



*Haq, ek behtar zindagi ka.*

# Union Budget FY 2020-21

An Overview

February, 01 2020



## Key Takeaways

- Finance Minister: This budget is woven into three major themes vis., Aspirational India, Economic development & a Caring society
- Focuses on Agriculture, Irrigation and Rural Development; committed to doubling farmers' income by 2022
- Future aim for sustaining India's unique global leadership, driven by Digital Revolution



## Fiscal Policy Outlook

- Nominal growth of GDP for the FY21 based on trends pegged at 10%
- Total expenditure is budgeted at ₹ 30.42 lakh crore for FY21
- Fiscal deficit target for FY20 revised to 3.8% of GDP (from earlier target of 3.3%). For the FY21 the target has been revised to 3.5%
- Net market borrowing for FY21 budgeted at ₹ 5.36 lakh crore, against ₹ 4.99 lakh crore for FY20
- Setting up enhanced disinvestment target of ₹2.10 lakh crore in FY21 as against ₹1.05 crore set for FY20

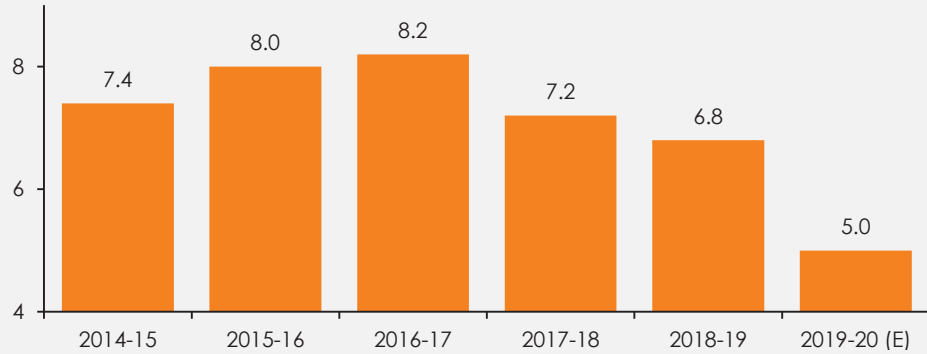


## Specific Proposals

- ₹100 lakh crore to be invested on infrastructure over the next 5 years
- Significant relief to middle class taxpayers with proposal of new and simplified personal income tax slabs
- Dividend distribution tax removed and classical system of dividend taxation adopted
- Deposit insurance cover will be hiked to ₹ 5 lakh from ₹ 1 lakh per depositor

