A. FISCAL INDICATORS – ROLLING TARGETS AS A PERCENTAGE OF GDP

Table 1: Fiscal Indicators (as percent of GDP)

		Revised Estimates 2020-21	Budget Estimates 2021-22
1.	Fiscal Deficit	9.5	6.8
2.	Revenue Deficit	7.5	5.1
3.	Primary Deficit	5.9	3.1
4.	Gross Tax Revenue	9.8	9.9
5.	Non-tax Revenue	1.1	1.1
6.	Central Government Debt		
	Of which Liabilities on account of EBR	3.1	2.9

1. Covid-19 inflicted an unprecedented adverse shock to the economy in 2020-21. Along with the economy, the finances of the Government was in stress for the greater part of four months and was particularly severe in the first quarter of 2020-21. In this background, to remain close to the potential output of the economy, the government has revised its fiscal targets as indicated in table above for RE 2020-21 and BE 2021-22.

2. A brief description of the fiscal performance of the Government in Q1 as an example of the measure of stress is attempted below. The tax receipts as a proportion of Budget Estimates at the end of Q1 was 6.8 percent compared to the 20-year average of 13.2 percent. However, Government’s commitment to ensure adequate relief expenditure ensured that expenditure was above historical trends. Q1 expenditure as a proportion of the BE was 26.8 percent which was higher than the 20-year average of 22.4 percent of BE. It is also worth noting that own receipts of the Government (tax and non-tax receipts, non-debt capital receipts) was adequate only to meet 18.8 percent of the total expenditure. The resulting resource-gap was filled by a combination of short-term and long-term borrowings. The 20-year average is 42.4 percent. With the increase in tax receipts, the fiscal situation has improved as the year progressed.

3. The snapshot provided in Table 1 is reflective of the above adverse shock. Compared to 2020-21 Budget Estimates for Fiscal Deficit of 3.5 percent, at RE it is anticipated that Fiscal Deficit would be 9.5 percent. In BE 2021-22, the fiscal deficit has been estimated to be 6.8 percent of GDP. The simultaneous increase in expenditure by the Government on health, livelihood and economic stimulus and the reduction in receipts is the reason for the increase in fiscal deficit. It is estimated that in RE 2020-21 the Gross Tax Revenue to GDP ratio and Total Expenditure to GDP ratio will be 9.8 percent and 17.7 percent compared to the BE 2020-21 of 10.8 percent and 13.5 percent respectively. Compared to BE and as a percentage of GDP, while Gross Tax Revenues are estimated to show a decrease of one percentage points, the total expenditure is estimated to show an increase of 4.2 percentage points.

4. In BE 2021-22, fiscal deficit is estimated to be 6.8 percent of GDP. The main reduction in deficit is anticipated to be carried out by a reduction in expenditure from 17.7 percent of GDP in RE 2020-21 to 15.6 percent in BE 2021-22 and a marginal increase in gross tax revenues to the tune of 0.1 percent of GDP.

5. Fiscal Deficit estimate of 3.5 percent of GDP in BE 2020-21 has been revised to 9.5 percent of GDP in RE 2020-21. This is primarily due to Covid-19 pandemic impact

on the economy resulting in higher Government spending and significantly low (tax and non-tax) receipts. However, Fiscal Deficit for FY 2021-22 is pegged at 6.8 percent, indicating Government's commitment towards a fiscal consolidation glide path.

6. Even as the Government provided relief and support to those affected by the pandemic, Government continued its structural reform measures. Initiatives, prominently faceless assessment and faceless appeal in Income tax and initiatives towards an Atmanirbhar Bharat have been taken. The impact of these measures will be visible in the near to mid-term especially on the fronts of improved tax collections and economic growth by incentivizing industry and manufacturing in the country.

7. Government during the year remained dynamic responding to the challenges posed by the pandemic at regular intervals. Economic packages were announced at regular intervals beginning with the Pradhan Mantri Garib Kalyan Yojana in 26th March 2020 to the Atmanirbhar Bharat 3.0 package on 12th November 2020. This has helped revive the economy with improved revenue inflows in third and fourth quarter of the FY 2020-21.

8. Along with the structural reform measures, in the Budget 2021-22, the Government has focused on its mandate in the preamble to the FRBM Act, of improving fiscal transparency. In RE 2020-21, the Government has estimated to pre-pay around ₹1.5 Lakh crore of outstanding food subsidy related loans of the Food Corporation of India. In BE 2021-22, the food subsidy requirements of FCI has been provided in the Budget.

9. Government has focused on improving the quality of expenditure in both RE 2020-21 and BE 2021-22. The scope of the Treasury Single Account (TSA) which was implemented as a pilot beginning FY 2018-19, was widened to include more autonomous bodies in this financial year and make it universal in 2021-22. Aimed at reducing the parking of funds by implementing agencies, TSA will improve the efficiency of expenditure. In BE 2021-22, Government has focused on increasing capital expenditure. As a proportion of Total Expenditure, Capital Expenditure at BE 2021-22 will increase to 15.9 percent from the RE 12.7 percent an increase of more than 3.2 percentage points. The higher capital expenditure with a focus on infrastructure spending, BE 2021-22 will have a multiplier effect on the recovery process that is underway.

Fiscal Outlook for RE 2020-21

10. Fiscal Policy of the Government continues to be guided by the principle of a gradual reduction of deficit and progressive movement towards fiscal consolidation. The Government is fully cognizant of the need to maintain a tight fiscal plan. However, any fiscal inflexibility to meet the FRBM target would not be advisable, in the light of envisioned socio-economic growth and prosperity of the nation amid continuous changing domestic and global scenarios and challenges. In the current context, a need for a higher public spending is felt crucial for providing required impetus to economic growth.

11. The target of fiscal deficit is revised to 9.5 percent of GDP in RE 2020-21 compared to the budgeted level of 3.5 percent of GDP. This increase is attributed to increased expenditure on account of various schemes announced by the Government in the light of Covid-19 pandemic, and sharp shortfall in revenue receipts (both tax and non-tax), and significant drop in disinvestment receipts. Revised estimate for non-debt capital receipt is ₹46,497 crore against budgeted ₹2,24,967 crore in BE 2020-21. The absolute value of Fiscal Deficit has been revised to ₹18,48,655 crore in RE 2020-21 with an increase of ₹10,52,318 crore over fiscal deficit projections of BE 2020-21.

12. Gross Tax Revenue (GTR) estimates for FY 2020-21 has reduced by ₹5,22,740 crore mainly on account of less than anticipated collection of Corporation tax and

Customs duty. Indirect Taxes were budgeted at ₹10,99,520 crore for BE 2020-21 which has been revised to ₹9,92,219 crore in RE 2020-21. Direct tax collection has been revised to ₹9,05,000 crore as against budgeted ₹13,19,000 crore, and Non-Tax Revenue has been revised from ₹3,85,017 crore to ₹2,10,000 crore in RE 2020-21. Non-Debt Capital Receipts which comprises Recoveries of Loans and Advances and Disinvestment receipts were estimated at ₹2,24,967 crore in BE 2020-21, which has been revised to ₹46,497 crore in RE 2020-21. Total Net Borrowing was budgeted at ₹5,35,869.62 crore which has to be revised to ₹12.74 lakh crore in RE 2020-21.

13. In RE 2020-21, total expenditure has been estimated at ₹34,50,305 crore with an increase of ₹4,08,075 crore over BE 2020-21, which is 28.4 percent higher than the Provisional Actuals of 2019-20. Revenue expenditure has been revised to ₹30,11,142 crore from budgeted ₹26,30,145 crore in BE 2020-21, and capital expenditure to ₹4,39,163 crore from ₹4,12,085 crore in BE 2020-21. The capital expenditure records 30.8 percent year-on-year growth against Provisional Actuals of FY 2019-20.

Fiscal Outlook for BE 2021-22

14. Fiscal deficit for 2021-22 is estimated to be 6.8 percent of GDP. This sharp decline in fiscal deficit from RE 2020-21 reflects Government's commitment towards the fiscal health of the economy. The Gross Tax Revenue (GTR) is ₹22,17,059 crore in BE 2021-22 with a 16.7 percent increase over RE 2020-21. Direct taxes are estimated to grow by 22.4 percent against RE 2020-21 and estimated to be ₹11,08,000 crore in BE 2021-22. Indirect tax collection estimated at ₹11,05,327 crore in BE 2021-22 showing an increase of 11.4 percent over RE 2020-21. Non-Tax Revenue collection in 2021-22 are estimated at ₹2,43,028 crore with a growth of 15.4 percent over RE 2020-21.

15. Non-Debt Capital Receipt are estimated at ₹1,88,000 crore in BE 2021-22 indicating an increase of ₹1,41,503 crore over RE 2020-21. Increase in non-debt capital receipts is mostly on account of disinvestment which is budgeted at ₹1,75,000 crore against ₹32,000 crore in RE 2020-21. Total net–borrowings in BE 2021-22 is projected at ₹ 9,67.708 crore compared to ₹12,73,788 crore in RE 2020-21.

16. Total expenditure in FY 2021-22 is pegged at ₹34,83,236 crore against ₹34,50,305 in RE 2020-21. Revenue expenditure in BE 2021-22 is budgeted at ₹29,92,000 crore with a marginal reduction compared to ₹30,11,142 crore in RE 2020-21. Capital expenditure on the other hand is estimated at ₹5,54,236 crore in BE 2021-22 which is an increase of 34.5 percent over in BE 2020-21.

B. ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS

1. Revenue Receipts

a. Tax revenue- Sectoral and GDP growth rates

17. Gross Tax Revenue (GTR) has been revised to ₹19,00,280 crore in RE 2020-21 with a decrease of ₹5,22,740 crore from BE 2020-21 (₹23,24,020 crore). The main reasons for this revision were lesser receipts in Corporation tax, Union Excise duties and customs duty owing to Covid-19 pandemic and resultant lockdown of the country. For BE 2021-22, GTR is expected to be ₹22,17,059 crore which is 9.9 percent of GDP and 16.7 percent more than RE 2020-21. The estimated growth in tax revenues has a downward bias in view of the incipient recovery.

18. The Direct Taxes collections are estimated at ₹11,08,000 crore in BE 2021-22 which shows an increase of ₹2,03,000 crore against RE 2020-21. The Direct Taxes are estimated to constitute 49.97 percent of the GTR in 2021-22.

19. The Indirect Tax Collection in the FY 2021-22 budgeted at ₹11,05,327 crore which is ₹1,13,108 crore more than RE 2020-21. In Indirect taxes, GST is expected to show highest year-on-year growth rate at 22.3 percent, followed by Customs at 21.4 percent with the following assumptions:

a. There would be no major change in the indirect tax policy in the next fiscal years.

b. In case of Central Excise, due to specific duty rate structure on MS/HSD, factors like average petroleum sector consumption growth has been taken into account.

b. Non-Tax Revenue- Policy Stance

20. Non-Tax Revenue (NTR) receipts are an important source of the Government's revenue. It comprises interest receipts from the States and UTs with Legislature, Dividend and profits from public sector, RBI, Nationalised banks and Financial institutions, General Services, Social and Community services such as broadcasting and medical and public health, Economic Services such as telecom receipts and receipts from offshore oilfields, Railway revenue, etc.

21. Receipts under NTR is estimated at ₹ 2,43,028 crore in BE 2021-22 with an increase of 15.4 percent from RE 2020-21 (₹ 2,10,653).

c. Devolution to States - Finance Commission

22. The Fifteenth Finance Commission (XV-FC) was constituted on 27th November 2017 under Article 280 of the Constitution. In 2019, the Commission was mandated to submit two reports by an amendment to its ToR in 2019. The First Report, which was submitted to the President on 5th December 2019, contained recommendations for financial year 2020-21. The Commission has submitted its final report in November 2020 pertaining to 2021-22 to 2025-26.

23. The Devolution to States is based on the formula finalized by the XV Finance Commission in its final report. In BE 2021-22, the tax devolution to States are estimated at ₹6,65,563 crore, the State share in RE 2020-21 level of ₹5,49,959 crore. Finance Commission's Grants to the States in BE 2021-22 is estimated at ₹ 2,20,843 crore with an increase of ₹38,491 crore over RE 2020-21 (₹ 1,82,352 crore).

2. Capital Receipts- Debt stock, repayment, fresh loan and policy stance

24. The two main components of Non-debt capital receipts are Recovery of Loans and Advances, and Other Receipts. The Non-Debt Capital Receipts are estimated at ₹1,88,000 crore in BE 2021-22 against ₹46,497 crore in RE 2020-21**.**

a. Recovery of Loans

25. Recovery of Loans are expected to be ₹ 14,497 crore in RE 2020-21. Since there is expected to be no fresh on-lending to the States except the back to back transfer of the loans taken for Externally Aided Projects (EAPs), this receipt shows declining trend. The other sources of recovery of loans are from the Public Sector Enterprises, for repayment of loans earlier extended to them. However, the repayment of loans by the public sector enterprises is impacted on account of non-recovery from the loss making and sick PSEs.

b. Other non-debt capital receipts

26. Disinvestment receipts on account of stake sale in the PSEs including the strategic sale of assets contributes to this receipt along with Disinvestment of the Government's stake in PSBs and Financial institutions. Disinvestment receipts have been revised to ₹32,000 crore in RE 2020-21 from budgeted ₹2,10,000 crore in BE 2020-21. In BE 2021-22 Disinvestment receipts have been budgeted at ₹1,75,000 crore.

c. Borrowings- Public Debt and Other Liabilities

27. In 2020-21, gross and net market borrowing by the Government of India (GoI) through dated securities, excluding buyback/switches were budgeted at ₹7,80,000 crore and ₹5,44,870 crore respectively. Actual gross and net market borrowings through dated securities during the year 2019-20 stood at ₹7,10,000 crore and ₹4,73,972 crore respectively. Net market borrowings through dated securities were budgeted to finance 64.15 percent of Gross Fiscal Deficit (BE) in 2020-21. Other sources such as net borrowing from Treasury Bills, small savings fund, state provident fund, net external assistance and cash draw down were budgeted to finance the remaining 35.85 percent of the GFD.

28. Market borrowings for the first half (H1) of FY 2020-21 were kept at around 62.56 percent (₹4,88,000 crore) of the gross market borrowing for the year. It was planned to borrow the remaining amount i.e. ₹2,92,000 crore representing 37.44 percent of the budgeted gross market borrowing for FY, in the second half. However, due to significant shortfall anticipated in the Government receipts because of lockdown put in place in March 2020 to contain the spread of Covid-19 pandemic, gross market borrowing under dated securities were revised to ₹12,00,000 crore in April 2020 and was further revised to ₹13,10,000 crore in October, 2020 to compensate the States towards shortfall in GST. Borrowing, under Treasury Bills have also been revised to ₹1,25,000 crore from the budgeted estimate of ₹25,000 crore to meet the shortfall in government receipts.

29. Gross and net market borrowings in the FY 2020-21 (up to December 31, 2020) aggregated to ₹10,49,975 crore (80.15 percent of budgeted gross borrowings of ₹ 13,10,000 crore for 2020-21) and ₹ 8,44,043 crore (165.21 percent of budgeted net borrowings of ₹ 5,10,870 crore for 2020-21), respectively.

30. During 2020-21, 8 out of planned 12 tranches of Sovereign Gold Bond (SGB) scheme have been completed (up to November 30, 2020), with a total subscription of 23,809.2 kilograms of gold amounting to ₹11,855 crore. Net treasury bills realization has been above the budgeted estimates during the year so far, with contribution coming from higher investment by the State Governments through the non-competitive route in the weekly auction of T-bills.

31. The weighted average maturity of primary issuances of rupee dated securities in fiscal year 2020-21 (up to December 31, 2020) was 14.83 years vis-a-vis 16.07 years in previous year. The weighted average yield of primary issuance during fiscal year 2020-21 decreased to 5.79 percent from 6.86 percent in the previous year, indicating low yield environment.

32. Of the overall Central Government liabilities, about 94.0 percent are domestic and 6.0 percent are external as at end of March 2020.

33. Dated securities are primarily held by domestic institutional investors. Commercial banks are the largest investors and currently hold about 38.6 percent of

outstanding dated securities at end of Sept 2020 and held 39.7 percent of outstanding dated securities at end-Sept 2019 and 39.1 percent of outstanding dated securities at end-Dec 2019. Insurance companies are another major investor category in the government securities, which generally prefer long tenor securities due to their long-term liabilities. As at the end of September 2020, the share of insurance companies in the central Government dated securities marginally increased to 25.3 percent from 24.9 percent at the end of previous financial year. Provident funds are another stable source of demand for Government securities whose share is at 4.8 percent at the end of Sept 2020.

34. A new route, Fully Accessible Route (FAR) for investment by external investors in Government securities was introduced on March 30, 2020. Investments under this route in specified securities is without any restrictions and thus expected to enhance the interest of external investors in domestic securities and is expected to lead to higher share of external investors, thus further widening of investors' base.

35. Government has resorted to increasing short-term borrowings and borrowings from NSSF to ease the impact of its fiscal stimulus on the market. One is greater reliance on the short-term borrowings. At RE Stage, it is anticipated that Government will be using ₹ 2.25 lakh crore of the t-bills to finance its fiscal deficit, compared to the ₹ 25,000 crore that was anticipated in BE 2020-21. Government has also planned to use NSSF as a source of funding its deficit. In RE 2020-21 the Government plans to fund around ₹ 4.8 lakh crore of its deficit through NSSF.

36. In line with the Government's commitment to fiscal consolidation, fiscal deficit for 2020-21 was budgeted to decline to 3.5 percent of GDP from 3.8 percent, RE 2019-20. However, shortfall anticipated in government receipts due to onset of Covid-19 has led to revision in government market borrowings. Total borrowings requirement for 2021-22 has been budgeted at ₹15,06,811 crore. In nominal terms, net borrowing projections show a decrease of 18.49 percent over the previous year.

37. Central Government's Debt-GDP ratio has stabilized in recent years after witnessing a consistent decline from 61.4 percent in 2001-02, particularly after FRBM Act came into effect. However, Central Government liabilities increased to 47.7 percent of GDP at end-March 2020 (45.7 percent at end-March 2019) due to economic growth slowdown during the year and lower receipts. Fiscal deficit is likely to increase further to 9.5 percent by the end of FY 2020-21 as estimated in RE 2020-21 due to reasons explained above. Central Government Debt to GDP ratio is estimated to be 3.1 percent due to higher borrowings. The Covid-19 related uncertainty makes any forecast of economic growth and fiscal variables including the specification of a return path challenging. The Government endeavours to return to the path of fiscal consolidation as soon as economic growth and receipts return to their long-run averages.

