FICCI

Economic Overview & Key Expectations: Union Budget 2021-22

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Economic Overview

The year 2020 was like no other. The pandemic, the ensuing health and economic crisis, the extent of personal losses have been historic. The sheer spread of the crisis has been of a magnitude never seen before having far reaching implications on the whole world.

India's economic prospects along with the world's were severely hit due to the pandemic. Our GDP growth has been in the negative zone for two consecutive quarters - touching historic lows of (-)23.9 percent in Q1 2020-21 and (-) 7.5 percent in Q2 2020-21.

Nonetheless, there are promising signs on economic front, and we may be heading towards a V-shaped recovery. We are well past the unlocking phase (even though some restrictions remain, major part of the economy is open) and a considerable normalization of activities across sectors is being noted. The results are evidently manifesting in the performance of lead indicators.

PMI for both manufacturing and services continue to be in the expansion zone over the past few months. There has been growth in passenger vehicles/ two-wheeler sales, railway freight traffic, and electricity consumption since September/ October. Going ahead, the recovery in rural demand is expected to strengthen further and urban demand is also improving aided by restart of economic activities and supportive government measures.

- **PMI Manufacturing and Services**, which had touched a historic low of 27.4 and 5.4 respectively in April 2020, have been in the recovery mode. In fact, PMI Manufacturing Index has been expanding (i.e, reporting a value of over 50.0) since August 2020 and touched a decadal high of 58.9 in October 2020. The latest data point for the month of December has been reported at 56.4. The Services index has also been in expansion mode - November 2020 (53.7) and December 2020 (52.3).
- **Index of Industrial Production (IIP)** had recorded contraction by a whopping 57.3 percent in April this year, which gradually narrowed to a 10.6 percent decline in July 2020 and an 7.1 percent decline in the month of August 2020. The data for month of September 2020 reported a positive growth of 0.5 percent for the first time after six months, which further improved to 4.2 percent in October 2020. However, the latest data for November has reported a decline by 1.9 percent.
- Data on **passenger car sales** reported a 6.4 percent y-o-y growth in September - which marked a break from over two years (27 months) of negative growth in passenger car sales segment. The passenger car sales registered a positive growth in October (3.7 percent) and December (3.9 percent), after witnessing a negative blip in November.
- A gradual pick up in **e-way bill volumes** has been noted. The e-way bill volume after touching a low of about 8.6 million in April 2020 has improved consistently. In the month of December 2020, the e-way bill volume stood at 64.2 million and is very much back at the pre-Covid levels.
- **Revenue earning freight traffic of major commodities** reported a consecutive fall in y-o-y growth between March and July 2020. However, August 2020 onwards an uptick has been noted. The Revenue Earning Freight Traffic of Major Commodities (Quantity) reported a 3.9 percent growth in August on a y-o-y basis and over 15.0 percent y-o-y growth in both September and October 2020. The latest number for the month of December reports a growth of 8.7 percent.

Moreover, the developments on the vaccine front are encouraging - even though the recent strike by mutant variants of the virus do pose a risk. The consumer confidence and business sentiment are also improving gradually. The recovery in exports has been uneven but the success of vaccine deployment across most advanced economies brightens the prospects of better exports growth going ahead.

Inflation over the last few months has been sticky, primarily due to food inflation. There has been hardening of retail food prices, but this is largely due to supply side bottlenecks. However, the latest data point for retail inflation has reported softening. CPI based inflation witnessed sharp moderation, and was reported at a fifteen-month low of 4.6 percent in December after remaining above the higher end of comfortable inflation range of the RBI consecutively. The easing of price pressure can mainly be attributed to a sharp plunge in food & beverages price index led especially by the decline in vegetable prices.

The outlook for agriculture remains bright. The sector has exhibited significant resilience in the face of the pandemic. While kharif sowing surpassed last year's acreage, rabi sowing has also been progressing well- recording nearly 2% y-o-y growth as on January 15, 2021. Good monsoons, higher reservoir levels and strong growth in tractor sales indicate continuance of buoyancy in the agriculture sector, going forward.

