2018-19 to FY 2020-21)



FY2020-21 Budget Estimate (in Rs Crore)

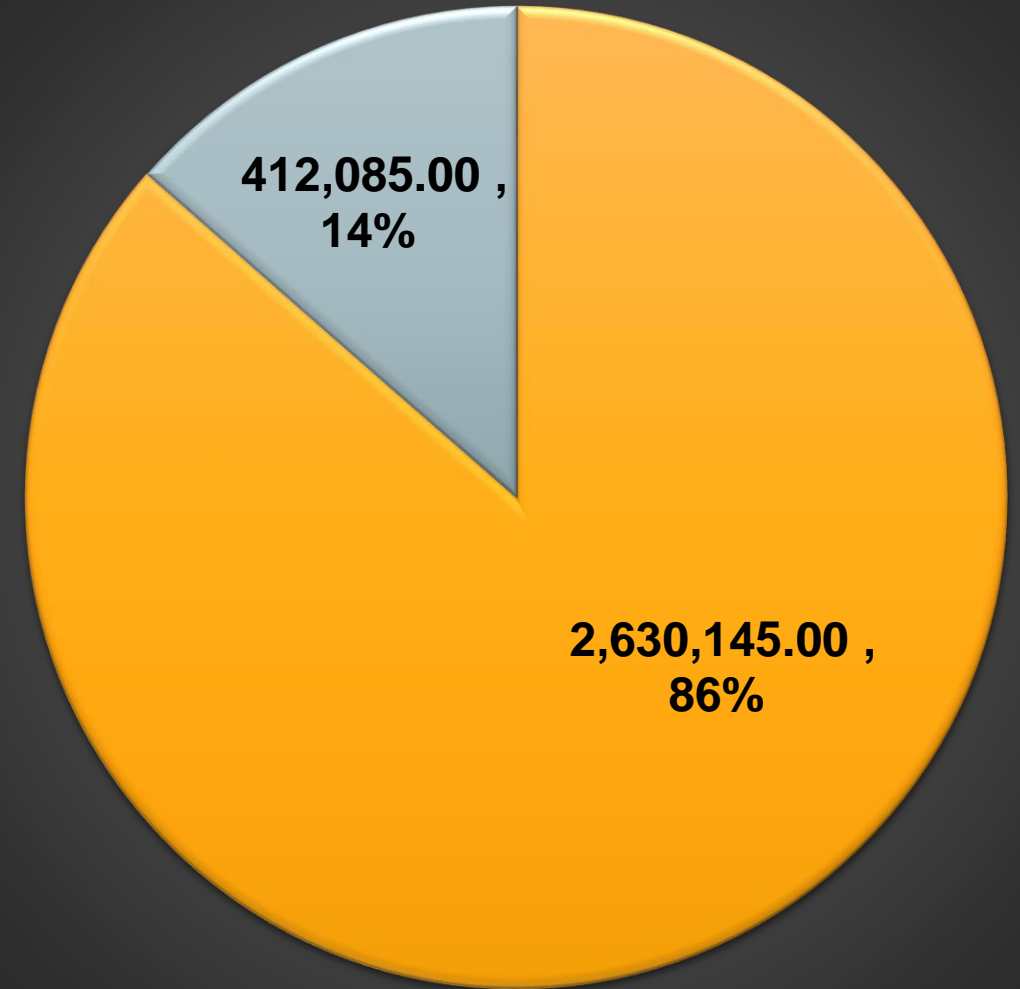
Receipts

■ Revenue Receipts ■ Capital Receipts

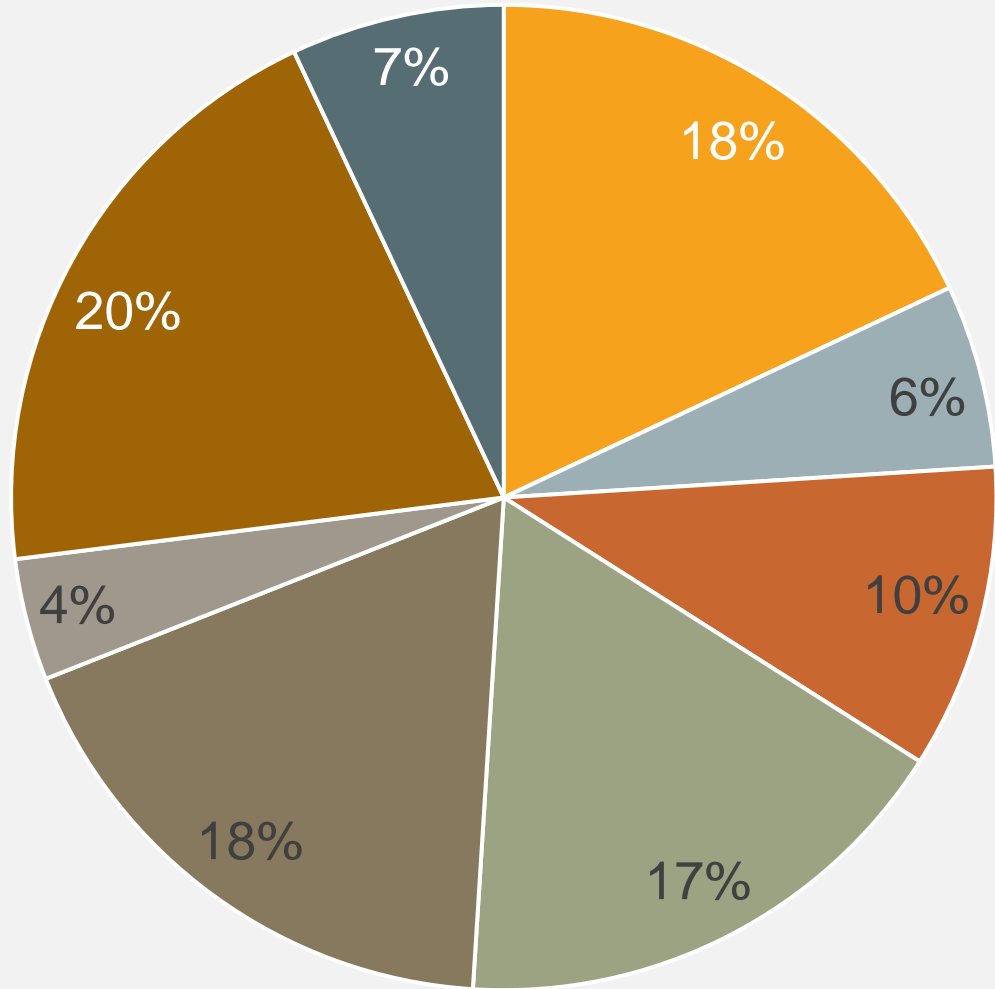


Expenditure

■ Revenue Expenditure ■ Capital Expenditure

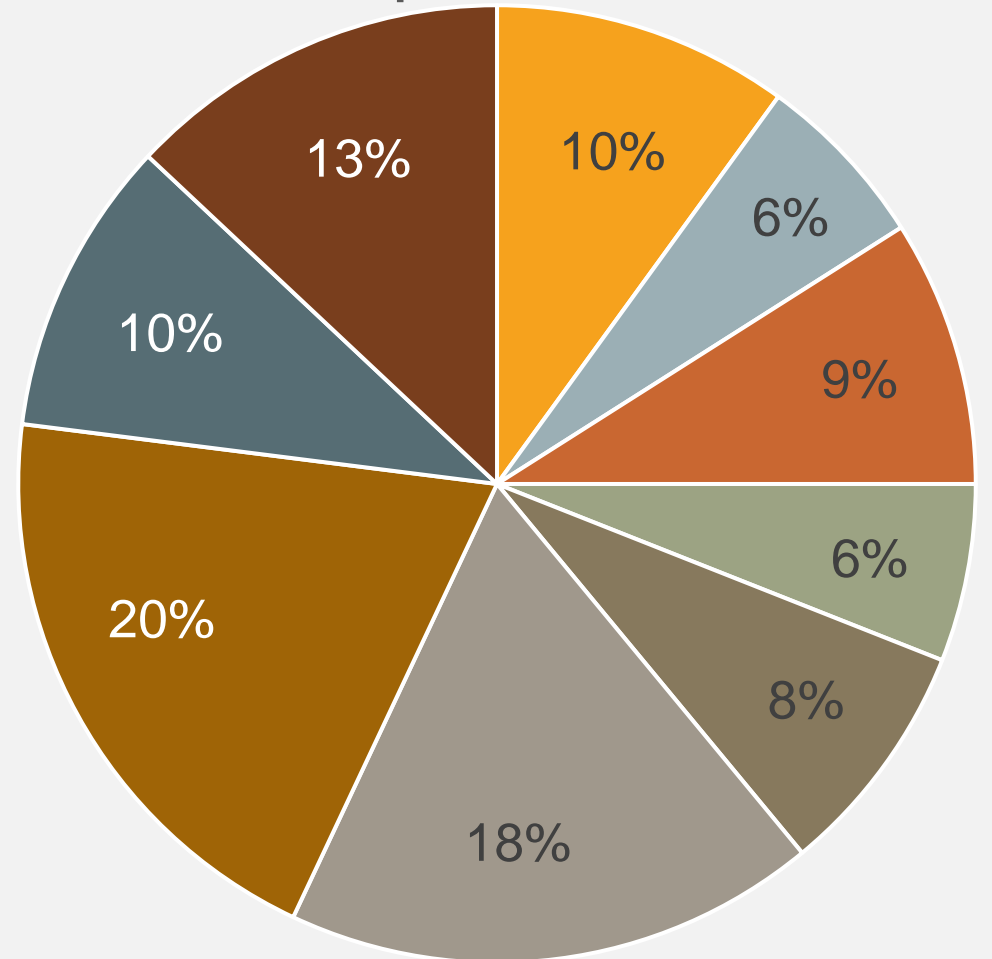