3. Total Expenditure- Policy Stance

38. Total Expenditure, which was estimated at ₹30,42,230 crore in BE 2020-21 has been revised to ₹34,50,305 crore (13.4 percent increase) in RE 2020-21, which is 17.7 percent of GDP. The increase is mainly on account of increased allocations for Food subsidy, Health and Rural Development. In RE 2020-21, allocation of Department of Food and Public Distribution is revised to ₹4,38,649 crore from budgeted ₹1,22,235 crore. The main reasons for the increase in the above allocations to DFPD are the

increased requirements on account of the economic packages announced by the Government of providing free food grains and the pre-payment of around ₹1.5 lakh crore of NSSF loans that were outstanding. Health and Family welfare ₹78,866 crore has been allocated compared to budgeted ₹65,012 crore. Significant upward revision is observed in allocation to Central Sector Schemes/ projects from ₹8,31,825 crore to ₹12,63,690 crore (52 percent increase). It is estimated that total expenditure will increase by 1 percent in BE 2021-22 over RE 2020-21 to reach ₹34,83,236 crore, which is 15.6 percent of GDP.

a. Revenue Expenditure

39. Revenue expenditure in RE 2020-21 is revised upwards from budgeted ₹26,30,145 crore during BE 2020-21 to ₹30,11,142 crore, showing 14.5 percent increase. Revenue expenditure which was 86.5 percent of total expenditure at BE 2020-21 has been revised to 87.3 percent in RE 2020-21. The reason for increase in revenue expenditure is due to additional spending on account of Atmanirbhar Bharat and Pradhan Mantri Garib Kalyan Yojana.

40. The major component of the revenue expenditure of the Government include interest payments, subsidies, salaries, pensions, defence revenue expenditure, expenditure on Central Police Organizations and the revenue transfers made to the States/ UTs Governments in the form of Finance Commission grants, Central Sponsored Schemes and other transfers. Transfers to the States as compensation for revenue losses on account of implementation of GST, the grants to Central autonomous bodies, Central Sector Schemes are also of revenue nature.

i. Interest Payment

41. Interest payment is the biggest item of expenditure of the Government. Interest payment expenditure which is budgeted at ₹7,08,203 crore, has been revised downwards to ₹6,92,900 crore in RE 2020-21. The proportion of interest payments against total Revenue Receipts has been revised to 44.6 percent from 35 percent after this revision. In FY 2021-22 revenue expenditure on account of interest payment is budgeted at ₹8,09,701 crore which is 45.3 percent of the total revenue receipts. The interest payment is expected to come down in the medium term because of availability of liquidity in the market, and RBI's accommodative monetary policy.

ii. Major Subsidies

42. The revenue expenditure on major subsidies such as food, fertilizers and petroleum continued to be the second highest contributor to the total expenditure. These three subsidies were estimated at ₹2,27,794 crore in BE 2020-21 which has been revised to ₹5,95,620 crore with an increase of 161 percent. The biggest contributor to this significant jump is Food Subsidy which has increased 289 percent over BE 2020-21. This is on account of Government providing free ration to citizens during Covid-19 pandemic related lockdown and provisioning for the pre-payment of NSSF loans with FCI of about ₹1.5 lakh crore. BE 2021-22 proposed ₹3,36,439 crore for Major subsides, which shows reduction of 43.5 percent year-on-year against RE 2020-21, this indicates the undercurrent of subsidy rationalisation in the Government spending.

iii. Defence Services

43. Revenue expenditure in Defence Services is primarily attributed to salaries, other establishment related items including Stores, works related maintenance expenditure, transport and other miscellaneous expenditure. Revenue expenditure under this is estimated at ₹2,09,319 crore which is revised to ₹2,09,312 crore, showing marginal increase i.e. 0.84 percent increase against Provisional Actuals of 2019-20. The revenue expenditure outlay on account of defence services for FY 2021-22 is estimated at ₹2,12,028 crore which is 1.3 percent higher than RE 2020-21.

iv. Finance Commission Grants

44. Finance Commission grants are given to the States under the statutory provisions under Article 275(1) of the Constitution. The current transfer to the States under the FC grants is based on the recommendations of the XVth Finance Commission in relation to revenue deficit grants, Grants in Aid for the States disaster response funds and Grants in Aid for the rural and urban local bodies. Finance commission transfers in BE 2020-21 is estimated at ₹1,49,925 crore which is 21 percent increase over previous year's grants (Provisional Actual 2019-20). The Grant is revised to ₹1,82,352 crore in RE 2020-21 which is 22 percent more than the budgeted amount. Finance Commission Grants to the States continued increasing trend in the FY 2021-22 with a budget of ₹2,20,843 crore which is 21 percent more than the Revised allocation in RE 2020-21

v. Pension

45. Revenue expenditure under Pension has three main components i.e. Civil pension which caters to pension expenditure to all Ministries/ Departments of the Union Government barring few exceptions, defence pensions, and pensions under Department of Telecommunication. Pension expenditure in RE 2020-21 is estimated to be ₹2,04,393 crore which is slightly lower than the budgeted ₹2,106,82 crore in BE 2020-21. In BE 2021-22, pension expenditure is pegged at ₹1,89,328 crore which is a decrease of 7.4 percent over RE 2020-21. This decrease is due to additional funds provided in FY 2020-21 on account of arrear payments to defence personnel.

Capital outlay

46. Capital expenditure of the Government in RE 2020-21 is revised to ₹4,39,163 crore from budgeted ₹4,12,085 crore in BE 2020-21 showing increase of 6.6 percent. This increase is mainly on account of spending on Central Sector Schemes, railways, defence, transfers to the States, Health and MSMEs etc. Capital Expenditure has been significantly increased in BE 2021-22 to ₹5,54,236 crore which shows 26.2 percent increase over RE 2020-21 and 34.5 percent compared to BE 2020-21. With this increase capital expenditure as percentage of GDP increased from 1.8 percent in BE 2020-21 to 2.5 percent in BE 2021-22.

4. GDP Growth

47. The growth rate of GDP witnessed considerable slide in FY 2020-21 on account of nationwide lockdown due to Covid-19 pandemic and related restrictions. The revival in growth momentum in GDP is already being felt in terms of encouraging GST collections and other economic activities. Nominal GDP showed negative growth at 4.2 percent in

the FY 2020-21. It is expected that the nominal GDP will grow at the rate of 14.4 percent in FY 2021-22.

C. Assessment of sustainability relating to-

1. The balance between revenue receipts and revenue expenditure:

48. Total revenue receipts comprises tax revenue (net) and non-tax revenue receipts. The revised estimates of 2020-21 reflects a decrease in revenue receipts to the tune of ₹4,65,773 crore over BE estimates, mainly on account of fall in tax revenues. In comparison, revenue expenditure is estimated to increase by ₹3,80,997 crore in RE 2020-21 as compared to BE 2020-21. The revenue deficit is expected to be 7.5 percent of GDP, a significant increase on account of unprecedented Covid-19 pandemic situation.

49. In BE 2021-22 revenue receipts (net) are estimated at ₹17,88,424 crore (₹15,45,396 crore under tax revenue and ₹2,43,028 crore under NTR) and the revenue expenditure at ₹29,29,000 crore, with a Revenue Deficit of 5.1 percent of GDP.

50. The total capital receipts for 2020-21 has been estimated (revised) at ₹18,95,152 crore. Out of this, 97.54 percent pertains to borrowings and other liabilities contracted for financing fiscal deficit. Corresponding to this, capital expenditure has been (RE) budgeted at ₹4,39,163 crore which is around 23.8 percent of fiscal deficit. Grant in aid for creation of capital expenditure refers to the grants given to states/UTs and Autonomous bodies which are earmarked for creation of capital expenditure even though they are budgeted as revenue expenditure in the Union Budget.

51. In BE 2021-22, total capital receipts estimated at ₹16,94,811 crore, with share of borrowing falling to 89.4 percent. Non-Debt Capital Receipts are expected to increase in BE 2021-22 owing to disinvestment of strategic assets. Capital Expenditure is also expected to increase by 26.2 percent over RE 2020-21 on account of significant developmental expenditure. Revenue Deficit as a percentage of Fiscal Deficit is expected to be 75.7 percent in BE 2021-22 as compared to 78.8 percent in RE 2020-21.

2. The use of capital receipts including market borrowings for generating productive assets

52. The ratio of revenue deficit (RD) to fiscal deficit (FD) broadly measures the extent of borrowings used for financing current expenditure of the Government. It is expected to be 75.7 percent in BE 2021-22. RD to FD ratio is expected to improve in near future on account of fall in revenue expenditure growth in comparison to capital expenditure. The major fall in the revenue expenditure is based on the assumption of low levels of interest rates which is based on the assumption of benign inflation aided by lower pressures on the external front. Year-on-year growth in revenue expenditure on account of subsidies, pension etc. is also expected to reduce.

D. Fiscal Policy Strategy Overview and Fiscal Policy Strategy for the ensuing financial year

1. Tax Policy

i. Indirect Tax Policy

Changes in Basic Customs Duty:

53. The Customs duty rate structure has been guided by a conscious policy of the government to incentivize domestic value addition under Make in India and Atma Nirbhar Bharat initiative, which *interalia* envisages imposition of lower duty on raw materials and providing reasonable tariff support to goods being manufactured in India.