As per RBI's latest assessment, annual growth is projected at (-) 7.5 percent in 2020-21, while indicating a likely double-digit growth in next financial year [2021-22].

In fact, FICCI's latest assessment of growth for 2020-21 is broadly in line with the Reserve Bank. The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast for 2020-21 at (-) 8.0% - with a minimum and maximum growth estimate of (-) 8.6% and (-) 4.2% respectively. The median growth forecast for agriculture and allied activities has been put at 3.5% for 2020-21; industry and services sector, on the other hand, are anticipated to contract – by (-) 10.0% and (-) 9.2% respectively – during the year. Furthermore, our initial growth estimate for the next financial year 2021-22 is projected at 9.6% with a minimum and maximum range of 7.5% and 12.5% respectively.

However, several sectors especially the contact intensive service-based sectors and MSMEs which are highly employment intensive are yet to catch up. Private investors continue to remain wary and capacity utilisation is yet to reach optimal levels.

Also, rising unemployment can further weaken demand in coming months. According to CMIE, unemployment rate rose to a six-month high of 9.1% in December 2020. Further, as per FICCI's Manufacturing Survey (Nov 2020), 'Hiring outlook' remains grim as 80% of the respondents mentioned that they are not likely to hire additional workforce in the next three months.

Uncertainty in demand has made entrepreneurs cautious of planning investments. According to CMIE, both private and public sector companies announced new projects worth Rs 80,000 crore in the December quarter, a 89% year-on-year decline and a 22% decline compared to the quarter ending September 2020.

Thus, to ensure that recovery gains momentum and is sustained, there is a need for continued policy support.

Nonetheless, throughout this testing time the approach of the government has been laudable - from managing the lockdown to creation of healthcare facilities to handling the economy recovery and last but not least successfully testing the vaccines. The comprehensive policy packages announced by the government have provided enormous support. The clarion call towards creating an 'Atmanirbhar Bharat' has indeed been visionary. The assistance extended by the government across sections of the society has been exemplary - migrants, farmers, MSMEs, street vendors all have been taken care off. Besides the spate in reforms related to defence, power sector, aviation was also notable and is expected to bring much required momentum over the medium to long term.

Stimulus Measures	Amount (Rs crore)	Focus Areas
Pradhan Mantri Garib Kalyan Package (PMGKP)	192,800	Daily wage earners, women, farmers, health workers
Atmanirbhar Bharat Abhiyaan 1.0 (May 13- May 17)	1,102,650	Businesses including MSMEs Poor, including migrants and farmers Agriculture New Horizons of Growth Government Reforms and Enablers
PMGKP Anna Yojana – extension of 5 months from Jul - Nov	82,911	
Atmanirbhar Bharat Abhiyaan 2.0 (October 12)	73,000	Supporting Consumption & Investment Demand
Atmanirbhar Bharat Abhiyaan 3.0 (November 12)	265,080	Multi sector boost- production linked incentive scheme for 10 sectors, real estate, construction & infrastructure
RBI measures announced till 31st Oct 2020	1,271,200	
Total	**2,987,641**	

As a nation we have pushed ourselves to the limits and have come out as successful learners. And it is time we use this experience to transform as a nation. The forthcoming Union Budget provides an opportunity for the government to reiterate its commitment to build a New India.

We hope to see the next round of stimulus measures in the upcoming Union Budget 2021-22. It is of utmost importance to keep the sail anchored as we pass through the last tail of this storm. This is critical to enable a quick return to pre-covid level of output and facilitate acceleration of growth thereafter. With continued support from Government, we will be able to see much better outcomes in 2021.

FICCI Dhruva Pre-Budget Expectation Survey

The top three macro-economic themes which members of India Inc would like to see in the upcoming Budget are: demand creation, greater infrastructure spends and increased outlays for the social sector.

