

WEBINAR HANDOUT



Yojana

Gist of Yojana-March 2020

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1. UNION BUDGET 2020-21: A FINE BALANCING ACT

Introduction

- This year's budget is woven into three major themes; **Aspirational India, Economic Development and a Caring Society.**
- It aims to provide better standards of living through improved access to health and education.
- Furthering sustainable growth and economic development, **it aims to promote the private sector and ensures that we develop a harmonious and caring society**, which looks after each individual's needs and benefits.

Key Objectives

- The budget **highlights 16-action points which cover almost all aspects of the agriculture and allied activities sector.**
- The budget aims to provide support for an end-to-end value chain and **puts emphasis on warehouse storage and development.** Significant Attention has been given to the development of the blue economy and through that, India's coastal regions.
- The **move to create a cold supply chain, and launching refrigerated coaches with the help of Indian Railways** is a welcome move towards **improving the shelf-life of perishable produce.**
- This budget recognises the need to keep pace with frontier technologies.
- **Service sectors constitute a major share of the economy** and these steps are sure to boost growth in these areas, especially the IT services.

Scope for India

- It is estimated that within the next decade, **India would have the largest working age population.**
- We can **only reap the benefits of this demographic dividend if we take the necessary steps now.**
- It is important to note that while having a large labour force is advantageous, **appropriate skilling is crucial for improving productivity through New Education Policy.**

Role of MSMEs in GDP contribution

- **Micro, Medium, and Small Enterprises (MSMEs) contribute nearly 29% to the country's GDP.** This budget provides sufficient financing relief to the sector.
- As the major lenders in this sector, **finances from NBFCs will now be facilitated through the TReDs platform** to facilitate the strained working capital.
- Moreover, in lieu of the on-going struggle faced by NBFCs, the budget **proposed to move their eligibility limit for debt recovery under SARFAESI Act to an asset size of Rs. 100 crore or loan size of Rs. 50 lakh.**
- The government's **step to increase the decades old deposit insurance coverage of Rs. 1 lakh is a welcome move.**

Improve the functioning of PSUs

- An important step towards **long-term sustainable growth and employment is the government's announcement of the National Infrastructure Pipeline (NIP).**
- The budget **provides adequate funding to the tune of Rs. 22,000 crore equity support to infrastructure finance companies** which could be leveraged further and create long-term debt finance for projects.
- In order to **ensure transparency and improve the credibility**, it has been decided, through the budget, for the first time, **to report extra budgetary items, in terms of bonds and loan borrowings.**

Towards completing economic challenges

- The move towards **gradually simplifying the corporate and personal tax regimes is an important step** to restore the confidence back in the economy.
- The taxpayers' charter will also **help to enhance the trust of investors and corporates in the government.**
- This budget **realizes and recognizes challenges towards achieving higher growth.**
- The **fine balancing act by the government, using the 'escape clause' under the FRBM Act**, is a statement enough. Even with the challenging revenue collection scenario, the government continues to **commit to adequate expenditure levels while maintaining fiscal prudence.**

Conclusion

- The **budget is sound, rational and ticks all the boxes.** Keeping in mind the challenges to economic growth, it **strives to address short, medium and long-term growth prospects equally, without shocking the system.**
- The budget goes a **long way towards our goals of building an aspirational India.** The steps taken over the recent past will drive us **towards the target of becoming a USD 5 trillion economy.**

2. TAX PROPOSALS: BENEFITS TO COMMON MAN

Introduction

The Budget 2020-21, **reformative budget in the present economic scenario** is the budget that cares for all the people of India Across economic strata.

This Budget **woven around the themes of Aspirational India, the Caring India and Economic development for All** is the guide map for the year 2020-21 to join hands together and advance on the path of economic growth together with the help of technology and innovations.

Key objectives

This is the Budget to boost people's incomes, **to provide more money in their hands, to enhance their purchasing power, to boost consumption and therefore demand.** The demand in turn would intensify the growth cycle of the economy with jobs and gainful earnings.

Tax policy is also used **to provide impetus to certain industries, regions and financial instruments by channelising savings and investment into specific areas** based on the priorities of the Government with regards to economic policy and growth.