Revenue



- GST
- Non-Tax Revenue
- Corporation Tax
- Borrowing and Other Liabilities
- Non-Debt Capital Receipts
- Income Tax
- Custom
- Union Excise Duties

Expenditure



- Other Expenditure
- Centrally Sponsored Schemes
- Defense
- State's Share of Taxes and Duties
- Central Sector Schemes
- Pension
- Subsidies
- Interest Payment
- Finance Commission and other Transfers

Taxation Policy

INCOME	TAX RATE (%)
Income up to 5 Lakhs	Nil
5-7.5 Lakhs	10
7.5- 10 Lakhs	15
10- 12.5 Lakhs	20
12.5- 15 Lakhs	25
Above 15 Lakhs	30

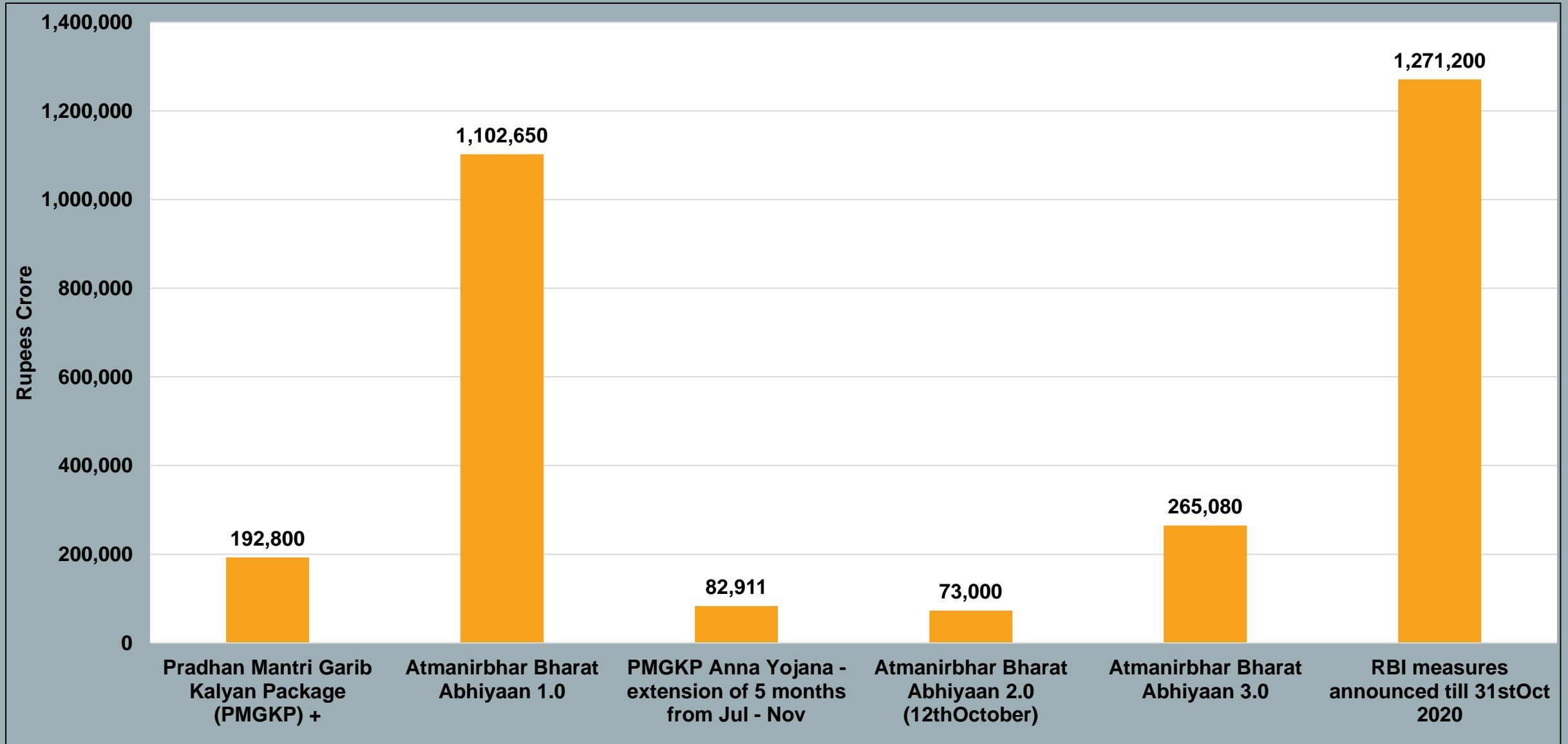
Source: <https://www.indiabudget.gov.in>

