February 2, 2021

India's budget doubles down on driving growth

- In line with our expectations, the Union Budget for FY2021-22 prioritized economic growth revival over fiscal consolidation.

- The government has proposed to raise total spending significantly to 15.6% of GDP in FY22, up from 13.2% of GDP in FY20. For FY21, it revised spending to a multi-decade high of 17.7% of GDP, up from the previous estimate of 13.5% of GDP.

- The quality of fiscal spending is projected to improve substantially with capital expenditure projected to rise to 2.5% of GDP in FY22, up from 1.8% of GDP in FY21 budgeted estimate (BE), indicating a big push for infrastructure investment.

- The government did not make any major changes on the tax front, but import duty was increased on several items in line with the Aatmanirbhar theme along with a new agriculture cess.

- To finance higher spending, the government has given itself a long rope by revising the deficit for FY21 to 9.5% of GDP from the budgeted estimate of 3.5% of GDP and proposing a deficit of 6.8% of GDP for FY22.

- Despite higher deficits, the government is banking on the revival of economic growth with the help of a counter-cyclical policy to achieve debt sustainability. This will require execution of stated infrastructure investment plans.

- Given big infrastructure plans, the government announced several steps to find and attract resources to fund the same, including a development bank, disinvestment, asset monetization, and capital market reforms.

- Other key measures such as strengthening banks through recapitalization, moving banks' bad assets to an ARC/AMC, hike in FDI limit for the insurance sector, increased allocation for the health sector, and an extension of some housing sector incentives etc. were in line with our expectations.

- But there was a conspicuous absence of measures in the budget for sectors like travel & hospitality, restaurants etc., which continue to witness a laggard recovery and still need support.

- A high projected budget deficit in FY22 will require continued support from the RBI.

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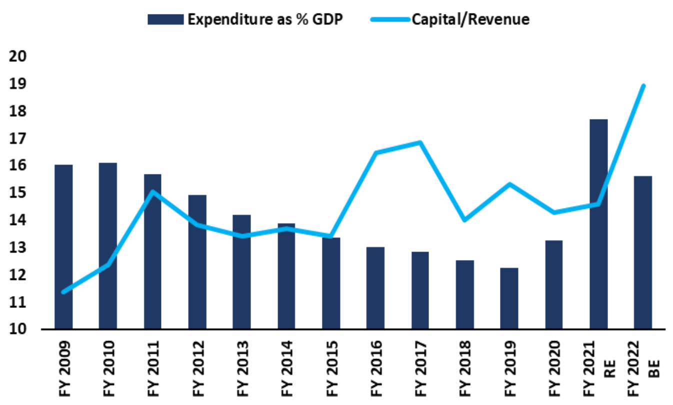
Government prioritizes growth revival over fiscal consolidation

In line with our expectations, the Union Budget for FY22 prioritized economic growth revival over fiscal consolidation. It was presented in the backdrop of unprecedented health and economic shock. As India has bent the COVID curve and economic recovery is gradually advancing, the budget was expected to provide a fillip to the demand side to accelerate the pace of an ongoing economic revival. The economic survey released recently also called for a counter-cyclical fiscal policy, arguing that such a policy stance should not threaten debt sustainability as higher growth ensures the sustainability of debt levels. Our expectation was also that the government would prioritize economic growth revival over fiscal consolidation (please refer to report '*Steady start to the new year with vaccination drive underway; Budget FY22 to focus on driving growth ahead;'* dated January 19, 2021). The FY22 budget presented on February 1, 2021, broadly delivered on those expectations through a significant increase in government expenditure, focusing on big infrastructure push, including on the health sector.