The customs duty structure has been calibrated in such way that incentivizes investment in key areas like petroleum exploration, electronic manufacturing etc. In accordance with this policy, the Most-Favoured Nation (MFN) rates of Basic Customs Duty (BCD) have been increased in recent years on such items which are being manufactured in India or which domestic industry aspires to manufacture. Accordingly, during the last 6 years, about 4000 tariff lines (approximately 1/3rd of total tariff lines) have seen upward calibration of BCD. At the same time, duties of inputs and raw materials have been rationalized. In order to ensure adequate availability of medical equipment for mitigating the impact of the Covid-19 pandemic, temporary exemption (from April 2020 to 30th September, 2020) from BCD was granted on import of specified items such as ventilators, face/surgical masks, personal protection equipment, Covid-19 testing kits and inputs thereof.

54. Phased Manufacturing Plan (PMP): The BCD rates in respect of different stages of the value chain of the products (such as mobile phones and other electronic goods) are calibrated in a manner that encourages gradual deepening of domestic value addition. For example, in respect of mobile phones, initially the parts were placed under nil BCD while duty was imposed on mobiles. Gradually, duty has been raised on parts in phased manner as their production began in India.

55. To check the abuse of free trade agreements by unscrupulous elements by diverting the goods through FTA member countries, a new Chapter has been incorporated in the Customs Act along with the rules to provide enabling provision for more effective administration of Rules of Origin on the basis of which preferential tax treatment under Free or Preferential Trade Agreements is claimed by importers. The proposed new section seeks to specifically provide for certain obligations on the importer and prescribe for time bound verification from exporting country in case of doubt. Pending verification preferential benefit shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential rate of tax may be denied without further verification. Further subordinate legislations (rules) have also been notified. This would go a long way in checking the import of third-country goods by misusing the Rules of Origin provisions in the FTAs.

56. The Customs duty structure is calibrated as and when required in consultation with the line Ministries and trade bodies to incentivize domestic value addition and promote the “Make in India” scheme in case of manufactured goods. Import data for 2018-19 was analyzed to identify the manufactured commodities which are being imported in large quantities in India. It was observed that the major manufactured items where surge in imports is noticed are either Information Technology Agreement (ITA) bound goods or FTA imports. As stated above, the MFN rate of duties on a large number of intermediate and finished goods have been increased over the last few years to protect the domestic manufacturing industry from cheap imports. However, it has been noticed that in a large number of commodities where the applied rate of customs duty has been increased, large volume of imports has started coming through the FTA partners of India. Concerted efforts have been made to remove inversions in duty structure.

Changes in BCD rates on Petrol and Diesel:

57. Retail Selling Price of petrol and diesel in the country are linked to the prices of crude. The crude prices have been falling in this year. From a price of about USD 66 a barrel in January the prices of crude came down gradually to about USD 51 a barrel in the first week of March and then fell sharply to USD 32 a barrel in the second week of March. The average price of Indian basket of crude was around USD 32.6 in May and is

currently hovering around USD 48 per barrel. The sharp fall in crude prices over this period provided some cushion for recalibration of excise duties on petrol and diesel. The central excise duty was revised upwards as a means of revenue augmentation necessary for provisioning of fiscal resources for fighting the Covid-19 pandemic as well as needs of infrastructure development. However, the impact on the prices of petrol and diesel were not significant. Therefore, a calibrated and synchronised increase in duty is measure of fiscal prudence by the Government while ensuring that significant benefit is passed on to the consumer.

Changes in Customs Law and Procedure:

58. The Turant Customs initiative has been taken up aggressively by the Central Board of Indirect Taxes and Customs (CBIC) in 2020. The initiative is directed towards Faceless, Paperless and Contactless Customs measures. The most noticeable among these are

a. automated "out of charge" on imports implemented pan-India from March, 2020 (which has de-linked goods registration from payment of duty)

b. bringing more (five) Participating Government Agencies (PGAs) by May, 2020 on e–sanchit.

c. enabling PDF copies of Bills of Entry and Shipping Bills from April, 2020 and June, 2020 respectively to be emailed to importers/exporters/brokers obviating the need to generate hard copies.

d. Contactless Customs measures for reducing physical interface with trade via measures such as setting up Turant Suvidha Kendras (TSKs) enabling simplified online registration, auto-debit of bonds etc.

59. Faceless Assessment on import was launched pan-India on October 31, 2020. CBIC has also mandated exporters and importers to declare the GSTINs in the import and export documents from February, 2020. This has been done with the intention of alignment of data with GSTN and to capture district/state data for promotion of exports. CBIC is in the process of furthering initiatives under the Turant Customs programme with measures such as automated clearances of export consignments, implementation of tamper-proof packing of samples and their electronic tracking

60. **Initiative towards improving cargo movement from mainland India to North East India and vice versa using foreign territory:** CBIC has issued the Transportation of Goods (Through Foreign Territory) Regulations, 2020 and Circular 14/2020 -Customs both dated 21st February 2020, providing the documentation and procedure for movement of goods from one part of India to another through a foreign territory. The regulations interalia cover the transit movements of Indian goods using the India-Bangladesh inland waterways, the Chattogram and Mongla Ports of Bangladesh and also the road leg connecting such movements. This will not only enable movement of goods from mainland India to North East India and vice versa but is expected to substantially reduce the cost of movement of goods by using a shorter route through a foreign territory instead of the Siliguri corridor (chicken's neck).

61. March towards Make in India: CBIC has launched a revamped and streamlined program to attract investments into India and strengthen *Make in India* through a scheme under Customs Act, 1962. Section 65 of the Customs Act, 1962 enables conduct of manufacturing and other operations in a customs bonded warehouse. The scheme has been modernized with clear and transparent procedures, simplified compliance

requirements and account keeping, by issue of the Manufacture and Other Operations in Special Warehouse Regulations, 2020 and Circular 36/2020 dated 17.08.2020. A single digital account has been prescribed for ease of doing business and easy compliance.

62. Initiatives towards FTA compliance: In order to fulfill the gaps in Operational Certification Procedures under Rules of Origin of various Free Trade Agreements (FTAs) and effectively implement preferential treatment of goods under FTAs, Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020) have been notified with effect from 21st September, 2020. The new provisions provide for a basic level of due diligence on the part of an importer to satisfy himself that the claimed originating criteria have been met, and that mere submission of a Certificate of Origin (CO) may not be sufficient.

63. Initiatives towards exchange of pre-arrival Customs data: To address the problem of trade mis-invoicing and to facilitate genuine trade, the Customs administrations of Maldives, Nepal, South Africa and Australia have been brought on board with India and pilot projects on sharing of pre-arrival Customs data have been initiated with these countries. A significant progress on the pilot project with Maldives Customs has already been made. A Memorandum between the State Customs Committee of the Republic of Uzbekistan and Central Board of Indirect Taxes and Customs of the Republic of India on the Exchange of Pre-arrival information on Goods moved across the State Border was signed and entered into force on 10th December, 2020. This will enable India and Uzbekistan to execute a pilot project on exchange of pre-arrival Customs data.

64. Neighborhood first: The Royal Government of Bhutan had requested to allow movement of cargo vehicles between India and Bhutan through Ahllay (near Pasaka in West Bengal), and also Bhutan to Bhutan (via India) due to the sealing of main border point at Phuentsoling due to increase in Covid-19 positive cases in Bhutan. Though Ahllay was neither a notified LCS or Notified route at that time, permission for movement of goods through Ahllay was granted to ensure that supply chains are maintained.

Changes in GST (Rates):

65. GST was rolled out with effect from 1st July, 2017 with a motto of "One Nation One market, One Tax". It consolidated a myriad and complex rate structure with multitude of rates, varying with states, local bodies etc., and with huge cascading into one tax and a simplified procedural regime. The scale of reform was gigantic and the law and regime evolved in an inclusive way. There has been extensive participation of all stake holders. One common tax across the length and breadth of the country, while ensured that all inter-state trade barrier had gone, logistic became efficient with turn -around time transport decreasing significantly, cascading of taxes gone and a transparent, neutral, efficient tax regime coming into existence. It evoked huge response as the entire nation looked at the taxes exactly the same way. Council responded swiftly, glitches have been addressed quickly and necessary changes were made timely. Procedural glitches were addressed at fast pace. While continuous improvements are being made in an extremely responsive way in GST, never the less it has been a defining and unprecedented tax reform in India. With the introduction of GST, a massive exercise of calibration of GST rates was done so as to fix the rates so as to maintain revenue neutrality. In 2020, the following changes were made to GST rates on goods and services:

66. In the 39th GST Council, the recommendation of the Fitment Committee for calibrating the GST rate structure to correct the inverted duty structure on various items was discussed. Accordingly, it was decided to raise the GST rate on Mobile Phones and specified parts from 12 percent to 18 percent. GST rate on all types of matches was rationalized to 12 percent (from 5 percent on Handmade matches and 18 percent on other matches). This was done to address classification issues.

67. GST on Maintenance, Repair and Overhaul (MRO) services in respect of aircraft was reduced from 18 percent to 5 percent with full Input Tax Credit (ITC). The place of supply for B2B MRO services was also changed to the location of recipient. This change was carried out to assist setting up of MRO services in India. Extension of CGST exemption on services by way of transportation of goods by air or by sea from customs station of clearance in India to a place outside India, was provided for one year i.e. up to 30.09.2021 vide Notification No. 04/2020 - Central Tax (Rate), dated 30th September, 2020. GST exemption has been provided on satellite launch services provided by ISRO, Antrix and NSIL which will help protect the native satellite industry and encourage Indian businesses to utilize homegrown launch capabilities without the upfront GST burden and give it a level-playing field, vide Notification No. 05/2020 - Central Tax (Rate), dated 16th October, 2020.

