



**Union Budget 2021 - 22 Complete Highlights**

1. **Union Budget 2021-22** - Minister for Finance and Corporate Affairs Nirmala Sitharaman Presented Union Budget 2021-22 in Parliament, as her 3rd Union Budget and 2nd Full Budget of newly elected NDA Government forming 17th Lok Sabha, led by PM Narendra Modi.

1. Key Highlights -

1. **Expenditure** -

- Government estimates to spend **34,83,236** crores during 2021-22, which is approx 1 % more than revised estimates of 2020-21.
- Also, As per revised estimates, government spent 34,50,305 crores in 2020-21, 13% higher than budget estimate.
- Out of total expenditure, revenue expenditure is estimated to be Rs 29,29,000 crores (2.7 % decrease) and capital expenditure is estimated to be Rs 5,54,236 crores (26 % growth).

2. **Receipts** -

1. Receipts (other than net borrowings), expected to increase by 23 % to Rs 19,76,424 crores (**Net tax revenue + Non Tax Revenue + Capital Receipts**).
2. Borrowings are estimated at Rs 15,06,812 crores.
3. Total Receipts of Government projected to be **34,83,236** crores. Break up is - **Net tax revenue + Non Tax Revenue + Capital Receipts + Borrowings**.

1. **Net Tax Revenue** -

- **Gross tax revenue** is budgeted to increase by 16.7 % over revised estimates of 2020-21, to 22,17,059 Crores.
- Of which -

Name	Amount	Hike from previous year
Corporation Tax	547000	10 %
Taxes on Income	561000	10 %
Goods and Services Tax	630000	11.5%
Customs	136000	21.4%
Union Excise Duties	335000	7.2% <b>Decrease</b>
Service Tax	1000	28.57 % <b>Decrease</b>
<b>Total</b>	<b>2217059</b>	<b>16.7 %</b>

- **Net tax revenue** (15,45,397) = Gross tax revenue (**22,17,059**) - Devolution to States (**6,65,563**) - National Calamity Contingency Fund (NCCD Transfer)
- Devolution to states to be 21 % more than year before.

2. **Non Tax Revenue** - 2,43,028 crores (15.3 % )

3. **Capital Receipts** - 1,88,000 (304 % ) , of which - Disinvestment will be **175000** crores (447 % ) and 13000 as loan recoveries.

4. **Borrowings** - 15,06,812 (18.5% ) . Note That in FY 2020-21, Govt had aimed at borrowings of 796337 Crores, which turned out to be 1848655 Crores in revised estimates (Rise of 132 %).

4. Therefore, Total Receipts of Government (34,83,236 crores) - **Net tax revenue** (15,45,397) + **Non Tax Revenue** (2,43,028) + **Capital Receipts** (1,88,000) + **Borrowings** (15,06,812)

3. **Tax Collections** -

- **Total Indirect Taxes** - 11,02,000 Crores = GST (6,30,000) + Customs (1,36,000) + Excise Duties (3,35,000) + Service Tax (1000). It is hike of 11.3 % as compared to revised estimates last year (9,89,500).

- **Total Direct Taxes - Corporation tax** (547000) + **Income Tax** (561000). Corporate tax anticipates 22.6% hike in 2021-22 and income tax are expected to increase by 22 % in 2021-22.

4. Central government will **transfer** 13,88,502 crores to states / UTs.

5. **Nominal GDP** is estimated to grow at a rate of 14.4 % in 2021-22. In Budget 2020-21, GDP was estimated to grow at 10%, which was revised to -13%.

#### 6. Deficits -

1. **Revenue Deficit** (Called राजस्व घाटा in Hindi, Revenue deficit occurs when net revenue generated by government are less than projected net income) -

1. Revenue deficit is targeted at 5.1 % of GDP in 2021-22.
2. Revenue deficit = Revenue Expenditure (29,29,000) - Revenue Receipts (17,88,424) = 11,40,576 (5.1 % of GDP)
3. In FY 2020-21, Revenue deficit turned out to be 7.5 % of GDP in Revised estimates.

