Important Highlights of Budget 2020

**Unprecedented milestones and achievements of Indian Economy**
- India is now the fifth largest economy of the world.
- 4% average growth clocked during 2014-19 with inflation averaging around 4.5%.
- 271 million people raised out of poverty during 2006-16.
- India’s Foreign Direct Investment elevated to US$ 284 billion during 2014-19 from US$ 190 bn during 2009-14.
- Central Government debt reduced to 48.7% of GDP (March 2019) from 52.2% (March 2014).
- Two cross-cutting developments
  - Proliferation of technologies (Analytics, Machine Learning, robotics, Bioinformatics and Artificial Intelligence).
  - Highest ever number of people in the productive age group (15-65 years) in India.
- GST removed many bottlenecks in the system.

**Aim of the union budget is**
- To achieve seamless delivery of services through Digital governance.
- To improve physical quality of life through National Infrastructure Pipeline.
- Risk mitigation through Disaster Resilience.
- Social security through Pension and Insurance penetration.

**Three prominent themes around which budget has been framed**
- Aspirational India in which all sections of the society seek better standards of living, with access to health, education and better jobs.
  - Three components are:
    - Agriculture, Irrigation and Rural Development.
    - Wellness, Water and Sanitation.
    - Education and Skills.
  - Economic development for all, indicated in the Prime Minister’s exhortation of “Sabka Saath, Sabka Vikas, Sabka Vishwas”.
  - Caring Society that is both humane and compassionate.

These three themes are held together by corruption free policy driven good governance and; clean and sound financial sector.

**Agriculture, Irrigation and Rural Development**
- The govt has announced 16 point agenda
  - Comprehensive measures for 100 water-stressed districts proposed
  - Blue Economy
    - Fisheries exports worth Rs. 1 lakh Cr by 2024-25.
    - 200 lakh tonnes of fish production by 2022-23.
    - 3477 Sagar Mithras and 500 Fish Farmer Producer Organisation.
  - Railways
    - Kisan Rail to be setup by Indian Railways through PPP.
    - To build a seamless national cold supply chain for perishables (milk, meat, fish,etc).
    - Express and Freight trains to have refrigerated coaches.
  - Civil aviation
    - Krishi Udaan to be launched by the Ministry of Civil Aviation.
    - Both international and national routes to be covered.
  - One-Product One-District
Will help in better marketing and export in the Horticulture sector.

- Balanced use of all kinds of fertilizers - traditional organic and innovative fertilizers
- Measures for organic, natural, and integrated farming
  - Organic products market to be strengthened through Jaivik Kheti Portal.
  - Zero-Budget Natural Farming to be included.
  - Integrated Farming Systems in rain-fed areas to be expanded.
  - Multi-tier cropping, bee-keeping, solar pumps, solar energy production in non-cropping season to be added.

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

- Village Storage Scheme
  - Will be run by the SHGs to provide farmers a good holding capacity and reduce their logistics cost.
  - NABARD to map and geo-tag agri-warehouses, cold storages, reefer van facilities, etc.
  - Viability Gap Funding for setting up such efficient warehouses at the block/taluk level.
  - Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) to undertake such warehouse building.
  - Financing on Negotiable Warehousing Receipts (e-NWR) to be integrated with e-NAM.
  - State governments who undertake implementation of model laws (issued by the Central government) to be encouraged.
  - Livestock - Doubling of milk processing capacity to 108 MMT from 53.5 MMT by 2025.

• **Wellness, Water and Sanitation**
  - PM Jan Arogya Yojana (PMJAY)
    - Viability Gap Funding window proposed for setting up hospitals in the PPP mode.
    - Aspirational Districts with no Ayushman empanelled hospitals to be covered in the first phase.
  - TB Harega Desh Jeetega campaign launched to eliminate tuberculosis by 2025.
  - Under Jal Jeevan Mission Rs. 11,500 Cr allocated for the year 2020-21.
    - Under this augmenting local water sources, recharging existing sources and promoting water harvesting and desalination will be undertaken.
  - Swachh Bharat Abhiyan
    - Allocation of Rs. 12,300 Cr.
    - ODF-Plus in order to sustain ODF behavior.

