



An Institute for Civil Services



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HIGHLIGHTS & ANALYSIS

UNION

BUDGET

2020

for
Civil Services Examination

1B, 2nd Floor, Pusa Road, Karol Bagh, Delhi-110005 (Karol Bagh Metro Station Gate No. 8)



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BUDGET GLOSSARY

Notes...

► Union Budget

Union Budget is the most comprehensive report of the Government's finances in which revenues from all sources and outlays for all activities are consolidated. The Budget also contains estimates of the Government's accounts for the next fiscal year called Budgeted Estimates.

► Direct and Indirect Taxes

Direct taxes are the one that fall directly on individuals and corporations. For example, income tax, corporate tax, etc.

Indirect taxes are imposed on goods and services. They are paid by consumers when they buy goods and services. These include excise duty, customs duty, etc.

► GST

The constitution defines "Goods and Services Tax" means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

"Goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply

"Services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged

► Customs Duty

These are levies charged when goods are imported into, or exported from, the country, and they are paid by the importer or exporter. Usually, these are also passed on to the consumer.

► Fiscal Deficit

When the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall. The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit.

► Revenue Deficit

The difference between revenue expenditure and revenue receipt is known as revenue deficit. It shows the shortfall of government's current receipts over current expenditure.

► Primary Deficit

The primary deficit is the fiscal deficit minus interest payments. It tells how much of the Government's borrowings are going towards meeting expenses other than interest payments.

► Fiscal policy

It is the government actions with respect to aggregate levels of revenue and spending.

Notes...

Fiscal policy is implemented through the budget and is the primary means by which the government can influence the economy.

► **Monetary Policy**

This comprises actions taken by the central bank (i.e. RBI) to regulate the level of money or liquidity in the economy, or change the interest rates.

► **Inflation**

A sustained increase in the general price level. The inflation rate is the percentage rate of change in the price level.

► **Capital Budget**

The Capital Budget consists of capital receipts and payments. It includes investments in shares, loans and advances granted by the central Government to State Governments, Government companies, corporations and other parties.

► **Revenue Budget**

The revenue budget consists of revenue receipts of the Government and its expenditure. Revenue receipts are divided into tax and non-tax revenue. Tax revenues constitute taxes like **income tax, corporate tax, excise, customs, service and other duties** that the Government levies. The non-tax revenue sources include interest on loans, dividend on investments.

► **Finance Bill**

The Bill produced immediately after the presentation of the Union Budget detailing the Imposition, abolition, alteration or regulation of taxes proposed in the Budget.

► **Vote on Account**

The Vote on Account is a grant made in advance by the parliament, in respect of the estimated expenditure for a part of new financial year, pending the completion of procedure relating to the voting on the Demand for Grants and the passing of the Appropriation Act.

► **Excess Grants**

If the total expenditure under a Grant exceeds the provision allowed through its original Grant and Supplementary Grant, then, the excess requires regularization by obtaining the Excess Grant from the Parliament under Article 115 of the Constitution of India. It will have to go through the whole process as in the case of the Annual Budget, i.e. through presentation of Demands for Grants and passing of Appropriation Bills.

► **Budget Estimates**

Amount of money allocated in the Budget to any ministry or scheme for the coming financial year.

► **Revised Estimates**

Revised Estimates are mid-year review of possible expenditure, taking into account the rest of expenditure, New Services and New instrument of Services etc. Revised Estimates are not voted by the Parliament, and hence by itself do not provide any authority for expenditure. Any additional projections made in the Revised Estimates need to be authorized for expenditure through the Parliament's approval or by Re-appropriation order.

► **Re-appropriations**

Re-appropriations allow the Government to re-appropriate provisions from one sub-head to another within the same Grant. Re-appropriation provisions may be

sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates. The Comptroller & Auditor General and the Public Accounts Committee reviews these re-appropriations and comments on them for taking corrective actions.

► **Outcome Budget**

From the fiscal year 2006-07, every Ministry presents a preliminary Outcome Budget to the Ministry of Finance, which is responsible for compiling them. The Outcome Budget is a progress card on what various Ministries and Departments have done with the outlays in the previous annual budget. It measures the development outcomes of all Government programs and whether the money has been spent for the purpose it was sanctioned including the outcome of the fund usage.