According to the survey results:

- Nearly 40% of the participants feel that 'personal tax relief' should be the key theme of direct tax proposals in this year's budget.

- About 47% of the respondents have mentioned that their biggest ask from the government in respect of direct tax is 'widening of the tax slabs'.

- An area closely related to demand is employment and majority of the survey participants (nearly 75%) supported 'employment generation' as the area for which tax incentives, exemptions should be provided by the government. The other two areas which came up in the list of priorities for seeking tax incentives, exemptions are 'innovation' and 'exports' with 53% of the surveyed companies supporting these.

- The survey participants were also asked to highlight their current pain points from the taxation perspective and how the government can support them. Results show that 'timely receipt of refunds' is a key challenge faced by as many as 52% of the respondents. This is closely followed by 'tax compliances' and 'tax litigation' with 49% and 43% of the respondents respectively reporting the same.

On the issue of stable tax policy, nearly 86% of the respondents highlighted that the government could promote this objective by bringing consistency at the tax administration level.

- The slowdown in the economy has also had an impact on the revenue collections of the government. While in recent months, the GST collections have moved up appreciably, there are concerns about sustaining the GST revenues and augmenting these further. When asked about how this issue can be addressed by the Government, an overwhelming 90% of the survey participants said that enhancing economic activity through greater consumption and investment demand should be Government's focus as it thinks of strategies to boost GST revenue. Better compliance, including addressing issuance of fake invoices, was another key suggestion made in context of augmenting GST revenues and this was supported by 56% of the respondents.

Union Budget 2021-22: Key Macro Expectations

I. Growth oriented measures

Upcoming budget must prioritise growth-oriented measures and fiscal considerations should be secondary. The recovery in consumption spending on the back of pent-up demand from the lockdown period as well as festive season witnessed during the last few months must not be mistaken for a complete revival in aggregate demand. Increased precautionary savings are likely to continue. To buttress demand conditions, government may consider the following.

Key Asks from Union Budget 2021--22
→ A scheme like MGNREGA for Urban Poor may be introduced – this may include sanitation work, plantation of trees, maintenance of public places, etc
→ Interest subvention on Housing Loans of 3-4% for a period of 3 to 4 years - this will not only help real estate sector but have multiplier effect on many other industries
→ Consider making employee's contribution to EPF voluntary (without making any change in the employer's contribution). Also, consider giving a three-year holiday for ESI contribution to both employers and employees. These will enhance the take home salary for individuals and will be helpful in reducing the gap between gross and net salary for employees at the bottom of the pyramid
→ Accelerate the pace of infrastructure investments. National Infrastructure Pipeline is a five-year plan. We should look at front-ending projects under NIP and try and complete 40-50% of the projects in the next two years. When the infrastructure sector moves, it pulls along more than 200 other sectors. It is also a key driver of unskilled employment generation
→ It is recommended that to incentivize creation of jobs, salary limit for deduction under section 80JJAA of the Act should be increased to at least Rs. 100,000 per month from the current limit of Rs. 25,000 per month. Deduction under Section 80JJAA of the Act should be extended to stipend paid for those enrolled for Vocational Education and DNB

II. Capital for long gestation projects

To achieve India's development plans, right from raising scale of manufacturing to building seamless and multimodal infrastructure, to investing in research and development, to strengthening social infrastructure – we need mammoth investments. Strategic plan is needed to ensure adequate capital resources are in place, both in public as well as private sector. National Infrastructure Pipeline is a welcome step. An equal focus is needed for long gestation industrial projects and avenues for financing such projects need to be widened.