- Tax slabs likely to remain same, i.e. no change in personal tax.
- Under section 80C, an increase in exemption limit from INR 1.5 Lakh is expected to encourage more people to invest in tax saving instruments.
- Rebate or deduction of taxes on expenses incurred by working from home.
- More tax exemptions for homebuyers may be introduced.
- Reduction of GST in sectors like auto and construction could spur demand.

The government may focus on job creation to solve the problem of unemployment and simultaneously boost the income of individuals.

- Labour- intensive sectors like manufacturing and housing may see extra investment.
- Incentives and schemes for MSMEs may be introduced since 11.1 crore workers are employed in these enterprises.
- There may be more focus on ease of doing business- which may involve improving the existing process of enforcing contracts.
- Schemes to incentivise long-term investments may be introduced.
- Schemes that further enable Atmanirbhar Bharat may be introduced, reduction in import duty may be seen.

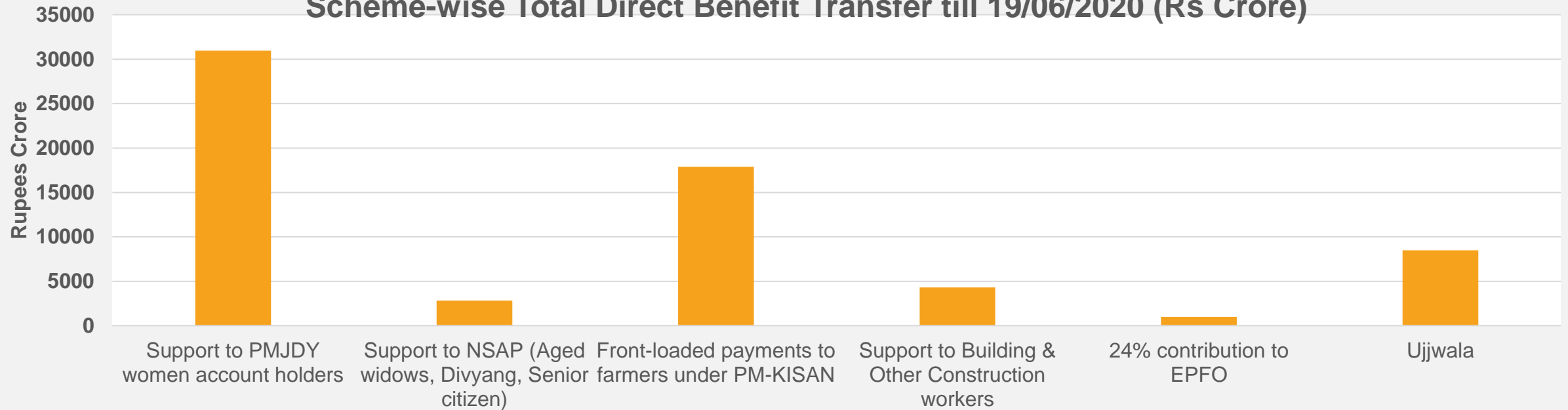
Summary of Stimulus Measures Announced till date (Rs Crore)