Indirect Tax- GST

- **A simplified return currently under pilot run shall be implemented** from 1 April, 2020. It will make return filing simple with features like *SMS- based filing for nil return, return pre-filing, improving input tax credit flow and overall simplification.*
- **Refund process has been simplified** and has been made **fully automated with no human interface.**
- Several measures **for improving compliance have been announced.** E-invoice will be implemented in a phased manner to facilitate compliance and return filing.
- **Aadhaar-based verification** of taxpayers is being introduced. **Dynamic QR-code is proposed for consumer invoices.**
- **GST parameters will be captured** when payment for purchases is made through the QR-code.
- A system of cash reward is **envisaged to incentivize customers to seek invoice/s.** **GST rate structure is also being deliberated so as to address issues like inverted duty structure.**

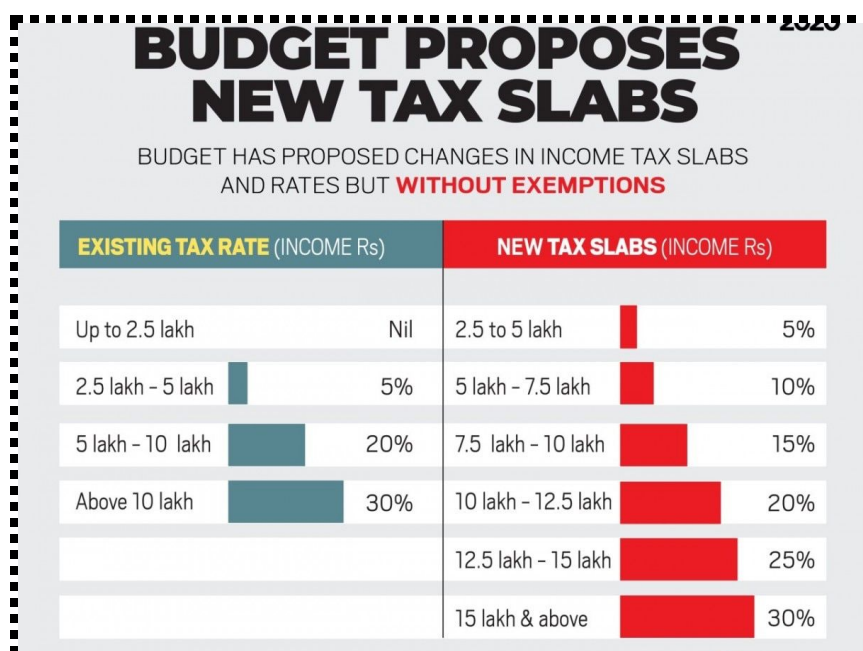
Indirect Taxes-Customs

- Changes are being made **in certain provisions of safeguard duty and the Anti-dumping Rules and Countervailing Duty Rules** are being strengthened for the anti- circumvention measures.
- **To give a boost to the domestic industry, import duty on a number of products** that are locally produced, especially by the MSME sector, **are being increased.**
- A concerted effort has been made **to increase domestic value addition** in sectors like mobile phones and other electronics items, electric vehicles, batteries, etc., **through proper phasing of manufacturing activity.**

- **Customs exemptions have been reviewed to weed out** entries that are redundant, obsolete or outlived their utility and 80 such exemptions are being withdrawn by making suitable amendment/rescission of relevant notifications.
- **A health cess is proposed, by way of custom duty, on the imports of medical equipment keeping in view that these goods are now being made significantly in India.**
- The proceeds of this cess shall be **used for creating infrastructure for health services in the identified districts.**

Direct Taxes

- The Indian economy has displayed high tax buoyancy with a buoyancy factor greater than 1, i.e the *rate of growth of direct taxes has been greater than the rate of growth of GDP.*
- Apart from high tax buoyancy, between 2014-15 and 2018-19, the direct taxes have recorded a growth in collection of 64%.
- Further between FY 2013-14 to FY 2018-19 the number of return filers has grown by 91.02% while the number of taxpayers has increased by 60.55%.
- The **Budget emphasises on simplifying the direct tax administration and making the proposed Tax Charter** the part of the statute.
- The Income Tax Act states taxpayers' responsibilities. The **taxpayers' Charter would state tax administration's accountability towards taxpayers.**