2. **Fiscal Deficit** (Called राजकोषीय घाटा in Hindi, It is Difference between Government's Revenue and Expenditure) -

1. Fiscal deficit is targeted at 6.8% of GDP in 2021-22.
2. Fiscal deficit = Total Expenditure (34,83,236) - Total Receipts (19,76,424) = 15,06,812 (6.8 % of GDP). This deficit is filled up as Borrowings.
3. In FY 2020-21, Fiscal deficit turned out to be 9.5 % of GDP in Revised estimates.

3. **Primary Deficit** (Called प्राथमिक घाटा in Hindi, It is a Part of Fiscal Deficit and is obtained by deducting Interest Payments from Fiscal Deficit) -

1. Target for primary deficit (which is fiscal deficit excluding interest payments) is 3.1% of GDP.
2. In FY 2020-21, primary deficit turned out to be 5.9 % of GDP in Revised estimates.

7. **Fiscal Responsibility and Budget Management target** - Fiscal Responsibility and Budget Management (FRBM) Act 2003 requires government to progressively reduce its outstanding debt, revenue deficit and fiscal deficit. Government gives 3-year rolling targets for these indicators when it presents Union Budget.

1. Govt was supposed to achieve fiscal deficit of 3% of GDP by March 31, 2021. In Budget 2020-21, fiscal deficit target was relaxed to 3.5% and it was estimated that fiscal deficit of 3.1% will be achieved by 2022-23.
2. Due to Pandemic-triggered Slowdown, In 2021-22, Govt **has not provided** target for the next three years, and will amend FRBM Act to accommodate the higher fiscal deficit.

3. Deficits -

	Actuals 2019-20	Revised 2020-21	Budgeted 2021-22
<b>Fiscal Deficit</b>	4.6%	9.5%	6.8%
<b>Revenue Deficit</b>	3.3%	7.5%	5.1%

4. Notably, In its report for 2021-26, 15th Finance Commission (Headed by N K Singh) has suggested a path for fiscal consolidation for centre by reducing fiscal deficit to 4% of GDP, and outstanding liabilities to 56.6% by 2025-26.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Fiscal Deficit</b>	7.4%	6.0%	5.5%	5.0%	4.5%	4.0%
<b>Revenue Deficit</b>	5.9%	4.9%	4.5%	3.9%	3.3%	2.8%
<b>Outstanding liabilities</b>	61.0%		61.0%	60.1%	58.6%	56.6%

8. 15th Finance Commission (Chaired by N. K. Singh) has submitted two reports. 2st report, with recommendations for FY 2020-21, was tabled in Parliament in February 2020. Final report, with recommendations for 2021-26 period was tabled in Parliament on February 1, 2021. Key recommendations -

1. **Devolution Criteria** - Criteria for distribution of central taxes among states for 2021-26 period is same as that for 2020-21, using 2011 population data for determining share of states during this period.

Grants	Amount
<b>Revenue deficit grants</b>	2,94,514
<b>Local governments grants</b>	4,36,361

<b>Disaster management grants</b>	1,22,601
<b>Sector-specific grants</b>	1,29,987
Health	31,755
School Education	4,800
Higher Education	6,143
Implementation of agricultural reforms	45,000
Maintenance of PMGSY roads	27,539
Judiciary	10,425
Statistics	1,175
Aspirational districts and blocks	3,150
<b>State-specific grants</b>	49,599
<b>Total</b>	<b>10,33,062</b>