Government spending increases to record highs

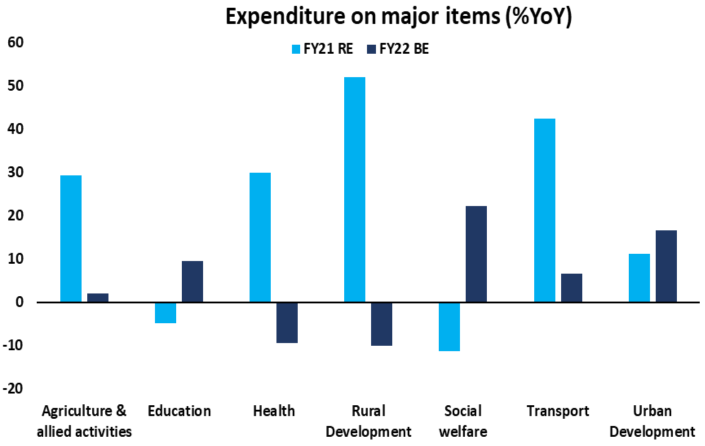


Source: CMIE, Union budget documents

The budget entailed a massive fiscal push for the remainder of FY21 and the next fiscal year (i.e. FY22). This is visible in government spending that is pegged at multi-decadal highs of 17.7% of GDP and 15.6% of GDP for FY21 RE and FY22 BE respectively. Although the government had already kickstarted its spending drive from October onward (28.9% YoY in Q3 FY21), the revised estimates for FY21 entail that Q4 FY21 spending is likely to more than double from last year (~103% YoY from Q4 FY20).

Aided by the success in controlling the COVID situation along with the ongoing vaccination drive - the recent wave of spending also exhibits a shift from committed spending and income support measures to more growth-inducing and productive spending now. As such, capital expenditure has been budgeted at Rs 5.5 trillion for FY22, 26.2% higher than the FY21 RE and 34.5% higher than the FY21 BE. This is an increase to 2.5% of GDP in FY22 from 1.8% of GDP in FY21 BE. Meanwhile, revenue expenditure, after witnessing a 28.1% YoY growth in FY21 is expected to contract by 2.7% in FY22 versus the revised estimate for FY21, reflecting the unwinding of COVID-related income support. Expenditure on health, rural development and food subsidy are budgeted to contract by 9.5%, 10% and 42.5% respectively in FY22 compared to revised estimates of FY21. As such, the quality of fiscal spending is projected to improve in FY22, with the capital to revenue expenditure ratio reaching 18.9% - its highest in more than a decade. This transition was already visible from Q3 FY21 onward that saw a 110% YoY increase compared to an 18.9% YoY increase in revenue spending.

Expenditure push on building up of infrastructure



Source: Union budget documents

On the receipts side, the budgeted numbers appear to hinge on the side of prudence and create space for tailwinds and a positive surprise to the overall fiscal position later. Overall, receipts have been budgeted at Rs 19.8 trillion, which is 23.4% higher than FY21 RE numbers; however, it is still 12% below FY21 BE numbers. The gross tax to GDP ratio is budgeted to remain steady at 9.9% in FY22 (similar to FY20 and FY21 levels) and below the five-year average of 10.8% of GDP. Corporate and income tax are expected to drive direct taxes (22.4% YoY), in line with the recovery in the economy. Moreover, steps on improving compliance such as a reduction in time limits for filing of tax returns, relief for dividend, establishing a National Faceless Income Tax Appellate Tribunal centre etc., are likely to improve direct tax buoyancy. Measures such as enhancement of the capacity of the GSTN system, electronic invoicing system and the use of in-depth analytics and Artificial Intelligence to identify tax evaders have been instrumental in achieving record collection of GST in recent months. This is likely to drive indirect taxes that are budgeted to increase by 11.4% in FY22. The government also increased custom duties on a range of items such as mobile parts, solar inverters, auto parts, prawn feed, cotton, raw silk, silk yarn, etc., while at the same time reducing customs on input items such as gold and silver, steel scrap, copper scrap etc. that aligns with its strategy of self-reliance (Aatmanirbhar Bharat) and is likely to aid custom collections that are pegged 21.4% higher in FY22. The government has also proposed to review more than 400 old exemptions and put in place a revised customs duty structure from October 1, 2021. The increase in custom collections is expected to offset a fall in excise duty collection that is budgeted to decline by 7.2% in FY22 BE.

The non-tax revenue component has also been budgeted conservatively at Rs 2.4 trillion for FY22. The disinvestment target of Rs 1.75 trillion stands below the Rs 2.1 trillion target for FY21 (revised down to Rs 0.32 trillion) and our own expectations. Strong asset valuation currently creates a good opportunity for monetization of government assets which includes pending cases from FY21. RBI dividend has been budgeted at Rs 53,510 crores compared to Rs 61,826 crores in FY21.

