



Current Affairs of the Day

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Union Budget 2021-2022

Union Finance Minister Nirmala Sitharaman loosened the exchequer's purse strings in an effort at an expansionary Budget for 2021-22, with a push for infrastructure and healthcare spending, even as she sought to reduce the fiscal deficit from an estimated 9.5% of the GDP this year without ostensibly raising the tax burden.

Fiscal deficit:

1. Finance Minister Nirmala Sitharaman has pegged the fiscal deficit for 2021-22 at 6.8% of the GDP and aims to bring it back below the 4.5% mark by 2025-26.
2. The original fiscal deficit target for 2020-21 was 3.5%. However, in reality, the deficit has shot up to a high of 9.5% of the GDP due to the impact of the COVID-19 pandemic.
3. The Centre proposes to make amendments to the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, to reflect these changes to the fiscal consolidation road map.
4. The Centre hopes to return to the path of fiscal consolidation by higher tax buoyancy through improved compliance on the one hand, and increased monetisation of its assets, including public sector enterprises and land, on the other.
5. Govt also proposed to augment the Contingency Fund of India from ₹500 crore to ₹30,000 crores.

Health Sector:

1. 137% increase in health and well-being spend. This includes ₹60,030 crores for drinking water and ₹35,000 crores for vaccination
2. Govt also announced a new Centrally sponsored scheme, PM Atmanirbhar Swasth Bharat Yojana, that would be launched for 6 years to improve primary, secondary, and tertiary care health systems, strengthen national institutions, create new institutions to cater to detection and cure of new and emerging diseases.
3. This scheme aims to support 17,788 rural and 11,024 urban Health and Wellness Centres, establish integrated public health labs in all districts, strengthen the National Centre for Disease Control (NCDC), establish nine



Bio-Safety Level III laboratories and four regional National Institutes of Virology.

Banking, Investment Promotion and Disinvestment:

1. To provide protection to investors, the Finance Minister has proposed to introduce an investor charter as a right of all financial investors across all financial products.
2. The foreign direct investment limit in the insurance sector will be raised to 74% from 49% and a “bare minimum” number of public sector enterprises will be retained even in strategic sectors such as defence, under an ambitious new strategic disinvestment policy.
3. The Minister, while presenting the Budget, also announced steps to attract foreign investment into infrastructure; relief for affordable housing and rental housing; tax incentives to the International Financial Services Centre (IFSC); relief to small charitable trusts; and steps for incentivising start-ups in the country.
4. The Budget has proposed to make dividend payments to REIT (Real Estate Investment Trusts) / InvIT (Infrastructure Investment Trusts) exempt from TDS (tax deducted at source).
5. For Foreign Portfolio Investors (FPI), the Budget has proposed the deduction of tax on dividend income at a lower treaty rate. As per the proposal, the advanced tax liability on dividend income will arise only after the declaration or payment of dividend.
6. The Budget has proposed to make notified infrastructure debt funds eligible to raise funds by issuing tax-efficient zero-coupon bonds.
7. A new development finance institution is being set up to fund infrastructure projects under the National Infrastructure Pipeline, while an asset reconstruction firm, or ‘bad bank’, will be tasked with taking over the bad loans of public sector banks to cope with rising NPAs.
8. However, just ₹20,000 crores have been earmarked for the recapitalisation of banks, lower than expectations.

Fiscal federalism:

1. The government has accepted the 15th Finance Commission’s recommendation to maintain the States’ share in the divisible pool of taxes to 41% for the five-year period starting 2021-22.



2. The States have been granted enhanced borrowing room of up to 4% of the Gross State Domestic Product (GSDP) for 2021-22, with an additional 0.5% limit for those undertaking critical power sector reforms.