Source: Ministry of Finance, PIB

Pradhan Mantri Garib Kalyan Package

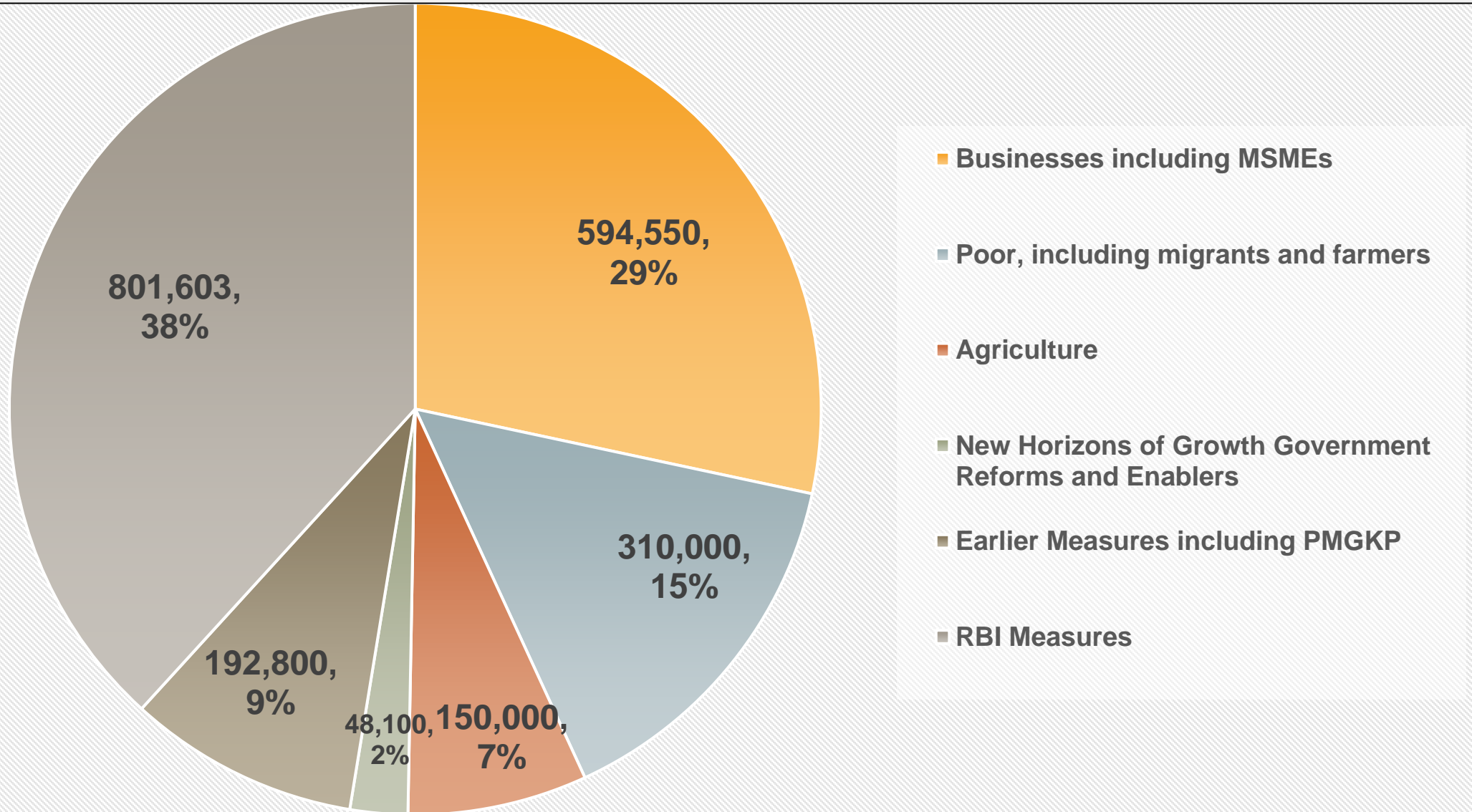
Scheme-wise Total Direct Benefit Transfer till 19/06/2020 (Rs Crore)



- Rs 1.70 crore relief package for the poor.
- Insurance cover of Rs 50 Lakh per health worker fighting COVID-19 to be provided under Insurance Scheme
- 80 crore poor people will to get 5 kg wheat or rice and 1 kg of preferred pulses for free every month for the three months
- 20 crore women Jan Dhan account holders to get Rs 500 per month for three months
- Increase in MNREGA wage to Rs 202 a day from Rs 182 to benefit 13.62 crore families.
- An ex-gratia of Rs 1,000 to 3 crore poor senior citizen, poor widows and poor disabled
- Government to front-load Rs 2,000 paid to farmers in first week of April under existing PM Kisan Yojana to benefit 8.7 crore farmers
- State Governments to use Building and Construction Workers Welfare Fund to provide relief to Construction Workers.