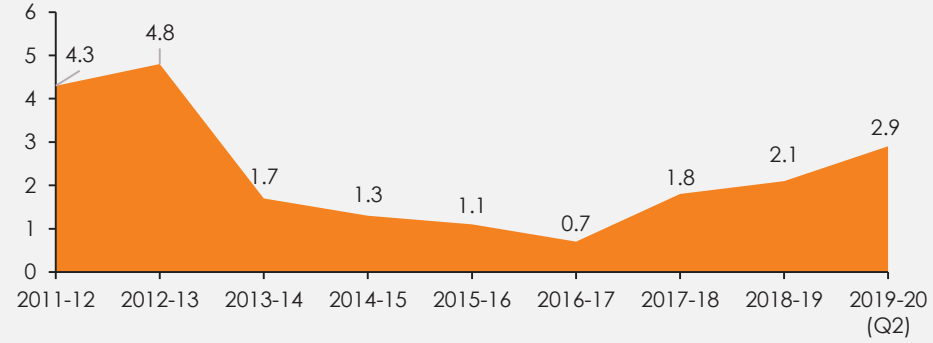
# Growth & Macro-economic Stability

## GDP Growth Rate (%)



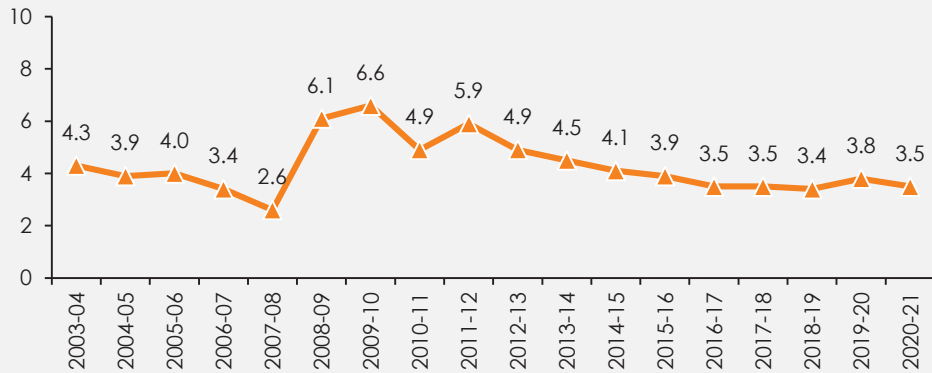
Source: CSO

## CAD as % GDP



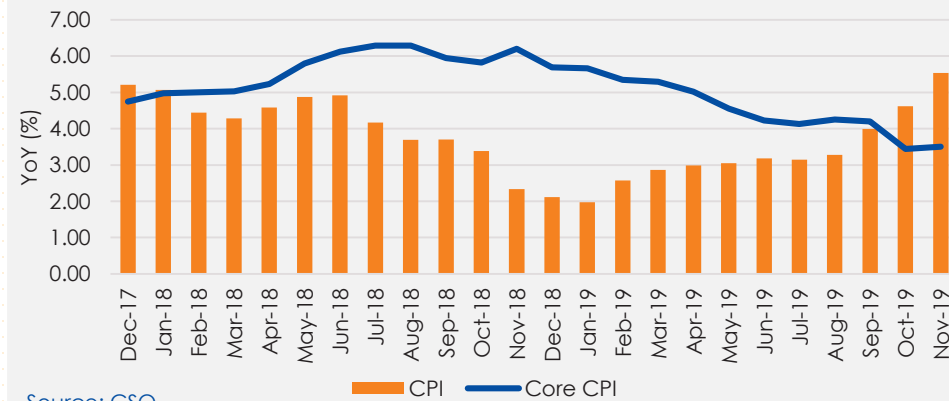
Source: CSO

## Fiscal Deficit (% of GDP)



Source: [www.indiabudget.gov.in](http://www.indiabudget.gov.in)

