Sushil Finance
ACTIONABLE KNOWLEDGE

BUDGET 2021

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Timely Inoculation of Growaccine (Growth+Vaccine)

EXECUTIVE SUMMARY

- **The Union Budget 2021 comes at a time when India and the world is battling the Corona virus pandemic and the economy is on a path of recovery from the after effects of the lockdown.**

- **The FM presented the Budget 2021 with an anti-climax of hope of growth revival, dream of AtmaNirbhar Bharat and fear of tax-hike and climaxed into high hope for recovery, strong aspiration of growth and dreams of billion of Indians.**

- **The government's clinical development of phase I, PM Garib Kalyan Yojana to phase II, III, IV, AtmaNirbhar 2/3/4, met with the right efficacy in terms of better tax collections, strong recovery in growth as well as corporate profitability and return of animal spirits in India Inc., culminated well in the form of successful development of the vaccine, the Budget 2021, which may help accelerate growth, increase profitability and help in job creation.**

- **The Budget 2021 set out a strong growth path by taking bold steps of raising higher debt in the short term, thereby, avoiding tax hike, accelerating strategic divestment drive, proposing privatization of two nationalized banks and a general insurance company. It also focused on inclusive growth, providing basic infrastructure, better health and education to all.**

- **Budget 2021 has estimated the fiscal deficit at 9.5% for 2021 and 6.8% for 2022 deviating from the FRBM act in the year of pandemic and aimed at returning to the fiscal consolidation path by 2025-26. It has proposed a suitable amendment to the FRBM act to accommodate the new normal.**

- **The economic survey has estimated a 7.7% contraction in GDP for 2021 and 11.0% growth in real GDP for 2022. It also estimates nominal GDP growth of 15.4% implying an assumption of 4.4% of inflation during 2022.**

- **Budget 2021 proposed enhancing capital expenditure to Rs.5.54 lakh crores to ensure that for India the target of becoming USD5Tn economy is well on track. The same will positively impact infrastructure, connectivity of tier II cities, job creation.**

- **The Budget 2021 also supplements *Make in India* vision of the government, Production Linked Incentives Schemes, new customs structure from October, 2021 and review of 400 customs exemptions, are some of the steps taken in that direction. The message is clearly towards increasing domestic manufacturing.**

- **To sum up, Union Budget 2021 has laid out a strong path of growth and revival for the economy, the focus now will shift to the timely execution of the proposals and buoyancy in tax-collection assumed in the Budget. The growth assumption will also depend on continuation of global growth drivers that may act as a big tailwind for Indian economy that is now well integrated into world economy.**

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KEY HIGHLIGHTS

Part - A

Infrastructure

- **Production Linked Incentive scheme (PLI) :** The Government emphasized that for a USD 5Tn economy, our manufacturing sector has to grow in double digits on a sustained basis. To achieve the same, PLI scheme to create manufacturing global winners for an AtmaNirbhar Bharat has been announced for 13 sectors. For this, the government has committed nearly Rs.1.97 lakh crores, over 5 years starting FY22.

- **Textile :** A scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme and 7 Textile Parks will be established over 3 years.

- **National Infrastructure Pipeline :** Under the National Infrastructure Pipeline which was announced by the Government in Dec, 2019, the project pipeline has now been expanded to 7,400 projects. Around 217 projects worth Rs.1.10 lakh crores have been completed.

- **Bharatmala Project :** Under Bharatmala Pariyojana, projects with more than 13,000 km length of roads, at a cost of Rs.3.30 lakh crores (out of Rs.5.35 lakh crores) have already been awarded of which 3,800 kms have already been constructed. By March 2022, the Government would be awarding another 8,500 kms and complete an additional 11,000 kms of national highway corridors. Apart from that above 6,500 kms economic corridors with an investment value of more than Rs.2 lakh crores have been planned and announced in states like Tamilnadu, Kerala, West Bengal and Assam. The Government also provided an enhanced outlay of Rs.1,18,101 crores for Ministry of Road Transport and Highways, of which Rs.1,08,230 crores is for capital, the highest ever.

