

CMA notes

### **Union Budget 2020-21: Key Highlights**

- I. Ms Nirmala Sitharaman, Finance Minister, Government of India, highlighted that Budget 2020 is woven around three themes:
  - Aspirational India (focus on Agriculture, irrigation, rural development)
  - Economic Development for all
  - Caring Society
  
- II. Total expenditure outlay for Union Budget 2020-21 is kept at 30.42 lakh crore, which is 13% higher than revised estimate for FY 2019-20. Major allocation heads, as follows:
  - Rural development allocation ₹1.23 lakh crore
  - agriculture and rural allocation ₹2.83 lakh crore
  - agriculture credit target ₹15 lakh crore
  - education allocation at ₹99,300 crore
  - healthcare allocation at ₹69,000 crore
  - transport infra allocation at ₹1.7 lakh crore
  - development of industry and commerce with an outlay of ₹27,300 crore
  - Skill India ₹3,000 crore
  - BharatNet programme gets ₹6,000 crore
  - states that work towards clean air ₹4,400 crore
  - Swachh Bharat Mission ₹12,300 crore
  - health sector gets additional ₹69,000 crore
  - Bengaluru Suburban Transportation project to be launched at investment of ₹18,600 crore
  - renewable energy sector received ₹20,000 crore
  
- III. **16 action points for doubling farm income under aspirational India**
  1. State govts implementing three model laws already adopted by Centre to be encouraged.
  2. Comprehensive measures for 100 water stressed districts
  3. To encourage balanced use of all kinds of fertilisers, including organic fertilisers. Seek to change incentive scheme skewed towards chemical fertilisers
  4. Pradhan Mantri Kisan Urja Suraksha evam Utthan Mahabhiyan (PM KUSUM) to be expanded. Total of 2 million farmers can set up standalone solar pumps. Further, government can help 1.5 million solarise grid-connected pump sets through viability gap funding. Farmers can also use barren land for solar energy and have a livelihood out of it
  5. Govt to provide viability gap funding for setting up advanced warehousing
  6. Village story scheme to be run by Women SHG in order to ease farmers' logistic problems
  7. Kisan rail to be set up on PPP basis for perishable goods
  8. Agricultural credit availability set at Rs 15 trillion
  9. Krishi Udaan to be launched by civil aviation ministry for farmers in remote and north-east areas
  10. Horticulture sector to be promoted for better marketing and export on a cluster basis
  11. Doubling milk output from 53.5 mn tonnes to 108 mn metric tonnes by 2025
  12. Fish production to be raised to 20 mn tonnes.
  13. Rural development and Panchayati Raj allocated Rs 1.6 trillion
  14. The NABARD re-finance scheme will be further expanded.
  15. Focus on Blue economy
  16. Under Deen Dayal Antyodaya Yojana for alleviation of poverty, 58 lakh SHGs have been mobilised

#### IV. Prominent announcements of relevance:

- Simplified version of GST to be introduced by April 2020
- Dividend Distribution Tax to be removed, companies will not be required to pay DDT, dividend to be taxed only at the hands of recipients at applicable rates
- Concessional corporate tax rate of 15 per cent to new domestic companies in manufacturing and power sector.
- Deposit insurance coverage increased to ₹5 lakh from the existing ₹1 lakh
- It is proposed to digitally refund exporters on reversion of duties on exported products. This will mainly include electricity duty, VAT, fuel used for transportation, etc.
- Audit threshold for MSMEs raised to ₹5 crore from ₹1 crore
- New Income tax slabs proposed to bring more purchase power to end use consumer
- Budget 2020 proposes tax payers' charter to prevent harassment by officials. The minister said certain offences under the Companies Act are being decriminalized and that other laws are also being examined to make corrections
- Setting up of *Investment Clearance Cell* to provide end to end facilitation
- Firms operating old thermal power plants advised to shut units if emission norms not met. Power plants with emissions above prescribed limits will be asked to close down.
- Central government highlighted plans to construct:
  - 2500 access control highway
  - 9000 km eco-development corridors
  - 200 coastal and port roads
  - 2000 km strategic highways
  - Delhi-Mumbai expressway and 2 other corridors will be completed by 2023
- 100 more airports to be developed by 2024 to support Central government's "Udaan" scheme
- Indian Railways will set up Kisan Rail in public-private partnership (PPP) mode for cold supply chain to transport perishable goods.
- Time bound adoption of Zero effect Zero Effect scheme by all industries. All ministries would be issuing quality standards soon.
- Single platform to procure goods and services would be introduced
- Setting up a project preparation facility to promote young engineers for infrastructure projects which will enable value add products and services
- National Logistics policy soon to be announced along with single window e-logistics market
- Setting up large solar power capacity alongside the rail tracks on the land owned by railways
- Operation of 150 passenger trains would be done through PPP mode soon
- More TEJAS type trains will connect iconic tourist destinations
- Urban Local Bodies across the countries would provide internship opportunities to fresh engineers for public good programmes
- Focus on solid waste collection, source segregation and processing
- National Technical Textile Mission for a period of 4 years
- About INR 22,000 crore has already been provided as support to Infrastructure Pipeline which would cater for equity support to Infrastructure Finance Companies such as IIFCL and a subsidiary of NIIF. This would create a major source of long term debt for infrastructure projects.