► **Guillotine**

Parliament, unfortunately, has very limited time for scrutinising the expenditure demands of all the Ministries. So, once the prescribed period for the discussion on Demands for Grants is over, the Speaker of Lok Sabha puts all the outstanding Demands for Grants, Whether discussed or not, to the vote of the House. This process is popularly known as 'Guillotine'.

► **Cut Motions**

Motions for reduction to various Demands for Grants are made in the Form of Cut Motions seeking to reduce the sums sought by Government on grounds of economy or difference of opinion on matters of policy or just in order to voice a grievance.

► **Consolidated Fund of India**

All revenues raised by the Government, money borrowed and receipts from loans given by the Government flow into it. All Government expenditure other than certain exceptional items met from Contingency Fund and Public Account are made from this account. No money can be appropriated from the Fund except in accordance with the law.

► **Contingency Fund of India**

A fund placed at the disposal of the President to enable him/her to make advances to the executive/Government to meet urgent unforeseen expenditure.

► **Public Account**

Under provisions of Article 266(1) of the Constitution of India, Public Account is used in relation to all the fund flows where Government is acting as a banker. Examples include Provident Funds and Small Savings. This money does not belong to government but is to be returned to the depositors. The expenditure from this fund need not be approved by the Parliament.

► **Corporate Tax**

This is the tax paid by corporations or firms on the incomes they earn.

► **Disinvestment**

By disinvestment we mean the sale of shares of public sector undertakings by the Government. The shares of government companies held by the Government are earning assets at the disposal of the Government. If these shares are sold to get cash, then earning assets are converted into cash, So it is referred to as disinvestment.

BUDGET

Budget Highlights (2020-21): Sector-wise Analysis

Notes...

GROWTH FORECASTS AND FISCAL PROJECTIONS TO BE ACHIEVED BY BUDGET 2020

- ▶ **Fiscal deficit of 3.5% of GDP** has been set for the current financial year.
- ▶ Nominal GDP growth rate has been **targeted at 12% of GDP**.
- ▶ Overall GDP growth rate has been forecasted for 2020-21 **at 6%-6.5%** by the Economic Survey.
- ▶ To sustain a fast GDP growth rate and achieve a US\$ 5 trillion economy target, **India needs to invest 1.4 trillion dollars in infrastructure**.

This budget is woven around three prominent themes:

- ▶ **Aspirational India** in which all sections of the society seek better standards of living, with access to health, education and better jobs.
- ▶ **Economic development for all**, indicated in the Prime Minister's exhortation of "Sabka Saath, Sabka Vikas, Sabka Vishwas". This would entail reforms across swathes of the economy. Simultaneously, it would mean yielding more space for the private sector. Together, they would ensure higher productivity and greater efficiency.
- ▶ **Caring Society**: Ours shall be a caring society that is both humane and compassionate. Antyodaya is an article of faith.

Aspirational India

Budget in this section has dealt with necessities to push up economy in such a way that it meets the demands of existing population in terms of food security, health and governance.

Agriculture, Irrigation and Rural Development

Highlights:

► Sixteen Point Agenda for doubling farmer's income by 2022

1. **Adoption of Model Laws:** These laws have already been enforced and to be adopted by state governments:
 - 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.
2. **Water Security:** It aims to address the water stress issue in *hundred water-stressed districts*.
3. **Solar Pumps under KUSUM Scheme:** It aims to incentivize *20 lakh farmers for setting up stand-alone solar pumps* and further to help another *15 lakh farmers solarise their grid-connected pump sets* under KUSUM Scheme.
4. **Sustainable use of fertilizers:** The budget has sought to use *all kinds of fertilizers including the traditional organic and other innovative fertilizers in a sustainable manner with a 'balanced approach'*.
5. **Development of forward-linkages:**
 - Proposal for *geo-tagging of all warehouses* which are present in the country.
 - Proposal for *setting up of warehouses* in accordance with norms set by Warehouse Development and Regulatory Authority (WDRA) at block/taluk level with *Viability Gap Funding by the central government*.
6. **Village Storage scheme** to be run by Self-help Groups (SHGs) in order to store the agricultural products and provide farmers a good holding capacity and reduce their logistics cost.
7. **National Cold Supply Chain and "Kisan Rail"** to be setup to provide better *storage and transportation facilities for perishable agricultural goods*.
 - Proposal of refrigerated coaches in *Express and Freight trains to transport perishable agricultural products*.
8. **Krishi Udaan Scheme:** This will be launched by the *Ministry of Civil Aviation* on international and national routes to *transport agricultural products especially fish, meat and dairy products* across the globe.
9. **"One product, One district":** Scheme in horticulture sector to be supported by the central government by providing incentives to *those states which support cluster-wise production of horticulture products*.