Key Asks from Union Budget 2021—22
→ Establish a Development Finance Institution, on lines similar to NIIF, for financing mid-sized companies in India. Such a DFI can raise money from Sovereign Wealth Funds and other long-term institutional investors
→ Utilize a small part of foreign exchange reserves (US$15 or 20 billion) for setting up a fund and lend to Indian industry at say 6% in Rupees for new projects/ substantial expansion. The tenure for these loans should be 8-12 years
→ Review Capital Adequacy Ratio for banks. The capital to risk weighted assets ratio to be maintained by banks under the Basel III norms is lower than norms stipulated by RBI. These may be reviewed as it may help release capital for lending purposes
→ Establish more banks for supporting growth. Recommendations made by the Internal Working Group of RBI on ownership guidelines and corporate structure for Indian private sector banks should be taken forward. Proposals for allowing large well governed NBFCs to convert into banks and allowing large corporate and industrial houses to promote banks should be implemented
→ Launch Build India Bonds denominated in INR to raise global capital for a 20-50 year tenure, at very low interest rates prevailing across the world for financing economic and social infrastructure projects
→ Set up a National Asset Management Company (NAMCO) / Bad Bank as a new special purpose asset management company (AMC) that will take over stressed assets from the banking system and focus on recovery or rehabilitation of these assets
→ Government may consider divesting its stake in the public-sector banks to enable banks to raise capital from the market. Government can look at having 26 per cent share as a floor and bring in the concept of a golden share to exercise control over critical decisions. This will help save government money

III. Impetus for Future Growth Drivers

With Industry 4.0 being the next stage of industrial development globally, India must prepare itself for this change and leverage it to emerge as a dominant player in the next phase of industrial growth. The pandemic led crisis has speeded the adoption of digitalisation and artificial intelligence.

Key Asks from Union Budget 2021--22
→ Start-ups in the areas of AI, ML and other future digital technologies must be incentivized
→ Prime Minister's Wi-fi Access Network Interface will substantially improve wireless connectivity and spawn many small businesses which can leverage the connectivity offered. Government must allocate a substantial sum for this project in the coming year

IV. Incentivize Research & Development

If India has to remain relevant in this era of globalisation, it is clear that cutting-edge R&D is crucial for our products to remain globally competitive, and we are able to continuously take lead in developing new-age technologies and solutions. Furthermore, we need local solutions to deal with our myriad local and unique problems.

India's R&D spending is quite low at 0.67 % of GDP, vis-à-vis countries like Korea (4.92% of GDP), Japan (3.14%of GDP), Germany (2.94% of GDP) that spend substantial amount on R&D. India needs to enhance public spend on Research and Innovation from the current 0.67% to at least 1.5% of GDP and special focus must be laid on defence, education and health sectors. Indigenous R&D must be supported through fiscal incentives and by having a robust innovation ecosystem.

Key Asks from Union Budget 2021--22
→ Reintroduction of weighted deduction of 200% for inhouse R&D facility with liberalization in approval process is the need of the hour
→ Enabling a tax framework wherein India can be projected as an attractive residency option for such foreign investors. For instance, investments by diaspora in new technology business in India may be allowed without attracting tax on their overseas income for a period of say 10 years
→ R&D service firms that are playing a key role towards innovation in other businesses (such as pharma, healthcare, life-sciences, chemicals, electronics, etc) should be incentivized through a lower tax regime. Corporate tax on such services may be brought down to 15% (similar to new manufacturing companies), subject to fulfilment of specific conditions such as creation of a specified number of jobs or annual foreign exchange earnings
→ India needs to attract FDI investment in Research and Development activities ('R&D') as India lacks cutting edge technology. Receiving prototypes, semi developed tech samples from abroad and Testing activity plays a pivotal role while conducting R&D activities. Such R&D activities are denied to be treated as export of services. Instead taxed under GST@18%, as the place of supply by virtue of section 13(3)(a) of IGST, is the location where the services has been performed i.e. India in this case. This is making the R&D activity uncompetitive and many companies are shying away from further making an investment in India. It is recommended that IGST law may be suitably amended to notify that the place of supply of R&D services provided to foreign service recipients, shall be the place of effective use and enjoyment of service i.e. location of the service recipient