2. **Grants-in-aid** - Commission recommended grants from centre to states and local bodies worth Rs **10.3 lakh crores** for 2021-26 period.
  3. **Funding of defence and internal security** - Dedicated non-lapsable fund called **Modernisation Fund for Defence and Internal Security (MFDIS)** will be constituted to bridge gap between budgetary requirements and allocation for capital outlay in defence and internal security. It will have estimated corpus of Rs 2,38,354 crores over 2021-26. Of this, 1,53,354 crores will be transferred from Consolidated Fund of India.
  4. **Fiscal consolidation** - Commission suggested that Centre bring down fiscal deficit to 4% of GDP by 2025-26. For states, It recommended fiscal deficit (as % of GSDP) for states to be (i) 4% in 2021-22, (ii) 3.5% in 2022-23, and (iii) 3% during 2023-26.
9. Rupee Earned by Government -
1. Borrowings & Other Liabilities - 36
  2. Corporate Tax - 13
  3. Goods and Service Tax - 15
  4. Income-Tax - 14
  5. Non-Tax Revenue - 6
  6. Union Excise Duties - 8
  7. Non-Debt Capital Receipts - 5
  8. Customs - 3
10. Rupee Spent By Government -
1. States' share of taxes & duties - 16
  2. Interest Payments - 20
  3. Central Sector Scheme - 14
  4. Finance Commission & Other Transfers - 10
  5. Other Expenditure - 10
  6. Centrally Sponsored Scheme - 9
  7. Defence - 8
  8. Subsidies - 8
  9. Pension - 5
11. **Debt-to-GDP ratio** -
1. Government accepted recommendations of N.K. Singh Committee on fiscal discipline to reduce debt-to-GDP ratio to 40% by 2024-25 from 50.1% in 2019-20.
12. **Disinvestment** -

1. Government increased disinvestment target in 2021-22 to INR 175000, (up from revised target of 32000 crores last year). Last year, in 2020-21, disinvestment target was 210000 crores, later revised to 32000.

### 13. Subsidies -

1. In 2021-22, expenditure on subsidies is estimated to be Rs 3,69,899 crores. This is largely due to a decrease in expenditure on food subsidy. Stats -

	Actuals 2019-20	Budgeted 2020-21	Revised 2020-21	Budgeted 2021-22	Change (Annualised) (Actuals 2019-20 to BE 2021-22)
Food subsidy	1,08,688	1,15,570	4,22,618	2,42,836	49%
Fertiliser subsidy	81,124	71,309	1,33,947	79,530	-1%
Petroleum subsidy	38,529	40,915	39,055	14,073	-40%
Other subsidies	33,963	34,315	53,116	33,460	-1%
<b>Total</b>	<b>2,62,304</b>	<b>2,62,109</b>	<b>6,48,736</b>	<b>3,69,899</b>	<b>19%</b>

14. Allocations for women, children, SCs, STs and NER (Rs crores) -

	Budgeted 2020-21	Revised 2020- 21	Budgeted 2021-22	% change (RE 2020-21 to BE 2021- 22)
Welfare of Women	1,43,462	2,07,261	1,53,326	-26.0%
Welfare of Children	96,042	80,462	85,713	6.5%
Scheduled Castes	83,257	82,708	1,26,259	52.7%
Scheduled Tribes	53,653	53,304	79,942	50.0%
North Eastern Region (NER)	60,112	51,271	68,020	32.7%

### 15. Major Tax Proposals in Finance Bill -

1. No changes in income tax rates for individuals and corporations.
2. **Limit on tax-free income from provident funds** - Tax exemption on the interest income on the employees' contributions to provident funds will be limited up to Rs 2.5 lakh.
3. **Extensions on tax incentives by a year upto the end of fiscal 2021-22.** This includes tax deduction upto Rs 1.5 lakh on interest on housing loan, and tax holiday for affordable housing projects, profits of startups, and investing capital gains in start-ups.
4. **Agriculture and Infrastructure Development Cess** -It will be levied on some imported items including gold, silver, alcoholic beverages, coal, and cotton, and basic customs duty will be reduced by an equal amount. The cess will be levied on petrol and diesel at the rate of Rs 2.5 and Rs 4 per litre respectively, with equivalent cuts in excise duty. As the cess is not part of the divisible pool of revenue shared with states, their revenue receipts will be adversely affected.
5. **Customs duty** increased on some items such as cotton, silk, some auto and mobile parts.
6. Safe harbour threshold for real estate transactions above the circle rate increased from 10% to 20%. Encashment of leave travel concession will be exempt from tax if the amount is used for purchasing certain goods.
7. Time limit for the re-opening of income tax assessment will be reduced from 6 years presently to 3 years.
8. Businesses which carry 95% of their transactions digitally and whose turnover is less than five crore rupees, are exempted from keeping audited accounts. The threshold will be increased to Rs 10 crore.
9. Exemption from filing income tax returns for senior citizens (75 years and above) who only have pension and interest income. The paying bank will deduct the necessary tax on their income.
10. Constitution of a Dispute Resolution Committee for small tax payers.
11. Additional deduction of ₹1.5 lakh shall be available for loans taken up till 31 March 2022 for purchase of affordable house.
12. Eligibility for claiming tax holiday for start ups proposed to be extended by one more year.