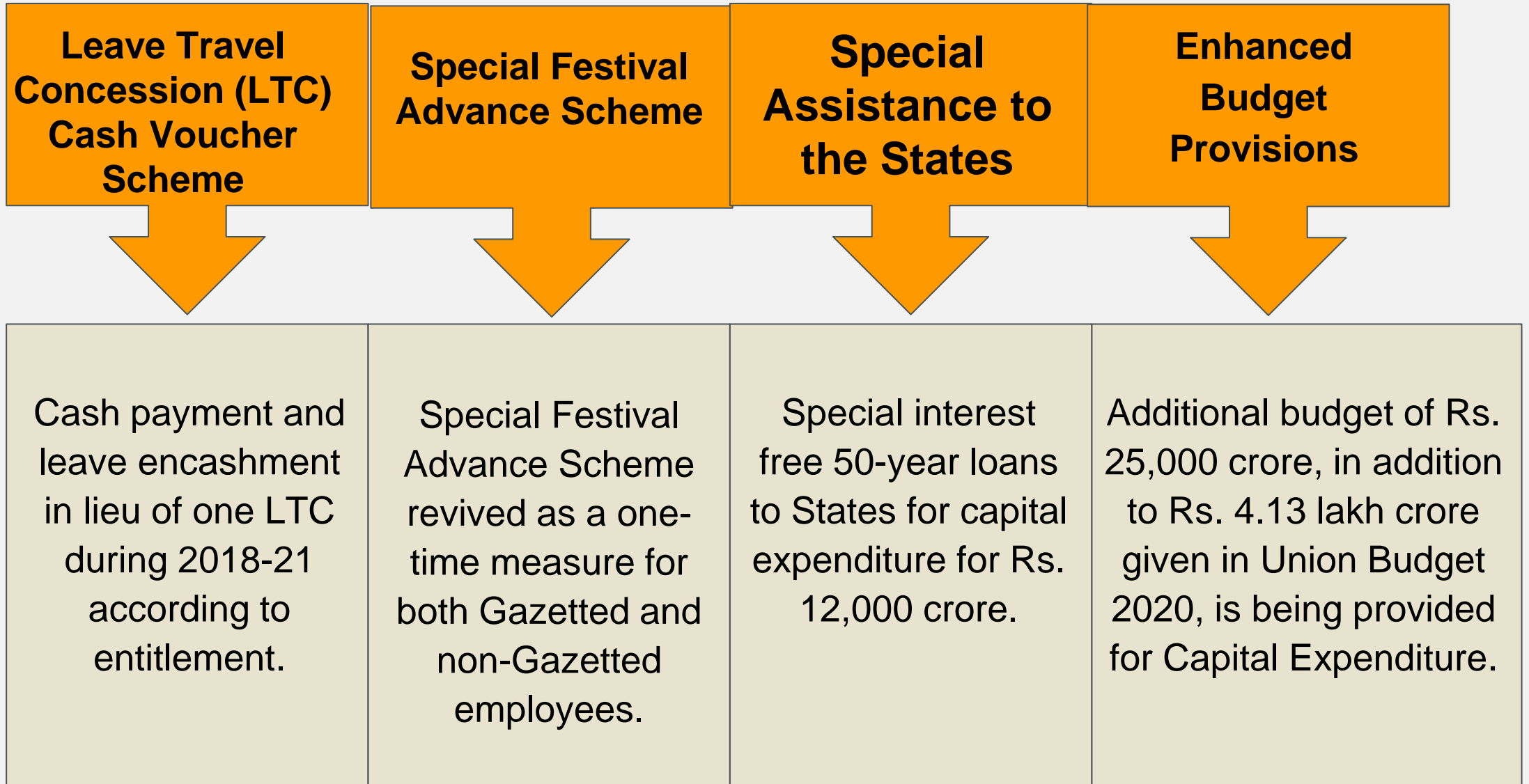
Source: Ministry of Finance, PIB

Overall Stimulus of Atmanirbhar Bharat 1.0

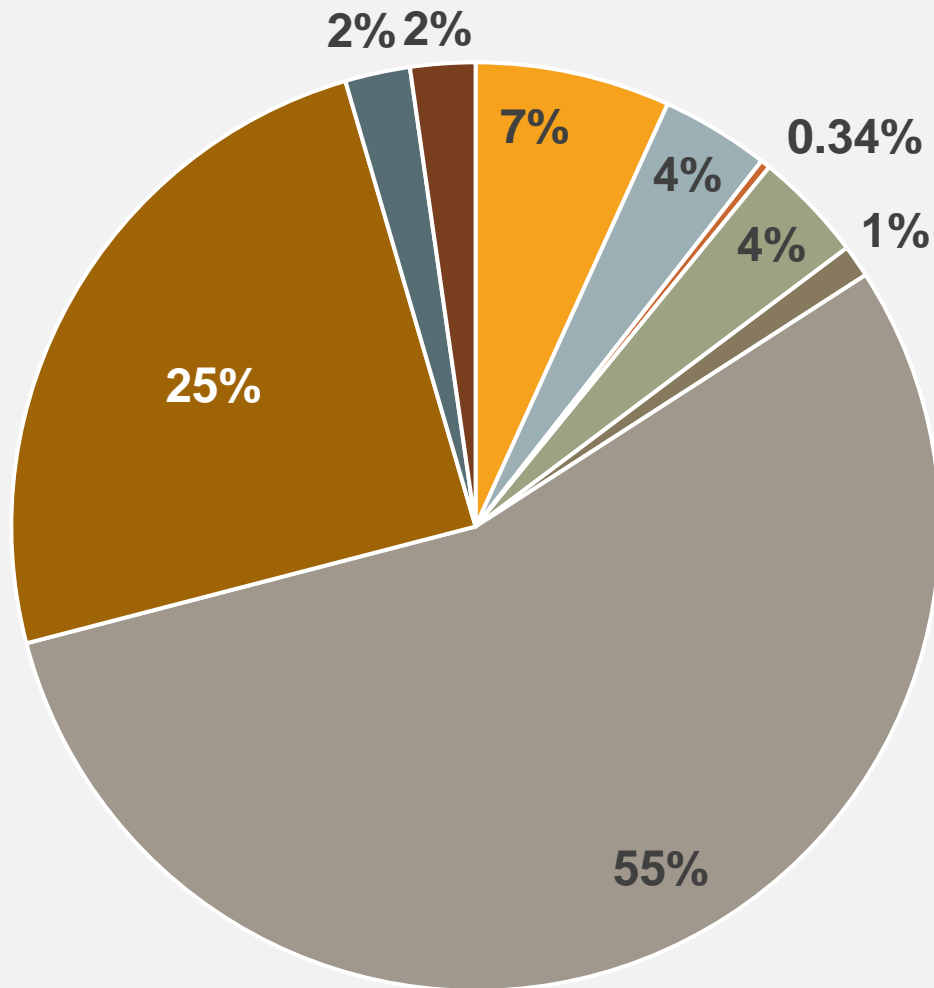


Source: Ministry of Finance, PIB