V. Instruments for Raising Fiscal Revenues

Key Asks from Union Budget 2021--22
→ Pledge PSU shares to RBI and raise resources at low rates. The market value of government shareholding in PSUs will be around Rs 15 lakh. A third of the shared can be pledged to RBI and government can raise Rs 5 lakh crore. This can be a loan at a low rate of interest – repo rate
→ Accelerate disinvestment program. Privatisation should be in true spirit ensuring capital investment from private sector (domestic or foreign)
→ Issue long term pandemic bonds in both domestic and international markets, which could provide additional space for government to borrow
→ Make Sovereign Gold Bond Scheme on-tap
→ Monetize non-core assets of various Government departments
→ Monetize 'custodian of enemy properties', which could generate significant funds for the government

Union Budget 2021-22: Tax Related Issues

I. Provide stability in tax regime

Given the overall impact of Covid-19 on economic and industrial activities, government finances too have come under stress. The situation next year may be better but the pressure to raise taxes will remain. At a time when businesses are clearly struggling to come back to life and rebuild what has been lost, imposition of any new tax or cess or an increase in the tax rate will prove to counterproductive. Amid all that is happening, there is a clear need to provide stability regarding the tax regime to our companies. This will boost investor confidence.

II. Extend Cut Off Date for Commencing Manufacturing Operations under section 115BAB of the Act from March 31, 2023 to March 31, 2025

Under the current provisions of the Income Tax Act, a domestic company engaged in manufacturing activity has the option to pay tax @ 15% subject to fulfilment of prescribed conditions. One such condition is that the company should commence manufacturing / production on or before March 31, 2023. In the aftermath of covid-19, many of the newly established companies have had to rejig their project development timelines and are not able to meet the prescribed deadline of March 31, 2023 by which they need to commence production. Therefore, the cut-off date for commencing manufacturing operations should be extended to March 31, 2025 from March 31, 2023 for companies to be able to take the benefit of the lower tax regime.

III. Provide relief from unwarranted interest on shortfall in payment of advance tax in respect of dividend income – Section 234C

The taxability of dividend income has shifted to the shareholders due to the amendment in the relevant provisions of the Act made by the Finance Act, 2020. Further the TDS rate for payment of dividend to resident shareholders has been fixed at 10%, the resident shareholders will be required to estimate their dividend income and pay advance tax on the same in instalments as per provisions of the Act to cover up for the balance tax liability after reducing 10% TDS.

The decision of a company to pay dividend is dependent on various factors (such as profits earned by the company, performance of the company, expansion plans, industry practise, etc.). The recipient shareholders, by no means, can make reliable estimate of the dividend receivable for the year. In fact, it is beyond the control of the shareholders to reasonably estimate the dividend income that they may earn. It is also not necessary that the same amount of dividend will be declared every year. Thus, unlike other regular income streams, given its unpredictable nature, it is impossible for the shareholders to estimate dividend income to be received during the year and thereby to consider the same for computing the advance tax liability.

Considering that shortfall in payment of advance tax would result in levy of interest under Section 234C of the Act, in most cases, the recipients may end up incurring the interest liability, if subsequently, dividend income is received from the companies. This may lead to grave prejudice to the resident shareholders who would incur an unwarranted interest liability under Section 234C of the Act for reasons beyond their control.

Owing to the uncertain nature of income, the proviso to Section 234C(1) of the Act, currently allows the taxpayers to deposit the advance tax in respect of specified incomes in the remaining instalments without incurring any interest liability – one of them being dividend income in excess of Rs. 10 lakhs taxable u/s. 115BBDA. Even in the current context, the nature of income (i.e. dividend) remains the same, although instead of being additionally taxed under Section 115BBDA of the Act in cases of super-rich investors, it will be taxed under Section 56 of the Act (in the hands of all shareholders). Thus, the rationale which motivated amendment to proviso to Section 234C(1) of the Act to make special dispensation in respect of super-rich tax on dividend income in hands of few resident shareholders will equally apply in relation to all resident shareholders from FY 2020-21.