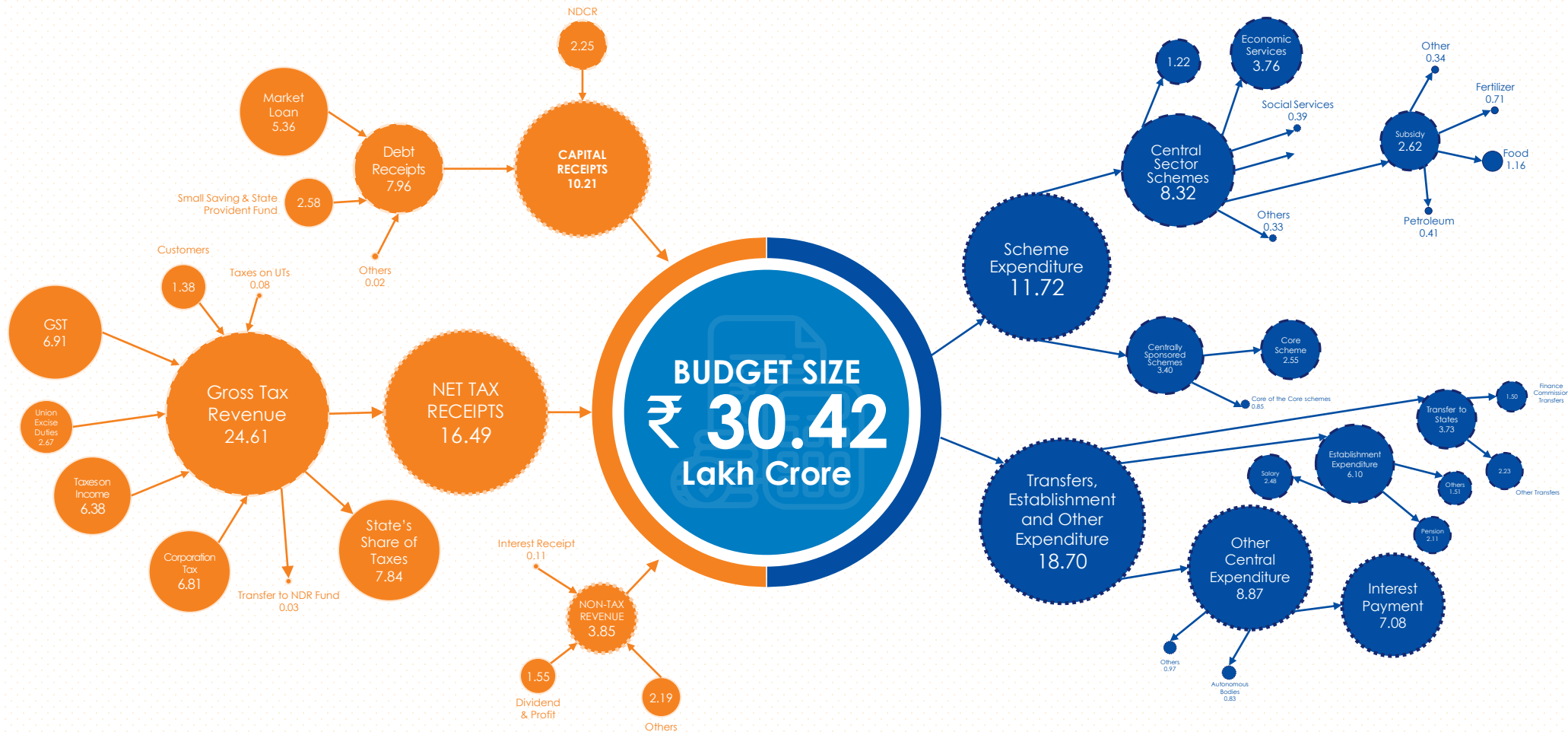
## CPI and Core CPI Inflation (%YoY)



Source: CSO



# Budget Profile – FY 2020-21



Budget guided by mission to strengthen Agriculture, Rural Development, Health, Education, Employment and Infrastructure sectors

## Overview

- Three prominent themes of the Budget
  - **Aspirational India:** Better standards of living with access to health, education and better jobs for all sections of the society
  - **Economic development:** Development for all - “Sabka Saath , Sabka Vikas , Sabka Vishwas”.
  - **Caring society:** Corruption free, policy-driven *Good Governance*, Clean and sound *financial sector & ease of living*
- Sixteen Action Points for **Agriculture, Irrigation and Rural Development** focusing on Blue Economy, Kisan Rail, Krishi Udaan, One-Product One-District etc.,
- Aims to:
  - Achieve seamless delivery of services through **Digital governance**
  - Improve physical quality of life through **National Infrastructure Pipeline**
  - Mitigate Risks through **Disaster Resilience**
- Boost Social security through **Pension and Insurance penetration**



# Budget Highlights (contd.)

## Direct Taxes

New option for personal income tax proposed for Individuals:

### Current Option (With Exemptions):

Taxable Income Slab (In ₹)	Tax Rates
0 - 2.5 Lakhs	Exempt
2.5 – 5 Lakhs	5%
5– 10 Lakhs	20%
Above 10 Lakhs	30%