Atmanirbhar Bharat 2.0 - Rs 73,000 crores



Atmanirbhar Bharat 3.0 - Rs 2,65,080 crores

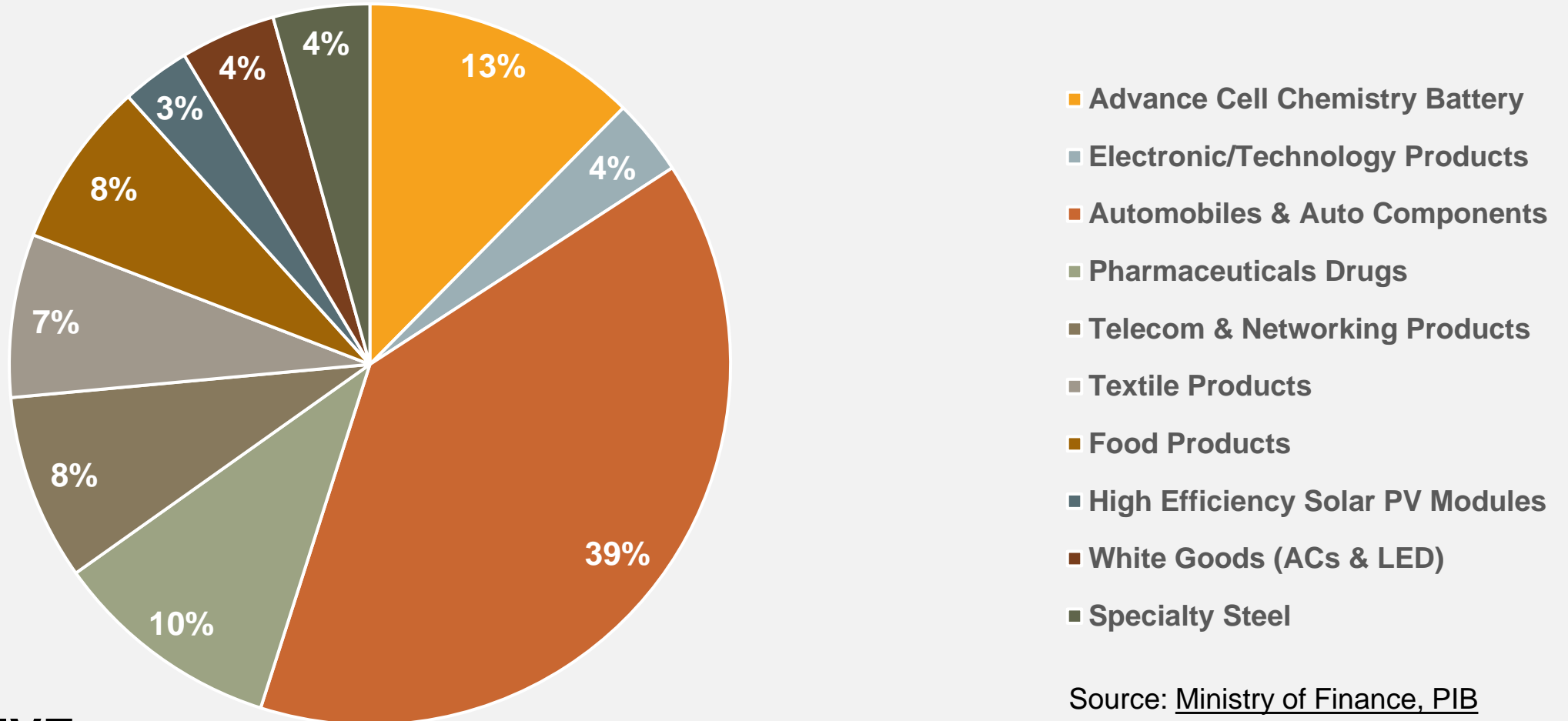


Additional Expenditure including Capital (Rs. Crore)

