NATIONAL APEX CHAMBER

Union Budget
2020-21

Aspirational, Caring and Developmental Budget

PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY

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Aspirational, Caring and Developmental Budget

February 2020

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PHD Chamber's viewpoint

Dr D K Aggarwal
President

The Union Budget 2020-21 has laid the foundation to achieve the level of USD 5 trillion economy by 2024-25 by focussing majorly on increasing consumption, capex and investments, infrastructural development along with various incentives for strenghtening health and agriculture sectors of the economy. This will have cascading effects both in short term and long term and will trigger the virtuous cycle of the economy to perform and move forward.The implementation of simplified GST return system will make return filing simple and improve input tax credit flow. The Vivad se Vishwas scheme will benefit many taxpayers and reduce litigation in the taxation system. The abolition of DDT, a long standing demand of the industry is highly encouraging as it will further make India an attractive destination for investors.

The Union Budget 2020-21 has been structured on the overall theme of Ease of Living and meets the aspirations of all sections of the society for the improvement of standards of living. The implementation of Rs 103 lakh crore National Infrastructure Pipeline (NIP), by the Government has the potential to push economic growth trajectory to more than 8% in the next 3 years. The Dhanya Laxmi Scheme will enhance the participation of women in the agriculture sector. The KrishiUdaan Scheme would help in reducing wastages in the food sector thereby facilitating farmers in enhancing their farm income. The focus of the Government on the New Education Policy in the coming times will improve the outreach of the education to the needy people.

Shri Sanjay Aggarwal
Sr. Vice President

Shri Pradeep Multani
Vice President

The Union Budget 2020-21 is growth provoking and welfare inducing. The central themes of aspiration, development and compassion will facilitate in providing a better standard of living to the people. The allocation for the health sector of Rs 69,000 crore will help in expanding Government's flagship scheme Ayushman Bharat and further expand the health infrastructure in the country. The move to rationalize income tax rates is highly encouraging and is expected to boost the demand in the economy, The Taxpayers' Charter announced in the Budget will empower citizens, create simplifications and boost confidence of taxpayers.

A series of far-reaching reforms, unvielded in the Union Budget 2020-21, aims at energizing the Indian economy and make it resilient from global slowdown through a combination of short, medium and long-term measures. The Budget has provided a bunch of measures to give further impetus to MSMEs, such as rise in the turnover threshold limit for audit. This will reduce the compliance burden on smallretailers, traders, shopkeepers who comprise the MSME sector. Further, the extension of the date of loan sanction for availing additional deduction for interest paid on housing loans will boost housing sector. The implementation of simplified GST return system will make return filing simple and improve input tax credit flow.

Shri Rajeev Talwar
Immediate Former President

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1. Executive Summary

The Union Budget 2020-21 has laid the foundation to achieve the level of USD 5 trillion economy by 2024-25 by focussing majorly on increasing consumption, capex and investments, infrastructural development along with various incentives for strenghtening health and agriculture sectors of the economy. This will have cascading effects both in short term and long term and will trigger the virtuous cycle of the economy to perform and move forward.The implementation of simplified GST return system will make return filing simple and improve input tax credit flow. The Vivad se Vishwas scheme will benefit many taxpayers and reduce litigation in the taxation system.

The focus of the Budget on the Agriculture sector with pinpointed 16 action points to double farmers' income by 2022 is highly encouraging. The focus on agriculture will create tremendous demand in the economy, boost manufacturing and services sector activities and rebound the economic growth trajectory of the country. The three themes of aspiration, development and compassion would become the pillars of strong and sustainable growth of the country.

Aspirational India will facilitate in providing a better standard of living to the people. The focus on economic development is the need of the hour to rejuvenate the growth momentum of the country. The sub-theme of caring and compassion is essential to ensure sustainable growth, going forward. Schemes such as Dhanlakshmi scheme, KrishiUdaan Scheme will certainly change the sentiments of the agriculture sector from distress to prosperity.

The DhanyaLaxmi Scheme will enhance the participation of women in the agriculture sector. The KrishiUdaan Scheme would help in reducing wastages in the food sector thereby facilitating farmers in enhancing their farm income. Focus on the New Education Policy in the coming times will improve the outreach of the education to the needy people.

The increase in the allocation on education to 4.7% of GDP is in line with the expectations and we expect this to be increased further to the level of 6% of GDP the coming times. The fiscal deficit at 3.5% of GDP in FY2021 is also in line with the expectations as we look forward to government remaining strict to maintain fiscal consolidation at this level.

Union Budget 2020-2021 (Key takeaways)

S. No.	Dimension	Description
1	**Size of the Budget**	Rs. 30.42 lakh crore
2	**Fiscal Deficit**	Rs. 7.96 Lakh Crore; 3.5% of GDP
3	**3 Dimesnions to achieve Ease of Living**	The Union Budget 2020-21, with the Central Tenet of Ease of Living for all citizens, is woven around three prominent themes: Aspirational India, Economic Development and Caring Society. These

		three broad themes are held together by a corruption free, policy-driven good governance and a clean and sound financial sector.
4	**Agriculture, Allied Activities & Rural Economy**	It is propose to encourage State governments by implementation of model laws; expansion of PM-KUSUM scheme; Village Storage scheme- run by the SHGs; Launch of KrishiUdaan; adoption of cluster basis for Horticulture Sector, with a special focus on "one product one district"; outlay of Rs 2.83 lakh croreforAgriculture and allied activities, Irrigation and Rural Development.
5	**Industry**	Launch of an App based invoice financing loans product; turnover threshold of MSMEs for audit is raised to Rs 5Crore from existing Rs 1 Crore;concession to real estate sector for computation of income in respect of transaction of immovable property; early life funding including a seed fund to support ideation and development of early stage Start-ups; NIRVIK scheme; Five new smart cities in collaboration with States in PPP mode.
7	**Infrastructure**	Proposal to invest Rs 103 lakh crore for National Infrastructure Pipeline; proposed Viability Gap funding window for setting up hospitals in the PPP mode; to incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors; outlay of Rs 1.70 lakh crore for transport infrastructure in 2020-21; proposed to extend the concessional corporate tax rate of 15% to new domestic Companies that are engaged in the generation of electricity.
8	**Banking, Finance & Taxation**	Removal of the Dividend Distribution Tax; Relief in personal income-tax and simplification of taxation; proposal to amend the provision allowing India to enter into Double Taxation Avoidance Agreements (DTAA) with other countries or territories or association, to align with the new preamble mandated by Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

9	**Education & Women Empowerment**	New Education Policy to be out soon; A Proposal to start a programme for fresh engineers to provide internship opportunities for urban local bodies across the country opportunities for a period up to one year; proposed to start a degree level full-fledged online education programme offered by institutions who are ranked within top 100 in the National Institutional Ranking framework; Proposal to design a special course by the Ministries of Health, Skill Development together with professional bodies; outlay of Rs. 99,300 crore for education sector in 2020-21 and Rs 3,000 crores for skill development.
10	**Vivad se Vishwas Scheme**	Under the proposed 'Vivad Se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty provided he pays by 31st March, 2020. Those who avail this scheme after 31st March, 2020 will have to pay some additional amount. The scheme will remain open till 30th June, 2020.

Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21, Governemnt of India

The exemption from income tax for people with income of uptoRs 5 lakhs and rationalization of taxes to 10% for people with income between Rs 5 lakh to Rs 7.5 lakh, 15% income tax rate for income between 7.5-10 lakhs, 20% income tax rate for income between 10 -12.5 lakhs and 25% income tax rate for income between 12.5-15 lakhs are encouraging and are expected to boost the demand in the economy. The abolition of DDT, a long standing demand of the industry, is highly encouraging as it will further make India an attractive destination for investment. Overall the budget is growth provoking and welfare inducing.

In a nutshell, the Hon'ble Union Finance Minister, Smt. NirmalaSitharaman, unveiled a series of far-reaching reforms, aimed at energizing the Indian economy through a combination of short-term, medium-term, and long-term measures.

2. Indian Economy on the Eve of Union Budget 2020-2021

The Economic Survey 2019-20 has provided a clear direction in the economic thought process of the government and its determination to achieve a USD 5 trillion economy. The Survey pegs India's growth at 6-6.5% in FY2021 with growth revival expected from second half of the year. Government's commitment to carry the reform process forward indicates that the robust growth trajectory is not far away. The focus on maintaining consistency in policy making speaks volume on government's agenda to rejuvenate economic growth of the country.

The Survey posits that India's aspiration to become a USD5 trillion economy depends critically on strengthening the invisible hand of markets together with the hand of trust that can support markets. The invisible hand needs to be strengthened by promoting pro-business policies to provide equal opportunities for new entrants, enable fair competition and ease doing business; enable trade for job creation and; efficiently scale up the banking sector to be proportionate to the size of the Indian economy. Introducing the idea of trust as a public good that gets enhanced with greater use, the Survey suggests that policies must empower transparency and effective enforcement using data and technology to enhance this public good.

The vision of the government on the banking sector in proportion to the size of the economy is appreciable and forward looking as banking sector is a backbone of any economy. Further, the Economic Survey suggests increasing exports by specialising at large scale in labour intensive sectors, focussing on enabling assembling operations at mammoth scale in network products and exporting primarily to markets in rich countries. The survey recongnizes the contribution of each and every unit that can make a big difference at the aggregate level as the Survey notes that a 10% increase in registration of new firms in a district yields a 1.8 % increase in Gross Domestic District Product.

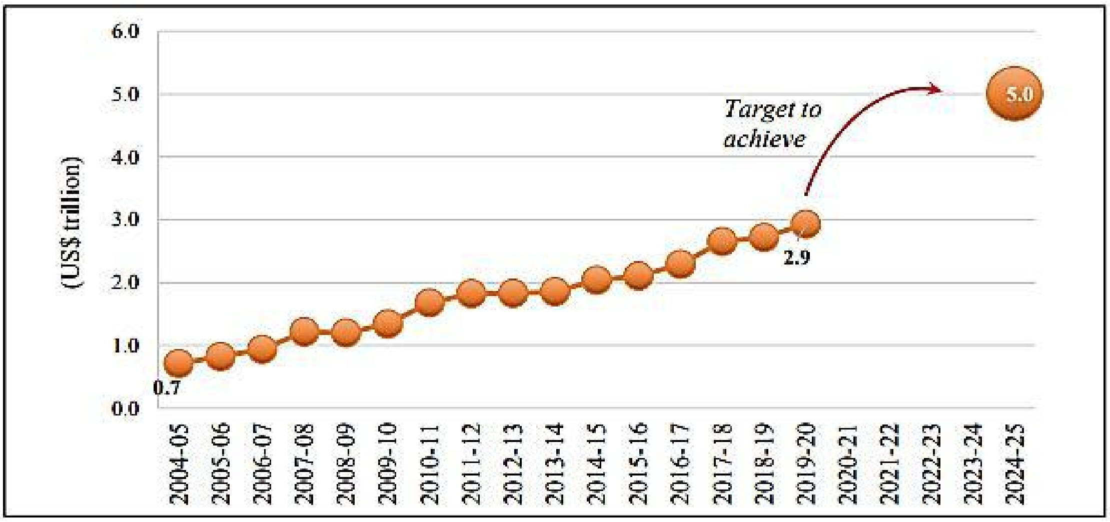
The Economic Survey highlights the report of the Task Force on National Infrastructure Pipeline released recently which projects total infrastructure investment of around Rs 103 lakhcrore during the period FY2020-2025 in India. Further, increased expenditure of the government to enhance consumption demand along with implementation of around Rs103 lakhcrore National Infrastructure Pipeline (NIP) has the potential to push economic growth trajectory to more than 8% in the next 3 years. The Survey notes the various reasons for lower growth of agricultural productivity such as lower level of mechanization, skewed pattern of regional distribution of agricultural credit, among others. For doubling farmers' income, a properly designed market support scheme for agricultural produce and dismantling of barriers to markets for farmers must be pursued.

The performance of social sector schemes of the Government is appreciable particularly the women empowerment. It is inspiring to know that total formal employment in the economy increased from 8% in 2011-12 to around 10% in 2017-18. The reform measures of the government have started bearing fruit as the share of regular wage/ salaried employees has increased by 5 percentage points (23%) with a significant jump of around 2.6 crore new jobs in this category. The Economic Survey notes that 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).

2.1 State of the Economy

The year 2019 was a difficult year for the global economy with world output growth estimated to grow at its slowest pace of 2.9% since the global financial crisis of 2009, declining from a subdued 3.6% in 2018 and 3.8% in 2017.In July 2019, the Union Budget 2019- 20 had articulated the vision to make India a USD 5 trillion economy by 2024-25. The march towards this milestone has, however, been challenged by less than expected growth of India's GDP so far this year, on the back of a decline in world output. Yet, given India's record of growth with macroeconomic stability over the last five years (annual average growth rate of 7.5% and annual average inflation of 4.5%), the economy is poised for a rebound towards the USD 5 trillion goal.

Size of the Indian economy (GDP at current USD)



Source: PHD Research Bureau, PHDCCI compiled from Economic Survey 2019-20, Government of India

The National Statistical Office (NSO) has estimated India's GDP to have grown at 4.8% in the first half (H1) (April-September) of 2019-20, lower than 6.2% recorded in the second half (H2) (October-March) of 2018-19. On the supply side, the deceleration in GDP growth has been contributed generally by all sectors save 'Agriculture and allied activities' and 'Public administration, defence, and other services', whose growth in H1 of 2019-20 was higher than in H2 of 2018-19.

On the demand side, the deceleration in GDP growth was caused by a decline in the growth of real fixed investment in H1 of 2019-20 when compared to 2018-19 induced in part by a sluggish growth of real consumption. However, growth of real consumption started picking up in Q2 of 2019-20, mostly driven by a significant jump in government final consumption. Growth of private final consumption expenditure also picked up in the same quarter. The contribution of net exports to GDP in Q2 of 2019-20 became less negative as in real terms the contraction of exports was much smaller than contraction of imports. Lower growth of GDP and softer price of crude oil caused a large contraction of imports.

In H1 of 2019-20, CPI (Headline) inflation was estimated at 3.3%, slightly higher than that in H2 of the previous year. There has been a further uptick in headline inflation in the month of December 2019 to 7.35% contributed mainly by supplyside factors. The food prices spiked following unseasonal rainfall and a flood-like situation in many parts of the country, which affected agricultural crop production. The Wholesale Price Index (WPI) inflation, on the other hand, declined sharply from 3.2% in April 2019 to 2.6% in December 2019, reflecting weakening of demand pressure in the economy. There has been a secular moderation in CPI-core inflation from 6.3% in Q1 of 2018-19 to 4.3% in Q2 of 2019-20, which also reflects a weakening of demand pressure in the economy.

