1. 2019-20 has witnessed a moderation in growth rates as mentioned in the Macroeconomic Framework Statement. The Government, faced with the task of implementing counter-cyclical policies while walking the fiscal tight rope has focused on maintaining the quality of expenditure. The details of the composition of expenditure are given in the later section of the Statement.

2. Government has initiated structural reforms both on the supply and the demand side. Some of the measures taken have been mentioned in the Framework statement. These have fiscal implications and are important tools to boost economic performance. The impact of these measures initiated is anticipated to have spill-over effect in the next financial year. In short, the measures initiated by the Government to cement the economic recovery are anticipated to have effects in the next FY as well. In the changed scenario, the government has revised its fiscal roadmap in the near term.

3. It is anticipated that there will be a variation in fiscal deficit of 0.5 per cent of GDP in 2019-20 and 2020-21 to provide adequate space for counter-cyclical fiscal measures taken for boosting investments. The target for 2019-20 has been revised to 3.8 per cent of GDP. The fiscal deficit target for 2020-21 has been revised to 3.5 per cent of GDP.

4. In addition, a stimulus of nearly ₹1 lakh crore (0.5 per cent of GDP) has been provided by way of lowering of Corporation Tax rates ensuring that adequate surpluses are available for private investment. A fine balance has been kept in BE 2020-21 by providing adequate resources for meeting revenue expenditure and boosting Capex, while keeping the fiscal deficit at 3.8 per cent and 3.5 per cent for the years 2019-20 and 2020-21 respectively.

5. The Gross Tax Revenue is anticipated to grow at the rate of 12.3 per cent in 2021-22 and 12.6 per cent in 2022-23 over previous years. The growth in direct taxes has slowed in 2019-20 due to the cut in corporation tax. While the growth in direct taxes is expected to be 13.6 per cent and 13.8 per cent, the growth rate in indirect taxes are expected to be slightly muted at 10.7 per cent and 11.1 per cent in the years 2021-22 and 2022-23 respectively.

6. The target of fiscal deficit is 3.8 per cent of GDP in RE 2019-20 compared to the budgeted level of 3.3

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**A. Fiscal Indicators - Rolling Targets**

<table>
<thead>
<tr>
<th></th>
<th>Revised Estimates 2019-2020</th>
<th>Budget Estimates 2020-2021</th>
<th>(Projections)</th>
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<tr>
<td>Fiscal Deficit</td>
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<td>3.3</td>
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<tr>
<td>Revenue Deficit</td>
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<td>Primary Deficit</td>
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<td>Gross Tax Revenue</td>
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<td>10.7</td>
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<tr>
<td>Non-tax Revenue</td>
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<tr>
<td>Liabilities on account of EBR ¹</td>
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<td>0.8</td>
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1 Part A of Statement 27 of Expenditure Profile 2020-21
per cent of GDP. There has been a decrease in Gross Tax Revenue estimates mainly on account of lesser than anticipated collection of GST and a reduction in Corporation Tax rates. Receipts anticipated from indirect taxes have been revised to reflect a growth of 5.3 per cent over 2018-19 Provisional Actuals, whereas RE 2019-20 for Direct tax reflects a growth of 2.9 per cent over previous year. Corporate tax where a decrease of ₹ 1,55,500 crore over BE level. Non-Tax Revenue Receipts is estimated to increase by ₹ 32,334 crore over BE level.

7. Non-Debt capital receipts are anticipated to reduce by ₹ 38,224 crore over BE 2019-20, mainly on account of lower disinvestment receipts. Revised estimates for non-debt capital receipts have been kept at ₹ 1,604,600 crore. The absolute value of Fiscal Deficit has been revised to ₹ 7,66,848 crore in RE which reflects an increase of ₹ 63,087 crore over BE 2019-20.

8. In RE 2019-20, total expenditure has been estimated at ₹ 26,98,552 crore which reflects a decrease of ₹ 87,797 crore from BE 2019-20. Revenue expenditure in RE 2019-20 is ₹ 23,49,645 crore, while Capital expenditure, estimated at ₹ 3,48,907 crore in RE, show an increase of ₹ 10,338 crore over BE 2019-20.

Fiscal Outlook for BE 2020-21

9. Fiscal deficit in 2020-21 is expected to be 3.5 per cent of GDP. As mentioned earlier, this is on account of the structural reform measures initiated by the Government, The GTR is budgeted at ₹ 24,23,020 crore in BE 2020-21 which reflects a growth of ₹ 2,97,772 crore from BE 2019-20. Revenue expenditure in RE 2019-20 is ₹ 23,49,645 crore, while Capital expenditure, estimated at ₹ 3,48,907 crore in RE, show an increase of ₹ 10,338 crore over BE 2019-20.

10. Non-Debt capital receipts have been budgeted at ₹ 2,24,967 crore in BE 2020-21 indicating an increase of ₹ 1,43,363 crore over RE 2019-20. An amount of ₹ 90,000 crore has been budgeted in disinvestment receipts from Public Sector Banks and other Financial Institutions. Total net borrowings in 2020-21 are projected at ₹ 7,66,848 crore as compared to ₹ 7,66,848 crore in RE 2019-20.

11. Total expenditure in 2020-21 is pegged at ₹ 30,42,230 crore which is an increase of ₹ 3,43,678 crore (12.7 per cent) over RE 2019-20. Revenue Expenditure is estimated to be ₹ 26,30,145 crore in BE 2020-21 reflecting a year-on-year growth of 11.9 per cent. Capital expenditure is expected to expand to ₹ 4,12,085 crore reaching 1.8 per cent of GDP in 2020-21 compared to 1.7 per cent in 2019-20.

