Government Budgeting : (2020-21)

The word ‘Budget’ is derived from old French word ‘bougette’ i.e. purse. It is a quantified financial plan for forthcoming accounting period. A budget is an important concept of microeconomics and it is an organizational plan stated in money terms.

Government Budgeting is not just a presentation of Annual Financial Statement, but it also reflects different policies adopted or proposed to be adopted by the Government to mobilise resources, increase growth, implement various activities which promote inclusiveness, improvement of humanresources development and infrastructure.

The government budget is prepared by the Budget division of Economic Affairs Dept of the Ministry of Finance annually. Economic Survey of the Year is presented in the Parliament preceding the Budget usually one day before presenting the Budget. Budget includes the Budget Estimates for the forthcoming year, Revised estimates for the current year and the audited accounts of the previous year.

Annual Financial Statement (AFS): Document provided under Article 112 of the Constitution, shows estimated Receipts & Expenditure of the Government of India for the forthcoming Financial Year

Consolidated Fund of India (CFI) Under Article 266 of the Constitution. All Revenues received by the Government including loans raised by it, and receipts from recoveries of loans granted.
All Expenditure of Govt is incurred from the Consolidated Fund and no amounts can be drawn without authorisation from Parliament.

Contingency Fund : Article 267 authorizes the Contingency Fund which is an imprest placed with the President of India to facilitate the Government of India to meet urgent unforeseen expenditure, pending authorization from the Parliament. Parliament’s Post-facto approval will be obtained in such cases. The Corpus of Consolidated Fund authorized by the Parliament is Rs500 Crores.

Public Account : Money held by Govt. in Trust as in Provident Fund, Small Savings Fund, Income of Govt set apart for expenditure on specific objects like road development, Primary Education, Reserve Fund etc., kept in Public Account Fund.

Public Account Fund do not belong to Government and have to be paid back to the persons and authorities who deposited them.

Appropriation Bill : Under Article 114(3) of the Constitution no amount can be withdrawn from the Consolidated Fund without enactment of such law by Parliament. Demands for Grants are voted by the Lok Sabha. Parliament's approval to the withdrawal from the Consolidated Fund is sought through the Appropriation Bill.

Vote-on-Account Budget : Lok-Sabha is empowered by the Constitution to make any Grant in advance in respect of the estimated expenditure for a part of the Financial Year pending completion of procedure for voting of the demands.
The purpose is to keep the GOVT functioning, pending voting of final supply. The Vote on Account is obtained from Parliament through an appropriation (Vote on Account) Bill, usually in the year preceding General elections.

Performance budgets based on the relationship between program funding levels and expected result. The performance-based budgeting is a tool that program administrators can use to manage more cost-efficient and effective budgeting outlay. However, this is now merged into Outcome Budget.

Outcome Budget :

From 2007-08 onwards, broadly the performance budget and the outcome budget are merged and presented as a single document titled outcome budget. Outcome budget broadly indicates physical dimensions of the financial budget of the Ministry indicating actual physical performance in the preceding year and performance of first 9 months (December) of current year and the targets for the ensuing year.

Zero based Budget

An approach to planning and decision making that reverses the working process of traditional budgeting. In Zero based budgeting there will be no reference made to previous level of expenditure. Zero based budgeting requires the budget request be revaluated thoroughly starting from Zero base

Union Budget

Budget at a Glance 2020-21

(Rs in Lakh Crores)

Receipts& Expenditure	2018-19 (Actuals)	2019-20 (RE)	2020-21 Budget Estimates
1. Rev.Receipts	15.52	18.50	20.20
2. Tax Revenue. (Net)	13.17	15.04	16.35
3. Non-Tax Revenue.	2.35	3.45	3.85
4. Capital receipts	7.62	8.48	10.21
5. Total Budget Receipts	23.15	26.98	30.42
6. Total Expenditure	23.15	26.98	30.42
7. Rev.Deficit	4.54 (2.4)	4.99 (2.4)	6.09 (2.7)
8. Fiscal Deficit	6.4 (3.4)	7.66 (3.8)	7.96 (3.5)
9. Primary Deficit	0.66 (0.4)	1.41 (0.7)	0.88 (0.4)