Conservative revenue targets along with the aggressive expenditure drive, have resulted in a spiralling of fiscal deficit to 9.5% of GDP for FY21. A relatively lenient fiscal glide path was laid out by the finance minister – with a deficit of 6.8% of GDP in FY22 that is targeted to eventually reduce to a deficit of below 4.5% of GDP by FY26. The picking up of growth remains crucial towards achieving this glide path that could face criticism from rating agencies for an already aggressive fiscal drive. The government has budgeted a nominal growth of 14.4% YoY for FY22 (1 percentage point lower than the estimate of the economic survey) after a 4.2% contraction in FY21. The implementation of the government's aggressive intent towards infrastructure-driven and self-sustaining growth remains key for debt sustainability to be achieved.

Sources of funding the deficit; another sizeable market borrowing plan announced

On sources of funding, net market borrowing is expected to finance ~57% of the sizeable deficit of Rs 18.5 trillion in FY21 (including an additional Rs 80,000 crores to be borrowed in the next two months). Given the uncertain year, government relied on higher short-term borrowings at Rs 2.25 trillion as reflected in increased T-bill issuances. Increased savings this year also allowed the government to sharply increase its dependence on National Small Savings Scheme (NSSF), doubling its financing to Rs 4.8 trillion (from Rs 2.4 trillion earlier). External financing is expected to garner ~Rs 55,000 crores in FY21, sharply higher from the budgeted amount of Rs 4,600 crores on the back of higher loans from multilateral agencies such as Asian Infrastructure Investment Bank (AIIB) and International Bank for Reconstruction and Development (IBRD). With redemptions of Rs 2.3 trillion, gross market borrowing is pegged at Rs 12.8 trillion for FY21 and a net market borrowing size of Rs 10.5 trillion. For the next year, gross and net market borrowings are budgeted to reduce to Rs 12.1 trillion and Rs 9.2 trillion respectively. The share of net market borrowings is likely to increase to ~61% of the total deficit as dependence on short-term financing reduces. This is likely to put pressure on bond markets in absorbing the large supply, thereby needing continued RBI support. The

Fiscal metrics for FY22					as % of GDP				%YoY				
INR bn	FY 2020 A	FY 2021 BE	FY 2021 RE	FY 2022 BE	FY 2020 A	FY 2021 BE	FY 2021 RE	FY 2022 BE	FY 2020 A	FY 2021 BE	FY 2021 RE	FY22 BE over FY21 RE	FY22 BE over FY21 BE
Revenue Receipts	16,841	20,209	15,552	17,884	8.3	9.0	8.0	8.0	8.4	3.0	-7.7	15.0	-11.5
Net Tax Revenues	13,569	16,359	13,445	15,454	6.7	7.3	6.9	6.9	3.0	-0.8	-0.9	14.9	-5.5
Gross Tax revenues	20,101	24,230	19,003	22,171	9.9	10.8	9.8	9.9	-3.4	-1.6	-5.5	16.7	-8.5
Direct Tax	10,495	13,190	9,050	11,080	5.2	5.9	4.6	5.0	-7.7	-1.2	-13.8	22.4	-16.0
Indirect Tax ex GST	3,559	4,060	4,744	4,720	1.7	1.8	2.4	2.1	-0.2	-10.9	33.3	-0.5	16.3
Customs	1,093	1,380	1,120	1,360	0.5	0.6	0.6	0.6	-7.2	-11.5	2.5	21.4	-1.4
Union Excise duty	2,406	2,670	3,610	3,350	1.2	1.2	1.9	1.5	3.7	-11.0	50.0	-7.2	25.5
Service tax	60	10	14	10	0.0	0.0	0.0	0.0	-12.7	0.0	-76.8	-28.6	-2.0
GST	5,988	6,905	5,151	6,300	2.9	3.1	2.6	2.8	3.0	4.1	-14.0	22.3	-8.8
Non Tax Revenues	3,272	3,850	2,107	2,430	1.6	1.7	1.1	1.1	38.8	22.9	-35.6	15.4	-36.9
Non Debt Capital Receipts	686	2,250	465	1,880	0.3	1.0	0.2	0.8	-39.2	87.7	-32.2	304.3	-16.4
Disinvestments	503	2,100	320	1,750	0.2	0.9	0.2	0.8	-46.9	100.0	-36.4	446.9	-16.7
Total receipts	**17,527**	**22,459**	**16,017**	**19,764**	**8.6**	**10.0**	**8.2**	**8.9**	**5.2**	**7.8**	**-8.6**	**23.4**	**-12.0**
Total Expenditure	**26,863**	**30,422**	**34,503**	**34,832**	**13.2**	**13.5**	**17.7**	**15.6**	**16.0**	**9.2**	**28.4**	**1.0**	**14.5**
Revenue Expenditure	23,506	26,301	30,111	29,290	11.6	11.7	15.5	13.1	17.1	7.5	28.1	-2.7	11.4
Interest payments	6,121	7,082	6,929	8,097	3.0	3.1	3.6	3.6	5.0	7.2	13.2	16.9	14.3
Capital Expenditure	3,357	4,121	4,392	5,542	1.7	1.8	2.3	2.5	9.1	21.7	30.8	26.2	34.5
Fiscal Deficit	**9,337**	**7,963**	**18,487**	**15,068**	**4.6**	**3.5**	**9.5**	**6.8**					
Fiscal Deficit % of GDP	**4.6**	**3.5**	**9.5**	**6.8**									