Further, similar to the retroactive effect given to the amendment in proviso to Section 234C(1) of the Act in relation to dividend referred to in Section 115BBDA of the Act, the amendment for dividend taxable under Section 56 should be made applicable with retroactive effect from the time of introduction of dividend taxation (i.e.; from FY 2020-21 onwards).

On the lines of the carve-out presently made in respect of tax payable under Section 115BBDA, it is recommended that the first proviso to Section 234C(1) of the Act should be amended to extend its ambit to dividend income taxable under Section 56 of the Act as well with effect from FY 2020-21

IV. Convergence of GST rates (to three slabs)

Currently there are 7 rate slabs for goods (0%, 0.25%, 3%, 5%, 12%, 18%, 28%) and 5 rate slabs for services (0%, 5%, 12%, 18%, 28%). In addition, Compensation Cess applies on select goods. Government should consider converging the existing band of GST rates to three in line with international standards. This will help resolve interpretation issues, reduce complexity and probability of disputes. 0 – 5 – 16 – 28% No Menclature

V. Centralized GST Registration

With the introduction of the decentralized registration process, the cost of compliance and business process development has increased by manifolds. It is recommended that the concept of centralized registration for services as prevalent in the erstwhile service tax regime should be contemplated under the GST regime as well. This will enhance ease of doing business.

VI. Abolition of anti-profiteering provision in the GST Law

Given that the tenure of National Anti-Profiteering Authority was initially prescribed for a two-year period and with GST law largely been settled, it is recommended that the determination of prices should be left to the market forces and the provision of anti-profiteering in the GST law should be discontinued with prospective effect. The lack of guidelines on the subject is just adding to ambiguity in implementation of anti-profiteering provision by the industry.

VII. Provide credit of GST against excise duty on petroleum products

Currently, petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel is out of the purview of GST. Accordingly, input tax credit of GST paid on procurements is not allowed against the output tax liability to the supplier of the said products and is an additional cost for the producers of oil and gas.

Non-inclusion of petroleum products under GST regime and levy of GST on inputs has led to high incidence of tax on the suppliers of petroleum products.

Until introduction of GST on petroleum products, it is recommended that producers of petroleum and natural gas should be allowed to claim credit for GST on all inputs, input services and capital goods being paid by them to be allowed to be set-off against output excise duty and VAT (due deliberations may be carried out in the GST Council meeting regarding allowability against VAT) on these products. Appropriate suitable amendment may be carried out in the CENVAT Rules and VAT laws.

This will ensure that credit for input tax is provided and there are no stranded costs for the suppliers of petroleum products.

VIII. Constitute mechanism to have consultation with the industry

Currently, there is no formal consultative route available to the industry to have discussions with the members of the various Committees being constituted by the GST Council from time to time for example Fitment and Law Committee. We believe that to strengthen the consultative approach by the Government, a mechanism may be developed and approved by the GST Council, wherein an opportunity at least twice a year may be provided to the stakeholders to present their case to the Committees constituted by the GST Council (in line with pre budget consultations). The mechanism would provide an opportunity to the industry in putting across their views before any final decision is taken by the Government.

IX. Permit Importers with AEO Status to Carry Labelling Post Customs Clearance

Legal Metrology Act, 2009 requires all consumer products to be compliant to the regulations at the time of import. Directorate General of Foreign Trade (DGFT) has published this under the Foreign Trade Policy and accordingly the customs authorities have provided provisions through Notifications permitting importers to carry out the labelling in bonded warehouse if foreign supplier is not able to provide consumer packs with the labels.