Revenue Budget:

- Revenue receipts and revenue expenditure together constitute Revenue Budget.
- All Tax and Non-Tax revenuesform the Revenue Receipts. .
- The Direct Taxes (Income Tax + Corporate taxes) and Indirect Taxes (GST) together comprise the Tax Receipts
- Non-Tax Revenue is the income earned by the Govt. from the sources other than taxes. It includes the profits on Public sector enterprises, Disinvestments of Public sector undertakings, auctions of mines, auction of spectrum, sale of lands or assets, yearly income on public assets like rents or sale proceeds etc.
- The Revenue receipts and theRevenue Expenditure together constitute the Revenue Budget.
- Revenue expenditure is meant for normal running of the state, maintenance of programmes, Salaries expenditure on recurring items.

Capital Budget

- **Capital receipts and Capital expenditure** together constitute the Capital Budget.
- **Capital receipts** constituteall loans taken by the Government from open market like Banks or Institutions like World Bank, IMF etc. It is non-recurring cash flow into the budget, which leads to creation of liability (a debt) to be paid in future.
- **Capital expenditure** is money spent on acquisition of fixed assets such as Land, buildings and equipment.

Revenue Deficit:

Occurs when actual amount of Revenue receipts falls short of revenue expenditure. If the actual receipts are more than revenue expenditure, it is called Revenue surplus. If there is Revenue deficit in the budget, it means that money obtained through debt is paid for maintenance, salaries and to pay even repayment of debts

Fiscal deficit:

It is an economic phenomenon, where the Government's total expenditure surpasses the total revenue generated. It is the difference between the Governments total receipts (excluding borrowings) and total expenditure. Fiscal deficit gives the signal to Government about the total borrowing requirements from all sources. The Fiscal deficit in absolute figures is also represented in the form of Percentage which is the total amount borrowed by the government in the year in proportion to the GDP of the Year.

Primary Deficit

The Deficit which is derived after deducting the interest payments component from the total deficit of any Budget. In other words, the total of Primary deficit and interest payments makes up the total of Fiscal deficit.