Notes...

10. **Promotion of 'Integrated Farming System'** in rain-fed areas to counter the vagaries of monsoon or unseasonal rain.
 - This will include Multi-tier cropping, **bee-keeping, solar pumps, solar energy production in the non-cropping season. Zero-Budget Natural Farming** will be promoted in this area to reduce the on-farm expenditure by farmers.
11. The budget proposes to **strengthen Negotiable Warehousing Receipts (e-NWR)** which will be integrated with e-NAM.
12. **Agricultural Credit:**
 - The budget proposes to strengthen agricultural credit by expanding refinance by NABARD and has set a target of Rs. 15 lakh crore for agricultural credit.
 - It has further intended to cover all eligible beneficiaries of PM-KISAN under the KCC scheme.
13. **Livestock and Animal Husbandry:** The budget proposes **to eliminate Foot and Mouth disease and brucellosis in cattle and also Peste des Petits ruminants (PPR, commonly known as goat plague) in sheep and goat by 2025.**
 - It also proposes to **increase coverage of artificial insemination** from existing 30% to 70%, **development of fodder farms** to produce quality fodder and **doubling milk processing facility** by 2025.
14. **Blue Economy:** It proposes to put in place a framework for the development, management, and conservation of marine fishery resources.
15. It aims to **raise the production of fish** and promote the **growth of algae, sea-weed and cage Culture**. It will further employ 'Sagar Mitras' to involve youths in **marine processing industries** and form **500 Fish Farmer Producer Organisations**.
16. It aims to further help SHGs under Deen Dayal Antyodaya Yojana for the alleviation of poverty.

Challenges in Agriculture Sector:

- Agriculture sector is one of the largest sector of Indian economy has is largest employer too. It contributes meagerly **17% to GDP while more than 52%** of the population is directly or indirectly dependent on it.
- Currently India is second largest populous country of the world and according to the **UN's World Population Prospects report, 2019 it is expected to surpass China by 2026 to become the world's largest country.**
- India is needed to foster a plan so that it can meet its goal of **food security** and eliminate hunger related disease such as **Child Stunting, Child Wasting, Child Mortality and Undernourishment.**
- India currently holds **102nd position among 117 nations** of the world in **Global Hunger Index** which is jointly published by the **International Food Policy Research Institute (IFPRI), Concern Worldwide, and Welthungerhilfe (WHH).**
- For an agriculturally prosperous country like India, it is a cause of great concern that **food produced is not distributed equally due to lack of forward linkages** and storage facilities.
- Further, it needs to deal with impact of climate change on agriculture, unseasonal rain and erratic monsoon in rainfed areas.

- India has largest livestock population in the world which needs to be protected from various types of disease such as **foot and mouth disease in cattle and peste des petits ruminants (PPR) in sheep and goat**.
- The total Livestock population in India stands at **535.78 million** in the country showing an increase of **4.6% over Livestock over the last 7 years**. They are considered as an alternative means of income for farmers.
- Agricultural credit is a big issue in India as large chunk of Indian farmers practice intensive agriculture and mixed farming.
- Failure of crops and financial burden has often caused suicide of large number of farmers in India. **396 cases of farmer's suicide were reported in 2019 which is huge. Hence, there is a need to counter it.**
- Having one of the largest coastlines in the world, Indian fisheries sector has great potential to increase India's forex reserves by exporting marine products.

How Budget proposals can help to overcome challenges?