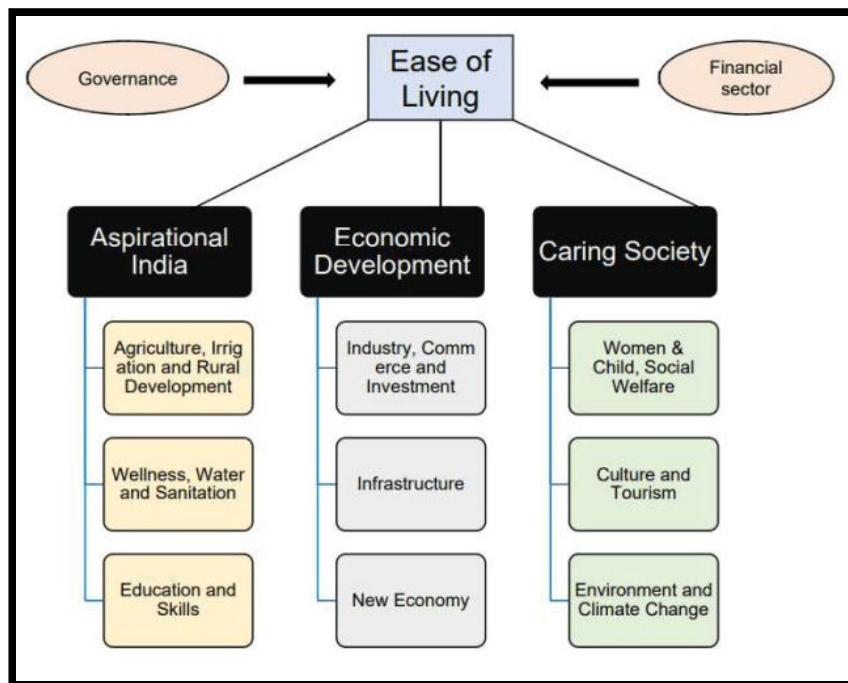


- In Sept' 2019, Govt slashed corporate tax making it comparable with countries in South-East Asia.
- In the budget, **Dividend Distribution Tax (DDT) has been proposed to be abolished.** The dividend now shall be taxed only in the hands of the recipients at their applicable tax slab rate.
- It proposes to **bring a new and simplified personal income tax regime wherein income tax rates will be significantly reduced** for the individual taxpayers who forgo certain deductions and exemptions. Such relief is expected to **give an**

impetus to the demand at estimated revenue forgone of Rs, 40,000 crore per year.

- The new tax regime **shall be optional for the taxpayers** hence an individual who is currently availing more deductions and exemptions under the act may choose to avail them and continue to pay tax in the old regime.
- There have been consistent efforts on the part of the govt **to reduce litigations in taxation earlier through Sabka VishwasScheme and now with Vivaad se Vishwas Scheme.**
- The basic purpose of the proposed scheme is **to help business and industry to come out of litigation and concentrate on the wealth creation.** The Scheme gives *complete waiver of interest and penalty* if the Scheme is availed before 31 March, 2020.
- With the objective of enhancing the efficiency of the delivery system, the **Budget proposes to provide that the CBDT shall adopt a Taxpayer's Charter** and issue necessary directions for the implementation of the same.
- In order to provide relief to co-operative societies, the **Budget proposes to reduce the tax rate for co-operatives on the lines of corporate tax reduction from 30% to 22%.**
- The Budget proposes **to extend the concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity.**
- **To incentivize the investment by Sovereign Wealth Fund of foreign govts in priority sectors,** the Budget proposes **to grant 100% tax exemption to their income for investments made in India.**
- In order to enable **start-ups to attract talented employees** by providing them Employee Stock Option Plan (ESOP), the **Budget proposes to allow deferment of the tax payment by the employee for five years in respect of income relating to ESOP.**
- To further incentivise the start-up ecosystem, the also proposes **to provide tax holiday to the large Start-ups having turnover up to Rs. 100 crore** and also to extend the period of availing the deduction from 7 years to 10 years.
- The Budget proposes **to raise the turnover threshold for compulsory audit from the existing Rs. 1 crore to Rs. crore.**