### 16. Non-Tax proposals in the Finance Bill -

1. **LIC Act, 1956** amended to create a board of directors, issue shares, reduce government shareholding upto 51% of equity (minimum 75% in the first five years), cap voting rights at 5% to shareholders other than central government.
2. **Securities Contracts (Regulations) Act, 1956** amended to allow pooled investment fund which collects money from investors. They may borrow money or issue debt securities. Consequential amendments made in the SARFAESI Act, 2002 and in the Recovery of Debts due to Banks and Financial Institutions Act, 1993.
3. **SEBI Act, 1992** amended to require registration by Alternative Investment Trusts and Business Trusts.

## 17. Policy Highlights -

### 1. Legislative Changes -

1. Securities Markets Code will be introduced to consolidate four Acts including the SEBI Act, 1992 and the Government Securities Act, 2007.
2. Insurance Act 1938 will be amended to increase the permissible FDI limits in insurance companies from 49% to 74%, and allow foreign ownership and control with safeguards.
3. Companies Act 2013 will be amended to revise definition of small companies by increasing threshold for paid up capital (from Rs 50 lakh to Rs 2 crore) and annual turnover (from Rs 2 crore to Rs 20 crore).
4. Certain offences under Limited Liability Partnership Act, 2008 will be decriminalised.
5. Deposit Insurance and Credit Guarantee Corporation Act 1961 will be amended to ensure that depositors get time-bound and easy access to their deposits to the extent of their insurance cover.
6. Minimum loan size for NBFCs to be eligible for debt recovery under the SARFAESI Act, 2002 will be reduced from Rs 50 lakh to Rs 20 lakh.

### 2. Disinvestment

1. Disinvestment of Air India, IDBI Bank, and Pawan Hans will be completed in 2021-22.
2. Legislative amendments will be introduced to privatise two public sector banks and a General Insurance company.
3. IPO for LIC will also be completed in 2021-22.
4. Government approved a strategic disinvestment policy under which CPSEs will be maintained only in four sectors, with rest being privatised.
5. States will be incentivised to disinvest their public sector companies.
6. A Special Purpose Vehicle will be used to monetise government owned land.

### 3. Finance:

1. An Asset Reconstruction Company Limited and Asset Management Company will be set up to consolidate and take over existing stressed debt, and manage and dispose assets.
2. An institutional framework will be created for corporate bond market to instil confidence among participants and enhance liquidity of secondary markets.
3. An investor charter will be introduced for financial investors across all products.

### 4. Corporate Affairs:

1. Alternate methods of debt resolution and special frameworks for MSMEs will be introduced.
2. A Conciliation Mechanism will be set up for quick resolution of contractual disputes.
3. Rationalised single Securities Markets Code by 2022.
4. Permanent institutional framework for Corporate bond market.

### 5. Commerce and Industry:

1. Mega Integrated Textile Region and Apparel (MITRA) Scheme to create world class infrastructure for global champions in textile sector leading to creation of 7 textile parks over 3 years.
2. Incorporation of one-person companies will be encouraged by regulatory changes such as removal of restrictions on paid up capital and turnover, and NRIs will be allowed to establish such companies.

6. **Labour and Employment:** A portal to collect information on gig workers, and construction workers, among others will be launched to help frame schemes on health, housing, insurance, and others for migrant unorganised workers. The Apprenticeship Act will be amended to enhance apprenticeship opportunities.

### 7. Health and Nutrition:

1. PM Atma Nirbhar Swasth Bharat Yojana will be launched to develop capacity of health systems, strengthen national institutions, and create institutions to detect and cure new and emerging diseases.
2. Mission Poshan 2.0 will be launched after merging Supplementary Nutrition Programme and the Poshan Abhiyan to strengthen nutrition outcomes.
3. The National Nursing and Midwifery Commission Bill will be introduced.
4. A new centrally sponsored scheme, PM Aatma Nirbhar Swasth Bharat Yojana, will be launched with an outlay of about Rs 64,180 crore over a period of six years.
5. 35000 **crores** allocated for Covid-19 Vaccine in 2021-22. Health sector has seen allocation of 223846 Crores.