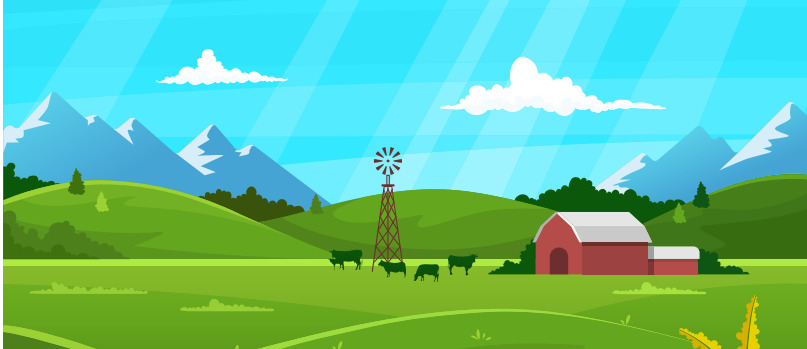
### New Option (Without Exemptions)\*:

Taxable Income Slab (In ₹)	Tax Rates
0 - 2.5 Lakhs	Exempt
2.5 – 5 Lakhs	5%
5 – 7.5 Lakhs	10%
7.5 – 10 Lakhs	15%
10 – 12.5 Lakhs	20%
12.5 – 15 Lakhs	25%
Above 15 Lakhs	30%



\*The new option will be applicable for the individual tax payer who forego certain deductions and exemptions including standard deduction and deductions under Section 80C, for more details please refer to Finance Bill, 2020.

## Agriculture, Irrigation and Rural Development



- 16 action points to double the income of farmers by 2022
- An amount of ₹2.83 lakh crore would be spent on Agriculture, Rural Development, Irrigation and allied activities
- “Kisan Rail” and “Krishi Udaan” to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables
- Agricultural credit target of ₹15 lakh crore for 2020-21
- Fish Production target of 200 lakh tonnes by 2022-23

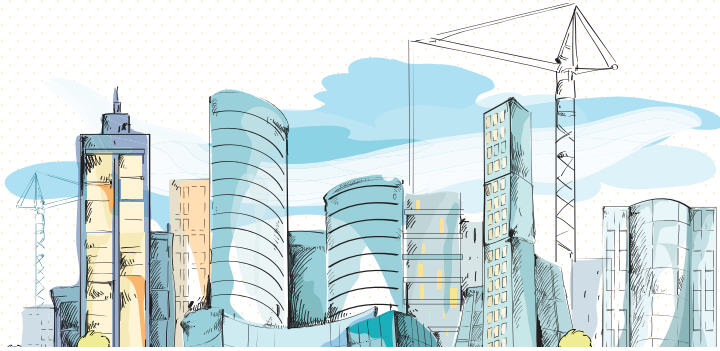
## Education



- ₹99,300 crore for education sector and ₹ 3000 crore for skill development in 2020- 21
- National Police University and National Forensic Science University proposed for policing science, forensic science, and cyber-forensics
- Budget proposes to attach a medical college to an existing district hospital in PPP mode
- Ind - SAT proposed for Asian and African countries as a part of Study in India program
- 150 higher educational institutions to start apprenticeship embedded degree/diploma courses by March 2021
- Degree level full-fledged online education program by Top-100 institutions in the National Institutional Ranking Framework
- Up to 1-year internship to fresh engineers to be provided by Urban Local Bodies