3. GENDER BUDGETING AND SENIOR CITIZEN



The budget is woven around three prominent themes:

- Aspirational India in which all sections of the society seek better standards of living, with access to health, education and better jobs.
- Economic development for all, indicated in the Prime Minister’s exhortation of “SabkaSaath, SabkaVikas, SabkaVishwas”.
- Caring Society that is both humane and compassionate, where Antyodaya is an article of faith.

‘Caring India’ To Take Care Of Mother And Child

- The Government announced the setting up of a task force to recommend steps to lower maternal mortality rate.
- Categorising women and children under the larger budgetary theme of “Caring India”, the FM announced an allocation of Rs. 35,600 crore for nutrition-related programmes.
- She said the gross enrolment ratio of girls across all levels of education is now higher than boys. At elementary level, it is 94.32% as against 89.29% for boys.
- At secondary level, it is 81.32% as compared to 78% for boys at higher secondary level and girls have achieved a level of 59.70% as compared to 57.54% for boys.
- The Poshan Abhiyan, which aims to bring down stunting of children in the age group of 0-6 years from 38.4% to 25% by 2022, has been a key focus area of the Ministry.
- The allocation for the Pradhan Mantri Matru Vandana Yojana (PMMVY), a maternity benefit programme has been increased.
- The announcements relating to the “Blue Economy” especially fisheries will also benefit women due to their significant participation in the sector.

Senior Citizens

- Budget 2020-21 announced allocation of Rs.9,500 crore for the welfare of senior citizens and Divyang.
- In the 2019 Union Budget **senior Citizens (aged 60 years or above but less than 80 years) income up to Rs. 3 lakh were exempted From tax.** For super senior citizens aged 80 years and above , income up to Rs. 5 lakh is exempt From tax.
- Besides, the Finance Minister also allocated Rs. 53,700 crore for the upliftment of Scheduled Tribes, and Rs.85,000 crore for the welfare of Scheduled caste and other backward classes.

4. AN ANALYSIS OF EDUCATION SECTOR BUDGET

Budget Allocation for Education Sector

- The education budget allocation amounts to a total of Rs. 99,311 crore. The **current allocation reflects an increase of 5%** from the previous year.
- There has been significant emphasis on higher education which is evident from the increased share of higher education from 34% in 2014-15 to 42% in 2017-18 in the total budgetary outlay of MHRD.

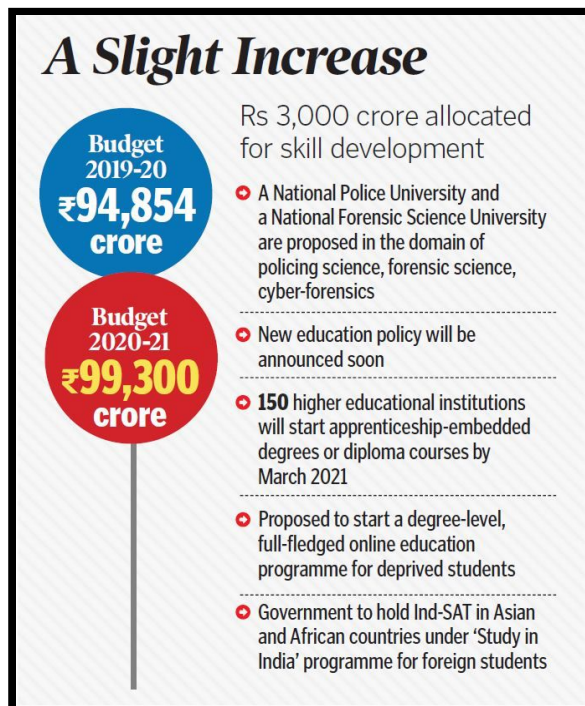
Key Initiatives Proposed Under Union Budget 2020-21