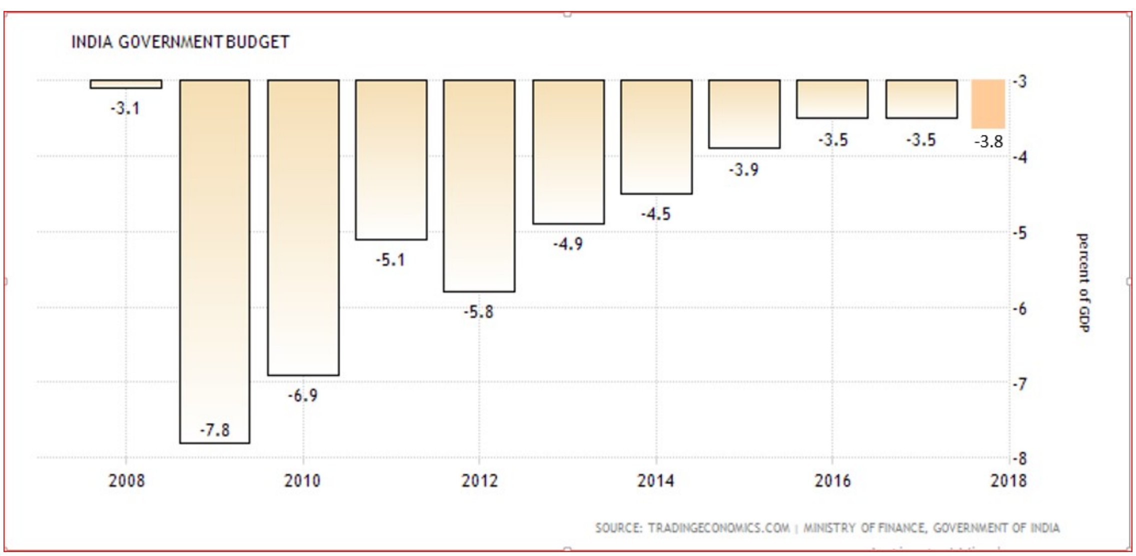
FRBM Act

The Fiscal Responsibility and Budget Management Act 2003 is an Act of Parliament to institutionalise financial discipline, reduce India's Fiscal Deficit, improve macroeconomic position and strengthen fiscal prudence. The main objective of FRBM act is to eliminate Revenue Deficit and manage fiscal deficit to less than 3 per cent.

Fiscal RoadMap :

India experienced Budget deficit of -3.5 per cent of country's GDP during 2017-18. This contrasts with the originally anticipated -3.2 per cent of Fiscal Deficit in 2017-18 budget estimates. Since 2008-09 onwards i.e. immediately after global economic downturn occurred. There was a fiscal deficit of -7.8 per cent in the year, subsequently there has been a consistent decrease in the fiscal deficit year after year except in 2012-13, when the deficit recorded a higher percentage of -5.8 per cent over the previous year. Subsequently it started decreasing year after year. According to the original Road Map drawn to reduce the Fiscal deficit in the Budgets, the Fiscal Deficit of 2017-18 ought to be -3.2 per cent and for 2018-19 it was originally planned at 3 per cent in accordance with the provisions of FRBM Act. But the Union Budget Estimates 2018-19 show the revised figures of -3.5 per cent of Fiscal deficit for 2017-18 and -3.3 per cent for 2018-19 (See the Chart below).

Chart: Fiscal Road Map of Fiscal Deficit from 2008 to 2018



Highlights :

Agriculture :

- Estimated capacity of 162 MTS agri-warehousing, cold storage, reefr facilities. NABARD will map and geo-tag them.
- Create WDRA – Ware Housing Development Regularity Aauthority norms, viability gap for setting up efficient warehousing facility at Block / Taluk level.
  To build a seamless national cold supply chain for perishables to be run by SHGs which will help farmers a good holding capacity and reduce the logistics cost.
- Women SHGs shall regain their position as "Dhanya Lakshmi".
- To build a National seemless cold supply chain for perishables including milk, meat and fish, Indian Railways will set up a 'Kisan Rail' through PPP arrangements. These shall be refrigerated coaches in express or freight, trains as well.
- "Krishi Udaan" will be launched by Civil Aviation with an international and national routes. This will help in value realization.
- Horticulture sector with 311 million MT exceeds production of food grains (291 MT) estimated for (2019-20). For better marketing and exports, the centre will support States which adopt a cluster basis, with focus on "one product one district".
- Integrated farming system in rainfed areas shall be expanded multi-tier cropping, bee-keeping, solar pumps etc.
- NBFCs and Cooperatives will be encouraged. The NABARD refinance scheme will be further expanded. The agriculture credit target has been set at Rs.15 lakh crore and all beneficiaries of "PM KISAN" will be covered under KCC (Kisan Credit Card) scheme.

Blue Economy :

- The Government proposes to put in place a frame work for development, management and conservation of marine fishery resources. Government will involve youth in fishery extension through 3477 "Sagarmithras" and 500 Fish farmer Producer Organization. 58 lakh SHGs have been mobilized, which will be further extended under deendaya antyodaya yojana scheme.

- The following amounts allocated for agriculture and Rural development schemes :
  - (a) Agriculture, irrigation and allied activities Rs.1.60 lakh crore.
  - (b) Rural development and pachayathraj Rs.1.23 lakh crore

Wellness, Water and sanitation :

- An amount of Rs.69 crores is allotted under the budget in health sector under PMJAY. There are 20,000 empanelled hospitals focus to cover tire-II & III cities. The scheme will be expanded

Viability Gap :

- Windows for setting up hospitals in PPP mode. The Government will strengthen the ODF plus in order to sustain ODF behavior and to ensure that no one is left behind and informed that Rs.12,300 crores is allocated for Swachh Bharath Mission. PM announced Jal Jeevan Mission for which Government approved Rs.3.06 lakh crores for the Mission. The scheme also places emphasis on augmenting local water sources, recharging existing water sources and promote water harvesting and desalination. Cities with a over million population will be encouraged to meet this objective during the current year itself.