funding of NSSF is likely to remain elevated at ~Rs 3.9 trillion for FY22.

Equity markets have given a thumbs up to the budget with the SENSEX rallying by 5% on Monday. On the other hand, the bond market sold off, with 10yr Gsec rising by 15 bps to over 6%. The government announced higher market borrowing than market expectations. It, however, did not share any updates on plans to raise funds through external issuance or a plan to work towards inclusion of bonds in global indices.

Sources of funding

INR Bn	FY 2020 A	FY 2021 (BE)	FY 2021 RE	FY 2022 (BE)
Fiscal deficit (A)	9337	7963	18487	15068
Fiscal deficit (% of GDP)	4.6	3.5	9.5	6.8
Sources of Funding	**FY 2020 A**	**FY 2021 (BE)**	**FY 2021 RE**	**FY 2022 (BE)**
Net Short term borrowings + POLIF	1501	250	2250	500
External finance	87	46	545	15
Securities issued against Small Savings	2400	2400	4806	3919
State Provident Fund (Net)	116	180	180	200
Other Receipts (Net)	443	508	391	543
Drawdown of cash balances	50	-530	-174	714
Net G-sec borrowing (B)	4740	5109	10488	9177
Total funding of deficit (C)	9337	7963	18487	15068
Redemption + buy back (D)	2360	2691	2312	2878
Gross Borrowing (B+D)	7100	7800	12800	12055

Source: CMIE, Union budget documents

Healthcare receives due focus

The COVID pandemic emphasized the importance of the healthcare sector and its inter-linkages with other sectors - it showcased how a health crisis transformed into an economic and social crisis. Given this, the finance minister proposed a substantial increase in investment in health infrastructure. Budget outlay for Health and Wellbeing has been pegged at Rs 2,23,846 crores for FY22 against this year's BE of Rs 94,452 crores, an increase of 137%. The budget envisions a holistic approach to health as it has focused on strengthening three areas: Preventive, Curative and Wellbeing. Accordingly, the finance minister announced the launch of a new, centrally-sponsored scheme, PM Aatmanirbhar Swasth Bharat Yojana, with an outlay of about Rs 64,180 crores over six years to develop capacities of primary, secondary, and tertiary care health systems, strengthen existing national institutions and creation of new institutions, to cater to detection and cure of new and emerging diseases. To strengthen nutritional content, delivery, outreach, and outcome, the budget proposed a merger of the Supplementary Nutrition Programme and the Poshan Abhiyan. Under disease prevention, the government allocated Rs 35,000 crores for COVID-19 vaccine in FY22 and announced rolling-out of the Made-in-India pneumococcal vaccine across the country from the present five states. The finance minister announced that the Jal Jeevan Mission (Urban), will be launched for universal water supply in all 4,378 Urban Local Bodies with 2.86 crore household tap connections and liquid waste management in 500 AMRUT cities. Also, to tackle the burgeoning problem of air pollution, the government proposed to provide an amount of Rs 2,217 crores for 42 urban centres with a million-plus population, in this budget. A voluntary vehicle scrapping policy to phase out old and unfit vehicles was also announced.