#### **8. Education -**

1. Legislation to set-up a Higher Education Commission of India will be introduced, having vehicles for standard-setting, accreditation, regulation, and funding.
2. A grant to create formal umbrella structures for institutes of higher education in nine cities will be created.
3. More than 15,000 schools will be strengthened to include all components of the National Education Policy and subsequently mentor other schools to achieve ideals of Policy.
4. 100 new Sainik schools to be set up across nation and 750 Eklavya schools in tribal areas.
5. National Research Foundation with outlay of 50,000 crore over 5 years.

#### **9. Infrastructure and Real Estate:**

1. A Bill to establish a Development Financial Institution for infrastructure financing will be introduced. DFI will be used to establish a lending portfolio of at least five lakh crore rupees for financing infrastructure projects.
2. A National Monetisation Pipeline of potential infrastructure assets such as dedicated freight corridor assets of the railways will be launched.
3. Debt financing of real estate and infrastructure investment trusts by foreign portfolio investors will be enabled to ease access of finance in the infrastructure and real estate sectors.

#### **10. Transport -**

1. Economic corridors to augment road infrastructure are being planned in Tamil Nadu, Kerala, West Bengal, and Assam.
2. A scheme to enable private sector to finance, acquire, operate and maintain buses in public transport services will be launched.
3. New technologies including MetroLite and MetroNeo will be used to develop metro rail systems in Tier-1 and Tier-2 cities.
4. Seven projects for major ports will be offered on public-private partnership mode in 2021-22.
5. A voluntary vehicle scrapping policy to phase out old and unfit vehicles was also announced.
6. Aims at developing adequate rail infrastructure by 2030 to cater to projected traffic requirements up to 2050. The objective is to increase the modal share of rail in freight from the current level of 27 % to 45 %.
7. 100% electrification of Broad Gauge Routes by 2023.

#### **11. Energy -**

1. Revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of 3,05,984 crore over 5 years.
2. A framework to provide choice to consumers among distribution companies will be launched.
3. Ujjwala scheme will be extended to cover one crore more beneficiaries.
4. An independent gas transport system operator will be set up to coordinate booking of common carrier capacity in all natural-gas pipelines.
5. A Hydrogen Energy Mission to generate hydrogen from green power sources will be launched.
6. Recycling of Ships Act 2019 enacted, aimed at doubling recycling capacity by 2024.

#### **12. Science and Technology:**

1. A scheme to provide financial incentives for digital modes of payments has been proposed.
2. The Deep Ocean Mission will be launched, covering survey explorations and projects for conservation of bio-diversity.

#### **13. Water and Sanitation:**

1. Jal Jeevan Mission (Urban) will be implemented to enable universal water supply and liquid waste management in urban areas.
2. Urban Swachh Bharat Mission 2.0 will focus on sludge and waste water management, and on ensuring a reduction in single-use plastic and air pollution.

**14. Agriculture and allied sectors:**

1. Operation Green Scheme, currently applicable to tomatoes, onions, and potatoes, will be enlarged to include 22 perishable products.
2. Agriculture Infrastructure Fund will be made available to APMCs to improve infrastructure facilities.
3. 16.5 lakh crore Agriculture credit target set for 2021-22.
4. Extending coverage of SWAMITVA Scheme to all states/UTs.
5. 1000 more mandis to be integrated with e-NAM.
6. Multipurpose Seaweed Park to be set up in Tamil Nadu.

**15. Social Justice -**

1. To facilitate credit flow for SCs, STs, and women, margin money requirement under Stand Up India scheme will be reduced from 25% to 15%.
2. 750 Eklavya model residential schools will be established in tribal areas.