- The budget has cautiously tried to meet aspirations and needs of this sector through its **Sixteen point Agenda** in different ways.
- It has tried to enforce existing model laws in agriculture with the help of state government.
- To deal with climate change, it aims to address the water stress issue in **hundred water stressed districts and provide solar pumps** to strengthen irrigation infrastructure at subsidized price under **KUSUM scheme**.
- The budget has sought to use **all kinds of fertilizers including the traditional organic and other innovative fertilizers in a sustainable manner with a 'balanced approach'** to counter the low productivity of farm sector.
- To end regional disparity in food security by developing forward linkages such as storage, processing and transportation facility.
- Government has proposed **geo-tagging of all warehouses, setting up of model warehouse and Village Storage scheme** to strengthen storage infrastructure.
- To strengthen transport facility **National Cold Supply Chain, Kisan Rail and Krishi Udan has been proposed**.
- This will also help government to achieve doubling the agricultural export by **2022 in accordance with 'Agricultural Export Policy'**.
- Promotion of **'Integrated Farming System'** in rainfed areas will help to counter vagaries of monsoon and unseasonal rain.
- Further by expanding refinance by NABARD and setting target of Rs. 15 lakh crore for agricultural credit, government will counter the issue of financial stress faced by farmers due to crop failures.
- Expansion of **credit to cover all eligible beneficiaries of PM-KISAN under the KCC scheme** will help to counter number of farmer's suicides in the country.
- Budget has proposed **to eliminate Foot and Mouth disease and brucellosis in cattle and also peste des petits ruminants (PPR) in sheep and goat by 2025**.
- Further expansion of **coverage of artificial insemination from existing 30% to 70% and development of fodder farms** will help to achieve dual objective of **doubling milk processing facility by 2025** and ensuring healthy cattle population.
- Promotion of food processing in fisheries by integrating youths will help to push up India's marine export.
- Budget proposals are in line with the aim of government of doubling the farmer's income and agricultural export by 2022

Notes...

Wellness, Water and Sanitation

Highlights:

- Proposes to setup more *hospitals tier-2 and tier-3 cities under the PPP model*.
- In the first phase, *priority will be in those 'Aspirational District', which do not have empanelled hospitals under the 'Ayushman Bharat' scheme*.
- Eliminate TB from India by 2025* and setting up of *Jan Ausadhi Kendras* offering 2000 medicines and 300 surgical *to all districts by 2024*.

Challenges in health & wellness in India:

- Out of the total health expenditure in India, effectively about only one-third (30%) is contributed by the public sector while 70% of total expenditure is borne by private sector.
- Lack of low cost generic medicine in different parts of country sucks money from middle and lower class and increase household expenditure.
- India has eliminated *polio in 2012 and in process of eliminating TB by 2025*.
- Although, health infrastructure in major cities are good but is overcrowded by *the patients from tier-2 and tier-3 cities*.
- Further, there is a wide gap of health infrastructure between different regions of the country especially the case of *'Aspirational districts'*, which lacks empanelled hospitals under Ayushman Bharat Mission.
- Further, India needs huge investment in water infrastructure to enable reach of *'safe drinking water'* and *tapped water to every household by 2024* under *"Jal Jeevan Mission"*

How Budget proposals can help to overcome challenges

- Budget proposes to setup more *hospitals tier-2 and tier-3 cities under PPP model* and will provide assistance in form of viability gap funding with special focus on 'Aspirational Districts'.
- Further, government has reiterated to *eliminate TB from India by 2025*.
- To address the issue of availability of low cost generic medicine, government has planned to set up *Jan Ausadhi Kendras* offering 2000 medicines and 300 surgical equipments *to all districts by 2024*.
- To push its aspirational *"Jal Jeevan Mission"*, government has proposed huge investment in water infrastructure.

Education and Skills

Highlights:

- The budget proposes to announce *'The New Education Policy'*.
- It also proposes to start a programme whereby urban local bodies across the country would provide internship opportunities to fresh engineers for a period of up to one year.
- 'National Police University'* and *'National Forensic Science University'* have been proposed.

- It has also proposed to start **degree level full-fledged online education programmes.**
- It has proposed to attach **a medical college to an existing district hospital on the basis of the PPP model** with the availability of Viability Gap Funding from the government.

Challenges in Education Sector:

- Indian Education sector is marred by mismatch in level of requisite technical education and current demands from different sectors of economy.
- Primary, secondary, higher secondary and higher education sector is equally impacted by it.
- This significant gap of skill development in India, is a major concern and needs to be bridged, for us to remain competitive in the world market. This is one of the cause of unemployment in India.
- There is huge employment crisis in market where the unemployment rate (UR) in both rural and urban India is at its highest since 1972.
- Only 46.21 percent students were found employable or ready to take up jobs in 2019 and a decline in employability was seen in BTech, Engineering. MCA graduates, Technical & Computer-related courses according to India Skills Report, 2019.
- There is also lack of doctors in the country which needs to be looked into. Currently, doctor-population ratio is of 0.62:1000 as per current population which is estimated to be of around 1.33 billion

How Budget proposals can help to overcome challenges?