• **Education and Skills**
  - New Education Policy will be announced soon.
  - National Police University and National Forensic Science University has been proposed for policing science, forensic science and cyber-forensics.
  - Degree level full-fledged online education program would be provided by top 100 institutions in the National Institutional Ranking Framework.
  - 1-year internship to fresh engineers to be provided by Urban Local Bodies.
  - Medical college to be attached to an existing district hospital in PPP mode.
  - External Commercial Borrowings and FDI to be enabled in education sector.
**Economic development**
- Investment Clearance Cell has been proposed
  - To provide “end to end” facilitation and support.
  - To work through a portal.
- Five new smart cities proposed to be developed
- National Technical Textiles Mission
  - Implementation period from 2020-21 to 2023-24.
  - The aim is to position India as a global leader in Technical Textiles.
- NIRVIK scheme
  - The objective is to achieve higher export credit disbursement.
- Turnover of Government e-Marketplace (GeM) proposed to be taken to Rs 3 lakh crore.
- Scheme for Revision of duties and taxes on exported products to be launched.

**Infrastructure**
- Rs. 100 lakh Cr to be invested in the next five years.
- National Infrastructure Pipeline has been launched in December 2019. This had over 6500 projects worth over Rs.102 lakh Cr.
- National Logistics Policy to be released soon. This will
  - Clarify roles of the Union Government, State Governments and key regulators.
  - A single window e-logistics market to be created.
  - The focus will be on generation of employment, skills and making MSMEs competitive.
- Accelerated development of highways will be undertaken.
- Railways
  - Large solar power capacity to be set up along the rail tracks, on land owned by railways.
  - Four station redevelopment projects and operation of 150 passenger trains through PPP.
  - More Tejas type trains to connect iconic tourist destinations.
  - High speed train between Mumbai and Ahmedabad to be actively pursued.
  - 148 km long Bengaluru Suburban transport project will be developed at a cost of Rs.18600 Cr.
  - Centre to provide 20% of equity and facilitate external assistance up to 60% of the project cost.
- Ports, waterways and airports
  - One major port to be corporatized and it would be listed on the stock market.
  - Economic activity along river banks will be energized based on the Arth Ganga concept of PM.
  - 100 more airports to be developed by 2024 to support Udaan scheme.
- Smart metering will be undertaken and more reforms to be taken to address the distress in discoms.

**To take advantage of new technology**
- Policy to enable the private sector to build Data Centre parks throughout the country to be brought out soon.
- Fiber to the Home (FTTH) connections through BharatNet to link 100000 gram panchayats this year.
- The govt has proposed Rs.8000 Cr over the next five years for National Mission on Quantum Technologies and Applications.

**To benefit startups**
- A digital platform will be promoted to facilitate seamless application and capture of IPRs.
- Facilities for designing, fabrication and validation of proof of concept and further scaling up Technology Clusters, harbouring test beds and small scale manufacturing will be established.
- Mapping of India’s genetic landscape- Two new national level Science Schemes.
- to be initiated to create a comprehensive database.
- Early life funding proposed, including a seed fund to support ideation and
• **Caring for society**
  o The govt has proposed to appoint a task force to study about the age of girls entering motherhood. The task force top submit recommendations in six months.
  o Allocation of Rs.28600 Cr proposed for women specific programs.
  o Indian Institute of Heritage and Conservation has been proposed under the Ministry of Culture. This will be given a status of deemed university.
  o 5 sites will be developed as iconic sites with on-site museums
    ▪ Rakhigarhi (Haryana)
    ▪ Hastinapur (Uttar Pradesh)
    ▪ Shivasagar (Assam)
    ▪ Dholavira (Gujarat)
    ▪ Adichanallur (Tamil Nadu)
  o Maritime museum to be set up at Lothal- the Harappan age maritime site near Ahmedabad, by Ministry of Shipping.

• **Environment and Climate change**
  o Has proposed to advise the utilities to close the old thermal power plants with carbon emissions above the set norms.
  o Would encourage the states which are formulating and implementing the plans for cleaner air in cities.

• **Governance**
  o Taxpayer charter to be incorporated into the statute. This is expected to bring in efficiency and fairness in tax administration.
  o Companies act to be amended to make convert certain offences from criminal to civil offences.
  o A National Recruitment Agency (NRA) to be established. This is to conduct recruitment for non-gazetted posts.