A big push for physical infrastructure

There was a clear push to raise government expenditure, especially capital spending. This was visible in the significant increase in total expenditure which is pegged at record highs of 17.7% of GDP and 15.6% of GDP for FY21 RE and FY22 BE respectively. The share of CAPEX in total expenditure is projected to rise to 15.9% in FY22, up from 12.7% in FY21 RE and 13.5% FY21 BE. The finance minister announced a sharp increase in capital expenditure with an FY22 BE of Rs 5.54 lakh crores, which is 34.5% more than the BE of FY21. The government also plans to spend more than Rs 2 lakh crores to nudge states to spend more on infrastructure creation.

Contrary to expectation, the government did not expand the scope of the Production Linked Incentive (PLI) scheme, which presently covers 13 sectors and is aimed at creating manufacturing global champions for an Aatmanirbhar Bharat. For this scheme, the government has committed nearly Rs.1.97 lakh crores in the next five years, starting FY22. However, it continues to adjust the custom duty structure to incentivize domestic value addition. The government did announce that a scheme of Mega Investment Textiles Parks (MITRA) will be launched, in addition to the PLI scheme, to enable the textile industry to become globally competitive, attract large investments and boost employment generation. As per the budget proposal, seven Textile Parks will be established over three years under MITRA.

The budget also plans to give a boost to public transport in urban areas through a new scheme with an allocation of Rs 18,000 crores to support public bus transport services, deployment of new technologies, 'MetroLite' and 'MetroNeo', in tier-2 cities and peripheral areas of tier-1 cities and by providing central government funding for Metros in Kochi, Chennai, Bengaluru, Nagpur and Nashik. It also allocated Rs 1,18,101 crores the highest ever outlay for the Ministry of Road Transport and Highways – of which Rs 1,08,230 crores is for capital. To further augment road infrastructure, more economic corridors are also being planned in FY22. For the ailing power sector, the government has proposed an outlay of Rs 3,05,984 crores over five years for a revamped, reforms-based, result-linked power distribution sector scheme. The scheme will assist DISCOMS for infrastructure creation, including prepaid smart metering and feeder separation, upgrading systems etc., tied to financial improvements. Schemes were also announced for Railways and Petroleum & Natural Gas sectors and Ports, Shipping and Waterways.

For the real estate sector, the finance minister proposed to extend the eligibility period for a claim of the additional deduction for the interest of Rs 1.5 lakhs paid for a loan taken for the purchase of an affordable house to March 31, 2022. In order to increase the supply of affordable houses, the minister also announced the extension of the eligibility period for claiming a tax holiday for affordable housing projects by one more year to March 31, 2022. For promoting the supply of affordable rental housing for migrant workers, the government announced a new tax exemption for notified affordable rental housing projects.

The budget disappointed on some fronts. There was a conspicuous absence of budget measures for sectors like travel & hospitality, restaurants etc., which continue to witness a laggard recovery and still need support.

Innovative ways to fund infrastructure investments

Given the big infrastructure push, the government announced several steps to find and attract capital to fund the same, including a development bank, disinvestment, asset monetization, strengthening banks and capital market reforms.

The government continued its focus on the infrastructure sector and announced innovative ways to provide funding for the same. The finance minister expanded the scope of the National Infrastructure Pipeline (NIP) to 7,400 projects from 6,835 projects. To increase funding for the NIP, the government announced a plan to increase its CAPEX (as mentioned above), provided for the creation of institutional structures and unveiled a big thrust on monetizing assets. The minister informed the house that a bill would be introduced to set up a Development Finance Institution (DFI) called the National Bank for Financing Infrastructure and Development (NBFID) which will act as a provider, enabler and catalyst for infrastructure financing. This will be set up on a capital base of Rs 20,000 crores and is targeted to have a lending portfolio of at least Rs. 5 lakh crores in three years. The minister further stated that in order to enable debt financing of InVITs and REITs by Foreign Portfolio Investors, suitable amendments would be made in relevant legislations. The move is expected to help in augmenting funds for infrastructure and real estate sectors. The government proposed an aggressive approach to monetize assets, with the launch of a National Monetization Pipeline of potential brownfield infrastructure assets to raise resources for new infrastructure construction. The minister gave details of some assets monetized under the program as listed in the annexure.