- **Railways & Freight Corridors :** It is expected that Western Dedicated Freight Corridor (DFC) and Eastern DFC will be commissioned by June, 2022. Also, the Government aims at 100% electrification of Broad-Gauge routes by December, 2023. Further, aesthetically designed Vista Dome LHB coach on tourist routes and better safety measures have been announced. The Government has announced sum of Rs.1,10,055 crores, for Railways of which Rs.1,07,100 crores is for capital expenditure.

- **Urban Infrastructure :** A new scheme based on Public Private Partnership model will be launched at a cost of Rs.18,000 crores (20,000 buses) to support augmentation of public

bus transport services. Further, a total of 702 km of conventional metro is operational and another 1,016 kms of metro and Regional Rapid Transit System is under construction in 27 cities. Two new technologies i.e., 'MetroLite' and 'MetroNeo' will be deployed to provide metro rail systems at much lesser cost.

- **Power Infrastructure :** Emphasizing the need of providing consumers with alternatives by promoting competition in power distribution companies, and to make them viable at the same time, the Government stated that a revamped reforms-based result-linked power distribution sector scheme will be launched with an outlay of Rs.3,05,984 crores over 5 years. Further, a Hydrogen Energy Mission for FY22 for generating hydrogen from green power sources has also been proposed.

- **Ports, Shipping & Waterways :** 7 projects worth more than Rs.2,000 crores will be offered by the Major Ports on Public Private Partnership mode to private players to manage their operational services. Ships Recycling capacity of around 4.5 Million Light Displacement Tonne (LDT) will be doubled by 2024. This is expected to generate an additional 1.5 lakh jobs.

- **Petroleum & Natural Gas :** 1 crore more beneficiaries will be covered under Ujjwala Scheme; 100 more districts in next 3 years to the City Gas Distribution network. A gas pipeline project will be taken up in Union Territory of Jammu & Kashmir. An independent Gas Transport System Operator will be set up for facilitation and coordination of booking of common carrier capacity in all-natural gas pipelines.

- **Total Capex Program :** For FY22, a sharp increase in capital expenditure and thus have been provided Rs.5.54 lakh crores which is 34.5% more than the BE of FY21. The capex as a percentage of GDP has been hiked from 1.9% to 2.5%.

Banking Insurance and Fiscal Policies

Infrastructure Financing

- Sum of Rs.20,000 crores have been provided to set up - Development Financial Institution (DFI), which can lend at least Rs.5 lakh crores in next 3 years.

- Debt Financing of InVITs and REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectors.

Asset Monetisation

- In past, NHAI and PGCIL each have sponsored one InvIT that will attract international and domestic institutional investors.
- National Monetization Pipeline of potential brownfield infrastructure assets will be launched.
- Infra assets that will be rolled out in future under Asset Monetisation are:

  1. NHAI Operational Toll Roads
  2. Transmission Assets of PGCIL
  3. Oil and Gas Pipelines of GAIL, IOCL and HPCL
  4. AAI Airports in Tier II and III cities,
  5. Other Railway Infrastructure Assets
  6. Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED among others and
  7. Sports Stadiums.

Increase in Capital Budget

- A sharp increase of 34.5% to BE 2020-21, to Rs.5.54 lakh crores has been provided for capital expenditure for FY22. Of this, Rs.44,000 crores have been kept for projects/programmes/departments that show good progress on Capital Expenditure and are in need of further funds. Over and above this, additional Rs.2 lakh crores will be provided to States and Autonomous Bodies for their Capital Expenditure.

Increase in FDI limit in Insurance sector

- There is a proposal to increase the permissible FDI limit from 49% to 74% in Insurance Companies and allow foreign ownership and control with safeguards. Majority of Directors on the Board and key management persons would be resident Indians, with at least 50% of Directors being Independent Directors, and specified percentage of profits being retained as general reserve.