- Proposed **'The New Education Policy'** will beat par with standards of modern education system thus improve the quality of education & marketable skills of youth.
- It also proposed to start **a programme where by urban local bodies across the country would provide internship opportunities to fresh engineers for a period up to one year.** This will essentially help India to counter existing '**skill gap**', persisting in the country along with other programmes such as **STRIVE** and '**Young Scientist programme.**'
- **Further to expand the scope and infrastructure of health education, budget has proposed to attach a medical college to an existing district hospital** on the basis of PPP model **with availability of Viability Gap Funding** from the government in case of requirement to expand infrastructure.

Notes...

Economic Development

Industry, Commerce, and Investment

Highlights:

- Proposal to establish a **Investment Clearance Cell**.
- Proposed to develop **five new smart cities** in collaboration with States in PPP mode.
- **National Technical Textiles Mission** has been proposed.
- **NIRVIK (Niryat Rin Vikas Yojana)** has been proposed by the budget to **achieve higher export credit disbursement to small exporters**.

Challenges:

- Currently, country is going through a tough phase of economic development due to decline in growth rate as **low as 5% of GDP and further prediction by major global agencies such as IMF to remain low at 4.8% of GDP**.
- Further, the industrial sector as per Index of Industrial Production (IIP) registered a **growth of 0.6 per cent in 2019-20 which is very low as compared to same period**.
- Indian economy is chiefly impacted by crisis in telecom sector, **MSME sector due to slow credit inflow** and **automobile sector due to deficit in demand**.
- The rate of unemployment coupled with economic crisis is a major challenge for India due to its huge demographic dividend.
- India's Demographic Dividend will **peak around 2041, when the share of working-age, i.e. 20-59 years, population is expected to hit 59%**. Hence, India needs to be prepared for it by creating employment opportunities.

How Budget proposals can help to overcome challenges?

- To further improve ease of doing business and faster resolution of financial issues, the budget has proposed **Investment Clearance Cell** that will provide "end to end" facilitation and support, including pre-investment advisory, information related to land banks and facilitate clearances at Centre and State level.
- This will help to strengthen '**Start up Ecosystem**' and will deal with dual challenge of **unemployment and slow growth rate**.
- It has also proposed to develop **five new smart cities along proposed economic corridors** to adjust working population and creating a job ecosystem. Sites will be chosen on the basis of location (near economic corridors and industries to be developed) and other factors such as technical requisites and human capital availability.

- **National Technical Textiles Mission** has been proposed which will give impetus to traditional textile industries by upgrading them with current demands of technical textiles across globe and to create an export-oriented industry of technical textiles.
- **NIRVIK (Niryat Rin Vikas Yojana)** has been proposed by the budget to achieve higher export credit disbursement to small exporters. This includes higher insurance coverage, reduction in premium for small exporters and simplified procedure for claim settlements. This will help to achieve the goals set by 'Industrial Export Policy' and 'Agricultural Export Policy' by 2022.

Infrastructure

Highlights:

- **National Infrastructure Pipeline** to be strengthened.
- The budget has proposed a **National Logistics Policy** to strengthen the logistics sector.
- The budget proposed to **replace conventional energy meters by prepaid smart meters** in the next 3 years.
- To Expand **the National Gas Grid** from the present 16200 km to 27000 km.
- **"Arth Ganga" Plan** which was envisaged earlier to energise economic activity along river banks will be realised.
- It has also proposed to complete NW-2 (Dhubri to Sadiya) by 2022.
- It has proposed to build infrastructure to **harness solar power along the Railway tracks. It also proposed to run 150 more trains and on PPP model.**
- Further, it aims to connect more cities with semi-high speed trains along with fulfilling its commitment to effectively implement high-speed train corridor (Bullet Train) from Mumbai to Ahmadabad.

Challenges in Infrastructure sector:

- Infrastructure projects are highly capital intensive and funding is considered as a major impediment in achieving the infrastructure goals.
- India has been marred with multiple challenges in Infrastructure sector including financing, land acquisition, Environmental Impact Assessment (EIA) and clearances from various agencies.
- Along with it, lack of dedicated freight corridor in railways and roadways are also a challenge to India's economic growth as it has impacted **India's performance in logistics sector in which it has achieved 35th rank worldwide.**
- India is also facing challenges in energy sector due to pollution caused by **thermal power plants and recent slump in coal production.**

How Budget proposals can help to overcome challenges?