In 2019-20, Centre's fiscal deficit was budgeted at Rs 7.04 lakh crore (3.3% of GDP), as compared to Rs 6.49 lakh crore (3.4% of GDP) in 2018-19 PA (Provisional Actuals). In the first eight months of 2019-20, fiscal deficit stood at 114.8% of the budgeted level.Net Tax revenue to the Centre, which was envisaged to grow at more than 25% in 2019-20 (Budgeted Estimates) BE relative to 2018-19 PA, grew at 2.6% during April to November 2019, which was nearly half its' growth rate for the corresponding period last year.From April-December 2019, gross GST revenue collection has crossed the mark of Rs 1 lakh crore five times with revenue of Rs 1.03 lakh crore in December 2019.On the expenditure side, the budgeted expenditure of the Central government grew at 12.8% in April-November 2019 overthe corresponding period of the previous year, expending almost 60% of the budget.

The liquidity condition of banks became comfortable after June 2019 and has remained healthy since then. Average daily net absorption soared from Rs 45thousand crore in June 2019 to Rs 256 thousand crore in December 2019. The stance of the Monetary Policy Committee of Reserve Bank of India continued to be accommodative as it reduced the policy repo rate by 135 basis points since February 2019. The rate cut along with excess liquidity in banks was expected to transmit well into lowering interest rates. However, the transmission has varied across different market segments.

The growth of bank credit which was picking up in H1 of 2018-19, started decelerating in H2 of 2018-19 and further in H1 of 2019-20. The deceleration was witnessed across all major segments of non-food credit, save personal loans which continued to grow at a steady and robust pace. The deceleration in credit growth was most in the services sector. Credit growth to industry also witnessed a significant decline in recent months, both for MSME sector as well as large industries.

India's external sector gained further stability in H1 of 2019-20, with a narrowing of current account deficit (CAD) as percentage of GDP from 2.1 in 2018-19 to 1.5 in H1 of 2019-20, impressive foreign direct investment (FDI), rebounding of portfolio flows and accretion of foreign exchange reserves. Imports have contracted more sharply than exports in H1 of 2019-20, with easing of crude prices, which has mainly driven the narrowing of CAD.

Share of agriculture and allied sectors in the total GVA of the country has declined from 2009-14 to 2014-19 mainly on account of relatively higher growth performance of tertiary sectors. This is a natural outcome of the development processthat leads to faster growth of non-agricultural sectors. The contribution of industrial activities to GVA has also declined from 2009-14 to 2014-19. Manufacturing sector, which contributes more than 50% of industrial GVA, has driven the decline while the share of construction sector has also moderated. Services sector has moved ahead faster, distancing itself further from agriculture and industry.

As per First Advance Estimates, growth in real GDP during 2019-20 is estimated at 5.0%, as compared to the growth rate of 6.8% in 2018-19.Growth of real GVA at basic prices is estimated at 4.9% in 2019-20, as compared to 6.6% in 2018-19. The deceleration in GDP growth can be understood within the framework of a slowing cycle of growth. The financial sector acted as a drag on the real sector: investmentgrowth-consumption, as described in the Economic Survey of 2018-19.

On a net assessment, it appears that the upside risks should prevail, particularly when the government, with a strong mandate, has the capacity to deliver expeditiously on reforms. GDP growth of India should strongly rebound in 2020-21 and more so on a low statistical base of 5% growth in 2019-20. Taking in consideration, both the downside/upside risks, India’s GDP growth is expected to grow in the range of 6.0 to 6.5% in 2020-21.

2.2 Entrepreneurship and Wealth Creation at the Grassroots

The “Startup India” campaign of the Government of India recognizes entrepreneurship as an increasingly important strategy to fuel productivity growth and wealth creation in India. It has been confirmed India ranks third in number of new firms created. The same data shows that new firm creation has gone up dramatically in India since 2014. While the number of new firms in the formal sector grew at a compounded annual growth rate of 3.8% from 2006-2014, the growth rate from 2014 to 2018 has been 12.2%. As a result, from about 70,000 new firms created in 2014, the number has grown by about 80% to about 1,24,000 new firms in 2018.

Reflecting India’s new economic structure, i.e. comparative advantage in the Services sector, new firm creation in services is significantly higher than that in manufacturing, infrastructure or agriculture. Grassroots entrepreneurship is not just driven by necessity as a 10% increase in registration of new firms in a district yields a 1.8% increase in GDDP. Thus, entrepreneurship at the bottom of the administrative pyramid – a district – has a significant impact on wealth creation at the grassroot level. This impact of entrepreneurial activity on GDDP is maximal for the manufacturing and services sectors.

Birth of new firms is very heterogeneous across Indian districts and across sectors. Moreover, it is dispersed across India and is not restricted to just a few cities. Literacy and education in the district foster local entrepreneurship significantly. The level of local education and the quality of physical infrastructure in the district influence new firm creation significantly. Policies that enable ease of doing business and flexible labour regulation enable new firm creation, especially in the manufacturing sector. As the manufacturing sector has the greatest potential to create jobs for our youth, enhancing ease of doing business and implementing flexible labour laws can create the maximum jobs in districts and thereby in the states. Literacy, education and physical infrastructure are the other policy levers that district and state administrations must focus on foster entrepreneurship and thereby job creation and wealth creation.

2.3 Pro-Business versus Pro-Crony

India's aspiration to become a USD5 trillion economy depends critically on promoting "pro-business" policy that unleashes the power of competitive markets to generate wealth, on the one hand, and weaning away from "pro-crony" policy that may favour specific private interests, especially powerful incumbents, on the other hand. Economic events since 1991 provide powerful evidence supporting this crucial distinction. Viewed from the lens of the Stock market, which captures the pulse of any economy, creative destruction has increased significantly after reform. Before liberalization, a Sensex firm expected to stay in it for 60 years, which decreased to only 12 years after liberalization. Every five years, one-third of Sensex firms are churned out, reflecting the continuous influx of new firms, products and technologies into the economy.

Despite impressive progress in enabling competitive markets, pro-crony has destroyed value in the economy. Pro-crony policies as reflected in discretionary allocation of natural resources till 2011 led to rent-seeking by beneficiaries while competitive allocation of the same resources post 2014 have put an end to such rent extraction. Similarly crony lending that led to wilful default, wherein promoters have collectively siphoned off wealth from banks, led to losses that dwarf subsidies directed towards rural development.

2.4 Creating Jobs and Growth by Specializing to Exports in Network Products

The current environment for international trade presents India an unprecedented opportunity to chart a China-like, labour-intensive, export trajectory and thereby create unparalleled job opportunities for our burgeoning youth. By integrating "Assemble in India for the world" into Make in India, India can create 4 crore well-paid jobs by 2025 and 8 crore by 2030. Exports of network products, which is expected to equal USD 7 trillion worldwide in 2025, can contribute a quarter of the increase in value-added for the USD 5 trillion economy by 2025.

This opportunity can be tapped upon through clear-headed strategy. China's remarkable export performance vis-à-vis India is driven primarily by deliberate specialization at large scale in labour-intensive activities, especially "network products", where production occurs across Global Value Chains (GVCs) operated by multi-national corporations. Focus must be placed on enabling assembling operations at mammoth scale in network products. As an India that harbours misplaced insecurity on the trade front is unlikely to grab this opportunity, trade policy must be an enabler.

2.5 Targeting Ease of Doing Business in India

As India leapfrogs towards a five trillion-dollar economy by 2024-25, simplifying and maintaining a business-friendly regulatory environment is essential. To ease the constraints and gaps in the regulatory processes involved in doing business, it is necessary to assess the country's progress vis-à-vis other leading economies on various parameters. Ease of doing business is key to entrepreneurship, innovation and wealth creation. India has risen significantly in the World Bank's Doing Business rankings in recent years, but there are categories where it lags behind – Starting a Business, Registering Property, Paying Taxes and Enforcing Contracts.

2.6 Golden Jubilee of Bank Nationalisation: Taking Stock

In 2019, India completed the 50thanniversary of bank nationalization. Since 1969, India has grown significantly to become the 5thlargest economy in the world. Yet, India's banking sector is disproportionately under-developed given the size of its economy. For instance, India has only one bank in the global top 100 – same as countries that are a fraction of its size: Finland (about 1/11th), Denmark (1/8th), Norway (1/7th), Austria (about 1/7th), and Belgium (about 1/6th). A large economy needs an efficient banking sector to support its growth.

Historically, in the last 50 years, the top-five economies have always been ably supported by their banks. As PSBs account for 70% of the market share in Indian banking, the onus of supporting the Indian economy and fostering its economic development falls on them. Previously, the Narasimhan Committee (1991, 1997), Rajan Committee (2007) and P J Nayak Committee (2014) have provided several suggestions to enhance the efficiency of PSBs. The survey suggests use of FinTech (Financial Technology) across all banking functions and employee stock ownership across all levels to enhance efficiencies in PSBs. These will make PSBs more efficient so that they are able to adeptly support the nation in its march towards being a USD5 trillion economy. All these recommendations need to be seriously considered and a definite, time-bound plan of action drawn up. With the cleaning up of the banking system and the necessary legal framework such as the Insolvency and Bankruptcy Code (IBC), the banking system must focus on scaling up efficiently to support the economy.

2.7 Financial Fragility in the NBFC Sector

The recent payment defaults triggered panic across the entire gamut of NBFC-financiers, thereby causing a funding (liquidity) crisis in the NBFC sector. The problems faced by the NBFCs stemmed from their over-dependence on short-term wholesale funding from the Liquid Debt Mutual Funds. While such reliance works well in good times, it generates significant risk to NBFCs from the inability to roll over the short-term funding during times of stress. An asset-side shock not only exacerbates the Asset Liability Management (ALM) problem but also makes investors in Liquid Debt Mutual Funds (LDMFs) jittery and thereby leads to a redemption pressure that is akin to a "bank run." This run on LDMFs then precipitates the refinancing (rollover) risk for NBFCs and further exacerbates the initial problems caused on the asset side. A dynamic health index (Health Score) is constructed that captures these risks and can be used as an early warning system to anticipate liquidity crisis in an NBFC. Policy makers can use this tool to monitor, regulate and avert financial fragility in the NBFC sector.

2.8 Privatizationand Wealth Creation

The recent approval of strategic disinvestment in Bharat Petroleum Corporation Limited (BPCL) led to an increase in value of shareholders' equity. The privatized Central Public Sector Enterprises (CPSEs), on an average, perform better post privatization than their peers in terms of their net worth, net profit, return on assets (ROA), return on equity (RoE), gross revenue, net profit margin, sales growth and gross profit per employee. More importantly, the ROA and net profit margin turned around from negative to positive surpassing that of the peer firms, which indicates that privatized CPSEs have been able to generate more wealth from the same resources. This improved performance holds true for each CPSE taken individually too. This clearly affirms that privatization unlocks the potential of CPSEs to create wealth. The survey, therefore, bolsters the case for aggressive disinvestment of CPSEs.

2.9 Thalinomics: The Economics of a Plate of Food in India

Thalinomics is an attempt to quantify what a common person pays for a Thali across India. Prices data from the Consumer Price Index for Industrial Workers for around 80 centres in 25 States/UTs from April 2006 to October 2019 have been used for the analysis. 2015-16 can be considered as a year when there was a shift in the dynamics of Thali prices. Many reform measures were introduced since 2014-15 to enhance the productivity of the agricultural sector as well as efficiency and effectiveness of agricultural markets for better and more transparent price discovery.

Both across India and the four regions – North, South, East and West – it has been found that the absolute prices of a vegetarian Thali have decreased significantly since 2015-16, though the price has increased during 2019-20. After 2015-16, the average household gained Rs10887 on average per year from the moderation in prices in the case of vegetarian Thali. Similarly, an average household that consumes two non-vegetarian Thalis gained around Rs11787 on average per year during the same period. Using the annual earnings of an average industrial worker, it has been found that affordability of vegetarian Thalis improved 29% from 2006-07 to 2019-20 while that for nonvegetarianThalis improved by 18%.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3. Union Budget 2020-21: Key Highlights

The Union Budget 2020-21 has been adynamic,growth provoking and welfare inducing budget. The budget has laid a strong focus on increasing consumption andensuringinfrastructuraldevelopment.The three themes of aspiration, development and compassion would become the pillars of strong and sustainable growth of the country.

A series of far-reaching reforms, unvielded in the Union Budget, aims at energizing the Indian economy through a combination of short-term, medium-term, and long-term measures. Going ahead, the announcements made in the Budget will contribute towards the determination of India to achieve a US$5 trillion economy.

Key highlights of the Union Budget 2020-21:

- Three prominent themes of the Budget
  - Aspirational India
  - Economic Development for all
  - Caring Society
- Sixteen Action Points for Agriculture, Irrigation and Rural Development:Rs. 2.8 lakh crore to be allocated for the 16 Action Points:
  1. Encourage State governments who undertake implementation of agriculture related model laws already issued by the Central government.
  2. Comprehensive measures for onehundred water stressed districts.
  3. Expand PM-KUSUM scheme to provide 20 lakh farmers for setting up stand-alone solar pumps
  4. Encourage balanced use of all kinds of fertilizers including the traditional organic and other innovative fertilizers.
  5. Provide Viability GapFunding for setting up efficient warehouses at the block/taluk level.
  6. A Village Storage scheme is proposed to berun by the Self help Groups (SHGs).
  7. "Kisan Rail" tobe setup through PPP arrangements to build a seamless national cold supply chain for perishables
  8. KrishiUdaanto be launched by the Ministry of Civil Aviation on international and national routes.
  9. The budget proposesd supporting States which will focus on"one product one district" in horticulture sector.
  10. Integrated farming systems in rainfed areas shall be expanded.
  11. Financing on Negotiable Warehousing Receipts (e-NWR) to be integrated with e-NAM.
  12. Expansion of NABARD re-finance scheme. Agriculture credit target for the year 2020-21 set at Rs15 lakh crore.
  13. Coverage of artificial insemination shall be increased fromthe present 30% to 70% to eliminate Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat by 2025.
  14. Blue Economy: Rs. 1 lakh crore fisheries' exports to be achieved by 2024-25.

15. Raising fish production to 200 lakh tonnesby 2022-23
16. Under DeenDayalAntyodayaYojana, 58lakh SHGs have been mobilised.

- Rs. 69,000 crore allocated for overall Healthcare sector.
- Rs.12, 300crore allocation for Swachh Bharat Mission in 2020-21
- Allocation of Rs. 99,300 crore for education sector and Rs. 3000 crore for skill development in 2020-21.
- New Education Policy to be announced soon
- Rs. 27,300 crore allocated for 2020-21 for development and promotion of Industry and Commerce.
- Budget has proposed to start a degree level full-fledged online education programme offered by top institutions.
- Investment Clearance Cell and National Technical Textiles Mission to be set up
- New scheme NIRVIK to be launched to achieve higher export credit disbursement
- Rs.100 lakh crore to be invested on infrastructure over the next 5 years.
- A National Logistics Policy to be released soon
- Rs.1.7 lakh crore proposed for transport infrastructure in 2020-21.
- Early life funding proposed for startups, including a seed fund to support ideation and development of early stage Start-ups.
- Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutive assessment years out of 10 years.
- Tax payment on ESOPs by startups deferred.
- Allocation of Rs. 35,600crore for nutrition-related programmes proposed for the FY2020-21; Rs.28, 600 crore proposed for women specific programs.
- Allocation of Rs. 2500 crore for 2020-21 for tourism promotion.
- New National Policy on Official Statistics
- Five new smart cities in collaboration with States in PPP mode
- Budget has proposed to attach a medical college to an existing district hospital in PPP mode
- Increase in Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor.
- Window for MSME's debt restructuring by RBI to be extended by one year till March 31, 2021.
- The turnover threshold of MSMEs for audit is raised to Rs 5 Crore from existing Rs 1 Crore, where an increase limit shall be applied to businesses which carry out less than 5% of their business transaction in cash.
- Concession to real estate sector for computation of income in respect of transaction of immovable property where the consideration is less than the circle rate has increased safe harbour from 5% to 10%.
- FPI limit in corporate bonds increased to 15% from 9% of its outstanding stock.
- Fiscal deficit of 3.8% estimated in RE 2019-20 and 3.5% for BE 2020-21.