Stressed Asset Resolution

- ARC and AMC would be set up to take over the existing stressed debt and then manage and dispose of the assets to Alternate Investment Funds and other potential investors for eventual value realization.

Recapitalization of PSU Banks

- It is proposed to recapitalize PSBs to the tune of Rs.20,000 crores in FY22.

Disinvestment

- Receipts from disinvestment are estimated at Rs.1,75,000 crores for FY22.

- BPCL, Air India, Shipping Corporation of India, Container Corporation of India, IDBI Bank, BEML, Pawan Hans, Neelachal Ispat Nigam limited among others would be completed in FY22. Apart from IDBI Bank, it is proposed to privatize two Public Sector Banks and one General Insurance company in the year FY22. LIC IPO is planned for FY22.

- Policy of strategic disinvestment of public sector enterprises has been approved by the Govt, where in 4 strategic areas, bare minimum CPSEs will be maintained and rest will be privatized. In the remaining sectors, all CPSEs will be privatized. To similarly incentivise States to take to disinvestment of their Public Sector Companies, Govt will work out an incentive package of Central Funds for States

- Non core assets like land will be monetized by way of direct sale or concession or by similar means. It is proposed to use a Special Purpose Vehicle in the form of a company that would carry out this activity.

Fiscal Position

- Covid resulted in weak revenue inflow. To revive the economy, Govt has ramped up the spending to Rs.34.5 lakh crores (BE of Rs.30.42 lakh crores) for 2020-21. This includes capex of Rs.5.54 lakh crores, an increase of 34.5% over BE 2020-21.

- As a result, fiscal deficit in RE 2020-21 is pegged at 9.5% of GDP. This will be funded by Government borrowings, multilateral borrowings, Small Saving Funds and short term borrowings. Fiscal deficit in BE FY22 is estimated to be 6.8% of GDP. The gross borrowing from the market for the next year would be around Rs.12 lakh crores.

- Government plans to continue with path of fiscal consolidation, and intend to reach a fiscal deficit level below 4.5% of GDP by 2025-26 with a fairly steady decline over the period by increasing the buoyancy of tax revenue through improved compliance, and secondly, by increased receipts from monetisation of assets.

- FRBM Act mandates fiscal deficit of 3% of GDP to be achieved by 31st March 2020-21. The effect of this year's unforeseen and unprecedented circumstances has necessitated the submission of a deviation statement under Sections 4 (5) and 7 (3) (b) of the FRBM Act.

Healthcare & Wellbeing

- A new centrally sponsored scheme, PM Atma Nirbhar Swasth Bharat Yojana, will be launched with an outlay of about Rs. 64,180 crores over 6 years. In conjunction with the National Health Mission this will develop capacities of primary, secondary, and tertiary care health systems, strengthen existing national institutions and create new institutions to cater to detection and cure of new and emerging diseases.

- The main interventions under the scheme are:

  a. Support for 17,788 rural and 11,024 urban health and wellness Centers.
  b. Setting up integrated public health labs in all districts and 3,382 block public health units in 11 states;
  c. Establishing critical care hospital blocks in 602 districts and 12 central institutions;
  d. Strengthening of the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units;
  e. Expansion of the integrated health information portal to all States/UTs to connect all public health labs;
  f. Operationalization of 17 new public health units and strengthening of 33 existing public health units at points of entry, that is at 32 Airports, 11 Seaports and 7 land crossings;
  g. Setting up of 15 health emergency operation centers and 2 mobile hospitals; and Setting up of a national institution for One Health, a Regional Research Platform for WHO South East Asia Region, 9 Bio-Safety Level III laboratories and 4 regional National Institutes for Virology.

- The Jal Jeevan Mission (Urban), will be launched. It aims at universal water supply in all 4,378 Urban Local Bodies with 2.86 Crores household tap connections, as well as liquid waste management in 500 AMRUT cities. It will be implemented over 5 years, with an outlay of Rs. 2,87,000 Crores.