Education & Skills Development :

- It is proposed to attach a Medical College to an existing district hospital in PPP mode. Those States that fully allow the facility of hospital to the medical college and concession on providing land would be able to receive viability gap funding.
- Since there is a huge demand for teachers, nurses, paramedical staff and caregivers abroad, there is need for set up a special bridge course which will be designed by the Ministry of Health, skill development together with professional bodies. The government proposes to provide about 99,300 crore for education sector in the budget and about 3000 crores for skill development.

Economic Development :

- **Industry, Commerce and Investments** : Government proposed to setup an investment clearance cell that will provide “end to end” facilitation and support including pre-investment advisory information related to land, banks and facilitates clearances at Centre and State level.
- The centre will focus on development of economic activities (a) the upcoming economic corridors (b) revitalisation of manufacturing activities (c) technology and demands of aspirational classes.
- It is proposed to develop (5) new smart cities in collaboration with States in PPP mode and such cities will be chosen that offer the best choices, which is in terms of aforementioned principles.
- Electronics manufacturing industry which is competitive in India has shown its cost advantages. The potential of this industry in job creation is immense and in order to boost domestic manufacturing and attract large investments, value chains, the Government proposed the scheme focused on encouraging manufacture of mobile phones, semi-conductors, packaging etc.
- India imports significant quantity of technical textiles worth 16 billion dollar every year. To reverse this trend and position, India as a global leader in “National Technical Textiles Mission” is proposed this year implementation period from 2020-21 to 2023-24, at an estimated outlay of Rs.1480 crores.
- To achieve export higher credit disbursement, a new scheme, “NIRVIK” is being launched, which provides for higher insurance coverage, reduction for premium for small exporters and simplified procedure for claim settlements.
- It is the vision that each district should develop as an export hub. Efforts of the Centre and State governments are being synergised and institutional mechanisms are being created.
- Government e-Market (GeM) places, is moving ahead for creating a unified procurement system in the country for providing a single platform for goods and services and works. It offers a great opportunity for MSME. Rs.3.24 lakh vendors are already on this platform and it is proposed to take its turnover to Rs.3 lakh crores. An amount of Rs.27300 crores for development and promotion of Industry and Commerce is proposed for the year 2020-21.

Infrastructure :

- NIP : The Government launched the National Infrastructure Pipeline on 31st December, 2019 with an outlay of Rs.103 lakh crores. It consists of more than 6500 projects across sectors and are classified as per their size and stage of development.
- These new projects will include housing, safe drinking water, access to clean and affordable energy, healthcare for all, world-class educational institutes, modern railway stations, airports, bus terminals, metro and railway transportation, logistics and warehousing, irrigation projects, etc. NIP envisions improving the "ease of living" for each individual citizen in the country. It will also bring in generic and sectoral reforms in development operation and maintenance of these infrastructure projects.
- A huge employment opportunity in construction, operation and maintenance of infrastructure. National Skill Development agency will give special thrust to infrastructure and skill focussed development opportunities.
- Accelerated development of highways will be undertaken. This will include development of 2500 km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and strategic highways.
- Delhi-Mumbai express highway and two other packages will be completed by 2023, Chennai-Bangalore also be started.
- Indian Railways will set up a large solar power capacity alongside the rail tracks, on the land owned on the railways. (4) station re-development projects and operation of 150 passenger trains would be done through PPP mode. The process of inviting private participation is underway.
- Inland Waterways receive a boost in the last five years. The "Jalvikasmarg"on National Water way-1 will be completed. Further, the 890 Km Dhubri-Sadiya connectivity will be done by 2022. An amount of Rs.1.70 lakh crore for transport infrastructure in 2020-21.
- Discounts under financial stress for which, the Ministry intends to promote smart and to replace conventional energy meters in the next 3 years with an option for the consumers to choose the supplier and rate.