- Direct Tax Rationalisation:

Income Tax Rates

Taxable Income Slab (Rs.)	Existing tax rates	New tax rates announced in Union Budget 2020-21
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%

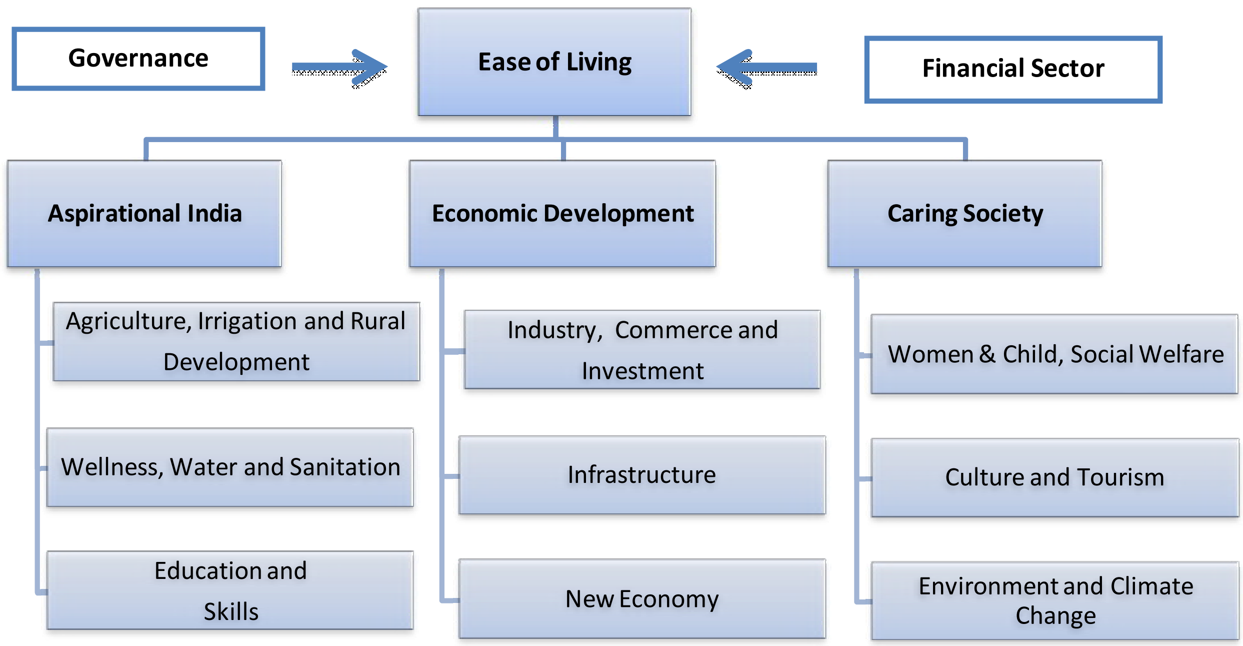
Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21, Government of India

- Corporate Tax rate of 15% extended to new electricity generation companies.
- Dividend Distribution Tax (DDT) removed making India a more attractive investment destination.
- Waiver of interest and penalty - only disputed taxes to be paid for payments till 31st March, 2020
- An app-based invoice financing loans product for MSMEs to be launched
- Simplified GST return and improved input tax credit flow to be implemented from 1st April, 2020 as a pilot run.
- Option to cooperative societies to be taxed at 22% + 10% surcharge and 4% cess with no exemption/deductions.
- 100% tax exemption to the interest, dividend and capital gains income on investment made in infrastructure and priority sectors before 31st March, 2024 with a minimum lock-in period of 3 years by the Sovereign Wealth Fund of foreign governments.
- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans taken for an affordable house extended till 31st March, 2021.
- Customs duty raised on footwear to 35% from 25% and on furniture goods to 25% from 20%. Basic customs duty on imports of news print and light-weight coated paper reduced from 10% to 5%.

4. Three Dimentions to achieve Ease of Living

The Union Budget 2020-21, with the central tenet of Ease of Living for all citizens, is woven around three prominent themes: Aspirational India, Economic Developmentand Caring Society. These three broad themes are held together by a corruption free, policy-driven good governance and a clean and sound financial sector. The Budget aims to achieve seamless delivery of services through Digital governance; to improve physical quality of life through National Infrastructure Pipeline; risk mitigation through Disaster Resilience and; social security through Pension and Insurance penetration.

Three Dimensions to achieve Ease of Living



S.No	Dimension	Description
1	**Aspirational India**	Aspirational India in which all sections of the society seek better standards of living, with access to health, education and better jobs. Its components are Agriculture Irrigation and Rural development; Wellness, Water & Sanitation; and Education & Skills.
2	**Economic Development**	Economic Development for all, indicated in the Prime Minister's exhortation of "SabkaSaath, SabkaVikas, SabkaVishwas". This would entail pervasive economic reforms and yielding more space for the private sector to ensure higher productivity and greater efficiency. Three components of which are Industry, Commerce and Investment; Infrastructure; and the New Economy.
3	**Caring Society**	A Caring Society, based on Antyodaya, which is both humane and compassionate. Three components of which are Women & Child, Social Welfare; Culture and Tourism and Environment & Climate Change.

Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21

5. Budget at a Glance

Fiscal deficit in Revised Estimates (RE) 2019-20 has been increased to 3.8% from 3.3% (BE) and in BE 2020-21 is pegged at 3.5%.	**Revenue Deficit**has been increased to 2.4% in Revised Estimates (RE) 2019-20 from 2.3% (BE). The Revenue Deficit for 2020-21 is pegged at 2.7%	**Total expenditure in Budget for 2020-21** has been placed at Rs 30.42 lakh crores.

5.1. Budget at a Glance

(Amount in Rs. Crore)

S. No.	Particulars	2018-19	2019-20		2020-21	2020-21 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Revenue Receipts (2+3)**	1552916	1962761	1850100	2020926	9.2
2	Tax Revenue (Net to Centre)	1317211	1649582	1504587	1635909	8.7
3	Non-tax revenue	235705	313179	345513	385017	11.4
4	**Capital Receipts (5+6+7)**	762197	823588	848450	1021304	20.4
5	Recoveries of loans	18052	14828	16604	14967	-9.9
6	Other Receipts	94727	105000	65000	210000	223.1
7	Borrowings & other liabilities#	649418	703761	766846	796337	3.8
8	**Total Receipts (1+4)**	2315113	2786349	2698551	3042230	12.7
9	**Total Expenditure (10+13)**	2315113	2786349	2698552	3042230	12.7
10	On Revenue Account of which	2007399	2447780	2349645	2630145	11.9
11	Interest Payments	582648	660471	625105	708203	13.3
12	Grants in Aid for creation of Capital assets	191781	207333	191737	206500	7.7
13	On Capital Account	307714	338569	348907	412085	18.1
14	**Revenue deficit (10-1)**	454483	485019	499545	609219	22.0
15	as % of GDP	2.4	2.3	2.4	2.7	...
16	**Effective Revenue Deficit (14-12)**	262702	277686	307808	402719	30.8
17	as % of GDP	1.4	1.3	1.5	1.8	...
18	**Fiscal deficit {9-(1+5+6)}**	649418	703760	766848	796337	3.8
19	as % of GDP	3.4	3.3	3.8	3.5	...
20	**Primary deficit (16-11)**	66770	43289	141743	88134	-37.8
21	as % of GDP	0.4	0.2	0.7	0.4	...

Source: PHD Research Bureau, PHDCCI complied from Union Budget 2020-21. BE: Budget Estimates, RE: Revised EstimatesNotes: # Includes drawdown of cash Balance; GDP for BE 2020-2021 has been projected at Rs 22489420 crore assuming 10.0 % growth over the estimated GDP of Rs 20442233 crore for 2019-2020 (RE); Individual items may not sum up to the totals due to rounding off; Figures in parenthesis are as a percentage of GDP.

5.2. Summary of Receipts (Amount in Rs. Crore)

S. No	Component	2018-2019	2019-20		2020-2021	2020-21 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Tax Revenue Gross Tax Revenue**	2080465	2461195	2163423	2423020	12.0
a.	Corporation Tax	663572	766000	610500	681000	11.5
b.	Taxes on Income	473003	569000	559500	638000	14.0
c.	Wealth Tax	41	..	..	..	..
d.	Customs	117813	155904	125000	138000	10.4
e.	Union Excise Duties	231982	300000	248012	267000	7.7
f.	Service Tax	6904	..	1200	1020	-15.0
g.	GST	581560	663343	612327	690500	12.8
	- CGST	457535	526000	514000	580000	12.8
	- IGST	28945	28000	..	..	..
	- GST Compensation Cess	95081	109343	98327	1110500	12.4
h.	Taxes on Union Territories	5592	6948	6884	7500	8.9
Less - NCCD transferred to the NCCF/NDRF		1800	2480	2790	2930	5
Less - State's share		761455	809133	656046	784181	19.5
1a.	**Centre's Net Tax Revenue**	1317211	1649582	1504587	1635909	8.7
2	**Non-Tax Revenue**	235705	313179	345513	385017	11.4
	Interest receipts	12145	13711	11027	11042	0.1
	Dividend and Profits	113420	163529	199893	155395	-22.3
	External Grants	1063	1006	974	812	-16.6
	Other Non Tax Revenue	107187	132784	131525	215465	63.8
	Receipts of Union Territories	1890	2149	2094	2303	10
	Total Revenue Receipts(1a + 2)	1552916	1962761	1850100	2020926	9.2
3	**Capital Receipts**					
A.	**Non-debt Receipts**	112779	119828	81604	224967	175.7
(i)	Recoveries of loans and advances@	18052	14828	16604	14967	-9.9
(ii)	Disinvestment Receipts	94727	105000	65000	210000	223.1
B.	**Debt Receipts***	650739	652702	766846	849340	10.8
	Total Capital Receipts (A+B)	763518	772529	848450	1074306	26.6
4	**DRAW-DOWN OF CASH BALANCE&**	-1321	51059		-53003	-203.8
Total Receipts (1a+2+3)		2316434	2735290	2698551	3095233	14.7
Receipts under MSS (Net)		...	...	...	...	...

Source: PHD Research Bureau, PHDCCI complied from Union Budget 2020-21. Note: Individual items in this document may not sum up to the totals due to repayments. BE-Budget Estimates, RE-Revised Estimates. Y-o-Y stands for Year on year growth. NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund. * The receipts are net of payment. @ Excludes recoveries of short term loans and advances. (Note: & depicts the yoy growth that has been calculated for 2020-21 BE and 2019-20 BE)

5. 3. Summary of Expenditure (Amount in Rs. Crore)

S.No.	Particulars	2018-19	2019-20		2020-21	2020-21 Y-o-Y growth
		Actuals	BE	RE	BE	%
A	**Centre's Expenditure**					
I	Establishment Expenditure	521247	546296	567133	609585	7.5
II	Central Sector Schemes/ Projects	638495	870794	773196	831825	7.6
III	Other Central Sector Expenditure of which	677403	772129	741553	887574	19.7
	Interest Payments	582648	660471	625105	708203	13.3
B.	**Transfers**					
IV	Centrally Sponsored Schemes	296029	331610	316816	339894	7.3
V	Finance Commission Grants	93704	120466	123710	149925	21.2
VI	Other Grants/Loans/Transfers	88235	145054	176144	223427	26.8
	Grand Total	2315113	2786349	2698552	3042230	12.7
	Capital Expenditure of the Government					
1	Gross Budgetary Support	307714	338570	348907	412085	18.1
2	Ministry of Railways (IEBR)	80539	94071	88247	90792	2.9
3	IEBR (excluding Ministry of Railways)	527417	443568	622318	581871	-6.5
	Total	**915670**	**876209**	**1059472**	**1084748**	**2.4**

Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21. Note: Individual items may not sum up to the totals due to rounding off. BE-Budget Estimates, RE-Revised Estimates, Y-o-Y stands for Year on year growth

5.4. Resources Transferred to State and U.T. (Amount in Rs. Crore)

S.No.	Indicators	2018-19	2019-20	2020-21	2020-21
		Actuals	RE	BE	Y-o-Y growth%
I.	**Devolution of States' share in taxes**	**761454**	**656046**	**784181**	19.5
II.	**Some Important Items of Transfer**	**46236**	**57344**	**73275**	27.8
a	Assistance to States from NDRF	10000	20000	25000	25
b	Central Pool of Resources for North Eastern Region and Sikkim	450	380	407	7.1
c	Externally Added Projects - Grants	2824	3000	4000	33.3
d	Externally Aided Projects - Loan	23774	25000	25000	0
e	Schemes of North East Council	445	324	287	-11.4
f	Schemes under Proviso to Article 275(1) of the Constitution	1815	2321	1199	-48.3
g	Special Assistance under the demand- Transfer to States	4686	4000	15000	275
h	Special Central Assistance to Scheduled Castes	897	1074	1172	9.1
i	Special Central Assistance to Tribal Area	1345	1245	1210	-2.8
III.	**Finance Commission Grants**	**93704**	**123710**	**149925**	21.2
a	Grant for Rural Local Bodies	35064	58616	69925	19.3
b	Grants for Urban Local Bodies	14400	25843	30000	16.1

c	Grants-in-Aid for SDRF	9658	10938	20000	82.8
d	Post Devolution Revenue Deficit Grants	34582	28314	30000	6
IV.	**Total Transfer to States [Other than (I)+(II)+(III)]**	**286046**	**322443**	**335878**	**4.2**
a	Under Centrally Sponsored Schemes (Revenue)	271478	283057	295269	4.3
b	Under Central Sector Schemes (Revenue)	13629	38227	39451	3.2
c	Under Other Categories of Expenditure (Revenue)	884	1055	1066	1
d	Capital Transfers	55	104	93	-10.6
V.	**Total Transfer to Delhi and Puducherry**	**7955**	**28419**	**47408**	**66.8**
a	Under Centrally Sponsored Schemes (Revenue)	793	1999	5603	180.3
b	Under Central Sector Schemes (Revenue)	1	222	299	34.7
c	Under Other Categories of Expenditure (Revenue)	7031	25972	41355	59.2
d	Capital Transfers	130	225	150	-33.3
	Total Transfers to States/UTs	**1195394**	**1187961**	**1390666**	**17.1**

Source: PHD Research Bureau, PHDCCI compiled fromUnion Budget 2020-21. Note: BE-Budget Estimates, RE-Revised Estimates. UT : Union Territories and NDRF: National disaster Response Fund, SDF: State's Disaster Relief Fund