- The Urban Swachh Bharat Mission 2.0 will be implemented with a total financial allocation of Rs.1,41,678 Crores over a period of 5 years from FY 2021 to FY 2026.

- For dealing with the increased problem of air pollution an amount of Rs. 2,217 Crore has been allocated.
- Voluntary vehicle scrapping policy will be implemented to phase out old and unfit vehicles which will encourage fuel efficient, environment friendly vehicles, thereby reducing vehicular pollution and oil import bill. Vehicles would undergo fitness tests in automated fitness centres after 20 years in case of personal vehicles, and after 15 years in case of commercial vehicles.
- The Pneumococcal Vaccine, a Made in India product, is presently limited to only 5 states will be rolled out across the country. This will avert more than 50,000 child deaths annually. An amount of Rs. 35,000 Crores has been provided for Covid-19 vaccine in BE FY22 and additional fund may be allocated on need basis.
- The Budget outlay for Health and Wellbeing is Rs. 2,23,846 Crores in BE FY22 as against this year's BE of Rs 94,452 Crores an increase of 137%.

Inclusive Development For Aspirational India

AGRICULTURE

- The MSP regime has undergone changes to assure price that is at least 1.5 times the cost of production across all commodities. The procurement has also continued to increase at a steady pace. This has resulted in increase in payment to farmers substantially.
- In case of wheat, the total amount paid to farmers in 2014 was Rs. 33,874 Crores. In 2020 it was Rs. 62,802 Crores, and in 2021, the amount paid to farmers was Rs. 75,060 Crores. The number of wheat growing farmers that were benefitted increased in 2021 to 43.36 lakhs as compared to 35.57 lakhs in 2020.
- For paddy, the amount paid in 2014 was Rs. 63,928 Crores. In 2020 this increased Rs. 1,41,930 Crores. Even better, in 2021, this is further estimated to increase to Rs. 1,72,752 Crores. The number of farmers benefitted increased from 1.24 Crores in 2020 to 1.54 Crores in 2021.
- In case of pulses, the amount paid in 2014 was Rs. 236 Crores. In 2020 it increased Rs. 8,285 Crores. Now, in 2021, it is at Rs. 10,530 Crores, a more than 40X increase from 2014.
- The receipts to cotton farmers have seen an increase from Rs. 90 Crores in 2014 to Rs. 25,974 Crores (as on 27th January 2021).

- Early this year, Honorable Prime Minister had launched SWAMITVA Scheme. Under this, a record of rights is being given to property owners in villages. Up till now, about 1.80 lakh property-owners in 1,241 villages have been provided cards. This will extend this to cover all states/UTs from FY21-22.

- To provide adequate credit to our farmers, the agricultural credit target has been enhanced to Rs. 16.5 lakh Crores in FY22 which will focus on ensuring increased credit flows to animal husbandry, dairy, and fisheries.

- The allocation to the Rural Infrastructure Development Fund has been increased from Rs. 30,000 Crores to Rs. 40,000 Crores.

- The Micro Irrigation Fund, with a corpus of Rs. 5,000 Crores has been created under NABARD, under this budget it is doubled by another Rs. 5,000 Crores.

- Around 1.68 Crores farmers are registered and Rs. 1.14 lakh Crores of trade value have been carried out through e-NAMs. Keeping in view the transparency and competitiveness that e-NAM has brought into the agricultural market, 1,000 more mandis will be integrated with e-NAM.

- The Agriculture Infrastructure Fund would be made available to APMCs for modernizing or developing their infrastructure facilities.

FISHERIES

- In a move to developing and modernization of major fishing harbors and fish landing centers, ports like Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat are being selected to be developed as a hub of economic activity. Additionally, inland fishing harbors and fish-landing centres along the banks of rivers and waterways will also be developed.

- Seaweed farming is an emerging sector with potential to transform the lives of coastal communities. It will provide large scale employment and additional incomes. To promote seaweed cultivation, a Multipurpose Seaweed Park is proposed to be established in Tamil Nadu.