To enhance capital for investment and the infrastructure sector, the finance minister announced that the government has approved a policy of strategic disinvestment of public sector enterprises that will provide a clear roadmap for disinvestment in all non-strategic and strategic sectors. As per the announcement, the government has kept four strategic areas where bare minimum CPSEs will be maintained. In the remaining sectors, all CPSEs will be privatized. NITI AYOG has been asked to work out the next list of central public sector companies that will be taken up for strategic disinvestment. The minister also announced that to similarly incentivize states to disinvest their public sector companies, an incentive package of central funds will be worked out. The minister proposed to use a Special Purpose Vehicle in the form of a company to carry out monetization of idle land. This can either be by way of direct sale or concession or by similar means.

The budget proposed measures to develop capital markets and attract FDI. The finance minister proposed to consolidate the provisions of the SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007 into a rationalized single Securities Markets Code. The government will support the development of a world-class Fintech Hub at GIFT-IFSC. Further, the government was expected to announce additional steps to boost FDI. Except for the hike in FDI limit for insurance, there was no major announcement.

To help strengthen banks, the government provided Rs 20,000 crores for public sector bank recapitalization in FY22. It also proposed to set up an Asset Reconstruction Company Limited and Asset Management Company to consolidate and take over existing stressed debts and then manage and dispose of assets to Alternate Investment Funds and other potential investors for eventual value realization. The Financial services secretary said, “Banks will put together initial capital, which will be cash neutral (to the government) into the ARC/AMC,” indicating that the government will not have a direct stake in the structure. The government announced lowering the loan amount 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 lakhs to Rs 20 lakhs for NBFCs with a minimum asset size of Rs 100 crores. This move should help strengthen the sector and recover dues.

Measures for ease of doing business and living find space in the budget

To reduce compliance costs, the government has proposed to decriminalize the Limited Liability Partnership (LLP) Act, 2008, a measure to ensure faster resolution of cases and revising the definition of small companies under the Companies Act, 2013 by increasing their thresholds for paid-up capital from 'not exceeding Rs 50 lakh' to 'not exceeding Rs 2 crores' and turnover from 'not exceeding Rs 2 crores' to 'not exceeding Rs 20 crores'. It also announced measures to promote start-ups and innovators by incentivizing the incorporation of One Person Companies.

The finance minister provided relief to senior citizens in the filing of income tax returns, the reduced time limit for income tax proceedings, announced setting up of the Dispute Resolution Committee, faceless ITAT, relaxation to NRIs, increase in exemption limit from audit and relief for dividend income. She also announced steps to attract foreign investment into infrastructure, relief to affordable housing and rental housing, tax incentives to IFSCs, relief to small charitable trusts, and steps for incentivizing start-ups in the country.

Agriculture gets additional funds; cut in MNREGA budget disappointing

Keeping the focus on the agriculture sector, the finance minister announced to enhance agricultural credit target to Rs 16.5 lakh crores in FY22 - animal husbandry, dairy and fisheries are to be the focus areas, to increase the Rural Infrastructure Development Fund to Rs 40,000 crores from Rs. 30,000 crores and to double the Micro Irrigation Fund to Rs 10,000 crores. A drop in allocation for MNREGA from Rs 1.1 trillion in FY21 to Rs 73,000 crores in budget FY22 was disappointing, given continued stress in the rural job market.

Reinvigorating human capital and innovation and R&D

Two pillars of the budget proposal were focused on reinvigorating human capital and promoting innovation and R&D. After a good reception of the National Education Policy, the finance minister announced a qualitative strengthening of more than 15,000 schools under this scheme and setting up of 100 new Sainik schools in partnerships with NGOs/private schools/states. The government has also allocated over Rs 3,000 crores for skill development under the revised National Apprenticeship Promotion Scheme. The finance minister also announced a total outlay of Rs 50,000 crores over 5 years for the National Research Foundation.