68. **Changes in GST Law and Procedure:** for trade facilitation and ease of doingbusiness under GST in 2020-21

a. Auto Generation of Return: To make the return filing process more user-friendly, Government has introduced auto-population of outward supplies of a taxpayer from Form GSTR-1 to the GSTR – 3B return and auto-generated input tax credit (ITC) statement Form GSTR-2B in a PDF format for filing monthly GSTR-3B return for a taxpayer. Further the facility of auto-population of values in GSTR-3B shall be introduced soon to make the process more friendly to the stakeholders and improve its effectiveness.

b. Filing of nil returns through SMS: In a significant move towards taxpayer facilitation, the Government has allowed filing of Nil GST monthly return in Form GSTR-3B and Form GSTR-1 through SMS, improving the ease of GST compliance for over 22 lakh registered taxpayers. Now, taxpayers with Nil tax liability need not log on to the GST Portal.

c. Know Your Supplier: Know your supplier scheme enables the taxpayers to obtain some basic information about their suppliers, about their compliance under GST so that they can take an informed view about the suppliers with whom they plan to do business/transaction.

d. E-invoicing: The Government has introduced e-invoicing for B2B transactions with effect 01.10.2020 for registered taxpayers having turnover above ₹ 500 crore during any preceding financial year. E-invoices have many advantages for businesses such as standardization of invoice scheme, inter-operability, importing of invoice details into their GST returns, auto-generation of e-way bills (where required), reduction in processing costs, reduction in disputes, improving payment cycles and thereby improving overall business efficiency. For class of registered persons above ₹ 100 crores, it shall be implemented from 1st January, 2021. The scheme will be extended to other taxpayers in a phased manner.

e. QRMP Scheme: As a trade facilitation measure and in order to further ease the process of doing business, Government has notified the QRMP Scheme (Quarterly

Return Monthly Payment Scheme) under which, registered persons having aggregate turnover up to ₹5 crore in a Financial year are allowed to furnish return on a quarterly basis along with monthly payment of tax. This will reduce compliance burden considerably for such taxpayers and result in significant saving of time and cost. This facility is available from 1st January, 2021.

Various Initiatives

69. Filing of NIL return through SMS- Rule 67A has been inserted in CGST Rules w.e.f. 08.06.2020 to allow filing of NIL FORM GSTR-3B and FORM GSTR-1 return and NIL CMP-08 challan through SMS facility from the registered mobile number. Complete auto- populated GSTR-3B has been made available to the taxpayers from November, 2020 tax period onwards. The liabilities are getting auto-populated from GSTR-1 and ITC form GSTR-2B.

70. A quarterly return with monthly payment scheme has been notified w.e.f. 01.01.2021. This scheme would be eligible for registered person having aggregate annual turnover up to ₹5 crore. This is going to benefit almost 89 percent of tax base and would reduce the compliance burden. Total number of returns required to be furnished by such person would be reduced from 24 (12 GSTR-1 and 12 GSTR-3B) to 8 (GSTR-1 and 4 GSTR-3B) per year.

71. Electronic invoicing system had been introduced for registered persons with turnover exceeding ₹500 crore with effect from 01.10.2020. It will be extended for those having annual turnover of more than ₹100 crore w.e.f. 01.01.2021. This would help in seamless flow of credit and invoice matching as envisaged in the GST regime. Further, it would help in real-time updation of data on the GSTN system and thereby, drastically reducing the time taken in filling the returns. In the first two months of implementation of e-invoice, on an average 17.8 lakhs e-invoices have been generated per day. GST Refund has been completely online w.e.f. 26.09.2019 and refund is disbursed centrally.

ii. Direct Tax Policy

72. Several measures have been undertaken in the domain of direct taxes which are both legislative and administrative in nature. Further various technological innovations have been undertaken in the direct tax administration to make it transparent and responsive, while reducing the compliance burden and strengthening the information networks to augment revenue. The same are discussed as under:

i. **Reduction in Corporate tax rate:** A concessional tax regime of 22 percent for all existing domestic companies and the tax rate for new manufacturing domestic company reduced to 15 percent. These reduced rates are applicable only for those companies which do not avail exemptions/deductions.

ii. **Rationalisation of tax rates for individuals:** A concessional tax regime for individuals has been provided if such individual do not avail any specified tax incentive or deduction.

iii. **Abolition of Dividend Distribution Tax (DDT)-** The Dividend Distribution Tax (DDT) has been abolished through the Finance Act, 2020. Now, the companies shall not be required to pay DDT with effect from FY 2020-21 as the dividend income shall be taxed only in the hands of the recipients at their applicable rate.

iv. **Simplification of compliance norms for Start-ups -** Start-ups have been provided hassle-free tax environment which includes simplification of assessment procedure, exemptions from Angel-tax, constitution of dedicated start-up cell.

v. **Relaxation in the norms for Prosecution:** Threshold for launching prosecution has been substantially increased. A system of collegium of senior officers. for sanction of prosecution has been introduced and the norms for compounding have also been relaxed.

vi. ***Vivad se Vishwas***- In order to provide more time to the taxpayers. who are desirous of settling disputes under *Vivad se Vishwas*, the Government has extended the date for making payment without additional amount to 31st March, 2021 and for filing of declaration to 31st January, 2021. The Scheme was introduced with the objective to reduce pending income tax litigation, generate timely revenue for the Government and to benefit taxpayers. by providing them peace of mind, certainty and savings on account of time and resources that would otherwise be spent on the long-drawn and vexatious litigation process, the Direct Tax *Vivad se Vishwas* Act, 2020 was enacted on 17th March, 2020.

vii. **Raising of monetary limit for filing of appeal-** To effectively reduce taxpayer grievances/ litigation and help the Income Tax Department focus on litigation involving complex legal issues and high tax effect, the monetary thresholds for filing of departmental appeals have been raised from ₹ 20 lakh to ₹ 50 lakh for appeal before ITAT, from ₹50 lakh to ₹ 1 crore for appeal before High Court and from ₹1 crore to ₹ 2 crore for appeal before Supreme Court.

viii. **Expansion of scope of TDS/TCS-** For widening the net of Tax Deduction at Source (TDS) and Tax Collection at Source (TCS) several transactions like huge cash withdrawal, foreign remittance, e-commerce participants, sale of goods, etc., have been brought into its ambit.

ix. **Encouraging digital transactions-** Various measures like reduction in rate of presumptive profit on digital turnover, removal of MDR charges on prescribed modes of transactions, reducing the threshold for cash transactions, prohibition of certain cash transactions, etc., have been taken to facilitate the digitalisation of the economy and to reduce the unaccounted transactions.

x. **Equalisation Levy -** In order to effectively tackle the issue of non-taxation of the profits generated by the non-resident digital companies, India has introduced the equalisation levy @ 6 percent on online advertising revenue as an interim measure in 2016. As the international consensus on the mechanism to tax the profits generated by the digital companies is still taking time, the scope of the existing equalization levy has been extended vide Finance Act, 2020 to the other revenue streams by levying equalisation levy @ 2 percent.

xi. **Faceless Assessment** – It was launched by Hon'ble PM on 13th August, 2020, as part of "**Transparent Taxation - Honoring the Honest**" platform. Under the Faceless Assessment, all income tax assessments except cases of serious frauds, money laundering, cases is being done in faceless manner without any physical interface. Faceless Assessment system abolishes age old territorial tax administration and assessment. It provides for assessment by randomly chosen virtual teams with dynamic jurisdiction. Under this new system, a taxpayer can be assessed by an officer located anywhere in the country irrespective of his geographical location.

xii. **Taxpayers' Charter** – The Charter reflects certain principal

i. of the Income Tax Department towards the taxpayer. With this, India has joined the league of other major economies of the world like USA, UK, Canada and

Australia which too have adopted and published Charter as a gesture of their commitment towards their taxpayers. The Charter will go a long way in strengthening the trust between the taxpayer and the tax administration. It will also help in enhancing the efficiency of the delivery system of the Income Tax Department.

xiii. **<u>Faceless Appeal</u>** – Faceless Appeal Scheme launched on 25th September, 2020, provides a fully faceless procedure for appeals in tax dispute matters pending before the Commissioner (Appeals). It imparts greater efficiency, transparency and accountability by (a) eliminating the interface between the Commissioner (Appeals) and the appellant, (b) optimising utilisation of the resources and (c) introducing an appellate system with dynamic jurisdiction in which appeal shall be disposed of by one or more Commissioner (Appeals) besides allowing the taxpayers to file their documents in an electronic mode and save themselves from the hassles of physically visiting the Income Tax Department. There was a pendency of almost 4.6 lakh appeals at the level of the Commissioner (Appeals) and out of this, about 4.05 lakh appeals, i.e., about 88 percent of the total appeals is being handled under the Faceless Appeal mechanism.

xiv. **<u>Document Identification Number (DIN)</u>** – Now, every communication of the tax department, whether it is related to assessment, appeals, demand, investigation, penalty, or rectification or any other things issued, has to have a computer-generated unique Document Identification Number (DIN) mandatorily, failing which such communication will be *non est* in law and invalid.

xv. **<u>Pre-filling of Income-tax Returns-</u>** Pre-filled Income tax Returns (ITRs.) have been provided to individual taxpayers. to make tax compliance more convenient. The ITR form now contains pre-filled details of certain incomes such as salary income, etc. The scope of information for pre-filing is being further expanded by including information such as house property income, capital gains from securities, bank interest, dividends, etc.