MIGRANT WORKERS AND LABOURERS

- One Nation One Ration Card scheme: beneficiaries can claim their rations anywhere in the country. Migrant workers in particular benefit from this scheme – those staying away from their families can partially claim their ration where they are stationed, while their family, in their native places, can claim the rest. One Nation One Ration Card plan is

under implementation by 32 states and UTs, reaching about 69 crores beneficiaries – that's a total of 86% beneficiaries covered. The remaining 4 states and UTs will be integrated in the next few months.

FINANCIAL INCLUSIONS

- Stand Up India Scheme: Margin money requirement for SCs, STs and women has been reduced from 25% to 15% for procuring new loans allied to agriculture and facilitate credit flow.
- Loan of Rs. 15,700 Crore has been provided to the MSME sector for BE FY22.

Reinvigorating Human Capital

- "Higher Education Commission of India" will be set up this year by way of a legislation. It will be an umbrella body having 4 separate vehicles for standard-setting, accreditation, regulation, and funding.
- Unit cost of schools that is set up in tribal areas to be increased that can result in better and robust infrastructure for tribal students.
- Post Matric Scholarship Schemes is enhanced by allotting Rs. 35,219 Crore for 6 years till 2026.
- National Apprenticeship Training Scheme (NATS) has been realigned for providing post-education apprenticeship, training of graduates and diploma holders in Engineering. Over Rs. 3,000 Crores will be provided for this.

Innovation and R&D

- National Research foundation will outlay Rs. 50,000 Crore over 5 years to provide a thrust to the Indian Research Ecosystem.
- An amount of Rs. 1,500 Crore has been provided to further boost digital transactions that will provide financial incentives to promote digital modes of payments.
- The New Space India Limited (NSIL), a PSU under the Department of Space will execute the PSLV-CS51 launch, carrying the Amazonia Satellite from Brazil along with a few smaller Indian satellites.
- As part of the Gaganyaan mission activities, four Indian astronauts are being trained on Generic Space Flight aspects, in Russia. The first unmanned launch is slated for December 2021.

- Launching of a new Deep Ocean Mission with a budget outlay of more than Rs. 4,000 crores, over five years. This Mission will cover deep ocean survey exploration and projects for the conservation of deep sea bio-diversity.

Minimum Government, Maximum Governance

- Introduction of National Commission for Allied Healthcare Professionals Bill in Parliament, with a view to ensure transparent and efficient regulation of the 56 allied healthcare professions. Additionally, to bring about transparency, efficiency and governance reforms in the nursing profession, The National Nursing and Midwifery Commission Bill will be introduced by the government for passing.

- A scheme has been proposed to provide Rs. 1,000 Crores for the welfare of Tea workers especially women and their children in Assam and West Bengal. A special scheme will be devised for the same.

Part - B

Direct Tax Proposals

- **Relief to Senior Citizens:** The Finance Minister has proposed exemption from filing Income Tax Returns to Senior Citizens of age 75 and above who only have pension and interest income, with the paying bank deducting the necessary tax on their income. This is done to reduce the compliance burden on them.

- **Reduction in Time for Income Tax Proceedings:** The Finance Minister has reduced the period for re-opening assessments from 6 years to 3 years, reducing the time that taxpayers have to be uncertain about their liability. In cases of serious tax fraud and serious tax evasion (where there is evidence of concealment of income of Rs. 50 lakh or more in a year) the assessment can be re-opened for up to 10 years.

- **Setting up the Dispute Resolution Committee:** To build up further on the success of the *Vivad Se Vishwas* Scheme, the FM proposed to constitute a Dispute Resolution Committee to reduce the litigation for small taxpayers. This will be a faceless process to ensure efficiency, transparency and accountability. Anyone with taxable income up to Rs. 50 lakh and disputed income up to Rs. 10 lakh will be eligible to approach the committee.

- **Faceless Income Tax Appellate Tribunal (ITAT):** The FM proposed to make the IT Appellate Tribunal Faceless. A National Faceless Income Tax Appellate Tribunal Centre will be established with all communication between the Tribunal and the Appellate

being electronic. Personal hearings if required will be conducted through video conferencing.