- Housing for All - PMAY-U
- Boost for Rural Employment
- R&D Grant for Covid Suraksha - Indian vaccine development
- Industrial Infrastructure, Industrial Incentives and Domestic Defence Equipment
- Boost for Project Exports - Support for EXIM Bank
- Boost for Atmanirbhar Manufacturing - Production Linked Incentives
- Support for Agriculture - Fertiliser Subsidy
- Boost for Infrastructure - equity infusion in NIIF Debt PF
- Atmanirbhar Bharat Rozgar Yojana (overall Rs 36,000 cr)

Estimated Expenditure on new PLIs (Rs. Crore)

Production Linked Incentive worth ₹ 1.46 Lakh crore offered to 10 champion sectors



OBJECTIVE

- This has been done to improve the competitiveness of domestic manufacturing.
- This will give a big boost to economy, investment, exports and job creation.

The Pradhan Mantri Krishi Sinchai Yojana (PMKSY)

Budgeted vs actual expenditure under PMKSY under the Ministry (in Rs)

Year	Budgeted	Actual	% shortfall
2015-16	1800	1556	14%
2016-17	2340	1991	15%
2017-18	3400	2819	17%
2018-19	4000	2918	27%
2019-20 (RE)	3500	2032	42%

Pradhan Mantri Kusun Urja Suraksha evam Utthaan Mahabhiyan

- 20 lakh farmers to be provided for setting up stand-alone solar pumps.
- Another 15 lakh farmers to be helped to solarise their grid-connected pump sets.
- Scheme to enable farmers to set up solar power generation capacity on their fallow/barren lands and to sell it to the grid.

Healthcare Sector Expenditure FY 2020-21

COVID-19 brought forth the shortcomings of healthcare in India. The following are expected to be prioritized in Union Budget 2021:

- **Budget Allocation:**

Healthcare budget for FY20 was INR 67112 crores, which was approximately 1% of the GDP. With the COVID -19 pandemic, a higher budgetary allocation is expected.

- **Vaccinations:**

A vaccine “cess” for funding vaccines and ensuring a smooth rollout is on the cards.

- **Infrastructure:**

Lack of adequate infrastructure during the pandemic may catalyse private investment in infrastructure development, healthcare R&D and medical education. Reforms encouraging healthcare infra development in rural areas may be introduced.

- **Health Insurance & Pradhan Mantri Jan Arogya Yojana:**

GST tax slab on health insurance may be reduced to make insurance more affordable, the coverage of PM-JAY may expand to accommodate more people in rural areas.

Sector Wise Allocations FY 2020-21

Defence

- INR 471378 crore allocated to defence in 2020.
- Defence budget for 2021 may increase to fund larger projects that stemmed as a result of increasing tensions between China and India.

Agriculture

- INR 142762 crore allocated to agriculture in 2020.
- With the new farm laws and rising unrest, agriculture is expected to be key focus in 2021.
- There is expected to be an increase in credit guarantee and insurance schemes to support farmers.

Education

- INR 99312 crore allocated to HRD in 2020.
- With online learning during the pandemic and NEP, an increase in budget 2021 is expected to accommodate infrastructural changes and more investment in education technology.
- A relaxation in education loan interest rates may be observed.

Real Estate

- Real estate was hit hard by the pandemic, predictions of relief measures in budget 2021.
- Credit for under-construction projects, increased tax reduction limit, reduction of GST stamp duty, etc. expected.

Conclusion

Thus, one can see that 2020 has been a difficult year with India witnessing a sharp GDP decline of -23.9% in Q1 2021 and the government introducing various stimulus schemes like Pradhan Mantri Garib Kalyan Package, Atmanirbhar Bharat 1.0, Atmanirbhar Bharat 2.0, Atmanirbhar Bharat 3.0.

Expectations Union Budget 2021-22

Government Revenue

- Tax rates will most likely remain unchanged.
- There will be possible disinvestment, including the last year's announced sell of shares of BPCL

Public Debt and Deficit

- A revised FRBM Act with a new recommended path for debt and deficit.
- Possible changes to revenue devolution to states based on 15th Finance commission recommendations.

Government Expenditure

- Possible areas of expenditure:
 1. Health care
 2. Infrastructure
 3. Income support to poor and unemployed



For any inputs, comments or clarifications please contact The Centre for New Economics Studies at cnes@jgu.edu.in.



Thank you!