Teacher Education

The Government is already **focusing on training all the untrained teachers in the country through various institutions including National Institute of Open Learning (NIOS)**. The govt. is also striving to utilize ICT in teacher training (e.g. Diksha Portal)

Equalisation of Opportunities to Access Higher Education

- The current budget by **proposing a degree level full-fledged online education programme will attract youth towards higher education.**



- A degree level full-fledged online education programme **will help in increasing Gross Enrolment Ratio in higher education.**

- These **programs can only be offered by institutions ranked within the top 100 in the National Institutional Ranking Framework.**
- Global Higher Education**

To enhance the inflow of international students, the current budget has **proposed to initiate Ind-SAT which is to be held in Asian and African countries under the 'Study in India' programme.**

Improved Financing

The current budget **proposes to introduce sourcing External Commercial Borrowing (ECBs) and FDI** so as to be able to deliver higher quality education.

Training

The current budget has **adopted a unique approach by proposing establishment of a National Police University and a National Forensic Science University.**

Enhancing and Ensuring Employability

- The budget has **proposed to address the issue of unemployment with the initiative of apprenticeship embedded degree/diploma courses in about 150 higher education institutions.**
- Another important initiative pertains to the **proposed internship program for engineering students with urban local bodies for a period up to one year.** This is expected to bring in transformation in the way urban local bodies work.

Online education by top 100 NIRF institutes

- For the betterment of minorities and deprived youngsters, **a degree level online education programme will be started by the top 100 NIRF institutes.**
- The education sector has witnessed an increase of more than Rs 5,000 crore in the amount of budget allocation as compared to the last union budget. Last year, an amount of Rs 93,847 crore was allocated for the education sector.

5. THE INDUSTRY PERSPECTIVE

For Industry

Measures For improving the ease-of-doing business such as the **NIRVIK (Niryat Rin Vikas Yojana) scheme, removal of Dividend Distribution Tax and simplification of the GST regime will boost investor's confidence.**

On the Debt Recovery side for lenders, the allowance to smaller NBFCs to approach the Debt Recovery Tribunal (DRT) for smaller ticket-size loans would be beneficial in lowering NPAs and improving the asset quality.

Recognising urban centres as the growth engines and giving importance to the role of the private sector, there are proposals to develop five smart cities, promote electronics manufacturing, solar infrastructure, more trains, airports and data centre parks under the PPP mode.

The tax proposals in the budget are **directed towards creating trust, bringing uncertainty, attracting investments and reducing litigation.**

Key highlights about the tax proposals:

The key features of the tax proposals that deserve a special mention are- **reduction of tax rates for individual taxpayers in lower income range, the much-awaited abolition of dividend distribution tax, tax exemption on dividends, interest and capital gains investments by sovereign wealth funds, extension of the concessional tax regime to power generation companies, harnessing technology by enabling faceless appeals, relaxing compliance for MSMEs and the tax litigation settlement scheme.**

On the indirect tax front, the **development of an ecosystem for availing online refund of duties will provide relief to the exporters.**

The Budget 2020-21 seeks to strike the right note with the prominent themes of aspiration, economic development, and caring society. These three broad themes are held together by:

- Corruption free, policy-driven good governance.
- Clean and sound financial sector.
- Ease of Living.

Aspirational India

- This part includes better standards of living with access to health, education and better jobs for all sections of the society.
- The three components of aspirational India are: Agriculture, Irrigation, and Rural Development, Wellness, Water, and Sanitation, and Education and Skills.

Economic Development for all: "Sabka Sath, Sabka Vikas, Sabka Vishwas" (This part includes Industry, Commerce and Investment).

- Investment Clearance Cell proposed to be set up to provide **"end to end" facilitation and support and to work through a portal.** National Technical Textiles Mission to be set up with a four-year implementation period from 2020-21 to 2023-24 to position India as a global leader in Technical Textiles.
- New scheme **NIRVIK to be launched to achieve higher export credit disbursement,** which provides for higher insurance coverage, reduction in premium for small exporters, simplified procedure for claim settlements, turnover of GeM proposed to be taken to Rs. 3 lakh crore.