- **Relaxation to NRIs:** In order to reduce the issues faced by NRIs due to timing mismatch and to remove their hardships of double taxation, the FM proposed to notify rules for aligning the taxation of income arising on foreign retirement benefit account.

- **Exemption from Audit:** In the last Budget (February 2020) the FM had increased the limit for tax audit for persons with turnover from Rs. 1 crore to Rs. 5 crore (only for those who carry out 95% of their transactions digitally). To further incentivise digital transactions and reduce the burden of compliance, this limit has been revised to Rs. 10 crore now.

- **Relief for Dividend:** After abolishing the DDT in the previous budget, to provide ease of compliance, the FM has proposed to make dividend payments to REIT/ InvIT exempt from TDS. The FM also proposed that advance tax liability on dividend income shall arise only after the declaration/payment of dividend, as investors cannot estimate the dividend income prior to declaration. The FM also proposed to enable deduction of tax on dividend income at lower treaty rate for FPIs.

- **Attracting Foreign Investors in to Infrastructure Sector:** After granting 100% tax exemption for investments in infrastructure sector (*subject to certain conditions) to foreign investors in the last budget, the FM has proposed to relax some of those conditions relating to prohibition on private funding, restrictions on commercial activities and direct investment in infrastructure. In order to allow funding of infrastructure by issue of zero coupon bonds, the FM proposed to make notified Infrastructure Debt Funds eligible to raise funds by issuing tax efficient Zero Coupon Bonds.

- **Affordable Housing/Rental Housing:** In the July 2019 Budget, the FM provided an additional deduction of interest, amounting to Rs. 1.5 lakh, for loan taken to purchase an affordable house. This deduction has been extended by one more year, to March 2022. The additional deduction of Rs. 1.5 lakh shall therefore be available for loans taken up till March 2022, for the purchase of an affordable house. Further, to keep up the supply of affordable houses, the FM proposed that affordable housing projects can avail a tax holiday for one more year – till March 2022. The FM also proposed to allow tax exemption for notified Affordable Rental Housing Projects, to promote supply of Affordable Housing for migrant workers.

- **Tax Incentives to IFSC:** The Government is committed to make the International Financial Services Centre (IFSC) in GIFT City a global financial hub. In addition to the tax incentives already provided, The FM proposed to include, among others, tax holiday for capital gains for aircraft leasing companies, tax exemption for aircraft lease rentals paid to foreign lessors; tax incentive for relocating foreign funds in the IFSC; and to allow tax exemption to the investment division of foreign banks located in IFSC.

- **Pre-Filling of Returns:** To ease the compliance for the taxpayer, details of salary income, tax payments, TDS, etc. are already pre filled in income tax returns. To further ease tax filing, details of capital gains from listed securities, dividend income, and interest from banks, post office, etc. will also be pre-filled.

- **Relief to Small Trusts:** Blanket exemption for small charitable trusts running educational institutions and hospitals whose annual receipts do not exceed Rs. 1 crore now increased to Rs. 5 crore.

- **Labour Welfare:** In instances where some employers deduct the contribution of employees towards Provident funds, superannuation funds, and other social security funds but do not deposit these contributions within the specified time, it results in a loss of interest or income for the employees. In cases where an employer later becomes financially unviable, non-deposit results in a permanent loss for the employees. In order to ensure that employees' contributions are deposited on time, the FM reiterated that the late deposit of employee's contribution by the employer will not be allowed as deduction to the employer.

- **Incentives for Start-Ups:** The FM proposed to extend the eligibility for claiming tax holiday for start-ups by one more year - till March 2022. Further, in order to incentivise funding of the start-ups, she proposed to extend the capital gains exemption for investment in start-ups by one more year - till March 2022.

Indirect Tax Proposals

- **GST:** The FM talked about the measures taken by the GST Council to simplify the GST, the technological advancements, the record collections in the last few months and lastly assured the House to take every possible measure to smoothen the GST further.