ANNEXURE

Health and Wellbeing

- Health and wellbeing outlay has been budgeted at Rs 2.23 trillion for FY22 (of which Rs 35,000 crores has been earmarked for the Covid-19 vaccine). This is an increase of 137% against Rs 94,452 crores budgeted in FY21.
- A new, centrally sponsored scheme - PM Aatmanirbhar Swasth Bharat Yojana to spend Rs 64,180 crores on primary, secondary and tertiary healthcare over six years. This will be in addition to the National Health Mission.
- Universal coverage of water supply - Rs. 2,87,000 crores over 5 years for Jal Jeevan Mission (Urban) - to be launched.
- Swachch Bharat, Swasth Bharat - Rs. 1,41,678 crores over 5 years for Urban Swachh Bharat Mission 2.0.
- Clean air - Rs. 2,217 crores 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.
- Other steps focus on enhancing health systems, nutrition (Mission Poshan 2.0) etc.

Physical and financial capital and infrastructure

- Production Linked Incentive scheme (PLI) - Rs. 1.97 lakh crores in the next five years for PLI schemes in 13 sectors. Mega Investment Textiles Parks (MITRA) scheme to be launched in addition to the PLI scheme.
- National Infrastructure Pipeline (NIP) expanded to 7,400 projects (around 217 projects worth Rs 1.1 trillion completed).
- Introduce a bill to set up a Development Financial Institution (DFI) for infrastructure financing - with an initial capital of Rs 20,000 crore and an aim to have a lending target of Rs 5 lakh crore over the next 3 years. Debt Financing by Foreign Portfolio Investors to be enabled by amending InvITs' and REITs' legislations
- National monetization pipeline to be launched to provide thrust on monetizing assets. Important asset monetization measures include –
    - 5 operational toll roads worth Rs. 5,000 crores being transferred to the NHAIInvIT
    - Transmission assets worth Rs. 7,000 crores 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, Sports Stadiums
- Capital expenditure pegged at Rs 5.54 trillion for FY22 that is higher by 26.2% v/s Rs 4.4 trillion in FY21.
- Spends of Rs 1.1 trillion for Ministry of Railways in FY22 (52.3% YoY above FY21 BE). Of this, Rs 1.07 trillion is provisioned for capital expenditure.
- Spends of Rs 1.18 trillion for Ministry of Road Transport and Highways of which Rs 1.08 trillion is for capital.
- Urban infrastructure - raising the share of public transport in urban areas by the expansion of the metro rail network and augmentation of city bus service. Rs 18,000 crores for a new scheme to augment public bus transport.
- Power infrastructure - Rs 3,05,984 crores 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, and waterways – Rs 2,000 crores worth 7 projects to be offered in PPP mode in FY21-22 for the operation of major ports.
- Petroleum and Natural Gas - Extension of Ujjwala scheme to cover 1 crore more beneficiaries. Add 100 more districts to the City Gas Distribution network in the next 3 years.
- Financial capital support for the development of a world-class Fintech Hub at GIFT-IFSC. A new permanent institutional framework to help in the development of bond markets 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.
- Capital infusion of Rs 1,000 crore to Solar Energy Corporation of India and Rs 1,500 crore to Indian Renewable Energy Development Agency.
- FDI limit for insurance increased from 49% to 74% and allowed foreign ownership and control with safeguards.
- Asset Reconstruction Company Limited (ARC) and Asset Management Company (AMC) to be set up.

- Further allocation of Rs 20,000 crores for PSU banks in FY22.
- 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 FY22.
- Disinvestment of two public sector banks in addition to IDBI, in addition to LIC in FY22.
- New policy for strategic disinvestment approved; CPSEs except in four strategic areas to be privatized.
- NITI Aayog to work out 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.
- Decriminalization of the Limited Liability Partnership (LLP) Act, 2008.
- Promoting start-ups and innovators by incentivizing the incorporation of One Person Companies (OPCs).
- 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.
- Amendments to the DICGC Act, 1961, to help depositors get 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 lakhs to Rs 20 lakhs for NBFCs with a minimum asset size of Rs 100 crores.
- To ensure faster resolution of cases by strengthening the NCLT framework, implementation of e-Court systems and introduction of alternate methods of debt resolution and special framework for MSMEs.
- Launch of data analytics, artificial intelligence, and machine learning-driven MCA21 Version 3.0 in 2021-22.

Inclusive Development

- Agricultural credit target enhanced to Rs. 16.5 lakh crores in FY22 - animal husbandry, dairy and fisheries to be the focus areas
- Rural Infrastructure Development Fund to be enhanced to Rs 40,000 crores from Rs 30,000 crores.
- To double the Micro Irrigation Fund to Rs 10,000 crores.
- One Nation, One Ration Card scheme for beneficiaries to claim rations anywhere in the country to be integrated across 32 states and UTs (currently scheme covers 86% beneficiaries).
- Rs 15,700 crores budget allocation to the MSME sector, more than double of this year's BE.