• **Financial Sector**
  o So far, govt has announced merge of 10 PSBs into 4 and has infused a capital of Rs.350000 Cr.
  o More governance reforms would be carried out to bring in transparency and greater professionalism.
  o In order to raise capital, certain banks would be asked to go to the capital market.
  o The DICGC (Deposit Insurance Credit Guarantee Corporation) has been asked to raise the deposit insurance from the current level of Rs.1 lakh to Rs.5 lakh per depositor co-operative banks would be strengthened by amending Banking Regulation Act by enabling oversight and governance powers given to RBI, enabling access to capital etc.
  o Pension Fund Regulatory Development Authority of India Act to be amended to
    ▪ Strengthen regulating role of PFRDA
    ▪ Facilitate separation of NPS trust for government employees from PFRDA
    ▪ Enable establishment of a Pension Trust by the employees other than Government
  o Window for MSME’s debt restructuring by RBI to be extended by one year till March 31, 2021
  o New scheme to provide subordinate debt for entrepreneurs of MSMEs by the banks
    ▪ Would be counted as quasi-equity
    ▪ Would be fully guaranteed through the Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE)
    ▪ The corpus of the CGTMSE would accordingly be augmented by the government
  o Factor Regulation Act 2011 to be amended to enable NBFCs to extend invoice financing to the MSMEs through TReDS
  o Export promotion of MSMEs
    ▪ For selected sectors such as pharmaceuticals, auto components and others.
- Rs. 1000 crore scheme anchored by EXIM Bank together with SIDBI.
- Hand holding support for technology upgradations, R&D, business strategy etc.

**Financial Market**
- To deepen the bond market
  - Certain specified categories of Government securities would be opened fully for non-resident investors.
  - FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock.
- Debt Based Exchange Traded Fund (ETF) expanded by a new Debt-ETF consisting primarily of Government Securities, this would give attractive access to retail investors, pension funds and long-term investors.

**Disinvestment** - partial sale of govt holdings in LIC would be conducted by the govt by way of Initial Public Offering.

**Fiscal Management**
- Excess/Surplus collections in the GST compensation fund for FY17 and FY18 would be transferred into the fund in two installments.
- The centrally sponsored schemes and Central sector schemes would be overhauled in order to meet the emerging social and economic needs and to ensure that the scarce resources are utilized optimally.
- For the FY 2019-20
  - Revised Estimates of Expenditure: at Rs. 26.99 lakh crore.
  - Revised Estimates of Receipts: estimated at Rs. 19.32 lakh crore.
- For year 2020-21:
  - Nominal growth of GDP estimated at 10%.
  - Receipts: estimated at Rs.22.46 lakh cr.
  - Expenditure: at Rs.30.42 lakh cr.
- Fiscal deficit of 3.8% estimated in RE 2019-20 and 3.5% for BE 2020-21.
- The govt has announced a deviation of 0.5% in the fiscal deficit, consistent with Section 4(3) of FRBM Act, both for RE 2019-20 and BE 2020-21.
- Market borrowings: Net market borrowings: Rs.4.99 lakh crore for 2019-20 and Rs.5.36 lakh crore for 2020-21.
- A good part of the borrowings for the financial year 2020-21 to go towards Capital expenditure that has been scaled up by more than 21%.
- Direct Tax
  - A new personal income tax regime has been proposed
    - It is optional.
    - About 70 of the existing exemptions and deductions to be removed.

- The new corporate tax rate of 15% to be extended to cover new electricity generation companies.
- Dividend Distribution Tax removed.
- Startups
  - Would enjoy 100% tax deduction for a 3 year consecutive period (these must have a turnover of up to ₹ 100 Cr).
- The cooperatives
  - Would be taxed at the same rate as the corporate sector.
  - Exempted from Alternate Minimum Tax (AMT) as the companies are exempted from Minimum Alternate Tax (MAT).
- Indirect taxes
  - GST
    - Cash reward system envisaged to incentivize customers to seek invoice.
- Simplified return with features like SMS based filing for nil return and improved input tax credit flow to be implemented from 1st April, 2020 as a pilot run.
- Dynamic QR-code capturing GST parameters proposed for consumer invoices.
- Electronic invoice to capture critical information in a centralized system to be implemented in a phased manner.
- Aadhaar based verification of taxpayers being introduced to weed out dummy or non-existent units.
- GST rate structure being deliberated to address inverted duty structure.
  - 5% health cess to be imposed on imports of medical devices, except those exempt from BCD (Basic Customs Duty).

- Trade Policy Measures
  - Customs Act being amended to enable proper checks of imports under FTAs.
  - Rules of Origin requirements to be reviewed for certain sensitive items.
  - Provisions relating to safeguard duties to be strengthened to enable regulating such surge in imports in a systematic way.
  - Provisions for checking dumping of goods and imports of subsidized goods being strengthened.

- Tax facilitation measures
  - Instant PAN to be allotted online through Aadhaar.
  - 'Vivad Se Vishwas' scheme, with a deadline of 30th June, 2020, to reduce litigations in direct taxes.
    - Waiver of interest and penalty - only disputed taxes to be paid for payments till 31st March, 2020.
    - Additional amount to be paid if availed after 31st March, 2020.
    - Benefits to taxpayers in whose cases appeals are pending at any level.
  - Faceless appeals to be enabled by amending the Income Tax Act.