xvi. **<u>Improved Form 26 AS</u> -** New Form 26AS (Annual Information Statement) has been notified from 01.06.2020. The Old Form 26AS contained limited information pertaining to tax payments and TDS/TCS only. But the New Form 26AS contains specified financial transactions (Property, bank interest, shares, mutual funds, etc.), payment of taxes, Tax Deducted or Collected at source, income-tax demand and refund, pending and completed income-tax proceedings. This would enable the taxpayer to correctly disclose income and pay taxes accordingly. Proper filing of return will minimize the need for verification/scrutiny.

xvii. **<u>Aadhaar Based Instant e-PAN</u> -** PAN allotment facility for individuals possessing valid Aadhaar has been rolled out on the e-filing portal. The facility is free of cost, completely online and does not require filing up any form. The e-PAN (i.e. PAN in pdf format) which holds the same value as physical PAN, is delivered instantly (near real-time) to the registered email ID of the applicant.

xviii. **<u>Launch of Integrated e-Filing & CPC 2.0 project:</u>** With a view to provide a major fillip to e-governance in the Income Tax Department, Integrated e-Filing & CPC 2.0 Project is under development which will build upon the success and learning from e-filing 1.0 & CPC 1.0 projects. The project which was approved by the Union Cabinet on 16/01/2019, will employ new processes, state of the art solutions and practices to radically transform and scale up the e-governance capability and performance of the Income Tax Department in delivering taxpayer services. The project envisions to redefine income tax filing and processing in India to provide a best-in-class experience to all taxpayers. The four components of this would be speed, usability, convenience and accuracy in terms of website efficiency and availability as well as processing outcomes. The project envisages various functionalities such as pre-filling of ITR and acceptance by taxpayer as a means to improve accuracy and to reduce refund/processing turnaround time drastically, facilitation to taxpayers in resolving outstanding tax demands, integrated contact centers for taxpayer assistance and tax payer outreach program through digital media and employer/partner accreditation program to bring significant enhancement in services to taxpayers.

xix. **Taxpayer Outreach Program** Under the CPC2.0 project, the endeavour of the department is to ensure pro-active engagement using digital media to create "Social Awareness" and "tax payer education programs" regarding the Income Tax returns and its processing and all related activities among citizens of India so as to educate and empower them and build their high level of trust in the department. The aim is to promote voluntary compliance and overall increase in the tax base. For this purpose, all major social media platforms like YouTube, Facebook, Twitter and Instagram are being used to disseminate relevant information and a dedicated team has been set-up to actively engage with taxpayers on Twitter and solve their grievances.

xx. **Project Insight:** An integrated data warehousing and business intelligence platform has been operationalized to enable ITD in meeting the three goals namely (i) to promote voluntary compliance and deter noncompliance; (ii) to impart confidence that all eligible persons pay appropriate tax; and (iii) to promote fair and judicious tax administration. A State-of-the-Art Data warehouse has been operationalized and regular reports/MIS are provided to CBDT and Government for pre-budget analysis, impact assessment and policy formulation.

xxi. **e-campaigns** Compliance Management Central Processing Centre (CMCPC) leverages campaign management approach (consisting of emails, SMS, reminders, outbound calls, letters) to support voluntary compliance and resolution of compliance issues. A dedicated compliance portal (https://compliance.insight.gov.in) displays information to the taxpayer and capture response on compliance issues in a structured manner for effective compliance monitoring and evaluation.

xxii. **Computer Assisted Scrutiny Selection (CASS)** Income Tax Department has been implementing Computer Assisted Scrutiny Selection (CASS) for selecting cases for scrutiny (audit). The suggestions received from field formations and the outcome in cases selected in prior years are reviewed by a cross functional committee (including representatives from assessment, investigation, intelligence, international taxation, transfer pricing, risk assessment, systems) to refine the scenarios and parameters. New scenarios are also introduced on the basis of analysis of information sources and environmental scanning.

xxiii. **Tax Collection** The Online Tax Accounting System (OLTAS) facilitates near real time reporting, monitoring and reconciliation of tax payments made by taxpayers through banks. E-payment of taxes has been enabled through Net Banking and ATMs and nearly 89 percent of tax is collected through this mode facilitating payment of taxes anytime from home/office without having to go to a bank branch. New Payment solution (TIN 2.0) is being rolled out under CPC 2.0 during

FY 2020-21. The expected benefits are Enable tax payment through RTGS /other channels; Real time credit of tax payment and MIS; 100 percent reconciliation of challan data and funds and online mechanism for challan correction.

xxiv. **Refund Banker** The Refund Banker project has enabled system driven process for determination, generation, issue, dispatch and credit of refunds. This project has made the process of delivery of refund completely automated, speedy and transparent. Under the Refund Banker Scheme, paper and electronic refunds determined by the Income Tax Assessing Officers are sent in electronic files by Income Tax Department to the State Bank of India (SBI), which has been designated as the Refund Banker agent of the Department. The Refund Banker sends ECS or Direct Credits to the bank accounts, where the refunds have been processed for electronic payment.

2. Expenditure Policy

73. Total expenditure in BE 2021-22 is pegged at ₹34,83,236 crore which is ₹32,931 crore higher than the revised estimates of total expenditure in 2020-21. Total expenditure in RE 2020-21 and BE 2021-22 has been estimated after considering all requirements of Ministries/ Departments along with factors such as pace of expenditure, unspent balances etc.

i. Expenditure Management

74. The Government of India has been funding the various developmental needs of the country through Centrally Sponsored Schemes and Central Sector Schemes. As a reflection of this fact, budgetary allocation for Centrally sponsored Scheme and Central Sector Scheme has been revised from ₹3,39,895 crore and ₹8,31,825 crore to ₹3,87,900 crore and ₹12,63,690 crore from BE 2020-21 to RE 2020-21. In 2016, approximately 66 Centrally Sponsored Schemes were rationalized into 28 Umbrella Schemes. It was also decided that the cycle of these Schemes would be made co-terminus with the Finance Commission cycle, the first of which was to end on 31st March, 2020, so that there is clarity on flow of resources available to both the Union and the State Governments over a Finance Commission cycle.

75. Government had also decided that every Scheme would have an evaluation-based outcome review before it is appraised and approved for the next Finance Commission cycle. Accordingly, NITI Aayog is conducting evaluation of the Centrally Sponsored Schemes. Ministries have also been asked to get the Central Sector Schemes evaluated. The Fifteenth Finance Commission has submitted its Report for the period 2021-22 to 2025-26. Instructions for the continuation of the schemes beyond 31st March, 2021 have been issued vide Department of Expenditure’s O.M dated 8th December, 2020.The appraisal and approval of Schemes for the XVth FC cycle would, *inter alia*, be guided by the following principles:

76. **Schemes with similar objectives:** Many of the schemes have similar objectives and hence, the need for their merger may be considered. This can also be viewed from the perspective of schemes which are contributing to the same national development agenda or SDGs. Based on the nature of contribution to the SDG/National priorities and degree or extent of the contribution, a shortlist of potential schemes with common objectives can be identified and then, be further evaluated for merger or convergence.

77. **Schemes which have lost relevance:** Some of the schemes were initiated to support certain sectors of the economy at a point in time. Now, with growing economy,

some of these sectors have become self-sufficient and may not require the budgetary allocations. Parameters for such schemes would be formulated.

78. **Schemes with similar implementation capacities:** In certain cases, the ground level capacities/skill requirements for implementation of certain closely related schemes are similar, if not the same. In such cases, appraisal of these schemes would be to enable achievement of greater outcomes on the capacities deployed and to reduce administrative overheads.

79. **CSS schemes with overlaps:** In case of Umbrella CSS schemes, to bring in more convergence and synergies, the requirement of having stand-alone schemes with similar target beneficiaries would need to be looked into. Similar exercise would be undertaken for those CSS schemes which have an overlap with Central Sector schemes OR with some of the State Government schemes.

80. **Scheme appraisal based on forward & backward linkages:** Scheme across Ministries/Departments may have forward or backward linkages, especially those schemes pertaining to economic activities like Agriculture and Food Processing, MSME and Commerce related Ministries, etc. These may be looked at for integration to unlock the synergies and values across these schemes.

81. The Outcome Budget 2021-22 presents (a) the financial outlay along with (b) clearly defined outputs and outcomes (c) measurable output and outcome indicators and (d) specific output and outcome targets. This will significantly enhance transparency, predictability and ease of understanding of the Government's development agenda. This document covers output-outcome framework for major Central Sector Schemes/Centrally Sponsored Schemes (CSS) with outlay ₹500 crore and greater.