Defence: Modernisation Fund for Defence and Internal Security (MFDIS)

1. LAC stand-off factored in for defence outlay. Against the backdrop of the stand-off with China and an impetus for military modernisation, the allocation for capital expenditure in the defence budget saw an increase.
2. The 15th Finance Commission recommended the constitution of a dedicated non-lapsable Modernisation Fund for Defence and Internal Security (MFDIS) to bridge the gap between projected budgetary requirements and the allocation for defence and internal security.
3. In the action-taken report tabled in Parliament, the government said it had “in principle” accepted the creation of the fund in the Public Account of India.
4. However, the unutilised amount from the normal budgetary allocations to the Defence Ministry and the Home Ministry for a capital expenditure shall not be part of the fund.
5. The Defence Ministry has for long been demanding a non-lapsable fund, keeping in view the long trajectory of military modernisation.
6. The proceeds will be utilised for capital investment for modernisation of the defence services, capital investment for the Central Armed Police Forces (CAPF) and modernisation of State police forces as projected by the Home Ministry and a small component as a welfare fund for soldiers and paramilitary personnel.

Taxation:

Taxing Savings of the rich

1. The Union Budget has proposed taxing the income on Provident Fund contributions of more than ₹2.5 lakh a year, usually made on a voluntary basis by employees.
2. A similar tax exemption offered to investors in unit-linked insurance plans (ULIPs) has also been capped to ensure that maturity benefits accruing from premium payments of more than ₹2.5 lakh a year will be subjected to capital gains tax.



3. For contributions up to ₹2.5 lakh a year to the Employees' Provident Fund (EPF), tax exemptions will remain, along with guaranteed returns.

Tax slabs remain unchanged

1. Without making any changes to the personal income tax slab, the Union Budget 2021-22 has
 - a. provided relief to senior citizens in the filing of I-T returns;
 - b. reduced the time limit for I-T proceedings;
 - c. announced the setting-up of a Dispute Resolution Committee and faceless Income Tax Appellate Tribunal proceedings;
 - d. provided relaxations for Non-Resident Indians (NRI);
 - e. offered an increase in the exemption limit from audit, and accounted for relief for dividend income.
2. To reduce litigation in the system, a Dispute Resolution Committee for small taxpayers facing litigation is to be set up.
3. Govt also announced the setting up of a National Faceless Income Tax Appellate Tribunal Centre.

India Factory:

India has the potential to be the factory for the world. The Budget has addressed several enablers in this direction, like, specialised manufacturing parks, infrastructure as in highways, railways and ports, reforms in the power sector and affordable housing on rent for migrant workers.

Railways

1. Railways could move a large number of goods and people in a very cost-effective and environmentally-friendly manner. A relook at railways as the backbone of the country is certainly going to be beneficial.
2. Union Finance Minister Nirmala Sitharaman proposed a "record" allocation of ₹1.1 lakh crore for Indian Railways, with a capital expenditure outlay of ₹2.15 lakh crore for the next financial year.
3. The Railways said funds would be utilised to boost the 'Atma Nirbhar Bharat Mission' and towards the completion of vital infrastructure projects, capacity-building passenger amenities and safety enhancement.



Auto sector

1. Leading players in the automotive sector have welcomed the Centre's announcement on the voluntary vehicle scrappage policy to phase out old and unfit vehicles. The policy is good for the environment and for setting in motion a circular economy.
2. While tabling the Union Budget for 2021-22, Finance Minister Nirmala Sitharaman said the policy would help in encouraging fuel-efficient, environment-friendly vehicles, thereby reducing vehicular pollution and the oil import bill.
3. Vehicles would undergo fitness tests after 20 years in automated fitness centres in the case of personal vehicles (PV), and after 15 years in the case of commercial vehicles (CV).