New Economy :

- “Artificial intelligence, Internet-of-Things (IoT), 3D printing, drones, DNA data storage, quantum computing”, etc., are re-writing the world economic order. Government has harnessed the new technologies to enable DBT in financial inclusion on a large scale public institutions at Grampanchayath level such as Anganwadis, health and wellness centres, government schools, PDS outlets, post offices and police stations will be provided with digital connectivity. FTTH connections through Bharatnet link 1,00,000 gram panchayats, this year at a cost of Rs.60,000 crores provided in the budget.

Caring Society :

- **Women and child and Social Welfare** : “Beti Bachao Beti Padhao” has yielded gross enrolment ratio of girls across all levels of education, which is higher than boys. At elementary level, 94.32 % as against 89.28% for boys, at secondary level, 81.32 % as compared to 78%, at higher secondary level girls have achieved a level of 59.70 % as compared to 57.54 % of boys.

Financial Sector :

- A clean, reliable and robust financial sector is critical to the economy. Government committed to achieve $5 trillion economy by 2024-25.
- Government approved consolidation of 10 banks into 4. Government infused Rs.3,50,000 crores by way of recapitalization into Public Sector banks for regulatory and growth purpose.
- “DICGC” – Deposit Insurance and credit Guarantee Corporation has been permitted to increase deposit Insurance coverage from existing Rs.1.00 lakh to Rs.5.00 lakhs.
- To strengthen cooperative Banks, amendment to the Banking Regulation Act has been proposed for increasing professionalism, enabling access to capital for sound banking by RBI.
- Limit for ‘NBFCs’ to be eligible for debt recovery under the “Securities and Reconstruction of Financial Assets and Enforcement of security Interest (SARFAESI) Act 2002 is proposed to be reduced from Rs.500 crores to Rs.100 crores and loan size from existing Rs.1.00 crore to Rs.50 lakhs.

- ETF – The Debt based Exchange Trade Fund floated by Government is a big success. Government proposes to expand this by floating a new Debt ETF consisting primarily of Government securities.
- GIFT, IFSC has an approved Free Trade Zone for housing vaults. GIFT city would set up an international Bullion Exchange.

Disinvestment :

- Government proposed to sell a part of LIC by way of Initial Public Offer (IPO).
- An overhaul of CSS and Central Sector Schemes is necessary to ensure the scarce public resources are spent optionally.
- Fiscal Deficit is estimated at 3.8 percent for 2019-20 (RE).
- The proposed tax structure will provide significant relief to taxpayers and more so to those in the middle class.

Table : Income-tax Rates for 2020-21

Taxable Income Slab (`)	Existing Tax Rates	New Tax Rates
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%

- In the new tax regime, substantial tax benefit will accrue to a taxpayer depending upon exemptions and deductions claimed by him. For example, a person earning` 15 lakh in a year and not availing any deductions etc. will pay only Rs.1,95,000 as compared to Rs.2,73,000 in the old regime. Thus his tax burden shall be reduced by Rs.78,000 in the new regime. He would still be the gainer in the new regime even if he was taking deduction of Rs.1.5 Lakh under various sections of Chapter- VI-A of the Income Tax Act under the old regime.

Dividend Distribution Tax (DDT) :

- At present DDT is at 15% plus surcharge and cess on profits of a company.
- In order to remove the cascading effect, it was proposed to allow deduction for the dividend received by the holding company from its subsidiary. The result of removal of DDT will lead to estimated revenue foregone of Rs.25,000 crores in a year.

Start Ups :

- Startups having turn-over up to Rs.25 crores is allowed deduction of 100% of its profits, for (3) consecutive assessment years and differing on Tax payment for (5) years.
- Increased turnover limit for start ups from Rs.25 crore to Rs.100 crore. Extended the eligibility claim of deduction from the existing 7 years to 10 years.

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