

Only Diyas, No Fireworks !

Key Highlights -

- Expectations from the Finance minister to fix the ailing economy were sky high since India's growth slumped to a multi year low amidst demand concerns.
- To help the growth in private investment the government earlier in the financial year bought a stimulus to the market by lowering the corporate tax rate cut. This move alone caused a rise in the fiscal pressure to the tune of 1 lakh crore.
- The Fiscal Deficit (% of GDP) rose to 3.8% instead of an earlier estimate of 3.3%. The impact of these measures are bound to have a spill over effect to the next year too where the revised FY21 figure stands at 3.5%.
- The deviation of 0.5% has been consistent with Section 4(3) of FRMB Act.
- Nominal GDP Growth for 2020-2021 has been estimated at 10%.
- The three prominent themes that the budget has been focused on are (a) Aspirational India (b) Economic Development (c) Caring Society
- **Infrastructural Development:** A national logistics policy will soon be launched for better access to transportation. A greater focus will be on the Bharatmala and Sagarmala project to enhance the logistics in the country
- The national gas grid will also be expanded to 27000 km from an existing 16200 km.
- The task force to draw up the National Infra Pipeline till FY25 has been set up to boost infra growth. The National Infra Pipeline will include projects in Rural Infrastructure, Irrigation, Renewable Power, Conventional Power, Railways, Urban & Housing and Roads.
- **Growth & Macro- Economic Stability through Foreign Inflows:** India attracted \$64.4 billion of FDI in 2018-19 when the world saw a bear phase, to boost this growth the government has proposed to increase the FPI investment in a company to sectoral limit, along with this a 100% FDI is permitted in insurance intermediaries.
- FPI's have also been allowed henceforth in listed debt securities issued by REITs and InvITs.
- **Revenue Deficit:** The revised estimates of 2019-20 reflect a decrease in revenue receipts to the tune of `1,12,661 crore over BE estimate, mainly on account of fall in tax revenues. The revenue deficit rose from 2.3% to 2.4%. Revenue deficit for Fy 21 has been estimated at 2.7%
- **FPI Limit:** The government has also planned to increase investment limit for FPI's in corporate bonds from 9% to 15%.
- Additionally debt exchange traded funds comprising mainly of government securities will be issued from which 22000 crore will be provided as a support to infrastructure pipeline.
- The divestment target for the next fiscal by the government has been kept at 2.1 lakh crore.

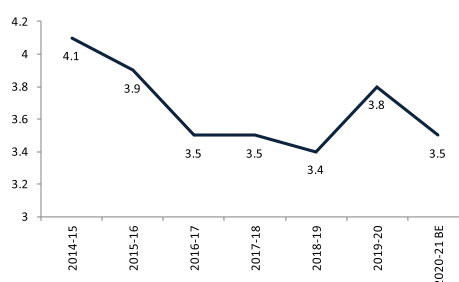
INDICATORS	2019-20 RE	2020-21 BE
Fiscal Deficit	3.8	3.5
Revenue Deficit	2.4	2.4
Primary Deficit	0.7	0.4
Gross Tax Revenue	10.6	10.8
Non-Tax Revenue	1.7	1.7
Central Govt Debt	50.3	50.1

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Fiscal Trends



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TAXABLE INCOME	EXISTING	NEW
0-2.5 lakh	Exempt	Exempt
2.5-5 lakh	5%	5%
5-7.5 lakh	20%	10%
7.5-10 lakh	20%	15%
10-12.5 lakh	30%	20%
12.5-15 lakh	30%	25%
Above 15 lakh	30%	30%

- **Banking:** To help bank depositors, government increases depositor insurance to Rs 5 lakh from current Rs 1 lakh.
- **Capital market:** The dividend distribution tax for the companies has been abolished in the hands of the companies in the budget. It will now be taxed in the hands of recipients.
- **Customs&Duties:** To provide a level playing field for the domestic manufacturers the government has proposed an increase in custom duties on a few category of goods.
- (a) Household goods & appliances, electrical appliances, stationery items saw an increase from 10% to 20%, (b) Footwear saw a rise from 25% to 35%. © Furniture goods and toys which were earlier at 20% now will attract customs of 25% and 60% respectively.
- The government has also proposed to increase the National Calamity Contingent Duty (NCCD) on cigarettes & tobacco products. On Cigarettes NCCD is being increased ranging from Rs. 200-735 per thousand, depending on the length. On smoking mixtures the NCCD is being increased from 45% to 60%.

RUPEE COMES FROM	%	RUPEE GOES TO	%
Corporate Tax	18	State's share of taxes	20
Borrowing & other liabilities	20	Interest payments	18
GST	18	Central Sector schemes	13
Income Tax	17	Centrally sponsored schemes	9
Non-Tax Revenue	10	Defence	8
Union Excise Duties	7	Subsidies	6
Customs	4	Finance comm.& transfers	10
Non-Debt Capital Receipts	6	Pensions	6
		Other expenditure	10

PARTICULARS	2018-19 ACTUAL	2019-20 BE	2019-20 RE	2020-21 BE
1. Revenue Receipts	1552916	1962761	1850101	2020926
2. Tax Revenue (Net to Centre)	1317211	1649582	1504587	1635909
3. Non Tax Revenue	235705	313179	345514	385017
4. Capital Receipts ¹	762197	823588	848451	1021304
5. Recovery of Loans	18052	14828	16605	14967
6. Other Receipts	94727	105000	65000	210000
7. Borrowings and Other Liabilities ²	649418	703760	766846	796337
8. Total Receipts (1+4)	2315113	2786349	2698552	3042230
9. Total Expenditure (10+13)	2315113	2786349	2698552	3042230
10. On Revenue Account	2007399	2447780	2349645	2630145
of which				
11. Interest Payments	582648	660471	625105	708203
12. Grants in Aid for creation	191781	207333	191737	206500
of capital assets				
13. On Capital Account	307714	338569	348907	412085
14. Revenue Deficit (10-1)	454483	485019	499544	609219
as a % of GDP	2.40%	2.30%	2.37%	-2.70%
15. Effective Revenue Deficit(14-12)	262702	277686	307807	402719
as a % of GDP	1.40%	1.30%	1.50%	-1.80%
16. Fiscal Deficit [9-(1+5+6)]	649418	703760	766846	796337
as a % of GDP	3.40%	3.30%	3.60%	-3.50%
17. Primary Deficit (16-11)	66770	43289	141741	88134
as a % of GDP	0.40%	0.20%	0.70%	-0.40%

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