Shipping

1. Government to privatise seven major ports. Seven major ports, worth ₹2,000 crores, will see their operations privatised in the year 2021-2022, as per the Union Budget 2021-22.
2. The Finance Minister also announced a subsidy scheme of ₹1,624 crores for a period of five years for Indian shipping companies to encourage more merchant ships with Indian flags. This initiative will enable greater training and employment opportunities for Indian seafarers.
3. The Budget also envisages boosting the recycling of ships at Alang in Gujarat. The Minister said the capacity of recycling shipyards would be doubled by 2024.
4. India has enacted Recycling of Ships Act, 2019 and acceded to the Hong Kong International Convention (HKC). Post-enactment of the law, about 90 ship recycling yards at Alang had already achieved HKC-compliant certificates.
5. India aspired to grab at least 50% of the global ship-recycling business. The country's share in the ship recycling business is around 30% at present.
6. India has 12 major ports under the control of the Centre. These major ports handle about 60% of its total cargo traffic.

MSME sector

1. The Union Budget has doubled the allocation to micro, small and medium enterprises (MSMEs) to ₹15,700 crores for the next financial year from ₹7,572 crores in 2020-2021.



2. The plan to strengthen the NCLT framework, implement an e-courts system and introduce alternative methods of debt resolution and special framework for MSMEs were significant.
3. According to the Federation of Indian Micro and Small & Medium Enterprises, a reduction in customs duties on steel and ferrous and non-ferrous scrap will help bring down the raw material prices.

Transport Sector

Highways Ministry

1. The Ministry of Road Transport and Highways received ₹1,18,101 crore in the Union Budget, of which ₹1,08,230 crore is for capital expenditure. The Finance Minister said this was the highest-ever outlay for the sector.
2. The Finance Minister informed Parliament that under the Bharatmala Project, more than 13,000 km of roads had been awarded and that by March next year, another 8,500 km would be awarded for construction.

Urban Mobility:

3. Govt announces expansion of Metro Rail networks in Budget
4. In a boost to urban transport, Govt announced a new scheme for public buses, and the expansion of and new Metro networks.
5. Two new Metro technologies — MetroLite and MetroNeo — would be used in tier-2 cities and the peripheral parts of tier-1 cities to provide connectivity at a lower cost compared to conventional Metro systems.
6. The Government will work towards raising the share of public transport in urban areas through the expansion of Metro Rail networks and the augmentation of city bus services.
7. A new scheme will be launched at a cost of ₹18,000 crores to support the augmentation of public bus transport services. The scheme will facilitate the deployment of innovative public-private partnership [PPP] models to enable private sector players to finance, acquire, operate and maintain over 20,000 buses.

Gig Economy

1. The Government announced the launch of a portal to collect information on gig, building and construction workers to formulate welfare schemes for



migrant workers. This will help formulate health, housing, skill, insurance, credit and food schemes for migrant workers.

2. For the first time globally, social security benefits will extend to gig and platform workers. Minimum wages will apply to all categories of workers and they will all be covered by the Employees State Insurance Corporation.
3. At the same time, the compliance burden on employers will be reduced with a single registration and licensing and online returns.

Affordable housing

1. To promote the supply of affordable rental housing for the migrant workers, the FM announced a new tax exemption for notified affordable rental housing projects.
2. The relaxation on tax compliance for REIT investors will further improve the marketability of such products, considering we are likely to witness new REITs this year.

Capital Market:

1. The Centre on Monday announced setting up of a Single Security Market Code by consolidating the provisions of SEBI Act, 1992, Depositories Act, 1996, Securities Contracts (Regulation) Act, 1956 and Government Securities Act, 2007.
2. According to analysts, this move will improve ease of doing business in the country's financial markets, cut down compliances, reduce cost and do away with friction between various stakeholders.

Corporate Bond Market Deepening

1. In order to instil confidence among participants in the corporate bond market during times of stress and to generally enhance secondary market liquidity, the Budget has proposed to create a permanent institutional framework.
2. The proposed body would purchase investment-grade debt securities both in stressed and normal times and help in the development of the bond market.
3. It will clearly help to deepen the corporate bond market which continues to face liquidity challenges.

Agriculture:

1. The budget allocation for the Department of Agriculture, Cooperation and Farmers Welfare was slashed 8.5% in 2021-22. The flagship PM-KISAN



scheme, meant to provide income support to farmers, saw a 13% drop in its budget, which is ₹10,000 crores lower than last year's initial allocation.