It may be noted that under the erstwhile indirect tax regime, MRP had a major bearing on the value of certain specified goods imported into India for the purposes of calculation of customs duty. Accordingly, customs authorities were required to validate the MRP. Further, under the GST regime,

for the purposes of Integrated Goods and Services Tax ('IGST') which is being computed on the transaction value, MRP except in case of certain goods like footwear does not have any relevance.

Accordingly, the procedure of labelling to be carried out by the importers in the bonded warehouse only increases unwarranted compliance burden and cost for the importers without any revenue implications for the Government. It is recommended that the importers with AEO Status be permitted to carry out the labelling post clearance from customs and in their own warehouses which are registered with the Legal Metrology Department.

X. Remove ambiguity on BPO and Support to be treated as Exports

Issue of misinterpreting "Intermediary services" to cover all BPO or support services export and deny the export refund to exporters rampantly across India. There is a need to bring in clarity by creating separate rule for the above two categories.

XI. Introduce Concept of Mediation under the Tax Laws

There is an ever-increasing trend of litigation on tax matters in India. Considering the substantial time and resources of the Government and taxpayers that gets dragged into to resolve the same, it is important that the Government should mull upon introducing the option of mediation for taxpayers to resolve their tax disputes or concerns, harmoniously through dialogue, without having to indulge with the appellate forums. Mediation can go a long way in reducing the staggering pendency and backlog in Indian courts. FICCI would be happy to have further deliberations in detail with the Government on this thought process.

Union Budget 2021-22: Expectations for Key Sectors

I. Agriculture

The reforms introduced in the realm of agri-marketing and contract enforcement coupled with changes in the Essential Commodities Act are transformational. We welcome these moves as these will create a national market for farm produce, create opportunities for food processing industry, bring in greater investments in cold chain and warehouses – and in the process create avenues for higher income for farmers. We must continue to move in this direction and usher in more reforms.

Key Asks from Union Budget 2021-22
→ FPOs should be strengthened as these are critical for effective roll-out of the reforms. FPOs should be included in definition of MSMEs. This will open new avenues of support for FPOs, help them in raising capital for business operations and avail all other benefits that are available to MSMEs. Unless FPOs are defined properly, they will be constrained in their growth
→ The current concerns of farmers relate to MSP, which is essentially a price assurance mechanism. A sustainable and effective solution to this is to promote a Forward Market for agricultural crops. We can start the journey for a few crops other than cereals to begin with
→ Country needs an autonomous Agri Technology Governing Council comprising of public and private participation and a policy push to build conducive Agri start up ecosystem in the country and linkages with Agri universities at state level to build partnership projects at grassroot level
→ Special focus on strengthening Agri statistics to reduce information arbitrage on data for sowing, crop condition, prices and other vital parameters. Today, 85% of farmers in country are small and marginal. Use of Agri-stack built on foundation of farmers database can bring instant access of disruptive innovations at their doorstep and will lead to intelligence driven decision making

II. Infrastructure

Measures to revive the growth cycle, creation of jobs are of paramount importance in the current scenario. A stimulus to investments in infrastructure can provide a major fillip to the growth engine, creation of jobs and spur in demand. The significance of investing in infrastructure cannot be overemphasised. The multiplier effect of capital expenditure is estimated at 3.25 , with large positive effects on employment and GDP growth. At the same time, inadequate infrastructure adversely impacts the cost-competitiveness & productivity of Indian industry.

Key Asks from Union Budget 2021-22
→ Erstwhile Section 10(23G) of the Income Tax Act exempted income by way of dividend, interest and long-term capital gains arising out of investments made in an enterprise engaged in the business of developing, maintaining and operating an infrastructure facility
→ Benefit similar to section 10(23G) of the Act to incentivize investments in infrastructure may be provided in the upcoming Union Budget

III. Education

The National Education Policy is a step in the right direction. While it creates conditions for greater private sector participation in the education sector, we need more radical reforms to bring in private capital into this sector. The objective should be to go beyond flow of CSR funds into the sector.