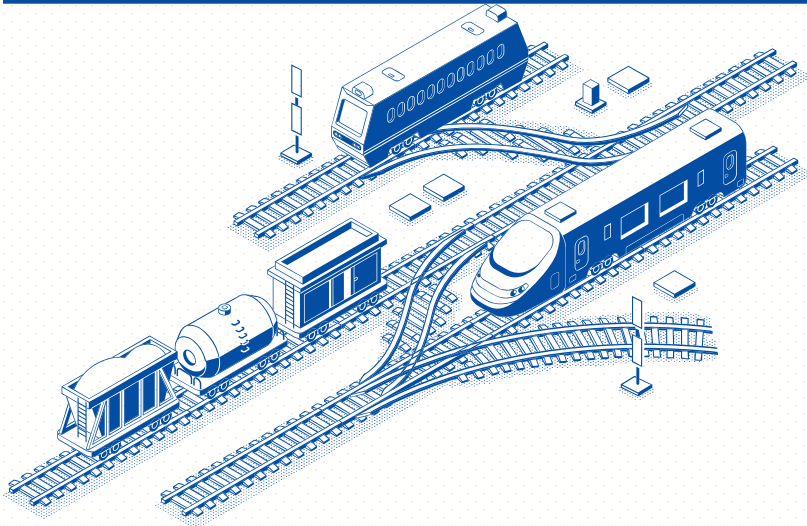


## Infrastructure Development



- ₹1.7 lakh crore proposed for transport infrastructure in 2020-21
- National Skill Development Agency to give special thrust to infrastructure-focused skill development opportunities
- 100 more airports to be developed under UDAAN
- Accelerated development of Highways
- Proposed to monetise at least 12 lots of highway bundles of over 6000 Km before 2024

## Railways & Airways



- Large solar power capacity to be set up alongside rail tracks, on land owned by railways
- Four station re-development projects and operation of 150 passenger trains through PPP
- High speed train between Mumbai and Ahmedabad to be actively pursued
- 148 km long Bengaluru Suburban transport project at a cost of Rs 18600 crore, to have fares on metro model. Central Government to provide 20% of equity and facilitate external assistance up to 60% of the project cost
- 100 more airports to be developed by 2024 to support Udaan scheme
- Air fleet number expected to go up from present 600 to 1200 during this time



## Electricity & Power



- “Smart” metering to be promoted
- More measures to reform DISCOMs to be taken
- ₹22,000 crore proposed for power and renewable energy sector in 2020-21
- Expansion of national gas grid from the present 16200 km to 27000 km proposed

## Capital Market



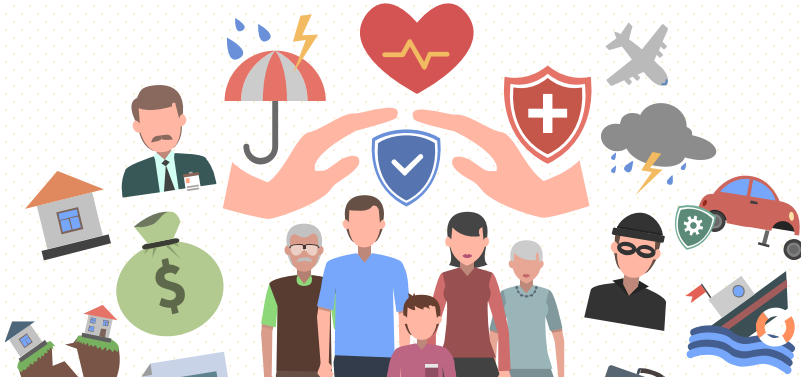
- Dividend Distribution Tax (DDT) removed and classical system of dividend taxation adopted
- Government to list LIC on the stock exchanges
- Subordinate debt for entrepreneurs of MSMEs will be provided and will be treated as quasi-equity
- FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock
- Certain specified categories of Government securities would be opened fully for non-resident investors, apart from being available to domestic investors

## Ports & Water-ways



- Corporatizing at least one major port and its listing on stock exchanges to be considered
- Economic activity along river banks to be energised as per Prime Minister's Arth Ganga concept

## Healthcare



- ₹69,000 crore allocated for overall Healthcare sector
- ₹6400 crore (out of ₹ 69,000 crore) for PM Jan Arogya Yojana (PMJAY)
- Targeting diseases with an appropriately designed preventive regime using Machine Learning and Artificial Intelligence (AI) under PMJAY
- Jan Aushadhi Kendra Scheme to offer 2000 medicines and 300 surgicals in all districts by 2024
- PPP mode hospitals will be set up under viability gap funding to look at areas where there are no hospitals