Reinvigorating Human Capital

- 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.
- Legislation to be introduced to set up Higher Education Commission of India as an umbrella body with four separate vehicles for standard setting, accreditation, regulation and funding
- Creation of a formal umbrella structure to cover all government colleges, universities and research institutions in a city for greater synergy.
- Proposed amendment to Apprenticeship Act to enhance opportunities for youth.
- Rs 3000 crores for realignment of existing National Apprenticeship Training Scheme (NATS) towards post-education apprenticeship, training of graduates and diploma holders in Engineering.

Innovation and R&D

- Modalities of National Research Foundation announced in July 2019 – Rs 50,000 crores outlay over five years. To strengthen overall research ecosystem with focus on national priority thrust areas.
- Rs 1,500 crores for proposed scheme to promote digital modes of payment.
- PSLV-CS51 to be launched by New Space India Limited (NSIL) carrying Brazil's Amazonia Satellite and some Indian satellites.
- Rs 4,000 crores over five years for Deep Ocean Mission survey exploration and conservation of deep sea biodiversity.

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 the nursing profession.
- Proposed Conciliation Mechanism with mandate for quick resolution of contractual disputes with CPSEs.
- Rs 3,768 crores allocated for the first digital census in the history of India.

Net Borrowing of States:

- Net borrowing for the states allowed at 4% of GSDP for the year 2021-2022 as per the recommendation of the 15th Finance Commission.
- Part of this earmarked for incremental capital expenditure.
- Additional borrowing ceiling of 0.5% of GSDP will be provided, subject to conditions.
- States expected to reach a fiscal deficit of 3% of GSDP by 2023-24, as recommended by the 15th Finance Commission.

Fifteenth Finance Commission

- The final report covering 2021-26 was submitted to the President, retaining vertical shares of states at 41%.
- Funds to UTs of Jammu and Kashmir and Ladakh would be provided by the Centre.
- On the Commission's recommendation, Rs 1,18,452 crores have been provided as Revenue Deficit Grant to 17 states in 2021-22, as against Rs 74,340 crores to 14 states in 2020-21.

Tax Proposals

- 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.
- Time limit for reopening cases reduced to three years from six years.
- Serious tax evasion cases, with evidence of concealment of income of Rs 50 lakhs or more in a year, to be reopened only up to ten years, with approval of the Principal Chief Commissioner
- Dispute Resolution Committee to be set up for taxpayers with taxable income up to Rs 50 lakhs and disputed income up to Rs 10 lakhs.
- National Faceless Income Tax Appellate Tribunal Centre to be established.
- Over one lakh taxpayers opted to settle tax disputes of over Rs 85,000 crores through Vivad Se Vishwas scheme until January 30, 2021.
- Rules to be notified for removing hardships faced by NRIs regarding their foreign retirement accounts.
- Limit of turnover for tax audit increased to Rs 10 crores from Rs 5 crores for entities carrying out 95% of transactions digitally.
- Dividend payment to REITs/ InVITs 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.
- 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.
- Additional deduction of interest, up to Rs 1.5 lakhs, 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.

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- Details of capital gains from listed securities, dividend income, interest from banks etc. to be pre-filled in returns
- Exemption limit of annual receipt revised from Rs 1 crore to Rs5 crore for small charitable trusts running schools and hospitals.
- Late deposit of employees' 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 March 31, 2022.

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 October 1, 2021 by reviewing more than 400 old exemptions.
- New customs duty exemptions to have validity up to March 31, 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 March 31, 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%.

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:

- Customs 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 inverters 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 will attract 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 gemstones 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) levied on a small number of items.

Rationalization of Procedures and Easing of Compliance:

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

Indirect Taxes (GST)

Measures taken till date:

- Nil return through SMS
- Quarterly return and monthly payment for small taxpayers
- Electronic invoice system
- Validated input tax statement
- Pre-filled editable GST return
- Staggering of returns filing
- Enhancement of capacity of GSTN system
- Use of deep analytics and AI to identify tax evaders

Source: PIB, Ministry of Finance

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