5.5. Debt and Deficit Statistics

(Amount in Rs. Crore)

S. No.	Particulars	2018-19	2019-20		2020-21	2020-21 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Fiscal Deficit**	**649418**	**703760**	**766846**	**796337**	**3.8**
	as a % of GDP	3.4	3.3	3.8	3.5	
2	**Primary Deficit**	**454483**	**485019**	**499544**	**609219**	**22**
	as a % of GDP	2.4	2.3	2.4	2.7	
3	**Revenue Deficit**	**262702**	**277686**	**307807**	**402719**	**30.8**
	as a % of GDP	1.4	1.3	1.5	1.8	
4	**Effective Revenue Deficit**	**66770**	**43289**	**141741**	**88134**	**-37.8**
	as a % of GDP	0.4	0.2	0.7	0.4	
Sources of Financing Fiscal Deficit						
5	**Debt Receipts (Net)**					
	6. Market Borrowings (G-Sec + T Bills)	430164	448122	498972	535870	7.4
	7. Securities Against Small Savings	125000	130000	240000	240000	0
	8. State Provident Funds	16059	18000	18000	18000	0
	9. Other Receipts (Reserve Fund, Deposit & Advances)	73997	59532	4941	50849	929.1
	10. External Debt	5519	(-)2952	4933	4622	-6.3
11	**Draw Down of Cash Balance**	(-)1321	51059	...	(-)53003	...
12	**Grand Total**	649418	703760	766846	796337	**3.8**

Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21. Note: Individual items may not sum up to the totals due to rounding off; BE - Budget Estimates, RE - Revised Estimates

5.6. Sectoral Allocations

(Amount in Rs. Crore)

S.No.	Particulars	2018-19	2019-20		2020-21	2020-21 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Pension**	160211	174300	184147	210682	14.4
2	**Defence**	290802	305296	316296	323053	2.1
3	**Subsidy**					
4	- Fertiliser	70605	79996	79998	71309	-10.9
5	- Food	101327	184220	108688	115570	6.3
6	- Petroleum	24837	37478	38569	40915	6.1
7	**Agriculture and Allied Activities**	63259	151518	120835	154775	28.1
8	**Commerce and Industry**	27851	27043	28608	27227	-4.8
9	**Development of North East**	1961	3000	2670	3049	14.2
10	**Education**	80345	94854	94854	99312	4.7
11	**Energy**	45461	44638	42458	42725	0.6
12	**External Affairs**	15514	17885	17372	17347	-0.1
13	**Finance**	14920	20121	24880	41829	68.1
14	**Health**	54477	64999	63830	67484	5.7
15	**Home Affairs**	98116	103927	124083	114387	-7.8
16	**Interest**	582648	660471	625105	708203	13.3
17	**IT and Telecom**	14868	21783	16000	59349	270.9
18	**Others**	74497	76665	76782	84256	9.7
19	**Planning and Statistics**	5322	5814	5811	6094	4.9
20	**Rural Development**	132803	140762	143409	144817	1
21	**Scientific Departments**	24755	27431	27694	30023	8.4
22	**Social Welfare**	43664	50850	48210	53876	11.8
23	**Tax Administration**	69416	117285	137307	152962	11.4
	of which,Transfer to GST Compensation Fund		101200	121200	135368	11.7
24	**Transfer to States**	119144	155447	155447	200447	28.9
25	**Transport**	143626	157437	158207	169637	7.2
26	**Union Territories**	14073	15098	15026	52864	251.8
27	**Urban Development**	40612	48032	42267	50040	18.4
Grand Total		**2315113**	**2786349**	**2698552**	**3042230**	**12.7**

Source: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21. Note: Individual items may not sum up to the totals due to rounding off. BE - Budget Estimates, RE - Revised Estimates.

6. Impact on Economy

The Union Budget 2020-21 focusses on three prominent themes i.e. Aspirational India, Economic Development and Caring Society. It indicates government's vision towards achieving inclusive and sustainable growth and emerging as a USD 5 trillion economy in the next few years. The budget reiterated the focus on agriculture sector with pinpointed 16 action points to double farmer's income by 2022. The budget sticks to fiscal consolidation with fiscal deficit pegged at 3.5% of GDP in FY2021.The government has set an ambitious disinvestment target of Rs 2.1 lakh crore for 2020-21 to partially meet its revenue needs. From a revised disinvestment target of Rs 65,000 crore for FY2020, the government has taken a huge leap for FY2021, with a massive increase of 223%.

To provide a booster to the industrial sentiments, the abolition of Dividend Distribution Tax is a long standing demand of the industry which is highly encouraging as it will further make India an attractive destination for investment. The turnover threshold of MSMEs for audit is raised to Rs 5 Crore from existing Rs 1 Crore, which will reduce the compliance burden on small retailers, traders, shopkeepers among others. There is a concerted effort to encourage entrepreneurship in the country by increasing the turnover limit to Rs 100 crore from Rs 25 crore with the extension for claim of deduction period from the existing 7 years to 10 years. Further, early life funding is also a proposed initiative by the Government, including a seed fund to support ideation and development of early stage Start-ups. Further, the sops announced is to incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors which will strengthen the foreign investment in the country.

The government's focus on encouraging Public Private Partnerships (PPPs) in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways would not only promote industrial growth but also provide better service delivery to masses. Thrust has been given to digital economy in the budget. The move to discourage cash payments will help expand digital ecosystem, going forward. On the social front, the government has given announcement for New Education Policy to transform and revise the current education scenario. The Government also proposes to start a degree level full-fledged online education programme offered by institutions that are ranked within top 100 in the National Institutional Ranking framework which shall provide quality education to students of deprived section of the society as well as those who do not have access to higher education.

In a nutshell, fundamentals of the economy are strong and has ensured macroeconomic stability to rejuvenate the economic growth trajectory of the nation to become a US$5 trillion economy in the next few years. With this backdrop, the budget is growth provoking and welfare inducing to ensure sustainable growth of the country.

Impact on the Indian Economy

S.No	Parameter	Announcement	Impact
1	**Macro-economic stability**	The Budget proposals focus on agriculture sector with pinpointed 16 action points to double farmers' income by 2022. It also focuses on three themes i.e. aspiration, development and compassion to ensure sustainable growth.	The focus on agriculture will create tremendous demand in the economy, boost manufacturing and services sector activities and rebound the economic growth trajectory of the country. It will also facilitate in providing a better standard of living to the people of the country.
2	**Fiscal Prudence**	The fiscal deficit in 2020-21 (Budget Estimates) is pegged at 3.5% of GDP.	It shows the government's growing commitment towards maintaining fiscal consolidation. This will position India as a nation committed towards enhanced consolidation of debt.
3	**Agriculture, Allied Activities & Rural Economy**	It is propose to encourage State governments by implementation of model laws such as Model Agricultural Land Leasing Act, 2016; Model Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017 and) Model Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018	This will help in promotion and facilitation of the agricultural and allied activities in the country.
		The PM-KUSUM scheme is expanded to provide 20 lakh farmers for setting up stand-alone solar pumps.	This will help in increasing farmer's income and livelihood and provide source of irrigation.
		A Village Storage scheme is proposed to be run by the SHGs.	This will provide farmers a good holding capacity and reduce their logistics cost.
		Launch of KrishiUdaan by the Ministry of Civil Aviation on international and national routes.	This will immensely help improve value realisation especially in North-East and tribal districts
		Adoption of cluster basis for Horticulture Sector, with a special focus on "one product one district".	This will lead to better marketing and increase in export of horticulture products.

		An outlay of Rs 2.83 lakh crore has been made for the year 2020-21 for the sector comprising of Agriculture and allied activities, Irrigation and Rural Development	This will help in promoting sustainable development of agriculture and allied sector of the country.
4	**Industry**	Removal of the Dividend Distribution Tax and adoption of the classical system of dividend taxation under which the companies would not be required to pay DDT.	This will provide impetus to investment scenario in the country.
		Launch of an App based invoice financing loans product.	This will obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs
		Proposed to introduce a scheme to provide Subordinate debt for entrepreneurs of MSMEs.	This will provide working capital credit to MSMEs and promote the growth of the economy.
		Custom Duty on food processing items (walnuts and shelled) has increased to 100% from 30%.	This will encourage the domestic production of walnuts and shelled.
		The turnover threshold of MSMEs for audit is raised to Rs 5 Crore from existing Rs 1 Crore, where an increase limit shall be applied to businesses which carry out less than 5% of their business transaction in cash.	This will help in reducing the compliance burden on small retailers, traders, shopkeepers, who comprises in the MSME sector.
		Concession to real estate sector for computation of income in respect of transaction of immovable property where the consideration is less than the circle rate has increased safe harbour from 5% to 10%	This will boost housing sector in the country.
		The Government proposes early life funding including a seed fund to support ideation and development of early stage Start-ups.	This will promote entrepreneurship in the country, aspiring entrepreneurs to come up with their own start-ups.
		A proposal for start-ups is to easethe burden of taxation on the employees by deferring the tax payment by five years or till theyleave the company or when	This will give a boost to the Start-Up ecosystem in the country.

		they sell their shares, whichever is earliest.	
		The turnover limit for MSMEs is increased to Rs 100 crore from Rs 25 crore with the extension for claim of 100% deduction period from the existing 7 years to 10 years.	This will promote ease of doing business for the start-ups
		The NIRVIK scheme provides higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.	This will help in achieving higher export credit disbursement in the country.
		Five new smart cities in collaboration with States in PPP mode would be chosen that offer the best choices in terms of aforementioned principles.	This will benefit the upcoming economic corridors; revitalization of manufacturing activities and meeting the demands of aspirational classes
5	**Infrastructure**	It is proposed to set up Viability Gap funding window for setting up hospitals in the PPP mode where in the first phase, those Aspirational Districts will be covered, where presently there are no Ayushman empanelled hospitals.	The will help in strengthening medical services and create large scale employment opportunities.
		Proposed to create a nominal health cess, by way of a duty of customs, on the imports of medical equipment keeping in view that these goods are now being made significantly in India.	This will help in creating infrastructure for health services in the aspirational districts.
		To incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, 100% tax exemption to their interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors by the government before 31st March, 2024 and with a minimum lockin period of 3 years.	This will encourage foreign investments in the country.
		Outlay of Rs 1.70 lakh crore is proposed for transport infrastructure in 2020-21.	This will encourage connectivity across country.

		Proposed to extend the concessional corporate tax rate of 15% to new domestic Companies that are engaged in the generation of electricity subject to the condition that they start generating electricity by 31stMarch, 2023.	This will help in attracting investments in the power sector.
		Proposed to establish an Indian Institute of Heritage and Conservation under Ministry of Culture.	This will encourage tourism in the country.
6	**Banking, Finance & Taxation**	It is proposed to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange.	This will help in meeting demand of private capital.
		An individual shall be exempted from taxable earnings, if earning up to Rs 5 lakhs. For taxable income between Rs 7.5 lakhs to Rs. 10 lakhs the reduced rate of 15% against the current rate of 20 %. For For taxable income between Rs 10 lakh to Rs 12.5 lakh the reduced rate of 20% against the current rate of 30 %. For tax payers with income level of Rs 12.5 lakh to Rs 15 lakh the reduced rate of 25% against the existing rate of 30 %. Incomes above Rs 15 lakh will be continued to be taxed at the rate of 30 %.	It will simplify the new tax regime and generate more taxable income in the country.
		It is proposed to amend the provision allowing India to enter into Double Taxation Avoidance Agreements (DTAA) with other countries or territories or association, to align with the new preamble mandated by Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.	This will help in reforming the taxation environment.
7	**Education & Women Empowerment**	Announcement of The New Education Policy	This will strengthen the education curriculum framework of the country.

		A Proposal to start a programme for fresh engineers to provide internship opportunities for urban local bodies across the country opportunities for a period up to one year.	This will create exposure for the students and enhance their learning outcomes.
		Proposed to start a degree level full-fledged online education programme offered by institutions who are ranked within top 100 in the National Institutional Ranking framework	This will provide quality education to students of deprived section of the society as well as those who do not have access to higher education. It will also create an ecosystem of learning across the country.
		Proposed to attach a medical college to an existing district hospital in PPP mode	This will increase the skill development of the students in the health sector
		Proposed to design a special course by the Ministries of Health, Skill Development together with professional bodies to meet the demand for teacher's nurses, para-medical staff and care-givers abroad.	This will strengthen the skill development set of individuals of the country.
		The budget proposed to appoint a task force that shall present its recommendations of girl entering motherhood, education, careers and improvement of nutrition levels.	This will encourage the opportunities for women to pursue higher education and careers.

Source: PHD Research Bureau, PHDCCI

7. Impact on Industry

The Government has provided impetus to industry in the Union Budget 2020-21 with the objective of strengthening entrepreneurship through make in India, reducing import dependence, facilitation measures to MSMEs sector, promoting clean energy, cubing non essential imports, among others. To further promote domestic manufacturing, custom duty reductions are being proposed on certain raw materials and capital goods.The abolition of DDT, a long standing demand of the industry, is highly encouraging as it will further make India an attractive destination for investment. This in turn gets more investment and generates more employment for our youth. Thus, there is a concerted effort to encourage entrepreneurship in the country by increasing the turnover limit to Rs 100 crore from Rs 25 crore with the extension for claim of 100% deduction period from the existing 7 years to 10 years. Further, early life funding is also a proposed initiative by the Government, including a seed fund to support ideation and development of early stage that would strengthen the start-up campaign in the economy.

Impact on Indian Industry

S.No	Industry/Sector	Announcement	Impact
1	**Micro, Small and Medium Enterprises(MSMEs)**	Proposed to provide necessary amendments to the Factor Regulation Act	This will enable NBFCs to extend invoice financing to the MSMEs through TReDS, thereby enhancing their economic and financial sustainability.
		Proposed to introduce a scheme to provide Subordinate debt for entrepreneurs of MSMEs.	This will provide working capital credit to MSMEs and promote the growth of the economy.
		Extension of debt restructuring window till March 31, 2021	This will promote the ease of doing business for MSMEs
		Launch of an App based invoice financing loans product.	This will obviate the problem of delayed payments and consequential cash flows mismatches for the MSMEs.
		The turnover threshold for audit is raised to Rs 5 Crore from existing Rs 1 Crore, where an increase limit shall be applied to businesses which carry out less than 5% of their business transaction in cash.	This will help in reducing the compliance burden on small retailers, traders, shopkeeper, who comprises the MSME sector.