- **Custom Duty Rationalisation:** The FM talked about the objectives of promoting domestic manufacturing and getting India onto the global value chain and improving our exports. She emphasized on focusing on easy access to raw materials and export of value added products. Last year, the government started overhauling the Customs Duty

structure and eliminated 80 out-dated exemptions. The FM now proposed to review more than 400 old exemptions this year. A revised customs duty structure, free of distortions is promised to come in effect from 1st October 2021.

- **Electronic and Mobile Phone Industry:** Domestic electronic manufacturing has grown rapidly. We are now exporting items like mobiles and chargers. For greater domestic value addition, the FM proposed withdrawing a few exemptions on parts of chargers and sub-parts of mobiles. Further, some parts of mobiles will move from 'nil' rate to a moderate 2.5%.

- **Iron and Steel:** The FM reduced Customs duty uniformly to 7.5% on semis, flat, and long products of non-alloy, alloy, and stainless steels. To provide relief to metal re-cyclers, mostly MSMEs, she exempted duty on steel scrap for a period up to March 2022. Further, she also revoking ADD and CVD on certain steel products and reduced duty on copper scrap from 5% to 2.5%.

- **Textile:** The Textiles Sector generates employment and contributes significantly to the economy. There is a need to rationalize duties on raw material inputs to manmade textiles. The FM proposed to bring nylon chain on par with polyester and other man-made fibers and uniformly reducing the BCD rates on caprolactam, nylon chips and nylon fiber & yarn to 5%. This will help the textile industry, MSMEs and exports.

- **Chemicals:** The FM mentioned having calibrated customs duty rates on chemicals to encourage domestic value addition and to remove inversions and reducing customs duty on Naptha to 2.5% to correct inversion.

- **Gold and Silver:** Gold and silver presently attract a basic customs duty of 12.5%. Since the duty was raised from 10% in July 2019, prices of precious metals have risen sharply. To bring it closer to previous levels, the FM mentioned rationalizing custom duty on gold and silver.

- **Renewable Energy:** To build up domestic capacity, the government will notify a phased manufacturing plan for solar cells and solar panels. At present, to encourage domestic production the duty on solar invertors is being raised from 5% to 20%, and on solar lanterns from 5% to 15%.

- **Capital Equipment and Auto Parts:** The FM proposed to withdraw exemptions on tunnel boring machine. It will attract a customs duty of 7.5%; and its parts a duty of 2.5%. She also mentioned raising customs duty on certain auto parts to 15% to bring them on par with general rate on auto parts.

- **MSME Products:** The FM proposed increasing duty from 10% to 15% on steel screws and plastic builder wares. On prawn feed the proposal is to increase it from 5% to 15%. The government is rationalizing exemption on import of duty-free items as an incentive to exporters of garments, leather, and handicraft items as almost all these items are made domestically by MSMEs. Hence the government is withdrawing exemption on imports of certain kind of leathers as they are domestically produced in good quantity and quality, mostly by MSMEs. They are also raising customs duty on finished synthetic gem stones to encourage their domestic processing.

- **Agriculture Products:** To benefit farm workers, the custom duty on cotton is being raised from nil to 10% and on raw silk and silk yarn from 10% to 15%. End user based concession on denatured ethyl alcohol is also withdrawn. Rates on items like maize bran, rice bran oil cake, and animal feed additives are being uniformly calibrated to 15%. The FM also proposed an Agriculture Infrastructure and Development Cess (AIDC) on a small number of items. However, while applying this cess, the government has taken care not to put additional burden on consumers on most items.

- **Rationalization of Procedures and Easing of Compliance:** the Finance Minister concluded her speech by proposing certain changes in the provisions relating to ADD and CVD levies. In 2020, the government rolled out the Turant Customs initiative, which brought in faceless, paperless and contactless customs measures. From September 2020, the government also implemented a new procedure for administration of Rules of Origin which has helped in putting a check on misuse of FTAs.

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