- **A scheme for revision of duties and taxes on exported products to be launched. All Ministries have to issue quality standard orders as per "ZeroDefect-Zero Effect" manufacturing.**

Caring Society

The focus of caring society is on- Women and child, Social Welfare; Culture and Tourism.

Culture & Tourism

- **An Indian Institute of Heritage and Conservation** under the Ministry of Culture proposed; with the status of a deemed University.
- Five archaeological sites to be developed as iconic sites with on-site Museums: Rakhigarhi (Haryana), Hastinapur(Uttar Pradesh), Shivsagar (Assam), Dholavira (Gujarat), Adichanallur (Tamil Nadu).
- **Museum on Numismatics and Trade** to be located in the historic Old Mint building in Kolkata.
- Support for setting up a **Tribal Museum in Ranchi** (Jharkhand).
- Maritime museum to be set up at lothal-the Harappan age maritime site near Ahmedabad, by the Ministry of Shipping.

Conclusion

- The budget is a **step forward towards meeting the aspirations of New India**, but one of the most critical parts will be the implementation of the measures announced in the budget to support growth.
- The fiscal path leans **heavily on the divestment proceeds targetes over Rs. 2 trillion to achieve the growth rates realistically in the current scenario.**
- Any slippage on the underlying **assumptions on revenue will impact the actual deficits and the growth ambitions of being a US\$ 5 trillion economy.**
- With the **corporate tax being slashed to 22%, companies** can now have bigger room to breathe and benefit from the **assistance in funding through the investment clearance cell that has been proposed.**
- The Government has taken a positive step towards **enhancing the start-upecosystem by allowing 100% profit deduction for 3 years out of 10 years for start-ups** with turnover up toRs. 100 crore.

6. KEY HIGHLIGHTS OF ECONOMIC SURVEY 2019-20

WEALTH CREATION: THE INVISIBLE HAND SUPPORTED BY THE HAND OF TRUST

- India's dominance as global economic power for **three-fourths of economic history manifests by design.**
- Historically, Indian economy **relied on the invisible hand of the market with the support of the hand of trust:**
 - Invisible hand of the market is reflected in **openness in economic transactions.**
 - Hand of trust appealed to **ethical and philosophical dimensions.**
- Survey illustrates **enormous benefits accruing from enabling the invisible hand of the market.**
- Exponential rise in India's GDP and GDP per capita **post-liberalisation coincides with wealth generation.**
- Survey shows that the **liberalized sectors grew significantly faster than the closed ones.**
- Survey posits that **India's aspiration to become a \$5 trillion economy depends critically on:**
 - **Strengthening the invisible hand of the market.**
 - **Supporting it with the hand of trust.**

Strengthening the invisible hand by promoting pro-business policies to:

- Provide **equal opportunities for new entrants.**
- Enable **fair competition and ease doing business.**
- Eliminate policies unnecessarily **undermining markets through government intervention.**
- Enable **trade for job creation.**
- Efficiently **scale up the banking sector.**

CREATING JOBS AND GROWTH BY SPECIALIZING IN NETWORK PRODUCTS

- Survey says India has an unprecedented **opportunity to chart a China-like, labour-intensive, export trajectory.**
- By integrating "Assemble in India for the world" into Make in India, India can:
 - **Raise its export market share to about 3.5 % by 2025 and 6 % by 2030.**
 - **Create 4 crore well-paid jobs by 2025 and 8 crore by 2030.**
- Exports of network products **can provide one-quarter of the increase in value added required for making India a \$5 trillion economy by 2025.**
- Survey suggests a strategy similar to one used by China to grab this opportunity:
 - **Specialization at large scale in labour-intensive sectors, especially network products.**
 - Laser-like focus on **enabling assembling operations at mammoth scale in network products.**
 - **Export primarily to markets in rich countries.**
 - **Trade policy must be an enabler.**
- Survey analyses the impact of India's trade agreements on overall trade balance:
 - **India's exports increased by 13.4 % for manufactured products and 10.9 % for total merchandise**

- Imports increased by 12.7 % for manufactured products and 8.6 per cent for total merchandise.
- India gained 0.7 % increase in trade surplus per year for manufactured products and 2.3 % per year for total merchandise.