2	**Real estate**	Concession to real estate sector for computation of income in respect of transaction of immovable property where the consideration is less than the circle rate has increased safe harbour from 5% to 10%	This will boost the housing sector in the country.
		Widening the definition of business trust to extend the same taxation regime as available to listed Infrastructure Investment Trust (InvITs) and listed Real Estate Investment Trust (REIT) to unlisted REIT and InvIT.	This will encourage unlisted Infrastructure Investment Trust (InvIT) or a Real Estate Investment Trust (REIT).
3	**Start-Ups**	The Government proposes early life funding including a seed fund to support ideation and development of early stage Start-ups.	This will promote entrepreneurship in the country.
		Proposed to easethe burden of taxation on the employees by deferring the tax payment by five years or till they leave the company or when they sell their shares, whichever is earliest.	This will give a boost to the Start-Up ecosystem in the country.
		The turnover limit is increased to Rs 100 crore from Rs 25 crore with the extension for claim of 100% deduction period from the existing 7 years to 10 years.	This will help in achieving start-ups and ensure entrepreneurship in the country.
		To incentivize the start-up, it is proposed to defer the tax payment on these ESOPs granted by start-up to their employees by five years or till the employee leaves the company or when the said employee sells those shares, whichever is earliest	This will encourage the start-ups to employ highly talented employees at a relatively low salary by granting them Employee Stock Option Plan (ESOPs).
4	**Women Entrepreneurship**	Budget proposed to appoint a task force that shall present its recommendations of girl entering motherhood, education, careersand improvement of nutrition levels.	This will encourage the opportunities for women to pursue higher education and careers.

		The Government provides allotment of Rs. 28600 crorefor programs that are specific to women.	This will ensure greater welfare oriented schemes for growth and development of women.
5	**Investment Clearance Cell**	The Government proposes Investment clearance cell providing end to end facilitation and support including pre-investment advisory, information related to land banks and facilitate clearances at Centre and State levelthrough a portal.	This will facilitate and boost investment ecosystem in the country.
6	**National Textile Mission**	This Mission has an estimated outlay of Rs. 1480 crore, implemented for a four year period from 2020-21 to 2023-24.	This will strengthen domestic industry of technical textiles in the country.
7	**NIRVIK Scheme**	The scheme provides higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements.	This will achieve higher export credit disbursement in the country.
8	**Public-private partnership (PPP) Model**	Five new smart cities in collaboration with States in PPP mode would be chosen that offer the best choices in terms of aforementioned principles.	This will benefit the upcoming economic corridors; revitalization of manufacturing activities and meeting the demands of aspirational classes
9	**Education and Skill Development**	Announcement of The New Education Policy	This will strengthen the education curriculum framework of the society.
		A proposal to start a programme for fresh engineers to provide internship opportunities for urban local bodies across the country opportunities for a period up to one year.	This will create exposure for the students and enhance their learning outcomes.
		Proposed to start a degree level full-fledged online education programme offered by institutions who are ranked within top 100 in the National Institutional Ranking framework	This will provide quality education to students of deprived section of the society as well as those who do not have access to higher education. It will also create an ecosystem of learning across the country.

		Proposed to attach a medical college to an existing district hospital in PPP mode	This will increase the skill development of the students in the health sector
		Proposal to design a special course by the Ministries of Health, Skill Development together with professional bodies to meet the demand for teachers nurses, para-medical staff and care-givers abroad.	This will strengthen the skill development set of individuals of the country.
		An Outlay of Rs. 99,300 crore for education sector in 2020-21 and Rs 3,000 crores for skill development.	This strengthens education and skill development in the country.
10	**Manufacturing of mobile phones ectronic equipment and semi-conductor packaging**	The budget proposed a scheme focused on Manufacturing of mobile phones ectronic equipment and semi-conductor packaging, details would be announced later	This will enable large investments in the electronics value chain and boost domestic manufacturing.

Source: PHD Research Bureau, PHDCCI

7.1 Budget Impact of changes in basic custom duties on selected key sectors:

S.No	Industry/Sector	Announcement	Impact
1	**Household goods and appliances**	Custom Duty on Household goods and appliances has been increased to 20% from 10%.	This will increase the cost of imported household goods and appliances and promote domestic manufactures.
2	**Electrical Appliances**	Custom duty on electrical appliances has increased to 20% from 10%.	This will increase the cost of imported electrical appliances and promote domestic manufacturers.
3	**Food processing**	Custom Duty on food processing items such as walnuts and shelled has increased to 100% from 30%.	This will encourage the domestic production of walnuts and shelled.
4	**Machinery**	Custom duty on specific goods used in high voltage power transmission project has increased to 7.5% from 5%.	This will encourage the domestic manufacturering of machinery.
		Custom duty on commercial freezers has increased to 15% from 7.5%	This will increase the cost of imported commercial freezers.

5	**Electric Vehicles**	Custom duty on Completely Built Units of Bus and Trucks (with effect from 01.04.2020) has increased to 40% from 25%.	This will encourage the domestic manufacturing to built units bus and trucks.
		Custom Duty on Semi Knocked Down (SKD) units of passenger vehicles and three wheelers (with effect from 01.04.2020) has increased to 30% from 15%.	This will increase the price of the imported units of passenger vehicles and three wheelers.
6	**Cellular Mobile Phones**	Custom duty on display Panel and Touch Assembly (with effect from 01.10.2020) has increased to 10% from NIL.	This will encourage the domestic manufacturing of display panel and touch assembly.
		Custom duty on PCBA of Mobile phones (with effect from 01.04.2020) has increased to 20% from 10%.	This will increase the price of the imported PCBA of mobile phones.
7	**Fuels, Chemicals and Plastics**	Custom duty on Very low sulphur fuel oil has decreased to NIL from 10%.	This will decrease the price of imported fuels.
8	**Precious Metals**	Custom duty on Platinum or Palladium used in manufacture of Colloidal precious metals, inorganic or organic compounds of precious metal, and amalgams of precious metals has decreased to 7.5% from 12.5%.	This will decrease the imported price of Platinum or Palladium used in manufacture of Colloidal precious metals, inorganic or organic compounds of precious metal, and amalgams of precious metals
9	**Machinery and Electronic Goods**	Custom duty on parts of Microphone for use in manufacture of Microphone has decreased to NIL from 10%.	This will decrease the price of the imported parts of microphone.
10	**Newsprint**	Custom duty on newsprint, when imported by importer registered with Registrar of Newspapers, India has decreased to 5% from 10%.	This will decrease the price of the imported newsprint material.

Source: PHD Research Bureau, PHDCCI

8. Impact on Infrastructure

The Union Budget 2020-21 has given a massive push and impetus to the infrastructure sector through some great initiatives and announcements. Key reforms announced for strengthening infrastructure include allocation of around Rs 2 lakh crore for transport infrastructure, Viability Gap funding window for setting up hospitals in the PPP mode, extension of concessional corporate tax rate of 15% to new domestic companies in power sector, tax incentives for affordable housing projects, among others. The government's proposal to invest Rs 103 lakh crore in National Infrastructure Pipeline focuses on a forward looking outlook on infrastructure projects, creating jobs, improving ease of living, and providing equitable access of infrastructure to all, thereby making growth more inclusive.

Impact on Infrastructure

S.No	Parameter	Announcement	Impact
1	**Wellness, Water and Sanitation**	It is proposed to set up Viability Gap funding window for setting up hospitals in the PPP mode where in the first phase, those Aspirational Districts will be covered, where presently there are no Ayushman empanelled hospitals.	This will help in strengthening medical services and create large scale employment opportunities.
		Proposed to set up aproject preparation facility for infrastructure projects.	This will encourage more participation of young engineers, management graduates and economists from our Universities.
		A proposal to direct all infrastructure agencies of the government to involve youth-power in start-ups.	This will help in rolling out value added services in quality public infrastructure for citizens.
		Proposd to create a nominal health cess, by way of a duty of customs, on the imports of medical equipment keeping in view that these goods are now being made significantly in India.	This will help in creating infrastructure for health services in the aspirational districts.
		Imposition of Health cess at the rate of 5% to be imposed on the import of medical devices. Health Cess shall not apply to medical devices which are exempt from BCD. Further, inputs/parts used in the manufacture of medical devices shall also be exempt from Health Cess.	This will provide impetus to domestic industry and generate resource for health services.
2	**Transport Infrastructure**	Outlay of Rs 1.70 lakh crore for transport infrastructure in 2020-21	This will encourage connectivity across country.

3	**Sovereign Wealth Fund**	To incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors, 100% tax exemption to their 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.	This will encourage foreign investments in the country.
4	**Housing**	Proposed to extend the date of loan sanctioned for availing additional deduction of up to Rs 1.5 lakh for interest paid on loanstaken for purchase of an affordable house by 31 March, 2021 Proposed to extend the date of approval of affordable housing projects for availing a tax holiday provided on the profits earned by developers of affordable housing project by 31 March, 2021	This will give fillip to housing sector in the economy. This will increase the supply of affordable houses in the country.
5	**Power and Renewable Energy Sector**	Outlay of Rs 22000 crore to power and renewable energy sector in 2020-21. Proposed to close old thermal power plants, if emissions are above the pre- set norms. Proposed to extend the concessional corporate tax rate of 15% to new domestic Companies, engaged in the generation of electricity; generating electricity by 31st March, 2023.	This will encourage growth and development of the power and renewable sector. This will reduce the carbon emission levels and the land can be vacted to an alternative use for optimum utilization of the resources. This will help in attracting investments in the power sector.
6	**Culture & Tourism**	Proposed to establish an Indian Institute of Heritage and Conservation under Ministry of Culture. Outlay of Rs 2500 crore for 2020-21 is allotted for promotion of tourism and Rs. 3150 crore for Ministry of Culture.	This will encourage tourism in the country. This will enable the growth of tourism and generate employment opportunities in the country.

Source: PHD Research Bureau, PHDCCI

9. Impact on Banking, Finance & Taxation

The Union Budget 2020-21 has delivered quality and praise worthy taxation reformsacross the banking sector, financial markets and infrastructure financing.The exemption from income tax for people with income of uptoRs 5 lakhs and rationalization of taxes to 10% for people with income between Rs 5 lakh to Rs 7.5 lakh, 15% income tax rate for income between Rs7.5-10 lakhs, 20% income tax rate for income between Rs10 -12.5 lakhs and 25% income tax rate for income between Rs 12.5-15 lakhs are encouraging and are expected to boost the demand in the economy.

Various measures announced for the banking sector such as increase in Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor and proposal for amendments to the Banking Regulation Act to strengthen the Cooperative Banks are expected to further boost the confidence of people in the banking system. In addition, measures in the Financial Sector and Financial Markets, indirect taxation, tax facilitation, introduction of Taxpayers' Charter, among others would lead to the creation of a corruption-free, policy driven good Governance and a clean & sound Financial sector to ensure Ease of Living to all citizens.

Impact on Banking, Finance & Taxation

S.No	Parameter	Announcement	Impact
1	**Banking Sector**	Deposit Insurance and Credit Guarantee Corporation (DICGC) permitted to increase Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor	This will ensure the safety of depositors' money with the commercial banks and will help boost confidence of people in the banking system.
		Proposal for amendments to the Banking Regulation Act to strengthen the Cooperative Banks	This will increase professionalism, enable access to capital and improve governance and oversight for sound banking through the RBI.
		Proposal to sell the balance holding of Government of India IDBI Bank to private, retail and institutional investors through the stock exchange	This will bring in more private capital and make India's banking system robust.
2	**Financial Sector and Financial Markets**	For selected sectors such as pharmaceuticals, auto components and others, a scheme of Rs 1000 crore will be anchored by EXIM Bank together with SIDBI. Both these institutions would contribute Rs 50 crore each. This Rs 100 crore would be achieved towards equity and technical assistance. Debt funding of Rs 900 crore from banks	Many mid-size companies are successful domestically but not in export markets. The move will extend handholding support to these companies for export promotion for technology upgradations, R&D (Research & Development), business strategy, etc

		would be made available	
		Specified categories of Government securities to be opened fully for non-resident investors also; FPI limit in corporate bonds increased from 9% to 15% of its outstanding stock	This will lead to further deepening of the Bond market and strengthening of the financial architecture in the economy.
		New legislation to be formulated for laying down a mechanism for netting of financial contracts	This will improve investors' confidence and will expand the scope of credit default swaps
		Debt Based Exchange Traded Fund expanded by a new Debt-ETF (Exchange Traded Funds) consisting primarily ofGovernment Securities	This will give retail investors access to government securities as well as an opportunity for attractive investment for pension funds and long-term investors.
3	**Non-Banking Financial Companies (NBFCs)**	NBFCs eligibility limit for debt recovery reduced fromRs. 500 crore to Rs 100 crore asset size or Rs 1 crore to Rs 50 lakh loan size.	This will benefit smaller NBFCs who will now be able to approach the debt recovery tribunal. Further, the asset quality of the sector would also see significant improvements.
		New mechanism to be devised to further the Partial Credit Guarantee scheme for the NBFCs formulated post the Union budget 2019-20; Government will offer support by guaranteeing securities so floated	This will give a push to effectively address the liquidity constraints of the Non-Banking Financial Companies (NBFCs).
4	**Infrastructure Financing**	An International Bullion exchange(s) to be set up as an additional option for trade by global market participants with the approval of regulator	This will enable India to enhance its position worldwide, create jobs in India and will lead to better price discovery of gold.
5	**Personal Income Tax**	New and simplified personal income tax regime proposed who forgo certain deductions and exemptions: • Between 0 – Rs 2.5 lakh: Exempt • BetweenRs 2.5 – 5 lakh: 5% • BetweenRs5 – 7.5 lakh: 10%	This will provide a significant relief to middle class taxpayers and is expected to boost the demand in the economy. Further, the proposal to remove around 70 of the existing exemptions and deductions will stimulate growth and simplify the tax structure.

		• BetweenRs7.5 – 10 lakh: 15% • BetweenRs10 – 12.5 lakh: 20% • BetweenRs12.5– 15 lakh: 25% • Above Rs 15 lakh: 30% Around 70 of the existing exemptions and deductions (more than 100) to be removed in thenew simplified regime	
6	**Corporate Tax**	Tax rate of 15% extended to new electricity generation companies	This will attract greater investments in the power sector and give a significant boost to the manufacturing activity in the economy.
7	**Dividend Distribution Tax (DDT)**	Proposed to remove DDT	This will help in making India a more attractive investment destination and will reduce the tax burden for investors.
		Proposed to allow deduction for the dividend received by holding company from its subsidiary	This will help in removing the cascading effect.
8	**Tax concession for foreign investments**	100% tax exemption to the interest, dividend and capital gains income on investment made ininfrastructure and priority sectors before 31st March, 2024 with a minimum lock-in period of 3years by the Sovereign Wealth Funds of Foreign governments Proposed to extend the period of concessional withholding rate of 5% under section 194LC for interest payment to non-residents in respect of moneys borrowed and bonds issued up to 30th June, 2023 Proposed to extend the period up to 30th June, 2023 for lower rate of withholding of 5% under section 194LD for interest payment to Foreign Portfolio Investors (FPIs) and Qualified Foreign Investors	This will incentivise the investment by the Sovereign Wealth Funds of Foreign governments in the priority sectors. These measures are expected to position India as an investor friendly nation and bring more Foreign Direct Investments (FDIs) thereby making the country a global FDI destination.