82. Brief on the initiatives taken by office of the Controller General of Accounts in the area of expenditure management reforms are as under

a. **Treasury Single Account (TSA):** Consequent upon Government's decision to bring Autonomous Bodies (ABs) under the ambit of Treasury Single Account (TSA), a system for the same through PFMS and RBI has been implemented. Now the releases to these ABs under various schemes are not made in advance and Just in Time (JIT) payments are made by RBI as and when required by ABs and their Subordinate ABs. The system eliminates parking of idle cash with the ABs resulting into more effective cash management by GoI. At present, 15 ABs have been on-boarded in the TSA system.

b. **PRAKALP (Pratyaksh Kar Lekhankan Pranali):** It is a module of PFMS which is being developed for reconciliation and accounting of Direct taxes. It is integrated with RBI, Agency Banks and TIN 2.0 which will share the information through various formats.

c. **Identification of expenditure to be incurred on North Eastern Region:** The procedure for expenditure out of NER allocation is such that the reporting on NER related heads of accounts is not available. Department of North Eastern region (DoNER), which is mandated to monitor Expenditure under the laid down policy of Ten percent (10 percent) GBS for North East Region under specific heads of accounts, indicated the requirement for obtaining the expenditure incurred under various Schemes for the North Eastern Region. Accordingly, a separate flag for NE related expenditure was developed on PFMS for identification of expenditure to be incurred against North Eastern Region. Through this check box functionality in Sanction Module in PFMS, identification and monitoring of expenditure to be incurred on North Eastern Region have been made easy. Suitable reports have also been developed.

d. **GIFMIS:** In line with the approval of Ministry of Finance, PFMS is being developed into an integrated Government Financial Management System (GIFMIS) with enhancements of processes and various Treasury functions such as Budget Control, Account Automation, Just in Time Releases, Management Information System, Debt Accounting and Information System, Tax Accounting, Employee Payroll System, Financial Asset Module etc.

ii. Direct Benefit Transfer (DBT)

83. Direct Benefit Transfer (DBT) has been envisaged as a tool to reengineer existing processes and to ensure that the benefits under Government schemes and services reach the intended beneficiary in a timely and appropriate manner. The DBT framework leverages use of digital technology and Aadhaar to benefit both beneficiaries. The focus under DBT has gradually shifted from delivery of government subsidies / benefits to targeted delivery with last-mile access to benefits. DBT infused greater amount of transparency and accountability in the public delivery system.

84. **DBT in Central Ministries and Departments**: DBT has been a successful reform initiative which has delivered more than ₹13.41 lakh crore since inception, under 322 schemes of 51 Central Ministries/ Departments. Schemes are classified into the categories based on the type of benefit under the schemes such as Cash Schemes, In-kind Schemes, cash and In-kind schemes. **Cash schemes** (221 schemes) entail transferring subsidies/benefits directly into the bank accounts of the beneficiaries. Some examples include PAHAL and MGNREGS. **In-kind schemes** (44 schemes) entail beneficiaries receiving benefits in the form of goods, commodities, or material after conducting Aadhaar-based authentication. Examples include food grains under PDS and Fertilizer Subsidy scheme. **Cash and In-kind schemes** (57 schemes) are composite schemes which have both cash and in-kind components as mentioned above.

85. **DBT in States and UTs:** Implementation of DBT including end-to-end digitization in schemes, use of Aadhaar and financial inclusion is actively pursued in the States / UTs. All States and UTs have now set up DBT Cells for effective monitoring DBT progress in their respective States. So far, a total of 3,834 schemes have been identified by States/UTs for DBT implementation, which includes 2,195 State level components of 71 centrally sponsored schemes (CSS) and 1,639 State schemes. The replication of best practices in DBT has allowed States to identify eligible beneficiaries in a transparent manner, based on their precise socio-economic and demographic information.

86. **Natonal Scholarship Portal:** In Academic Year 2019-20, 80 Scholarship Schemes (pertaining to 10 Ministries and 11 States) were on-boarded on NSP and more than ₹3,052 crore were disbursed to 70.3 lakh students. Applications are currently being processed for Academic Year 2020-21. This shows considerable increase compared to the Academic Year 2018-

87. **DBT Progress: Present Status** The progress of DBT implementation in the schemes is being regularly monitored through the DBT Bharat Portal. Since the adoption of DBT in FY 2014 till 27th December 2020, a **sum of ₹13.4 lakh crore has been transferred through DBT mode,** ensuring that these benefits were received by the intended beneficiaries* *(Non-unique as the same beneficiary may be eligible for more than one scheme)*. There is a significant increase in total fund transfer annually through DBT from ₹7367.7 crore in FY 2013-14 to ₹381631.2 crore in FY 2019-20. In the Financial year 2020-21 till 27th December, **₹2,56,308.2** crore has been transferred through DBT to **137.6 crore eligible beneficiaries** under identified DBT schemes.

88. **Estimated Gains from DBT:** Benefits from DBT accrue both to the beneficiaries as well as the Government. At the beneficiary level, DBT has led to empowerment of citizens by facilitating seamless benefit delivery. For Government, benefits from DBT include improved quality of service delivery, reduced manual processes, rationalization of fund flows, reduced leakages and reduced cost of delivery. Key Ministries and Departments have reported estimated gains from DBT and associated governance reforms to the tune of **₹1,78,396 crore** primarily as a result of removal of duplicate or fake beneficiaries. The most significant being PAHAL ₹71301.00 crore and PDS ₹66896.87 crore.

FOCUS AREAS

89. **Rationalization and re-engineering of schemes:** There has been a conscious push towards providing citizen friendly services under DBT schemes through a single comprehensive mobile platform called **UMANG (Unified Mobile Application for New-age Governance)**. UMANG has been developed by NeGD, Ministry of Electronics and Information Technology and has been identified as a one-stop mobile solution for providing online services to citizens across DBT schemes. For citizens who do not have access to smart phones, the UMANG services are also available in an assisted mode through 3.9 lakh common service centres (CSCs) across India. A smart app for farmers, called **Kisan Suvidha,** has been developed by the Ministry of Agriculture Cooperation and Farmers Welfare to provide all services/information relevant to farmers and is available on UMANG. Wherever required, new online services are being developed and processes are being reengineered to ensure ease to beneficiaries. As on 25th December 2020, online services of 94 DBT schemes and more than 150 services are available on UMANG while integration of other schemes services is in process. Further, rationalisation and consolidation of DBT schemes is also been actively pursued, including cash and in-kind benefits to farmers under several schemes such as PM KISAN Yojana, KISAN Maan Dhan Yojana, PM Fasal Bima Yojana, Fertiliser Subsidy scheme, etc. Separately, work on transferring fertilizer subsidy to farmers in the form of cash directly in their bank accounts is also under progress.

90. **Pradhan Mantri Garib Kalyan Yojana DBT package:** As a response to Covid-19 and to provide immediate relief to the poor and vulnerable citizens, the Government of India announced slew of relief measures under the “Pradhan Mantri Garib Kalyan Yojana”. This was made possible by front-loading benefits or providing additional assistance to the beneficiaries of pre-existing DBT programmes either by increasing entitlements or by directly transferring money to the bank accounts of beneficiaries.

91. **Strengthening of National Scholarship Portal:** Several measures have been undertaken recently to strengthen the National Scholarship portal for disbursement of scholarships in India, particularly in order to make the process beneficiary friendly and to prevent any scope of misappropriation. Extensive use of Aadhaar authentication, random physical verification, provision of system generated red-flags, data analytics, supervision of Business Correspondence model etc is being implemented.

92. **Implementation of DBT in States / UTs:** It has been found that the implementation of DBT has not been uniform across States/UTs which affects development of a strong and effective DBT ecosystem in the country. Accordingly, efforts are underway to pursue end-to-end digitization of DBT schemes being directly implemented by State / UTs Governments.

iii. Subsidies

93. Subsidy allocation for Major subsidies has been revised from ₹2,27,794 crore to ₹5,95,620 crore showing 161 percent increase from the budgeted value. Allocation for Major subsidies is estimated at ₹3,36,439 crore where largest share belongs to Food subsidy followed by Fertilizer subsidy and Fuel subsidy.

94. Food Subsidy – It is provided in the budget of the Department of Food and Public Distribution (Dept of F&PD) to meet the difference between Economic Cost of food grains and their sales realization at the Central Issue Process. Fixed for National Food Security Act (NFSA) and other welfare schemes. To rationalize the release of the food subsidy, principles of incidentals have been amended to restrict the benefit of indexation of procurement incidentals except for Minimum Support Price of food grains, gunny costs and statutory charges for the States who have defaulted in timely submission of audited accounts. Dept of F&PD regularly pursues with the State Governments for timely submission of the audited accounts so that their accounts can be finalized and better estimation for budgetary allocation can be made. Food subsidy has been revised from ₹1,15,570 crore to ₹4,22,618 crore in RE 2020-21. Which has been rationalised to ₹2,42,836 crore in BE 2021-22.

95. Fertilizer Subsidy- the difference between the concession rate (normative cost of production) and net market realization by the urea units is given as subsidy to urea manufacturing units. Further, in case of imported urea the import is done from the Government account and urea is sold to farmers at statutorily fixed price. The urea subsidy is paid to the urea manufacturing units as per New Pricing Schemes (NPS)-III and Modified NPS-III, New Urea Policy (NUP)- 2015 and as per Notification dated 17th June 2015 for the units using naphtha as feedstock. With introduction of Neem Coating of Urea, Introduction of 45 Kg bag of Urea and Uniform freight policy the spree of reforms in Fertilizer subsidy continued. The budgetary allocation for fertilizer subsidy has been revised from ₹71,309 crore to ₹1,33,947 crore in RE 2020-21 from BE 2020-21. Expenditure on account of fertilizer subsidy estimated at ₹79,530 crore in BE 2021-22.