## Industry, Commerce & Investment



- ₹ 27,300 crore allocated for 2020-21 for development and promotion of Industry and Commerce
- Investment Clearance Cell proposed to be set up
  - To provide “end to end” facilitation and support
  - To work through a portal
- Scheme to encourage manufacture of mobile phones, electronic equipment and semiconductor packaging proposed
- National Technical Textiles Mission to be set up at an estimated outlay of ₹1,480 crore
- New scheme NIRVIK to be launched to achieve higher export credit disbursement, which provides for higher insurance coverage and reduction in premium for small exporters

## Information Technology



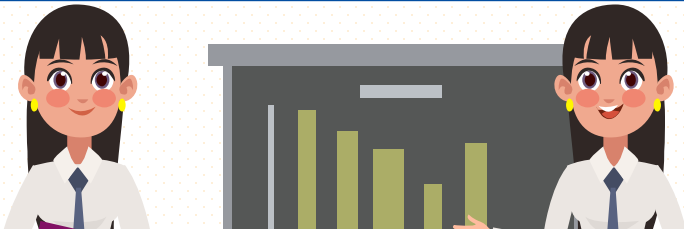
- Set up Data Centre Parks, will help in storing and dissemination of data better
- ₹ 8000 crore allocated over the next five years for quantum technology related computing
- An allocation of ₹ 6,000 crore will be provided for BharatNet
- Public institutions at Gram Panchayat levels will be provided with digital connectivity
- Fibre to home through BharatNet will link 100,000 Gram Panchayats in FY21

## Banking and Financial Sector





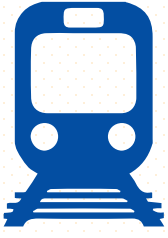







- Deposit insurance cover will be hiked to ₹ 5 lakh from ₹ 1 lakh
- Subordinate debt for entrepreneurs of MSMEs will be provided and will be treated as quasi-equity
- Government to list LIC on the stock exchanges
- NBFC Eligibility for SARFAESI Act reduced to ₹ 100 crore from ₹ 500 crore AUM

## For Women







- Allocation of ₹35,600 crore for nutrition-related programmes proposed for the FY21
- ₹ 28,600 crore will be allocated in FY21 by government for women-linked programmes.

# Expenditure of major items (In ₹Crore)





<p>₹50040</p>  <p>Ministry of Housing and Urban Affairs</p>	<p>₹67112</p>  <p>Ministry of Health and Family Welfare</p>	<p>₹72216</p>  <p>Ministry of Railways</p>	<p>₹91823</p>  <p>Ministry of Road Transport and Highways</p>	<p>₹99312</p>  <p>Ministry of Human Resource Development</p>
<p>₹122398</p>  <p>Ministry of Rural Development</p>	<p>₹124535</p>  <p>Ministry of Consumer Affairs, Food and Public Distribution</p>	<p>₹142762</p>  <p>Ministry of Agriculture and Farmers Welfare</p>	<p>₹167250</p>  <p>Ministry of Home Affairs</p>	<p>₹471378</p>  <p>Ministry of Defence</p>

## Sector Overview

# Sector level actions





Sector	Impact	Outlook
<b>Banking</b> 	Neutral	<ul style="list-style-type: none"> <li>▪ Deposit insurance cover will be hiked to ₹5 lakh from ₹1 lakh; this has cost implications for banks</li> <li>▪ Incentivise the investment by the Sovereign Wealth Fund; this would boost infrastructure project funding</li> <li>▪ Additional deduction on Interest on home loans; for loan sanctioned up to march 2021</li> </ul>
<b>NBFCs</b> 	Neutral	<ul style="list-style-type: none"> <li>▪ Quantum reduction to ₹0.5 mn is marginally positive for NBFCs (HFCs have no quantum limit)</li> <li>▪ GIFT-IFSC will now set up international bullion exchange for higher participation; while sentimentally marginal negative for commodity exchanges, It is difficult to move liquidity</li> <li>▪ Measures for deepening of Bond market; positive in long term perspective</li> </ul>
<b>Insurance</b> 	Negative	<ul style="list-style-type: none"> <li>▪ Negative for entire product suite which benefitted from 80C exemption</li> <li>▪ Growth and persistency can get impacted to the extent of individuals exercising the option to move to new regime</li> <li>▪ Negative impact on New Business margins as the Effective tax rate will go up because of the DDT</li> </ul>
<b>Consumer Goods</b> 	Neutral Overall/ Negative for Cigarettes	<ul style="list-style-type: none"> <li>▪ Increase in Cigarette taxation by ~9-10%</li> <li>▪ Increase in custom duty on Air Conditioners and Refrigerator compressors</li> <li>▪ Increase in custom duty on Fans and Appliances, this is positive for larger listed players</li> </ul>