		(QFIs) in respect of bonds issued by Indian companies and government securities. Proposed to extend the concessional rate of withholding of 5% under section 194LD to the interest payment made on the Municipal Bonds Proposed to further reduce the withholding rate from 5% to 4% on interest payment on the bonds listed on its exchange to incentivise listing of bonds at IFSC exchange	
9	**Start-ups**	Tax payment on Employee Stock Option Plan (ESOPs) deferred Start-ups with turnover up to Rs. 100 crore to enjoy 100% deduction for 3 consecutiveassessment years out of 10 years	The announcements will give a boost to the start-up ecosystem by attracting high-quality talent and will handhold them and support their growth
10	**Concessional tax rate for Co-operatives**	Option to cooperative societies to be taxed at 22% + 10% surcharge and 4% cess with no exemption/deductions Exemption from Alternate Minimum Tax (AMT) just like Companies areexempted from the Minimum Alternate Tax (MAT)	This will bring parity between cooperatives and the corporate sector.
11	**Concession to real estate transactions**	Proposal to increase the limit of taxing income from capital gains, business profits and other sources in real estate transactions from 5% to 10%	This will help in minimizing the hardship in real estate transactions and provide significant relief to the sector.
12	**Affordable housing**	Additional deduction up to Rs. 1.5 lakhs for interest paid on loans taken for an affordable houseextended till 31st March, 2021	The announcement will boost the supply of affordable houses in the country and help in realisation of the goal of 'Housing for All' and affordable housing.

		Date of approval of affordable housing projects for availing tax holiday on profits earned bydevelopers extended till 31st March, 2021	
13	**Medium, Small and Micro Enterprises (MSMEs)**	Turnover threshold for audit increased from Rs. 1 croretoRs. 5 crore for businesses carryingout less than 5% business transactions in cash	This will reduce compliance burden on small retailers & traders and will facilitate healthy growth of the MSMEs sector.
14	**Tax Facilitation Measures**	Instant PAN to be allotted online through Aadhaar	The announcement will further ease the process of allotment of PAN and create a hassle free user interface.
		No Dispute but Trust Scheme – 'Vivad Se Vishwas' Scheme with a deadline of 30th June, 2020: 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.	This will give the taxpayers an opportunity to get relief from the litigation process. It will benefit taxpayers in whose cases appeals are pending at any level.
		Faceless appeals to be enabled by amending the Income Tax Act	This will impart greater efficiency, transparency and accountability to the assessment process and bring in transformational changes so that maximum governance is provided with minimum government.
		Charity institutions: • Pre-filling in return through information of donations furnished by the done. • Process of registration to be made completely electronic. • Unique registration number (URN) to be issued to all new and existing charity institutions. • Provisional registration to be allowed for new charity institutions for three years.	This will simplify compliance and would result in a hassle-free claim of deduction for donations made by the taxpayer.

15	**Losses of merged banks**	Make necessary amendments to the provisions of the Income-tax Act regarding schemes for merger and amalgamation of public sector banks	This will ensure that the amalgamated entities are able to take the benefit of unabsorbed losses and depreciation of the amalgamating entities
16	**Taxpayer's Charter**	To mandate the Central Board of Direct Taxes (CBDT) to adopt a Taxpayers' Charter	Taxpayer's Charter will create simplifications in the taxation system and remove apprehensions of taxpayers by further enhancing trust between taxpayers and the administration. Moreover, it will empower citizens by ensuring time-bound services.
17	**Goods & Services Tax (GST)**	Cash reward system envisaged to incentivise customers to seek invoice GST rate structure being deliberated to address inverted duty structure Simplified return with features like SMS based filing for nil return and improved input taxcredit 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	The announcements will help in further formalizing the economy in a significant way. It will facilitate compliance, make return filing simple, full automation with no human interface and lead to simplification of the overall process.

Source: PHD Research Bureau, PHDCCI

10. Vivad Se Vishwas Scheme

The Direct Tax Vivad se Vishwas Bill, 2020 was introduced in LokSabha by the SmtNirmalaSitharaman, Hon'ble Minister of Finance, on February 5, 2020, after proposing the same in the Union Budget 2020-21. The Bill provides a mechanism for resolution of pending tax disputes related to direct tax. Currently, there exist 4,83,000 direct tax cases pending in various appellate forums i.e. Commissioner (Appeals), Income Tax Appellate Tribunal (ITAT), High Court and Supreme Court. With this backdrop, the acheme- Vivad Se Vishwas has been proposed on similar grounds of scheme- SabkaVishwas-for indirect tax, for reducing litigations even in the direct taxes. The scheme is not open ended and can be availed for a limited time period. It seeks to provide a formula-based solution without any discrimination.

Details of Scheme

S. No.	Nature of tax arrear	Amount payable under Act on or before 31st March 2020	Amount payable under Act on or after 1st April 2020 but not on or before the last date
1	Where the tax arrear is the aggregate amount of disputed tax, interest chargeable or charged on such disputed tax and penalty liveable or levied on such disputed tax	Amount of tax disputed	The aggregate of the amount of disputed tax and 10% of disputed tax: Provided that where the 10% of disputed tax exceeds the aggregate amount of interest chargeable or charged on such disputed tax and penalty liveable or levied on such disputed tax, the excess shall be ignored for the purpose of computation of amount payable under this act
2	Where the tax arrear relates to disputed interest or disputed penalty or disputed fees	25% of disputed interest or disputed penalty or disputed fee	30% of disputed interest or disputed penalty or disputed fee

Source: PHD Research Bureau, PHDCCI compiled from LokSabha, Parliamentary Bills Information System

Features

- The Bill proposes a resolution mechanism under which an appellant can file a declaration to the designated authority to initiate resolution of pending direct tax disputes. The last date to file such declaration will be notified by the central government. Based on the declaration, the designated authority will determine the amount payable by the appellant and grant a certificate, containing particulars of the amount payable. The appellant must pay this amount within 15 days of the receipt of the certificate and inform the designated authority of such payment. Such amount will not be refundable.
- Once the designated authority issues the certificate, appeals pending before the Income Tax Appellate Tribunals and the Commissioner (Appeals) will be deemed to be withdrawn. In case of appeals or petitions pending before the Supreme Court and High Courts, the appellant is required to

withdraw the appeal or petition. Therefore, the scheme provides immunity from initiation of proceedings in respect of offence and imposition of penalty in certain cases.

- The proposed mechanism will not cover the following disputes:
  I. where prosecution has been initiated before the declaration is filed,
  II. which involve persons who have been convicted or are being prosecuted for offences under certain laws (such as the Indian Penal Code), or for enforcement of civil liabilities, and
  III. involving undisclosed foreign income or assets.

- Taxpayers in whose cases appeals are pending at any level can benefit from this scheme. The scheme will provide opportunity for the taxpayers to get relief from vexatious litigation process. Further, it will reduce the litigation expenditure for the government, may help in generating revenue and timely collection of the same.

Suggestions for Vivad se Vishwas Scheme

The Finance Minister has introduced Direct Tax Vivad se Vishwas Bill, 2020 in the Parliament for resolution of pending tax disputes. The provisions of the Direct Tax Vivad se Vishwas Bill, 2020 are applicable to settle disputes in appeals filed by taxpayers or the Government, which are pending with the Commissioner (Appeals), Income tax Appellate Tribunal, High Court or Supreme Court as on the 31st day of January, 2020 irrespective of whether demand in such cases is pending or has been paid. The scheme will benefit many taxpayers, however, there are issues which need consideration.

The scheme in order to be really successful has to be broad based and exclusion should be minimum. If too many restrictions are placed then a large number of litigations (vivad) will not be able to come forward and settle their dispute (vivad). The SabkaSaathSabkaVishwas scheme announced last year for Indirect Taxes was broad based allowing everyone to come forward and settle not only the existing dispute but also where he / she aniticipates dispute may arise . That is why the scheme was highly successful with participation of more than 90% . The arrears in indirect taxes were just Rs 1.36 lakh crore. As against arrears of direct taxes are more than Rs 8 lakh crore.

In case, the scheme allows every one to come forward and settle its dispute not only existing one but also dispute (s) which are likely to arise , the Government will be able to realise at least Rs 2 lakh crore if not more. The anticipated dispute will also ensure that disputes in future will be minimal.

In the Vivad se Vishwas Scheme, the Government has announced that the amount of disputed tax or 25% of disputed interest or disputed penalty or disputed fee is payable on or before 31st March 2020. It is suggested that the Government may extended the last date to 30th April 2020 from 31st March 2020 without any penalty so that scheme is well spreader across the country and a large number of taxpayers under the litigation cases are able to take advantage of the scheme.

In view of the above, PHD Chamber of Commerce and Industry suggests that the scheme may be broadened to include following cases:

1. Inclusion of cases where time limit to file appeal has not expired and appeal is pending to be filed as on 31.01.2020

The provisions of the Direct Tax Vivad se Vishwas Bill, 2020 are applicable to appeals filed by taxpayers or the Government, which are pending with the Commissioner (Appeals), Income tax

Appellate Tribunal, High Court or Supreme Court as on the 31st day of January, 2020 irrespective of whether demand in such cases is pending or has been paid.

It may be relevant to mention here that in case the assessment has been framed by the assessing officer on or before 31.01.2020, however, the appeal has not been filed on or before 31.01.2020 and there being still time to file appeal, no appeal being pending before an appellate forum as on 31.01.2020, the taxpayer will not be eligible for the benefit of Vivad se Vishwas scheme. Similarly, if the appeal has been disposed of by the appellate forum on or before 31.01.2020 and no appeal has been filed before the higher appellate forum on or before 31.01.2020 and there being still time to file appeal, such taxpayer may not be eligible for the benefit of Vivad se Vishwas scheme as no appeal was pending before the appellate forum as on 31.01.2020.

Thus it is suggested that scope of such scheme be may extended to all the assessments framed on or before 31.01.2020 whether or not appeal in relation to the same have been filed considering the fact that the assessment orders in relation to reassessment proceedings where notice under 148 have been issued prior to April 2019 or assessment proceedings for AY 2017-18 was required to be passed recently only by 31.12.2019 and the assessment orders have not been served in all cases in due time so that the taxpayer could have filed the appeal on or before 31.01.2020. It may be relevant to mention here that appeal before the CIT(A) against an assessment order may be made within 30 days from the date of receipt of assessment order, an appeal before ITAT against the order of the CIT(A) may be made within 60 days and an appeal before High Court against the order of the ITAT may be made within 120 days and an appeal before Supreme Court against the order of the High Court may be made within 90 days.

Thus, considering such time frames, if the assessment order has been passed or appeal has been deposed by an appellate forum recently only say in the month of December-January, it is not necessary that the taxpayers would have filed the appeal before the appropriate appellate forums on or before 31.01.2020. Depriving such taxpayers from the benefit of the scheme cases undue hardship. Moreover, in case of any delay on the part of the revenue authority to serve the order, the taxpayer would suffer.

It may be relevant to point out that in case a taxpayer receives an order from an appellate forum say CIT(A) on 05.02.2020 i.e. after 31.01.2020 whereas the date of the order is prior to 31.01.2020 say 28.01.2020, the authorities may claim that the taxpayer is not eligible to claim the benefit of Vivad se Vishwas scheme, there is no appeal pending before appellate forum on or before 31.01.2020. It is suggested that all such cases are considered before giving ascent to the Direct Tax Vivad se Vishwas Act.

2. Inclusion of cases pending before DRP as on 31.01.2020

In case a taxpayer has filed objections before the Dispute Resolution Panel (DRP) against a draft assessment order passed in accordance with the provision of section 144C and the disposal of the objections and consequent final assessment order is pending as on 31.01.2020, the taxpayer will not be eligible for the benefit of the Vivad se Vishwas scheme as filing of objections before DRP is not an appeal and further, the forum of DRP has not been covered in the Scheme. It is suggested that such cases where objections have been filed and the same is pending before the DRP may also be included and eligible under this scheme.

3. Inclusion of cases pending before assessing officer or where similar disputes are likely to arise in future

In the proposed scheme only those cases where appeals are pending before the appellate forums have been covered. Disputes such as where show cause notice , enquiry notice , re opening of assessment notices etc. that are pending with the assessing officer have not been covered in the scheme. Exclusion of such cases and not giving an option to settle disputes which are before assessing officer doesn't appear to be a good idea. Ideally, when settlement of disputes is the objective, the scheme should have been extended to cover all disputes and also such disputes that are likely to occur. Let everyone to come forward and settle not only existing dispute but also dispute which one is likely to arise.

There is a possibility that in one year, the dispute has reached to appeal level, and similar issue in next year is at assessing officer's level and further similar dispute will come up in subsequent year because of stand taken by the assessing officer in the earlier year for which appeal is pending. If one goes for this scheme, he will only be able to settle such years for which the appeal is pending. However, similar issues which in all likelihood will come up in future because of the stand taken by the assessing officer in earlier year will remain pending and entail unnecessary litigation in subsequent years. Thus, it is suggested that option be given to settle all disputes now only where the appeals are pending but also where he visualize such dispute in subsequent years. This will encourage people to come out clean once and for all and avoid unnecessary litigation in the future on similar issues. Similar scope was there in SabkasaathsabkaVishwas scheme. There is also a scope in the scheme under direct taxes .

4. Search year covered under the scheme but 6 years prior to search excluded

As per the Scheme, where assessment has been made under section 153A or section 153C of the Income-tax Act, the benefit of Vivad se Vishwas scheme will not be available. In this regard, it is to be noted that 6 years prior to the search are assessed under section 153A or section 153C. The year in which search takes place is assessed under section 143(3) and not under section 153A or section 153C. Accordingly, the year of search will be eligible under the Vivad se Vishwas scheme as the assessment order in respect of the search year is passed under section 143(3) and not under section 153A. It is suggested that scope be widened to include search cases may be with a little higher rate of tax. This will help in getting rid of a large number of disputes . It will be relevant to point out the highest number of disputes / appeals are of this category. If we exclude this category from the scope of this scheme , then objective of Vivad se Vishwas may not be truly achieved.

5. Inclusion of cases pending before the Commissioner (Appeals) in respect of which notice of enhancement under section 251 of the Income-tax Act has been issued on or before 30.01.2020

Cases that are pending before the Commissioner (Appeals) in respect of which notice of enhancement under section 251 of the Income-tax Act has been issued on or before 30.01.2020 are ineligible for benefit under the scheme. It appears that the idea behind excluding such cases from benefit under the scheme is that since the tax demand has not become ascertained on account of enhancement proceedings being pending, there may be apprehensions that the taxpayer would get away with payment of an amount less than the demand that may arise pursuant to the completion of the enhancement proceedings.

Excluding taxpayers on account of such reason maynot be encouraging. An option should be given to such taxpayers to claim benefit under the scheme after consideration of the tax demand after including the income as proposed for enhancement by the CIT(A). The above inclusion will go a long way in ensuring grand success of the scheme and putting an end to most of the Vivad.

11. Impact on Agriculture and Allied sector & Rural Economy

The focus of the Union Budget 2020-21 on the agriculture sector with pinpointed 16 action points to double farmers' income by 2022 is highly encouraging. The thrust on agriculture will create tremendous demand in the economy, boost manufacturing and services sector activities and rebound the economic growth trajectory of the country.