#### V. Category wise overview

##### 1. **Taxes, Duties and Levies**

- Corporate tax for new companies and existing companies (in manufacturing sector) reduced to 15% and 22% respectively



- New domestic power producers to be subjected to 15% corporate tax rate
- Dividend Distribution Tax (DDT) to be removed and classical system of dividend taxation adopted
- 100% tax exemption to Sovereign Wealth Fund of foreign governments on the interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years
- Relief to Startups on tax payment up to five years subject to continued association with the Company
- Simplified GST return to be implemented from 1st April 2020. Refund process to be fully automated.
- Tax holiday on the profits earned by developers of affordable housing project approved by 31st March, 2021.

## 2. Infrastructure, Railways and Logistics

### **Highways**

- Accelerated development of highways will be undertaken. Development of 2,500 km access-controlled highways, 9,000 km of economic corridor, 2,000 km of coastal and land-port roads and 2,000 km of strategic highways will be undertaken.
- Further, Delhi-Mumbai Expressway and other packages to be completed by 2023. Work on Chennai-Bengaluru Expressway to be started soon
- At least twelve lots of highway bundles of over 6,000 Km will be monetised before 2024

### **Waterways**

- One major port to be corporatised and listed on the stock exchange
- The Jal Vikas Marg on National Waterway 1 will be completed soon. Further, the 890 Km Dhubri-Sadiya connectivity will be done by 2022
- Plans are under consideration to energise economic activity along the river banks

### **Airports**

- 100 more airports would be developed by 2024 to support the UDAAAN scheme. It is expected that the air fleet number will go up from the present 600 to 1,200 by 2024

### **Measures proposed to boost Railways**

- Setting up large solar powered capacity alongside rail tracks on land owned by railways to be undertaken for which a proposal is under consideration
- 4 station redevelopment projects and operation of 150 passenger trains would be done through PPP
- More TEJAS type trains to connect iconic tourist destination
- High speed train between Mumbai and Ahmedabad will be actively pursued
- 148 km long Bengaluru Suburban transport project to be developed at a cost of INR 18,600 crore. This would have fares following the metro model. Central Government would provide 20% of equity and facilitate external assistance up to 60% of the project cost

### **Logistics**

- INR ₹1.7 lakh crore allocated for transport infrastructure for the financial year 2020-21
- INR 91,823 crores allocated to Ministry of Road Transport and Highways and INR 72,216 allocated to Ministry of Railways
- The National Logistics Policy will be released soon which proposes to create a single window e-logistics marketplace, improve generation of employment, enhance skills and making MSMEs competitive

### 3. Real estate and affordable housing

- The date of loan sanction for availing additional deduction of up to INR 150,000 for interest paid on loans taken for purchase of an affordable house was extended by 1 year
- The date of approval for availing a tax holiday for profits earned by developers of affordable housing projects was extended by 1 year to March 31, 2021
- The difference between consideration value and circle rate for counting income both
- in the hands of the purchaser and seller while taxing income from capital gains, business profits and other sources in respect of transactions in real estate, has been increased to 10%

### 4. Environment, Climate and RE

#### ***Climate change***

- Allocation of INR 22,000 crore to power and renewable energy sector in 2020-21
- Departments/Ministries to take responsibility for implementation of India's Nationally Determined Contribution at Paris agreement (in 2015) from 1st January 2021
- Promotion of Sustainable development goals through establishment of Coalition for Disaster Resilient Infrastructure (CDRI)
- Thermal power plants emitting higher than set norms would be closed and land thus vacated to be put to alternative use
- Allocation of INR 4,400 Crore for tackling air pollution in large cities with a population of more than 1 million
- Proposition to implement large solar power capacity alongside railway tracks, on the land owned by the railways.

#### ***De-carbonisation of Agriculture Sector***

- PM-KUSUM scheme extended to provide stand-alone solar pumps (to 20 lakh farmers) and solarize grid-connected pump sets (to 15 Lakh farmers)
- Farmers would be enabled to set up solar power on their non-fertile lands and to sell the generated power to the grid
- Production of solar energy in non-cropping season would be encouraged

#### ***Energy Efficiency***

- Financial Minister urged States and UTs to implement smart meters in three years' time, which will facilitate consumers to choose the supplier and rate

#### ***Waste Management***

- Allocation of INR 12,300 Crore for Swachh Bharat Mission
- Focus on sustained ODF behavior through on liquid and grey water management in addition to solid waste collection, source segregation and processing of waste

#### ***Water***

- Allocation of 3.6 lakh Crore for 'Jal Jeevan' mission; 11,500 Crore for FY 2020-21 with an aim to provide piped water to all households
- Focus on augmenting local water sources, recharging existing sources and promoting water harvesting and de-salination

### 5. Jobs and Education

- Government proposes to provide about INR 99,300 crore for education sector in 2020-21 and about INR 3,000 crores for skill development
- A new education policy will be announced soon
- Steps will be taken to enable sourcing External Commercial Borrowings (ECBs) and Foreign Direct Investment (FDI) for delivering higher quality education



- A program where Urban Local Bodies (ULBs) across the country would provide internship opportunities to fresh engineers for a period up to one year would be started
- A huge employment opportunity exists for Indian youth in construction, operation and maintenance of infrastructure. National Skill Development Agency will give special thrust to infrastructure focused skill development opportunities
- A project preparation facility will be set up for infrastructure projects which will involve engineers, management graduates and economists from Indian Universities
- All infrastructure agencies of the government to be directed to involve youth in startups. They will help in rolling out value added services in quality public infrastructure for citizens
- National Logistics Policy which will be released soon which will focus on generation of employment and improving skills
- About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021

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