PAHLE INDIA FOUNDATION
FACILITATING POLICY CHANGE

Budget 2020-21
First Cut Analysis

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There were great expectations for Budget 2020-21 given the current economic scenario, an impending fear of slow economic recovery as well as possible stagflation. While the Budget certainly had some good specific reforms outlined for certain sections of the population, it has failed to offer any kind of solace to the worries of industry over economic slowdown.

Based on preliminary analysis of budget documents, we come to the following conclusions.

1. There is an unrealistic dependence on money from non-tax revenues to fund proposed schemes. In light of repeated problems with disinvestment, it is surprising that the government has not put together a proper vision document or strategy plan on how they propose to achieve disinvestment targets.
   a. Financing budget allocations for 2021 is expected to come from “Other Capital Receipts”.
   b. The government expects to make 6 paise per Rupee in 2020-21, a significant increase of 3 paise per Rupee over the previous year on “Non Debt Capital Receipts.”
   c. As of 2019-20 (RE) the government has met only 62 per cent of the disinvestment target of INR 1,05,000 crores.
   d. Disinvestment receipts have fallen to -31.4 per cent from 2018-19 (A) to 2019-20 (RE).

2. Total revenue receipts have grown by 19 per cent from 2018-19 (A) to 2019-20 (RE).
   a. Shortfall of 5.7 per cent in revenue receipts for 2019-20 between BE and RE, of which shortfall in tax revenue is 8.7 per cent.
   b. Non-tax revenue saw an increase of 10.3 per cent.
   c. Budgeted growth in tax revenue for 2020-21 (BE) over 2019-20 (RE) is 8.7 per cent.
   d. Total increase in revenue receipts for 2020-21 (BE) over 2019-20 (RE) is 9.2 per cent.

3. Revenue deficit as of 2019-20 (RE) was 2.4 per cent which increased to 2.7 per cent in 2020-21 (BE).

4. Even while there has been an effort to simplify the Direct Tax Code for personal income tax payers, the choice given to people to opt into the new regime may place unnecessary administrative burden on tax authorities.
   a. Corporation tax, GST, and Union Excise Duties are projected to have lower collections by 3 paise per Rupee, 1 paisa per Rupee, and 1 paisa per Rupee respectively. Ironically, revenue from income tax is expected to go up by 1 paisa per Rupee over last year

5. On the other hand, the 'Vivaad se Vishwas' scheme is certainly one of the positive highlights of this Budget, which truly aims at Ease of Living for both industry and individuals.

6. In terms of expenditure, it is heartening to see that the government plans to cut down its expenses on subsidies. However, that the allocations to CSS and CS have not been increased in light of the number of new schemes announced, seems impractical.
    a. Funding for CSS, CS and subsidies have gone down from 30 paise per Rupee in 2019-20 to 28 paise per Rupee in 2020-21. This decrease is on account of reduction in subsidies.
    b. Expenditure on pensions has gone up by 1 paisa per Rupee, and so has that of defence.
    c. A significant increase by 3 paise per Rupee for States' share of taxes and duties is seen, as is a 3 paise per Rupee increase in Finance Commission and other transfers.

7. On the whole, Budget 2020 has done little by way of short-term and medium-term reforms to stimulate recovery, even though it has addressed micro-concerns and has laid out a fairly positive roadmap, especially for the social sector up until 2024. The absence of a more comprehensive plan for improving the health of the banking sector and NBFCs is a glaring oversight.

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