Schemes such as Dhanlakshmi scheme, KrishiUdaan Scheme will certainly change the sentiments of the agriculture sector towards prosperity. The DhanyaLaxmi Scheme will enhance the participation of women in the agriculture sector. The KrishiUdaan Scheme would help in reducing wastages in the food sector thereby facilitating farmers in enhancing their farm income. The Agriculture Credit target of Rs 15 lakh crore will significantly increase the accessibility of credit to small and marginal farmers and push rural demand.

Impact on Agriculture, Allied Activities & Rural Economy

S.No	Parameter	Announcement	Impact
1	**PM-KUSUM (Pradhan Mantri Kisan Urja**	Proposal to expand the scheme to provide 20 lakh farmers for setting up stand-alone solar pumps	This will further help in removing farmers' dependence on diesel and kerosene and linked pump sets to solar energy.
	Suraksha Evamtthaan Mahabhiyan scheme)	Help another 15 lakh farmers solarise their grid-connected pump sets	This will give the required push to the country's aim to a solar capacity of 25,750 MW by 2022.
		Scheme to help farmers up solar power generation capacity on barren lands	The announcement will create greater number of livelihood opportunities for the rural farmers.
2	**Agriculture Credit**	Agriculture Credit target of Rs 15 lakh crore; NABARD (National Bank for Agriculture and Rural Development) re-finance scheme will be further expanded	This will significantly increase the accessibility of credit to small and marginal farmers and push rural demand.
		All eligible beneficiaries of PM-KISAN (PradhanMantriKisanSammanNidhi) will be covered under the KCC (Kisan Credit Card) scheme	This will ensure provision of easy and concessional credit to farmers.
3	**Agriculture &Farmer's welfare**	Allocation of Rs 1.60 lakh crore for for Agriculture, Irrigation & allied activities	This will give a mega boost to revive the farm sector and double farmers' income by 2022.

		Allocation of Rs 1.23 lakh crore for for Rural development &Panchayati Raj	This will facilitate in providing a better standard of living to the rural society.
		Encourage balanced use of all kinds of fertilizers (including the traditional organic and other innovative fertilizers)	This will lead to changes in the prevailing incentive regime, which encourages excessive use of chemical fertilisers.
		Proposal of Village Storage scheme to be run by the Self help Groups (SHGs)	This will provide farmers a good holding capacity and significantly reduce their logistics cost. In addition, Women, SHGs shall regain their position as "Dhaanya Lakshmi".
		Under DeenDayalAntyodayaYojana for alleviation of poverty, 58 lakh SHGs have been mobilised, announcement of further expansion of SHGs	Further expansion of SHGs will lead to reduction of rural poverty.
		Comprehensive measures for one hundred water stressed districts	This will ensure the provision of an essential requirement of life i.e., water in water stressed districts.
		MNREGS (Mahatma Gandhi National Rural Employment Guarantee Scheme) would be dovetailed to develop fodder farms	This will help in creation of fodder farms and generate employment opportunities.
4	**Agricultural Infrastructure**	Proposal of creating warehousing, in line with Warehouse Development and Regulatory Authority (WDRA) norms. The Government will provide Viability Gap Funding for setting up such efficient warehouses at the block/taluk level. This can be achieved, where States can facilitate with land and are on a PPP (Public-private partnership) mode. Food Corporation of India (FCI) and Central Warehousing Corporation (CWC) shall undertake such warehouse building on their land too.	The announcement will help in building efficient warehousing and reduce logistics costs along with enhanced holding capacity. This will also boost real estate activities in this segment.

		Proposal to map and geo-tag agri-warehousing, cold storage, reefer van facilities by NABARD	This willhelpfarmers in storing and transporting their produces.
		To set up a "Kisan Rail" – through PPP arrangements	This will ensure a seamless national cold supply chain network for perishables, inclusive of milk, meat and fish.
		State governments who undertake implementation of model laws (issued by the Central Government) to be encouraged	This will help in promoting and facilitating the agricultural & allied activities in the country.
5	**KrishiUdaan Scheme**	Launch of KrishiUdaan by the Ministry of Civil Aviation on international and national routes	This will help in improving value realisation especially in North-East and tribal districts.
6	**Farming**	Integrated farming systems in rainfed areas shall be expanded. Multi-tier cropping, bee-keeping, solar pumps, solar energy production in non-cropping season will be added. Zero-Budget Natural Farming (mentioned in July 2019 budget) shall also be included. The portal on "jaivikkheti" – online national organic products market will also be strengthened.	This will help in further modernizing the farming systems in the country and lead to better livelihood opportunities for the farmers.
		To eliminate Foot and Mouth disease, brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat by 2025. Coverage of artificial insemination shall be increased from the present 30% to 70%.	This is expected to both boost domestic production of milk and also promote export of dairy products from the country.
		Proposal to double milk processing capacity from 53.5 million MT to 108 million MT by 2025	This will help in pushing the growth of India's dairy sector to a higher trajectory.

7	**Horticulture**	To support States to focus on "one product one district" on a cluster basis	This will promote better marketing and export of horticulture crops
8	**Blue Economy**	Proposal to raise fish production to 200 lakh tonnes by 2022-23; growing of algae, sea-weed and cage Culture will also be promoted; framework for development, management and conservation of marine fishery resources	This will significantly help in the growth of the fisheries sector and benefit the youth in coastal areas through fish processing and marketing.
		To raise fishery exports to Rs 1 lakh crore by 2024-25	This will provide the desired momentum to increase fish processing activities and reach foreign markets having fishery demand.
		Involve youth in fishery extension through 3477 SagarMitras and 500 Fish Farmer Producer Organisations	This will generate employment opportunities in the coastal areas and spread awareness about the importance of the fisheries sector.

Source: PHD Research Bureau, PHDCCI

12. Impact on Socio-Economic Segments

The Union Budget 2020-21 has focused on education, health and sanitation, welfare of women, employment, and skill development. The Budget has laid a strong focus on the welfare and up-liftment of socio-economic segments of the economy. This will lead to an increase in domestic demand and enhance the level of economic growth along with all inclusive development. In addition, the budget has emphasized the Government's aim to enhance climate change adaptation with a focus on Disaster Resilient Infrastructure.

Impact on socio-economic segments

S.No	Parameter	Announcement	Impact
1	**Education**	New Education Policy (NEP) to be announced soon	As India is set to have the largest working-age population in the world by 2030, the NEP is expected to bring breakthroughs in both school and higher education and improve education outcomes significantly.
		Allocation for education sector of Rs 99,300 crore in 2020-21	This will provide the required push for making India the educational capital of the world in order to harness the demographic dividend, going forward.
		Sourcing External Commercial Borrowings and FDI in education sector	This will enable greater inflow of finance in the country to attract talented teachers, innovate and build better labs for delivering quality higher education.
		150 higher educational institutions to start apprenticeship embedded degree/diploma courses by March 2021	This will improve the employability of the students in the general stream (vis-à-vis services or technology stream).
		Proposed to start a programme for urban local bodies to provide opportunities for internship to young engineers	This will provide opportunities to the students of technology streams to gain expertise in the field of engineering.
		To start degree level full-fledged online education programme	This will provide quality education to the students of deprived section of the society as well as those who do not have access to higher education.

		Proposed to hold Ind-SAT (Scholastic Aptitude Test) in Asian and African countries under the "Study in India" programme	This will help in making India a preferred destination for higher education as foreign candidates will be benchmarked who receive scholarships for studying in Indian higher education centres.
		Proposal to create National Police University and a National Forensic Science University	This will provide a major impetus to students willing to pursue higher education in Policing and Forensic Science and lead to creation of a specialized talent pool in the country.
		Proposed to attach a medical college to an existing district hospital in PPP mode	This will effectively strengthen the base of qualified medical doctors, both general practitioners as well as specialists in the country.
		Encourage large hospitals with sufficient capacity to offer resident doctors Diplomate of National Board (DNB) and Fellowship of National Board (FNB) courses under the National Board of Examinations	This will lead to enhanced spread of medical education in the country.
		Proposed to design special bridge courses by the Ministries of Health and Skill Development	This will lead to improved skill sets amongst teachers, nurses, para-medical staff and care-givers abroad, thereby, resulting in their increased employability.
2	**Welfare of women**	To appoint a task force on Women's age of marriage	The decision to appoint a task force on increasing the Women's age of marriage from the present level of 18 years will provide higher incentives for girls to complete their graduation and also reduce deaths of mothers during childbirth.
		Allocation of Rs 28,600 crore for women specific programs	This will give a significant boost to the capacity building and overall development of women in the country.

3	**Skill development**	Allocation for skill development of Rs 3000 crore in 2020-21	This will promote skill development initiatives at a massive level to impart the conventional as well as emerging skill sets training to the young workforce in the country.
		National Skill Development Agency to give special thrust to infrastructure-focused skill development opportunities	This will help in promoting skill development for India's youth in construction, operation and maintenance of infrastructure.
4	**Employment**	National Logistics Policy to be released soon	The policy will clarify the roles of the Union Government, State Governments and key regulators. It will create a single window e-logistics market and focus on generation of employment, skills and making MSMEs competitive.
		Auto-enrolment in Universal Pension coverage and inter-operability mechanism to safeguard the accumulated corpus	This will ensure easier mobility in jobs.
		To develop a roadmap for certain identified destinations	Since growth of tourism is directly related to growth and employment, the plan to develop a roadmap for certain identified destinations will give a significant push to tourism, thereby generating employment opportunities.
		Necessary amendments to be carried out in Pension Fund Regulatory Development Authority of India Act (PFRDAI)	This will facilitate separation of National Pension System (NPS) trust for government employees from PFRDAI. This would also enable establishment of a Pension Trust by the employees other than Government and motivate citizens to plan for their old age.
5	**Health & Sanitation**	Allocation of Rs 69,000 crores inclusive of Rs 6400 crores for Prime Minister Jan ArogyaYojana (PMJAY)	This will help in expanding Government's flagship scheme: Ayushman Bharat in terms of setting up of more hospitals and healthcare facilities in the country.

		Allocation of Rs 12,300 crore for Swachh Bharat Mission	This will give enhanced impetus to the Swachh Bharat mission which is one of the largest cleanliness drives in the world by focussing on environmental and water management issues for long term sustainability and improvements.
		Allocation of Rs 35600 crore for nutrition-related programmes	This will provide a push to the implementation of various nutrition-related programmes particularly at the grassroots level in order to leapfrog to the next level of health, prosperity and well-being.
		To set up Viability Gap funding window for setting up hospitals in the PPP mode	This will provide a vital support to health infrastructure in the country, thereby, leading to increased healthcare services. This would also provide large scale employment opportunities to youth.
		To end Tuberculosis by 2025	The proposal to strengthen the efforts for the campaign of "TB HaregaDeshJeetega" will help in eradicating the disease on a faster pace.
6	**Environment & Climate Change**	Allocation for Environment & Climate Change of Rs4400 crore	This will give a push to the Government's aim to enhance climate change adaptation with a focus on Disaster Resilient Infrastructure.
		Proposed to advise the utilities to close the running old thermal power plants with carbonemission above the pre-set norms	This will enable the Government to put to alternative use the land so vacated.

		States that are formulating and implementing plans for ensuring cleaner air in cities above onemillion to be encouraged	This would ensure pollution free environment for the citizens of the country leading to better health outcomes.
7	**All inclusive development**	Allocation of Rs 85,000 crore for Scheduled Castes and Other Backward classes	The allocation of funds will lead to greater relief and development of the Scheduled Castes and Other Backward classes and will help help in bridging the socio-economic gap in the country.
		Allocation of Rs 53,700 crore for Scheduled Tribes	This will help in the development and welfare of Scheduled tribes leading to their upliftment in the society.
		Allocation of Rs 9,500 crore for senior citizens and Divyang	The enhanced allocation towards senior citizens and Divyang is reflective of caring society and will help in preserving the well-being of senior citizens and Divyang.

Source: PHD Research Bureau, PHDCCI

13. Impact of Union Budget on States

The total transfers to states and UTs has increased by 17.1% to Rs. 13.9 lakh crore in 2020-21, against Rs 11.8 lakh crore in revised estimates of financial year 2019-20. The devolution of States' share in taxes has the highest share in the composition of transfers to states & UTs and has increased to around Rs 7.8 lakh crore in 2020-21 from Rs 6.5 lakh crore in financial year 2019-20, with the growth rate of 19.5% followed by Scheme related and Other Transfers with the growth rate of 7.7% and Finance Commission Grants with the growth rate of 21.2%.

Transfer of resources to states and union territories with legislature (in Rs.crore)

	2019-2020 (Revised Estimates)	2020-21 (Budget Estimates)	% Growth
Devolution of States share in taxes	656046	784181	19.5
Scheme related and Other Transfers	379787	409153	7.7
Finance Commission Grants	123710	149925	21.2
Total Transfer to Delhi and Puducherry	28419	47408	66.8
Total Transfer to States/UTs	1187961	1390666	17.1

Sources: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21

The following table shows the expenditure profile of centrally sponsored schemes during 2020-21. The budget allocation towards centrally sponsored schemes has increased from around Rs 3.3 lakh crore to Rs 3.6 lakh crore with the growth rate of around 10.6%. In the total budget allocation for centrally sponsored scheme, the PradhanMantriKisanSammanNidhi (PM-KISAN) has been allocated the highest amount of Rs 75 thousand crore in FY 2020-21 followed by the Mahatma Gandhi National Rural Employment Guarantee Program (MGNREGA) has been allocated the amount of Rs. 61 thousand crore in FY 2020-21 followed by National Education Mission-SamgraShiksha that has been allocated the amount of Rs 39 thousand crore in FY 2020-21.