THALINOMICS: THE ECONOMICS OF A PLATE OF FOOD IN INDIA

- An attempt to quantify what a common person pays for a Thali across India.
- **A shift in the dynamics of Thali prices since 2015-16.**
- Absolute prices of a vegetarian Thali have **decreased significantly since 2015-16 across India and the four regions**; though the price has increased during 2019-20.

Post 2015-16:

- **Average household gained close to Rs. 11, 000 on average per year** from the moderation in prices in the case of vegetarian Thali.
- Average household that consumes two non-vegetarian Thalīs gained close to Rs. 12, 000 on average per year during the same period.
- From 2006-07 to 2019-20:
- **Affordability of vegetarian Thalīs improved 29 %.**
- **Affordability of non-vegetarian Thalīs improved by 18 %.**

SUSTAINABLE DEVELOPMENT AND CLIMATE CHANGE

- **India moving forward on the path of SDG implementation** through well-designed initiatives
- **SDG India Index:**
 - Himachal Pradesh, Kerala, Tamil Nadu, Chandigarh are front runners.
 - Assam, Bihar and Uttar Pradesh come under the category of Aspirants.
- **India hosted COP-14 to UNCCD which adopted the Delhi Declaration: Investing in Land and Unlocking Opportunities.**
- COP-25 of UNFCCC at Madrid:
 - **India reiterated its commitment to implement the Paris Agreement.**
 - **COP-25 decisions include efforts for climate change mitigation, adaptation and means of implementation from developed country parties to developing country parties.**
- Forest and tree cover:
 - **Increasing and has reached 80.73 million hectare.**
 - **24.56 % of the geographical area of the country.**
- Burning of agricultural residues, leading to rise in pollutant levels and deterioration of air quality, is still a major concern though the total number of burning events recorded reduced due to various efforts taken.
- International Solar Alliance (ISA)
 - **'Enabler' by institutionalizing 30 Fellowships** from the Member countries.
 - **'Facilitator' by getting the lines of credit** worth US\$ 2 Billion from EXIM Bank of India and 1.5 Billion from AfD, France.
 - **'Incubator' by nurturing initiatives like the Solar Risk Mitigation Initiative.**
 - **'Accelerator' by developing tools to aggregate demand for 1000 MW solar and 2.7 lakh solar water pumps.**

AGRICULTURE AND FOOD MANAGEMENT

- **Largest Proportion of Indian population depends directly or indirectly on agriculture for employment opportunities as compared to any other sector.**
- **The share of agriculture and allied sectors in the total Gross Value Added (GVA) of the country has been continuously declining on account of relatively higher growth performance of non-agricultural sectors, a natural outcome of the development process.**
- **Agricultural productivity is also constrained by lower levels of mechanization in agriculture which is about 40 % in India, much lower than China (59.5 %) and Brazil (75 %).**
- **Livestock income has become an important secondary source of income for millions of rural families:**
 - **An important role in achieving the goal of doubling farmers' income.**
 - **Livestock sector has been growing at a CAGR of 7.9 % during the last five years.**

SOCIAL INFRASTRUCTURE, EMPLOYMENT AND HUMAN DEVELOPMENT

- **The expenditure on social services (health, education and others) by the Centre and States as a proportion of GDP increased from 6.2 % in 2014-15 to 7.7 % in 2019-20 (BE).**
- **India's ranking in Human Development Index improved to 129 in 2018 from 130 in 2017:**
 - **With 1.34 % average annual HDI growth, India is among the fastest improving countries**
- **Gross Enrolment Ratio at secondary, higher secondary and higher education level needs to be improved.**
- **The share of regular wage/salaried employees has increased by 5 percentage points from 18 % in 2011-12 to 23 % in 2017-18.**
- **Gender disparity in India's labour market widened due to decline in female labour force participation especially in rural areas:**
- **Access to health services inter-alia through Ayushman Bharat and Mission Indradhanush across the country has improved.**
- **A 10 Year Rural Sanitation Strategy (2019-2029) launched to focus on sustaining the sanitation behavior change and increasing access to solid and liquid waste management.**