- National Infrastructure Pipeline has been proposed to be strengthened which has already been launched with **103 lakh crore investment having 6500 projects across sector.**
- Budget has proposed for a **National Logistics Policy** to strengthen logistic sector.
- It has proposed to expand **the national gas grid** from the present 16200 km to 27000 km which will essentially cut greenhouse gas emissions from households.

Notes...

- **"Arth Ganga"** plan has been envisaged to strengthen infrastructure along banks of the river Ganga by promoting economic activities.
- It has also proposed to complete NW-2 (Dhubri to Sadiya) by 2022.
- It has proposed to build infrastructure to ***harness solar power along the Railway tracks. It also proposed to run 150 more trains and on PPP model.*** It will meet energy requirements in a sustainable manner.

New Economy: Assimilating new technologies and governance ideas

Highlights:

- A policy to enable the private sector to build **Data Centre parks** throughout the country.
- **Fibre to the Home (FTTH) connections** through Bharatnet.
- **National Mission on Quantum Technologies and Applications** be setup with a corpus of INR 8000 crore.
- **Two new national level Science Schemes to create a comprehensive database of the genetic landscape of India.**

Challenges:

- Although, India has a deep telecommunication penetration but digital infrastructure in governance is still far behind the current norms.
- High speed internet is still not available in far flung area which is a serious cause of concern.
- Advanced technologies which are being developed across the globe and are being adopted must be implemented in India.
- Data centers of private multi-national companies are located outside India's jurisdiction. This has caused serious challenges to inspection pertaining to governance, tax compliance, national security and various other issues.

How Budget proposals can help to overcome challenges?

- Budget has proposed a policy to enable private sector to build **Data Centre parks** throughout the country for better accessibility and utilization of data.
- **Fibre to the Home (FTTH) connections** through Bharatnet will link 100,000 gram panchayats this year to comply with challenges faced by digital governance infrastructure.
- The budget has proposed **National Mission on Quantum Technologies and Applications** be setup with a corpus of 8000 crore rupees. It will help India to comply with global standards in digital infrastructure.

Caring Society

Women & Child, Social Welfare

Highlights:

- Introducing automated cleaning of sewer lines with new technologies.
- Increased allocation to **nutrition-related programmes**, programmes related to women and child development and welfare of schedule caste and schedule caste.

Challenges:

- There are various challenges in women and child development in India starting from gaps in gender equality, wage equality, nutritional care for mother and child and gender violence among others.
- Further, problems such as 'Manual Scavenging' which has already been abolished is still persisting in Indian society showcasing inhumane nature.

How Budget proposals can help to overcome challenges?

- Budget has proposed to do away with manual scavenging by **introducing automated cleaning of sewer lines with new technologies**.
- It has also allocated a significant amount to **nutrition-related programmes**, which has already been running, related to women and child development and welfare of Scheduled Caste and Scheduled Tribes. It will further reduce incidences of malnutrition and improve conditions of vulnerable section of our society.

Culture & Tourism

Highlights:

UNION BUDGET 2020-21

CULTURE AND TOURISM

NEW ANNOUNCEMENTS

- Indian Institute of Heritage and Conservation
- Five Archaeological Sites as Iconic Sites
- Museum on Numismatics and Trade
- Tribal Museum in Ranch
- Maritime Museum in Lothal

Notes...

- To develop **five archaeological sites as iconic sites with onsite Museums. They are Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shirsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu).**
- **A museum on Numismatics and Trade** will be opened at Old Mint building Kolkata and the '**Tribal Museum**' in Ranchi.
- Setup a **maritime museum at Lothal**, the Harappan age maritime site near Ahmedabad.

Challenges:

- Diverse Indian mainland and geographical extent is covered with multiple cultural realms which are yet to be cashed **in form of tourism and forex earning by exporting services.**
- Although, India has multiple heritage sites from Harappan Civilization but it lacks proper showcasing to attract tourist footfalls.
- Tourism contributed to **9.2% of India's GDP in 2018 and supported 42.673 million jobs, i.e, 8.1% of its total employment**, which is too less owing to vast and culturally diverse Indian landscape.