Expenditure Profile 2020-21 for centrally sponsored schemes(in Rs.crore)

S. No	Schemes	Revised Estimates (2019-2020)	Budget Estimates (2020-21)
1	National Social Assistance Progam	9200	9197
2	Mahatma Gandhi National Rural Employment Guarantee Program	71002	61500
3	Umbrella Scheme for Development of Schedule Castes	5568	6242

4	Umbrella Programme for Development of Scheduled Tribes	4194	4191
5	Umbrella Programme for Development of Minorities	1709	1820
6	Umbrella Programme for Development of Other Vulnerable Groups	1846	2210
7	National Ganga Plan	353	800
8	Pradhan Mantri Gram SadakYojna	14070	19500
9	Pradhan Mantri Awas Yojna (PMAY)	25328	27500
10	Jal Jeevan Mission (JJM)	10001	11500
11	Swachh Bharat Mission	9638	12294
12	National Health Mission	34290	34115
13	National Education Mission- Samgra Shiksha	37672	39161
14	PMJAY-Ayushman Bharat	3314	6429
15	Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)	54370	75000
16	Deen Dayal Antyodaya Yojana- National Livelihood Mission - Ajeevika	9774	10005
17	Pardhan Mantri Swasthya Suraksha Yojana	4733	6020
18	Umbrella Integrated Child development Scheme	24955	28557
19	National Programme of Mid Day Meal in Schools	9912	11000
	Grand Total	**331929**	**367041**

Sources: PHD Research Bureau, PHDCCI compiled from Union Budget 2020-21

14. Budget Viewing Session 2020-21

The Economic Affairs Committee of PHD Chamber of Commerce & Industry organized the Budget Viewing session 2020-21 on Saturday, 1st February 2020 at PHD House, New Delhi. In the Pre-Budget Session, the speakers were **Mr Gopal Krishna Agarwal**, National Spokesperson of BJP (Economic Affairs), **Dr Subhash Chandra Pandey,** Former Special Secretary & Financial Adviser, Ministry of Commerce and Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Textiles, **Dr Rajat Kathuria,** Director and Chief Executive, Indian Council for Research on International Economic Relations (ICRIER), **Prof. Rajesh Chadha**, Program Director – Natural Resources, Brookings Institution, **Dr D K Aggarwal,** President, PHD Chamber**,** **Mr Sanjay Aggarwal,** Senior Vice President, PHD Chamber, **Mr Pradeep Multani,** Vice President, PHD Chamber, **Mr Rajeev Talwar,** Immediate Former President, PHD Chamber, **Dr Lalit Khaitan,** Chairman, Economic Affairs Committee, PHD Chamber**.** In the Post-Budget session, the speakers were **Prof. Rajesh Chadha,** Program Director – Natural Resources, Brookings Institution, **Dr Rajat Kathuria**, Director and Chief Executive, Indian Council for Research on International Economic Relations (ICRIER), **Mr Bimal Jain**, Mentor, Indirect Taxes Committee, PHD Chamber, **Mr Mukul Bagla**, Chairman, Direct Taxes Committee, PHD Chamber, **Mr NK Gupta**, Chairman, Indirect Taxes Committee, PHD Chamber, the budget session discussions were moderated by **Dr S P Sharma**, Chief Economist, PHD Chamber and Members of Managing Committee were also present at the event.

Glimpse of the Budget Viewing Session 2020-21

From left to right: Prof. Rajesh Chadha, Program Director – Natural Resources, Brookings Institution, Dr LalitKhaitan, Chairman, Economic Affairs Committee, PHD Chamber, Dr Subhash Chandra Pandey, Former Special Secretary & Financial Adviser, Ministry of Commerce and Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Textiles, Dr D K Aggarwal, President, PHD Chamber, Mr Rajeev Talwar, Immediate Former President, PHD Chamber, Mr Sanjay Aggarwal, Senior Vice President, PHD Chamber, Dr RajatKathuria, Director and Chief Executive, Indian Council for Research on International Economic Relations (ICRIER), and Mr PradeepMultani, Vice President, PHD Chamber

From left to right: Dr S P Sharma, Chief Economist, PHD Chamber, Prof. Rajesh Chadha, Program Director – Natural Resources, Brookings Institution, Dr LalitKhaitan, Chairman, Economic Affairs Committee, PHD Chamber, Dr Subhash Chandra Pandey, Former Special Secretary & Financial Adviser, Ministry of Commerce and Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Textiles, Dr D K Aggarwal, President, PHD Chamber, Mr Gopal Krishna Agarwal, National Spokesperson of BJP (Economic Affairs), Mr Sanjay Aggarwal, Senior Vice President, PHD Chamber, Mr PradeepMultani, Vice President, PHD Chamber

Audience Watching the Budget Viewing Session 2020-21

Eminent Dignitaries at the Budget Viewing Session 2020-21

Mr Gopal Krishna Agarwal, National Spokesperson of BJP (Economic Affairs) said that the government has achieved and crossed the benchmarks of growth under the Hon'ble Prime Minister ShriNarendraModi. He said that the government has held 10 sectoral meetings, 1 micro and macro level meeting with 250 organizations, who were working at the ground level and have identified the 10 sectors: the sunrise sectors (IT, pharmaceutical and automobile) and other sectors for growth (MSME, Agriculture, food processing, real estate, Insolvency and Bankruptcy Code (IBC), among others). He said that the meetings have resulted into the recommended reports to the hon'ble Prime Minister with immediate benefits. Budget is an addition to policy statement because of massive exercise taken by the hon'ble Prime Minister. He said that the roadmap for the growth of economy is clear and at this juncture, the credit supply side problem has been tackled. He further said that the dividend distribution tax should be shifted to classical system of revenue. He further said that it is essential to pull up the consumer demand and private investment.

He thanked PHD Chamber for supporting all the government initiatives. He mentioned that wealth creation is a focus of the government and surely the government is laying the pro business policies. He said that the government intervention with regard to PSUs has to be limited. He said that the country needs a boost for private sentiments which will come from collective efforts as India is the fastest moving economy. There is a need for wealth creation and industrialization. He said that thalinomics is a symbol that policies for government have to trickle down to common man. Further he said that as far as macroeconomic parameters are concerned, the macroeconomic parameters like inflation, GDP growth rate, forex reserves etc are in the good terrain. He said that capital formation and boosting the bond market is essential so that the liquidity is restored. He further said that if the social welfare schemes are better targeted only then the economic policy will benefit the common man and drive the investment.

Dr Subhash Chandra Pandey, Former Special Secretary & Financial Adviser, Ministry of Commerce and Industry, Ministry of Heavy Industries and Public Enterprises, Ministry of Textiles said that government should lay thrust on agriculture development, digitalization and macroeconomic stability. He said the liquidity is improving in the economy. The government needs to intervene selectively and ostracize unethical enterprises. The Hon'ble Finance Minister Smt. NirmalaSitharaman presented a balanced budget with a strong focus on socio-economic development of the country to build a New India. He said that the proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times.

Dr Rajat Kathuria, Director and Chief Executive, Indian Council for Research on International Economic Relations (ICRIER) said that there is a need to put money in hands of people where the multiplier effects are going to be large, particularly in the rural areas. He said that the fiscal policy is countercyclical. The government's fiscal house should be in order. He said that there is a need that the government set ups Fiscal Policy Council similar to MPC that would track where the government should channelize its funds. Government should reduce the costs of tax. He also said that assets in private sector are more productive than the assets in the public sector. The budget should focus on the process of wealth creation. While sharing his views on budget announcement, he said that it will take time to leap at macro level. The hon'ble finance minister spoke about trust deficit between public and private sector. He further said that the GST regime needs to be simplified further.

Prof. Rajesh Chadha, Program Director – Natural Resources, Brookings Institution shared his viewpoints on budget and said that rationalization of GST is required. The trade policy, custom duty also needs to be restructured. Business enterprises require GST to rationalize and further simplification in GST regime will improve Ease of Doing Business.

Dr DK Aggarwal, President, PHD Chamber said that the income tax slabs should be reduced to further simplify the taxation regime. He said that there is slowdown in consumption which was driven by rural demand. There is a need to spend more money on rural infrastructure. There is a need to install more processing units near farm and there is a need to promote direct benefit transfer. He further suggested that the corporate tax rate needs to be reduced to 15% from 22%. There is a need to lay focus on increasing exports and that niche solutions were required to drive the economy on a higher growth trajectory. He said that there is a need to revive the consumption demand, impetus to investment, needs to be given. He suggested that there is a need to raise basic exemption unit to Rs 5 lakh. He said that the economic survey has put rightly the focus on exports. The incremental and the income resulting from additional turnover should be exempted from taxes for MSMEs. He said that there is a need to create infrastructure trust model and the best way to monetize and create liquidity in the economy.

Mr Sanjay Aggarwal, Senior Vice President, PHD Chamber said that there is a need to buy the technology and not the products. The semi-conductor chip manufacturing unit needs to be set up in the country. The country needs to buy technology for increasing its exports. There needs to be an ecosystem to license the technology to private sector and to build an ecosystem. The stress has to be on social sector. He said that there is a need to encourage Make in India (particularly in the telecom sector). He stressed on the social sector (spending on NIP (National Infrastructure Pipeline)), that the sector is suffering from lack of funds, he also said that there is a substantial need in multiples to address the shortage of doctors, police, nurses. There is a need to increase substantial investment and build more medical colleges.

Mr Pradeep Multani, Vice President, PHD Chamber said that in the recent years the access to health service has improved significantly. He further elaborated that during the recent years, the Government has fostered a dynamic economic environment with implementation of various praiseworthy economic reforms. The Government has ensured that the benefits of growth and macroeconomic stability reach the bottom of the pyramid. He said that it is encouraging that the expenditure on social services (health, education and others) by the Centre and States as a proportion of GDP has increased from 6.2% in 2014-15 to 7.7% in 2019-20 (Budget Estimates). Particularly, expenditure on health has increased from 1.2% to 1.6% during the same period as percentage of GDP. He further said that there is a need to step up investments in the sector for highly skilled human resources from doctors to other medical support staff like nurses, lab technicians, pharmacists, among others.

Mr Rajeev Talwar, Immediate Former President, PHD Chamber said that the government should open the floodgates to USD 5-10 trillion economy. The government should follow the footsteps of the NarsimhaRao government regime. He said that the top 10 global firms are being headed by the Indians, which is a moment of pride.

Dr LalitKhaitan, Chairman, Economic Affairs Committee, PHD Chamber said that 85% of the Indian businesses are family businesses and they account 75% of India's GDP. He then said that in America, 80% of the businesses are family business, they contribute 50% to the economy's GDP and 60% to employment generation. India has improved on World Bank's Ease of Doing Business rankings to 63rd rank. He said that there is a need to reform taxation environment and reduce taxation slabs.

Mr Bimal Jain, Mentor, Indirect Taxes Committee, PHD Chamber said that the announcement on exemption from income tax for people with income of uptoRs 5 lakhs is an encouraging step. He also said that the abolition of DDT, a long standing demand of the industry, is highly encouraging as it will further make India an attractive destination for investment.

Mr Mukul Bagla, Chairman, Direct Taxes Committee, PHD Chamber shared his views on the budget announcement said that the tax exemption limit has been changing. He appreciated that the government abolished the dividend distribution tax.

Mr NK Gupta, Chairman, Indirect Taxes Committee, PHD Chamber said that the compliance in GST is complicated, if simplified further would be an advantage for the businessmen, as the people are still learning the dynamics of e-invoicing. Therefore simplifying it further would be an added advantage.

15. Conclusions

The Union Budget 2020-21 is a dynamic budget, meeting aspirations of all sections of the society for the improvement of standards of living and laying down the foundation to achieve USD 5 trillion economy by 2024-24. The three themes of aspiration, development and compassion would become the pillars of strong and sustainable growth of the country. Aspirational India will facilitate in providing a better standard of living to the people. The focus on economic development is the need of the hour to rejuvenate the growth momentum of the country. The sub-theme of caring and compassion is essential to ensure sustainable growth, going forward.

The focus of the Budget on the Agriculture sector with pinpointed 16 action points to double farmers' income by 2022 is highly encouraging. The focus on agriculture will create tremendous demand in the economy, boost manufacturing and services sector activities and rebound the economic growth trajectory of the country. Schemes such as Dhanlakshmi scheme, KrishiUdaan Scheme will certainly change the sentiments of the agriculture sector towards prosperity.

The budget sticks to fiscal consolidation with fiscal deficit pegged at 3.5% of GDP in FY2021. The government has set an ambitious disinvestment target of Rs 2.1 lakh crore for 2020-21 to partially meet its revenue needs. From a revised disinvestment target of Rs 65,000 crore for FY2020, the government has taken a huge leap for FY2021, with a massive increase of 223%.The exemption from income tax for people with income of uptoRs 5 lakhs and rationalization of taxes to 10% for people with income between Rs 5 lakh to Rs 7.5 lakh, 15% income tax rate for income between Rs7.5-10 lakhs, 20% income tax rate for income between Rs 10-12.5 lakhs and 25% income tax rate for income between Rs12.5-15 lakhs are encouraging and are expected to boost the demand in the economy.

To provide a booster to the industrial sentiments, the abolition of Dividend Distribution Tax is a long standing demand of the industry which is highly encouraging as it will further make India an attractive destination for investment. The turnover threshold of MSMEs for audit is raised to Rs 5 Crore from existing Rs 1 Crore, will reduce the compliance burden on small retailers, traders, shopkeepers among others. There is a concerted effort to encourage entrepreneurship in the country by increasing the turnover limit to Rs 100 crore from Rs 25 crore with the extension for claim of deduction period from the existing 7 years to 10 years.

The Government has provided impetus to industry in the Union Budget 2020-21 with the objective of strengthening entrepreneurship through make in India, reducing import dependence, facilitation measures to MSMEs sector, promoting clean energy, cubing non essential imports, among others. To further promote domestic manufacturing, custom duty reductions are being proposed on certain raw materials and capital goods.

Further, early life funding is also a proposed initiative by the Government, including a seed fund to support ideation and development of early stage Start-ups. Further, the sops announced is to incentivise the investment by the Sovereign Wealth Fund of foreign governments in the priority sectors which will strengthen the foreign investment in the country.

The Union Budget has given a massive push and impetus to the infrastructure sector through some great initiatives and announcements. Key reforms announced for strengthening infrastructure include allocation of around Rs 2 lakh crore for transport infrastructure, Viability Gap funding window for setting up hospitals in the PPP mode, extension of concessional corporate tax rate of 15% to new domestic companies in power sector, tax incentives for affordable housing projects, among others. The government's proposal to invest Rs 103 lakh crore in National Infrastructure Pipeline focuses on a forward looking outlook on infrastructure projects, creating jobs, improving ease of living, and providing equitable access of infrastructure to all, thereby making growth more inclusive.

The government's focus on encouraging Public Private Partnerships (PPPs) in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways would not only promote industrial growth but also provide better service delivery to masses. Thrust has been given to digital economy in the budget. The move to discourage cash payments will help expand digital ecosystem, going forward.

Various measures announced for the banking sector such as increase in Deposit Insurance Coverage to Rs. 5 lakh from Rs.1 lakh per depositor and proposal for amendments to the Banking Regulation Act to strengthen the Cooperative Banks are expected to further boost the confidence of people in the banking system. In addition, measures in the Financial Sector and Financial Markets, indirect taxation, tax facilitation, introduction of Taxpayers' Charter, among others would lead to the creation of a corruption-free, policy driven good governance and a clean & sound financial sector to ensure Ease of Living to all citizens.

The Union Budget 2020-21 has focused on education, health and sanitation, welfare of women, employment, and skill development. The Budget has laid a strong focus on the welfare and up-liftment of socio-economic segments of the economy. This will lead to an increase in domestic demand and enhance the level of economic growth along with all inclusive development. In addition, the budget has emphasized the Government's aim to enhance climate change adaptation with a focus on Disaster Resilient Infrastructure.

On the social front, the government has given announcement for New Education Policy to transform and revise the current education scenario. The Government also proposes to start a degree level full-fledged online education programme offered by institutions that are ranked within top 100 in the National Institutional Ranking framework which will provide quality education to students of deprived section of the society as well as those who do not have access to higher education.

In a nutshell, the Hon'ble Union Finance Minister, Smt. NirmalaSitharaman, unveiled a series of far-reaching reforms, aimed at energizing the Indian economy through a combination of short-term, medium-term, and long-term measures. The fundamentals of the economy are strong and have ensured macroeconomic stability to rejuvenate the economic growth trajectory of the nation to become a USD 5 trillion economy in the next few years. With this backdrop, the budget is growth provoking and welfare inducing to ensure sustainable growth of the country.

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

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