**18. Notable Expenditures by Ministeries -**

	<b>Actuals 2019-20</b>	<b>Budgeted 2020-21</b>	<b>Revised 2020-21</b>	<b>Budgeted 2021-22</b>
1. <b>Defence</b>	<b>4,52,996</b>	<b>4,71,378</b>	<b>4,84,736</b>	<b>4,78,196</b>
Consumer Affairs, Food and Public Distribution	1,17,096	1,24,535	4,50,687	2,56,948
Home Affairs	1,34,978	1,67,250	1,49,388	1,66,547
Rural Development	1,23,622	1,22,398	1,98,629	<b>1,33,690</b>
Agriculture and Farmers' Welfare	1,01,775	1,42,762	1,24,520	<b>1,31,531</b>
Road Transport and Highways	78,249	91,823	1,01,823	1,18,101
<b>Railways</b>	<b>69,972</b>	<b>72,216</b>	<b>1,11,234</b>	<b>1,10,055</b>
Education	89,437	99,312	85,089	93,224
Chemicals and Fertilisers	82,063	71,897	1,35,559	80,715
Communications	43,939	81,957	61,060	75,265
Health and Family Welfare	64,258	67,112	82,928	73,932
Jal Shakti	25,683	30,478	24,286	69,053
Housing and Urban Affairs	42,054	50,040	46,791	54,581
Other Ministries	12,60,209	14,49,071	13,93,577	16,41,398
<b>Total Expenditure</b>	<b>26,86,330</b>	<b>30,42,230</b>	<b>34,50,305</b>	<b>34,83,236</b>

**19. Budgetary Allocations of Prominent Centrally Sponsored Schemes and Welfare Programmes (Crores) -**

	<b>Actuals 2019-20</b>	<b>Budgeted 2020-21</b>	<b>Revised 2020-21</b>	<b>Budgeted 2021-22</b>	<b>Change (Revised 2020-21 to BE 2021-22)</b>
1. MGNREGS	71,687	61,500	1,11,500	73,000	<b>-34.5 %</b>
PM-KISAN	48,714	75,000	65,000	65,000	<b>No Change</b>
Jal Jeevan Mission	10,030	11,500	11,000	50,011	355 %
National Health Mission	35,155	34,115	35,554	37,130	4.7 %
National Education Mission	33,654	39,161	28,244	34,300	21.5 %
Pradhan Mantri Awas Yojana	24,964	27,500	40,500	27,500	<b>- 32 %</b>

Integrated Child Development Services	22,032	28,557	20,038	24,114	20.3 %
Pradhan Mantri Fasal Bima Yojana	12,639	15,695	15,307	16,000	4.5 %
Pradhan Mantri Gram Sadak Yojana	14,017	19,500	13,706	15,000	9.4 %
National Livelihood Mission	9,755	10,005	10,005	14,473	44.7 %
AMRUT and Smart Cities Mission	9,599	13,750	9,850	13,750	40.7 %
Green Revolution	9,895	13,320	10,474	13,408	28 %
Swachh Bharat Mission	9,469	12,294	7,000	12,294	75.7 %
Pradhan Mantri Krishi Sinchai Yojana	8,200	11,127	7,954	11,588	45.7 %
Mid-Day Meal Programme	9,699	11,000	12,900	11,500	-10.8 %

2. Allocations for Other Notable Centrally Sponsored Schemes (Compared to RE 2020-21) -

1. National Social Assistance Program - 9200 (78.4 %) 
2. White Revolution - **No Allocation in Budget 2021-22.**
3. Blue Revolution - 1015 (43 %) 
4. Jobs and Skill Development - 3482 (10.4 %) 
5. Shyama Prasad Mukherjee Rurban Mission - 600 (61 %) 
6. Rashtriya Gram Swaraj Abhiyan (RGSA) - 661 (17 %) 
7. Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) - 65000 (**No Change**)
8. Prime Minister Employment Generation Programme (PMEGP) - 2000 (21.1 %) 
9. Rashtriya Swasthya Bima Yojna - 6401 (104 %) 
10. Pradhan Mantri Swasthya Suraksha Yojana - 7000 (6.9 %) 
11. Kisan Urja Suraksha evam Utthaan Mahabhiyan (KUSUM) -776 (331 %) 
12. Deen Dayal Upadhyaya Gram Jyoti Yojna - 3600 (80 %) 
13. Integrated Power Development Scheme - 5300 (32.5 %) 
14. Khelo India - 658 (100 %) 
15. For More, see **Allocations for Centrally sponsored schemes in Budget 2021-22**