How Budget proposals can help to overcome challenges?

- Development of **five archaeological sites as iconic sites with onsite Museums, amuseum on Numismatics and Trade**, and a **maritime museum at Lothal**, will further improve domestic as well as international tourism while showcasing rich Indian cultural heritage and diversity and help in increasing export of services.

Environment & Climate Change

Highlights:

- To achieve targets set up by the **Paris Climate Deal by cutting emission and closing down those thermal plants whose emission is higher than a pre-set limit.**
- It also proposed to help state governments in cutting air pollution in cities.

Challenges:

- Although India's per capita Green House Gas Emission is very low as compared to rest of the world . It produces GHGs as low as half of the world's average but due to INDCs as par with Paris Climate deal it has to cut its green house gas emission.
- Pollution in cities is a major problem for India. According to a report by **Green Peace, 22 of world's 30 most polluted cities are in India.**
- Seasonal Smog in National Capital territory of Delhi has caused all time high pollution level causing loss to health, economy and environment.

How Budget proposals can help to overcome challenges?

- These proposals will further highlight the India's commitment toward a greener world using sustainable development strategies.

Governance

Highlights:

- India will host the G-20 presidency in the year 2022 - the year of the **75th anniversary of independence of Indian Nation**. The budget has allocated a sum of Rs. 100 crore to begin the preparations for the event.
- It has also proposed a special package for newly created union territories of Jammu and Kashmir and Ladakh.

Financial Sector

Highlights:

- It has proposed to increase Deposit Insurance Coverage for a depositor under **Deposit Insurance and Credit Guarantee Corporation (DICGC)** from **Rs. one lakh to Rs. five lakh per depositor**.
- It has proposed to strengthen **the Cooperative Banks by amendments to the Banking Regulation Act**.
- It has proposed to **sell the balance holding of Government of India IDBI Bank** to private, retail and institutional investors through the stock exchange.
- Credit Guarantee Trust for Medium and Small Entrepreneurs (CGTMSE)** has been proposed by the budget **to provide subordinate debt for entrepreneurs of MSMEs**.

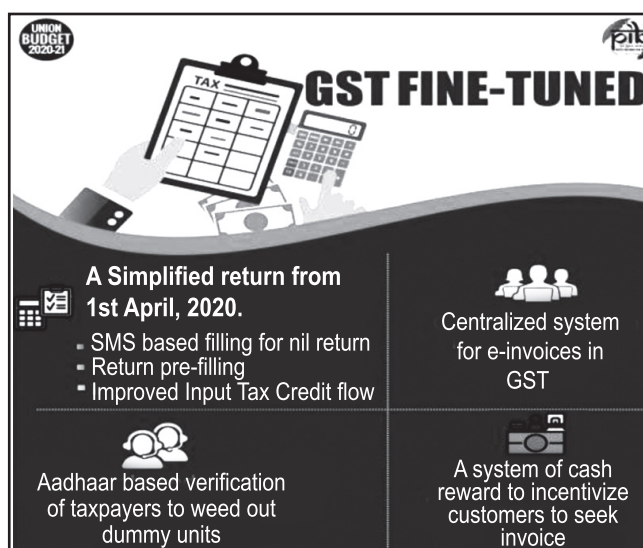
Taxation System

Highlights:

- PAN to be allotted online on the basis of Aadhaar details** without any requirement of the detailed application.
- The budget has proposed **to abolish the Dividend Distribution Tax (DDT)** and instead proposed and adopt the classical system of dividend taxation under which the companies would not be required to pay DDT.
- The dividend shall be taxed only in the hands of the recipients at their applicable rate.
- It has proposed a **concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity**.
- It has proposed **to grant 100% tax exemption to interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors by the Sovereign Wealth Fund of foreign governments**.
 - The budget has proposed **'Vivad Se Vishwas' scheme** under which will **cover disputes related to Direct Taxes**.
 - Under this scheme, a taxpayer would be required **to pay only the amount of the disputed taxes** and will get a complete waiver of interest and penalty provided he pays by 31st March 2020.
 - Option to be provided to **cooperative societies to be taxed at 22% plus 10% surcharge and 4% cess, with no exemptions or deductions**.

Notes...

- ◆ There have a lot of modifications to the simplification of paying GST.