# Sector level actions (contd.)

Sector	Impact	Outlook
<b>Hospitals</b> 	Positive	<ul style="list-style-type: none"> <li>Viability gap funding proposed for PPP hospitals, focus more on tier-II, tier-III cities with no hospitals present</li> </ul>
<b>Metals</b> 	Positive	<ul style="list-style-type: none"> <li>Basic customs duty on CP Coke (raw material for Aluminum) reduced from 10.0% to 7.5%; beneficial for aluminum players</li> <li>Basic customs duty Increased for various lead products from 5.0% to 7.5%; beneficial for lead producers</li> </ul>
<b>Real Estate</b> 	Neutral	<ul style="list-style-type: none"> <li>Deadline for ₹1.5 lakh extra deduction for housing loans taken for affordable housing extended by another year</li> <li>Deadline for tax holiday for developers of affordable housing extended by another year</li> <li>On negative side, If consumers shift to new income tax regime with no deductions, demand for new houses may go down</li> </ul>
<b>Power Utilities</b> 	Positive	<ul style="list-style-type: none"> <li>Distribution: Focus on smart meters, reducing T&amp;D losses</li> <li>Generation: New power plants will also come under 15% corporate tax rate, Focus on increasing solar power generation</li> </ul>



# Sector level actions (contd.)

Sector	Impact	Outlook
<b>Healthcare</b> 	Neutral	<ul style="list-style-type: none"> <li>Healthcare expenditure budget increased by ~6% YoY (from FY20RE) to ₹675bn. Healthcare expenditure as a proportion of total budgeted expenditure remained same YoY at 2.2%.</li> <li>Budgetary allocation for Jan Aushadhi has increased to ₹ 0.5bn from ₹ 0.36bn in FY20</li> </ul>
<b>Media</b> 	Positive	<ul style="list-style-type: none"> <li>Custom duty on imported newsprint decreased from 10% to 5%. Beneficial for Print Media Companies.</li> </ul>
<b>Fertilizer</b> 	Neutral	<ul style="list-style-type: none"> <li>Subsidy reduced from ₹ 800bn (FY20RE) to ₹ 713bn for FY21E; This is largely to do with the reduction in the feedstock prices for both Urea and NPK</li> </ul>
<b>Oil and Gas</b> 	Neutral	<ul style="list-style-type: none"> <li>Higher budget subsidy for FY21, implying much lower carry-forward of subsidy; this should lower the working capital strain on OMCs' balance sheets</li> <li>Anti dumping duty on PTA (petchem product) removed; Minor negative impact for domestic Petchem producers</li> </ul>

# Sector level actions (contd.)

Sector	Impact	Outlook
<b>Infrastructure</b> 	Positive	<ul style="list-style-type: none"><li>▪ Positive highlight which will smoothen the asset monetisation in infrastructure<ul style="list-style-type: none"><li>• 100% exemptions on Interest/Dividend/Capital Gains to Sovereign Wealth Fund on Infra investments by March '24;</li><li>• ₹220bn support to IIFCL and NIIF.</li></ul></li><li>▪ Positive for diversified infra companies:<ul style="list-style-type: none"><li>• Budgetary support to NHAI increased by 16% over FY20 RE.</li><li>• Housing and urban development capex estimate is up 12% vs FY20 RE.</li><li>• Water related capex estimate is up 13% vs FY20RE.</li></ul></li></ul>

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