96. Fuel Subsidy- The Ministry of Petroleum and Natural Gas operates budgetary allocation as budgeted for Fuel subsidy. The prices of petrol and diesel have been made market determined by the Government effective from June, 2020 and October 2014 respectively, and hence since then their prices are being decided by the Public Sector Oil Marketing Companies. In reference to Domestic LPG, in order to insulate the common man from the impact of rise in international oil prices, the Government continued to modulate the effective price to consumer of Domestic LPG. The prices of non-subsidised Domestic LPG are however determined by the OMCs in line with changes in the international markets. The Government in March 2020 approved that whenever there is a fall in the non-subsidized price of 14.2Kg LPG cylinder by ₹50.00 or more, the subsidy transfer into the account of all LPG consumers will be further reduced by ₹6.00, in addition to the reduction in transfer of the subsidy by ₹4.00 per month. To help the poor to fight the battle against Corna-19 virus, the Government has decided to provide gas cylinders free of cost to the beneficiaries under Pradhan Mantri Ujjwala Yojana for a period of three months under Pradhan Mantri Garib Kalyan Yojana. Fuel subsidy has been revised from budgeted ₹40,915 crore to ₹39,055 crore in RE 2020-21. This has expected to reach ₹14,073 crore in BE 2021-22, on accounts of continuous drop in international fuel prices.

iv. Infrastructure Policy

97. One of the main sources of infrastructure finance is bank finance, which suffers from asset-liability mismatch as bank liabilities are short-term but infrastructure assets are long-term. This gives rise to various issues including the issue of Non-Performing Assets in banks. Efforts are being made to attract institutional investors (pension, insurance and sovereign wealth funds etc.) into infrastructure, which does not suffer from asset-liability mismatch. To improve public and private investment in infrastructure in India, the following initiatives have been taken.

98. **Infrastructure Debt Funds (IDFs):** IDFs were created essentially to act as vehicles for refinancing existing debt of infrastructure companies, thereby creating fresh headroom for banks to lend to fresh infrastructure projects. IDFs were expected to channelize long term funds from insurance and pension funds, sovereign wealth funds etc to supplement lending for infrastructure projects by commercial banks which are increasingly being constrained by their asset-liability mismatch and exposure limits. IDFs are set up by sponsoring entities either as NBFCs – which are regulated by the RBI or as Mutual Funds which are regulated by SEBI. Presently, there are six IDFs, 2 IDF MF (IIFCL IDF and IL&FA IDF) and 4 IDF NBFC (India Infradebt Fund, Kotak Infrastructure Debt Fund Ltd, L&T Infra Debt Fund Ltd and NIIF Infrastructure Finance Ltd) registered with SEBI and RBI.

99. The aggregate Assets under Management (AUM) of the IDFs as on September, 2020 was ₹28,000 crore approximately. As per the extant RBI guidelines, a Tripartite Agreement between the IDF, concessionaire and the project authority is mandatory for IDF's to invest in PPP projects. Keeping this in mind, a Model Tripartite Agreement was developed for the Roads sector (BOT model) which was approved by the Cabinet Committee on Infrastructure in 2012. In 2014, this MTA was customised for the Ports sector without altering the risk allocation between various stakeholders. Customisation of the MTA for TOT sector and airport sector are under advanced stages of deliberation.

100. **Infrastructure Investment Trusts (InvITs) & Real Estate Investment Trusts (REITs)**: The Government of India has conceptualized Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) as innovative vehicles for financing infrastructure. InvITs are created in the form of trusts under the Indian Trust Act (1882) and registered with SEBI as per SEBI's Infrastructure Investment Trusts guidelines, 2014. InvITs are pooled structures which help developers monetize their mature infrastructure assets and raise capital from a wider set of investors. They are pass-through entities and provide a tax efficient structure to its investors. The structure is ideally suited to institutional investors with a long-term investment horizon.

101. There are currently 8 InvITs (Indianfravit Trust, Oriental Infrastruct, IRB Infrastructure Trust, India Infrastructure Trust, Tower Infrastructure Trust, Digital Fibre Infrastructure Trust, India Grid Trust and IRB InvIT Fund) and 2 REITs (Embassy Office Parks REIT and Mindspace Business Parks REIT) registered with SEBI. These InvITs and REITs have cumulatively raised approximately ₹76,000 crore from both domestic and foreign investors. Public Sector Entities are using this mechanism of asset monetization to reduce their debt burden. For instance, National Highway Authority of India (NHAI) and Power Grid Corporation of India Limited (PGCIL) are in the process of setting up their own InvITs for monetizing their operational assets.

102. **National Infrastructure Pipeline (NIP)** for each of the years from FY 2019-20 to FY 2024-25. NIP aims at improving project preparation and attract investments into infrastructure. To draw up the NIP, a High-Level Task Force was constituted under the

chairmanship of the Secretary, Department of Economic Affairs (DEA). The Final Report on National Infrastructure Pipeline for FY 20-25 of the Task Force was released by the Hon'ble Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman on 29th April, 2020. Presently the project pipeline consists of 7400 projects approximately with around 176 projects with a total project cost of more than ₹ 3 lakh crores ($41 billion) about to be bid out by March 2021. This includes 42 PPP projects with a total project cost of ₹ 66,000 crores approximately. 215 projects worth ₹ 1.07 lakh ($15 billion) crore have already been commissioned.

103. The Cabinet Committee on Economic Affairs chaired by Prime Minister on 11.11.2020 approved the proposal of Continuation and Revamping of the Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure Viability Gap Funding (VGF) Scheme till 2024-25 with a total outlay of ₹ 8,100 crore. The aim of the scheme is to promote PPPs in social and Economic Infrastructure leading to efficient creation of assets and ensuring their proper Operation and Maintenance and make the economically/socially essential projects commercially viable. The scheme would be beneficial to public at large as it would help in creation of the Infrastructure for the country.

104. Revamping of the proposed VGF Scheme will attract more PPP projects and facilitate the private investment in the social sectors (Health, Education, Waste Water, Solid Waste Management, Water Supply etc.). Creation of new hospitals, schools will create many opportunities to boost employment generation. The revamped Scheme will be financed from budgetary support of Ministry of Finance. Projected financial outlays under the Scheme for financial support to PPPs in Economic Infrastructure is ₹1100 crore, ₹1200 crore and ₹1300 crore respectively for FY 2021-22, FY 2022-23 and FY223-24. Projected Financial outlays under the scheme for financial Support to PPPs in Social Infrastructure is ₹400 crore each for next three FY i.e 2021-22, 2022-23 and 2023-24.

3. Government Borrowing, Lending and Investments

105. Net borrowing through treasury bills to finance GFD in 2020-21 was kept at ₹2,25,000 crore. In addition, State Provident Fund and other receipts from Public Accounts would finance remaining portion of the Fiscal Deficit. One of the key features on country's debt profile is low proportion of external debt as percentage of total liabilities. External borrowing is limited to multilateral/bilateral loans from select international development agencies like JICA, IADA, IFC, etc. for financing development projects and, thus, not exposed to reversal of capital flows. Loans from multilateral institutions constituted significant portion of external debt at end- March 2020, which are largely on concessional terms.

106. The definition of Central Government Debt has been clearly brought out in the FRBM Act, 2018. Apart from including the total outstanding liabilities against Consolidated Fund of India, it also includes all liabilities under Public Accounts of India and financial liabilities of any body-corporate or other entity owned or controlled by the Central Government, which the Government is to repay or service from the annual financial statement, reduced by the cash balance available at the end of that date. External debt which is a liability on the security of Consolidated Fund of India is valued at current exchange rates. Correct representation of Central Government debt is the starting point for debt

107. Correct representation of central government debt is the starting point for debt Management and Control. At the same time, it cannot entail inclusion of all liabilities of

all CPSEs/ Autonomous Bodies as part of Govt. borrowings since most of the borrowings of such body corporates are done for the purpose of their routine business activity. The Government has identified those borrowings which are done for the purposes of furthering the objectives of Union Government. These borrowings, referred to Extra Budgetary and other Resources (GoI fully serviced bonds and NSSF Loans) are being included in calculation of Central government Debt. The details of such borrowings are also provided as Statement 27 in Expenditure Profile. Since 2004, the central government debt has fallen from 66.7 percent of GDP in 2004-05 to 3.1 percent in 2020-21 (provisional).

Contingent and other Liabilities

108. The contingent liabilities in the form of guarantees given by the Government has increased in absolute terms from ₹1,07,957 crores in 2004-05 to ₹ 4,66,881 crore at the end of 2019-20. FRBM ceiling on guarantees which can be assumed by the Government during a Financial Years has resulted in reduced contingent liability to GDP ratio. This ratio which was stood at 3.3 percent in 2004-05 has now revised to 2.3 percent in 2019-20. The disclosure statement on outstanding guarantees as prescribed in FRBM Rules, 2004 is appended in the Receipt Budget [1(iii) of part B]. During the year 2019-20 net accretion to the stock of the guarantees was ₹17,307.67 crore.

E. Strategic priorities for ensuing year

109. The main focus of the Government in the ensuing year on the expenditure side will be to enhance creation of capital assets, Health, Food Security, Sanitation and water conservation will continue to be focus sector.

F. Statement of Deviation explaining the reasons thereof for deviations from the fiscal targets mentioned in Section 4(5) and compliance obligations under Section 7(3)(b)(1) of the Act.

110. The fiscal deficit target for RE 2020-21 has been kept at 9.5 percent of GDP compared to the BE 2020-21 of 3.5 percent of GDP. The unprecedented nature of the Covid shock on economic growth and other fiscal parameters has resulted in the present upward revision of the fiscal deficit target.

111. In the first quarter of FY 2020-21, the full extent of Covid shock was yet unknown. One of the important determinants of expenditure of the Central Government are the recommendations of the Finance Commission. The Fifteenth Finance Commission's report for the 5-year cycle beginning 2021-22 was submitted only in November 2020. In view of the above, Government was unable to place the Medium-term Expenditure Framework Statement for FY 2020-21 on the table of the House as mandated under S.3(1B) of the FRBM Act.

112. The Government will amend the FRBM Act. Hence, no fiscal projections for the years 2022-23 and 2023-24 have been presented along with this Statement.

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