Key Asks from Union Budget 2021-22
→ Apart from philanthropic efforts, for-profit HEIs should also be allowed to be set up. Even the Hon'ble SC in TMA Pai case has said that providing education is a vocation, and it is no longer a charity and a reasonable surplus should be allowed. But profiteering should not be permitted. Towards that end, Indian Societies and Trust Act could be amended to allow for profit companies to set up educational institutions
→ Under the NEP, private higher education institutions must provide scholarships to students from the weaker socio-economic sections of society. While this proposal is well taken, private HEIs should have the freedom to fix the quantum of amount and percentage of students who would receive scholarship
→ Fees for private HEIs should be left to the market forces and if need be, institutions could have their internal fee fixation committees that would ensure that fees of existing batch of students is not increased. The fee regime should ensure that the institute is able to recover full cost of education and not merely the reasonable recovery of cost
→ HEIs and universities in India should be allowed to invest their surpluses / endowment funds in wider asset classes such as equity, alternative investment funds, investment trusts

IV. Healthcare

Government has already envisaged increasing public spend on healthcare to 2.5% of GDP (from around 1.3% currently). We urge the Government to start spending an extra 0.5% of GDP every year on health for the next five years.

Key Asks from Union Budget 2021-22
→ Extend tax benefits under Sec 35AD (100% deduction on capital expenditure) to all hospitals. Currently it is applicable only to hospitals having minimum capacity of 100 beds
→ Provide weighted deduction of 150% to healthcare providers for capex incurred for fighting Covid pandemic
→ Provide weighted deduction of 150% of expenses incurred on skill development in healthcare sector (hospitals and diagnostic centres)
→ Incentivize health insurance for individuals, deduction towards payment of medical insurance premium should be enhanced (to Rs 50,000 from current Rs 25,000)
→ Launch Health Infrastructure Fund and Medical Innovation Fund to facilitate greater access to capital for industry

The whole sale trade should be permitted for registration in MSME.

V. MSMEs

Despite being the steering force of Indian economy, country's MSME sector was among the worst hit due to lockdown induced by Corona virus leaving a severe dent on MSMEs.

Key Asks from Union Budget 2021-22
→ Inclusion of proprietorship and partnership MSMEs under new corporate tax rate regime. Base corporate tax for existing companies has been reduced to 22 per cent from 30 per cent, and to 15 per cent from 25 per cent for new manufacturing firms incorporated after October 1, 2019 and starting operations before March 31, 2023. However, this mandate does not include the Proprietorship and Partnership units which constitute the majority of the MSMEs in the country. We suggest the government to extend this norm to the proprietor and partnership firms, which constitute the majority of the total number of MSMEs in India, given that they are registered with the GST
→ Government should establish International Alliances for Technology Transfer with various developed and developing countries that give high priority to innovation and technology. This institutional mechanism will enable knowledge exchange on latest technologies, thereby facilitating innovation driven entrepreneurship in the country. Our Technology Centres can play an important role in this mechanism
→ Testing & Certifications should be made convenient and cheaper for MSMEs. It is required that a mechanism/tie-up should be developed that testing can be done at Indian Centers whereas certificates for the same test could be issued from various global testing centers which are acceptable in respective countries/regions. Alternatively, Indian Testing Certificates should have global acceptance. Besides, MSMEs should be given subsidies for testing facilities in the country
→ Reporting of delayed payment to MSEs by corporate could be crucial for swift payment to MSEs. Chartered Accountants/Auditors should be issued guidelines to report all the delayed/pending payment to MSEs (beyond 45 days & lack of specific payment contract) during the year in the Annual Report of the Corporate in a separate section. This mandatory reporting in Annual Report would encourage Corporate to pay MSEs on time. Besides, this reporting does not create any additional operational burden on corporate per se, as Auditors normally verify every invoice and respective payment during the year being audited

Dishonured cheques.