2. The government allowed State-run Agricultural Produce Marketing Committees (APMCs) to access the ₹1 lakh crore Agriculture Infrastructure Fund (AIF).
3. The AIF was created last year, as part of a COVID-19 stimulus package to develop cold chain storage and other post-harvest management infrastructure. Now the Govt has announced that APMCs will also be able to access these funds. It can be seen as a sign of support to the APMC system.
4. If they are making APMCs eligible to borrow from this fund, and thus strengthen their infrastructure, the government seems to be sending a message that they are not going to be killed.
5. Agriculture Cess: Govt also announced an Agriculture Infrastructure Development Cess to be levied on petrol, diesel, gold and other imports, to improve facilities for production, conservation and processing of farm produce and thus "ensure enhanced remuneration for our farmers".

Food subsidy

1. The food subsidy bill spiked sharply this year, from ₹1.15 lakh crore in the 2020-21 budget estimates to ₹4.22 lakh crore in the revised estimates, reflecting the additional cost of free foodgrain distribution in the wake of the COVID-19 pandemic, as well as the government's decision to pay the Food Corporation of India's burgeoning loans and return to budgetary transfers to fund the food subsidy bill.
2. In 2021-22, the food subsidy budget has been set at almost ₹2.43 lakh crore. It would help clean up the government's accounts and improve the financial health of the FCI.
3. Govt proposed to discontinue the NSSF [National Small Savings Fund] loan to FCI for food subsidy and accordingly Budget provisions have been made in RE 2020-21 and BE 2021-22.
4. FCI procures grains from farmers at an economic cost of almost ₹27 a kg for wheat and ₹37 for rice and then provides it to 80 crore poor people through the public distribution system (PDS) at subsidised rates of ₹2 a kg for wheat and ₹3 for rice.



5. However, for several years, the budgetary allocation for PDS has not been sufficient to cover FCI's subsidy costs, forcing it to borrow from the NSSF at a rate of about 8%. Its outstanding loans are now well over ₹2 lakh crore.
6. Now again switching to Budget allocations instead of loans will increase transparency, bringing a subsidy expenditure back on the government's books. It's an accounting adjustment that will help reflect the government's debts and current financial state more accurately.

Blue Economy

1. Five major fishing harbours will see substantial investments for modernisation and development.
2. Five major fishing harbours — Kochi, Chennai, Visakhapatnam, Paradip and Petuaghat — will be developed as hubs of economic activity. The Government will also develop inland fishing harbours and fish-landing centres along the banks of rivers and waterways.
3. The Government announced measures to promote seaweed cultivation. Seaweed farming is an emerging sector with the potential to transform the lives of coastal communities. It will provide large scale employment and extra income.
4. To promote seaweed cultivation, Govt proposed a Multipurpose Seaweed Park to be established in Tamil Nadu.

Education:

Research and development

1. The Finance Minister earmarked ₹50,000 crores over five years for the creation of a National Research Foundation (NRF) — an umbrella body that is expected to fund research across a range of disciplines, from science and technology to humanities.
2. First announced in the 2019 Budget speech after it was proposed in a draft of India's New Education Policy (NEP).
3. The NRF will also seed and build research capacity at universities and colleges through a formal mechanism of mentoring. It will also catalyse research at universities and colleges that have until now not been big players in research.



Military seizes power in Myanmar coup

1. Myanmar's military seized power on Monday in a coup against the democratically elected government of Nobel laureate Aung San Suu Kyi, who was detained along with other leaders of her National League for Democracy (NLD) party.
2. The Army said it had carried out the detentions in response to "election fraud", handing power to military chief Min Aung Hlaing and imposing a state of emergency for one year, according to a statement on a military-owned television station.
3. The Generals made their move hours before Parliament had been due to sit for the first time since the NLD's landslide win in a November 8 election viewed as a referendum on Ms Suu Kyi's democratic government.