- ◆ The budget has proposed new taxation slabs for paying income tax

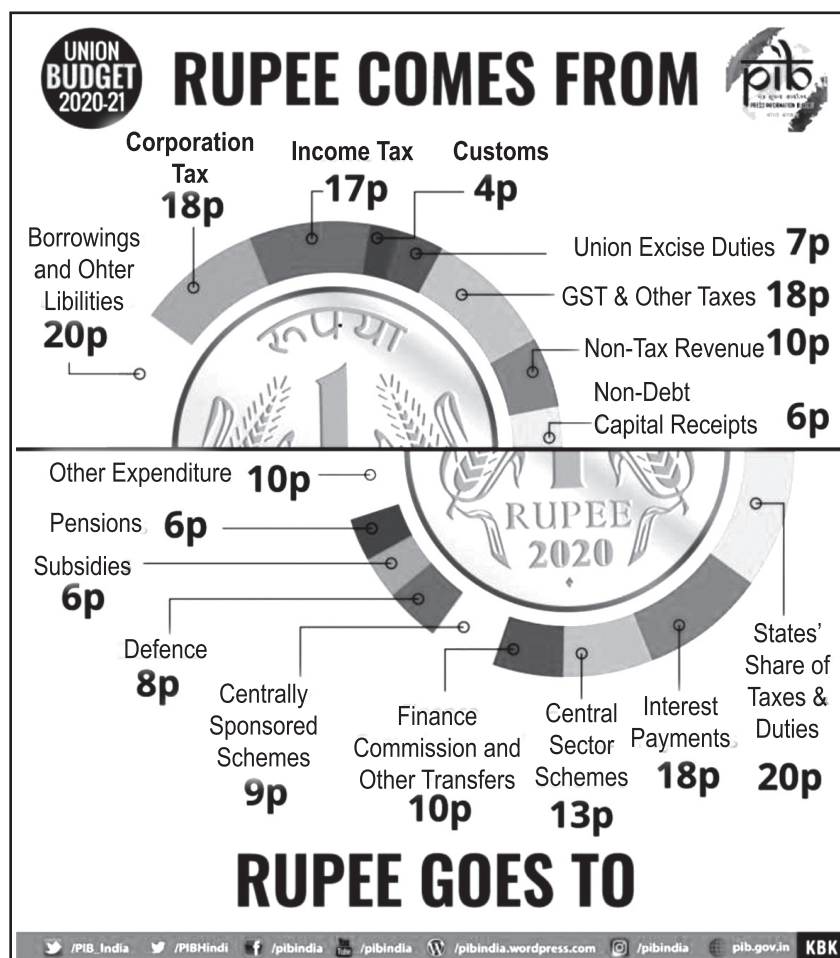
New Income Tax Rate	
Income Range	Tax Rate
5 - 7.5 Lakh	10%
7.5 - 10 Lakh	15%
10 - 12.5 Lakh	20%
12.5 - 15 Lakh	25%
<ul style="list-style-type: none"> • Those earning up to Rs. 5 lakh in a year will pay no tax • Tax rate of 30% on income above Rs. 15 lakh will be continued 	

Challenges:

- Complex taxation system coupled with heavy taxes with surcharges has compelled foreign investors to keep away from Indian economy.
- Taxes such as Dividend Distribution Tax (DDT) on share holders dividends was a burden on brokers.
- India's tax base is narrow has become narrower due to low collection of GST. India's gross tax-to-gdp ratio **fell to 10.9 per cent in 2018-19 on account of lower than estimated GST collection.**

How Budget proposals can help to overcome challenges?

- Budget has introduced speedy resolution of cases pertaining to direct taxes by introducing '**Vivad Se Vishwas**' **scheme** under which will cover disputes related to Direct Taxes. This will help to strengthen "Tax Resolution Infrastructure" in the country.
- It has also abolished **Dividend Distribution Tax (DDT)** to ease **regulations and tax compliance in financial sector**.
- It has also eased down various taxation complexities by providing numerous options such as **concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity, 100% tax exemption to interest, dividend and capital gains income in respect of investment made in infrastructure and other notified sectors by the Sovereign Wealth Fund of foreign governments**.
- **It has eased down paper work** by allotment of PAN to be allotted online on the basis of Aadhaar details. It will enable to widen tax base.



Notes...