Assumptions underlying the Fiscal Indicators – Revenue receipts

Tax-Revenue

12. Gross Tax Revenue (GTR) has been pegged at ₹ 21,63,423 crore in RE 2019-20 which reflects a decrease of ₹ 2,97,772 crore from BE 2019-20. The reasons for this shortfall are the reductions in Corporation tax. For BE 2020-21, GTR is expected to be ₹ 24,23,020 crore which works out to be 10.8 per cent of GDP. Overall, a year-on-year growth of 4 per cent and 12 per cent is expected in 2019-20 and 2020-21 respectively. In the medium term, GTR is expected to grow at 12.3 per cent in 2021-22 before growth rate picks up to 12.6 per cent in 2022-23 respectively over previous year.

13. Direct tax has also been revised to ₹ 13,19,000 crore whereas Indirect tax is budgeted at ₹ 10,99,520 crore in BE 2020-21 which, as a percentage of GDP, works out to be 5.9 per cent and 4.9 per cent respectively. Direct tax collections are anticipated to reach 6 per cent of GDP in 2022-23. The projections of direct tax revenues for FY 2021-22 & 2022-23 are computed with the following assumptions:

- Through Taxation Laws (Amendment) Act, 2019, several relief measures including reduction in rates of corporate tax, roll-back of enhanced surcharge in certain conditions, and reduction in rates of Minimum Alternate Tax (MAT) were provided resulting in an estimated revenue loss of 1.45 lakh crore per annum. The impact of these relief measures have been taken into account in the RE for FY 2019-20
- There is no further change in tax rate or slabs or any of the tax provisions in the Income-tax Act, 1961.

14. Tax devolution to states in 2021-22 and 2022-23 will be governed by Fifteenth Finance Commission recommendation which will be brought out in their final report. The devolution formula of the first fifteenth FC report has been used for calculation of centre’s share of tax revenue in the projection period.
15. Indirect taxes are expected to grow at 11.1 per cent in 2020-21, 10.7 per cent in 2021-22 and 11.1 per cent in 2022-23. These assume no major change in the indirect tax policy during the projection years. For the financial years 2020-21 and 2021-22, Central GST, UTGST and GST Compensation Cess are expected to have a buoyancy of 1.0 with respect to nominal GDP growth rates of the respective years.

16. Tax buoyancy in respect of Customs Duty has been assumed at 0.9 for each projection year. In case of Central Excise, due to specific rate structure on MS/HSD, a growth of 6 per cent has been applied for CS (POL) revenue projections for FY 2020-21 and 2021-22. This is at par with an average domestic POL consumption growth in the previous five years.

Non-tax-revenue – Policy stance

17. Non-tax Revenue (NTR) receipts are an important source of government’s revenue. In 2018-19, they formed around 15.2 per cent of the total revenue receipts. NTRs comprise dividends from RBI, banks, financial institutions and other public sector enterprises, interest receipts on loans primarily from states. Other NTR receipts include telecom receipts, receipts from offshore oilfields, user charges and fees levied by various Ministries/Departments for services provided by them.

18. Receipts under NTR are expected to go up in RE 2019-20 and are pegged at ₹3,45,513 crore which works out to 1.7 per cent of GDP. In 2020-21, it is estimated at ₹3,85,017 crore. NTR are expected to be around 1.5 per cent and 1.5 per cent of GDP in 2021-22 and 2022-23 both.

Devolution to States – Finance Commission

19. The Fifteenth Finance Commission (XV-FC) was constituted on 27th November 2017 in terms of Article 280 of the Constitution. In 2019, the Commission was mandated to submit two reports. The First Report, which was submitted to the President on 5th December 2019, provides recommendations for financial year 2020-21. The Commission will submit its final report in October 2020 which will contain recommendation for the five years 2021-22 to 2025-26.

20. Finance Commission makes recommendation on the distribution between the Union and the States of the net proceeds of taxes under provisions of Article 280(3) of the Constitution. The distribution of these net proceeds, which constitute the divisible pool of taxes, between the Union and the States is called vertical devolution. The Commission has recommended an aggregate share of 41 per cent of the net proceeds of Union taxes (divisible pool) for the States, compared to 42 per cent recommended by the Fourteenth Finance Commission. The reduction of 1 per cent devolution to states is meant to enable the Union Government to provide for the security and other special needs of the Union Territory of Ladakh and Union Territory of Jammu & Kashmir. The level of tax devolution has been maintained by the Commission while noting that tax devolutions are a more objective form of transfer of resources as compared to other forms of transfers which are more discretionary and empirically found to be less progressive.

21. Devolution to states in RE 2019-20 is based on fourteenth FC recommendations while for BE 2019-20, devolution to States is on the basis of the first report of XV-FC. For years 2021-22 and 2022-23, the recommendations are not yet available. The recommendations on the percentage of tax devolution in first report have been used for calculating tax devolution in the projection years.

Capital receipts

Recovery of loans

22. The two main components of Non-debt capital receipts are Recovery of Loans and Advances and disinvestment receipts. Recovery of loans has been kept at ₹16,604 crore in RE 2019-20 and the budgeted amount in 2020-21 is ₹14,967 crore. In the medium term, it is estimated at ₹15,000 crore in 2021-22 and 2022-23 both.

Other non-debt capital receipts

23. Disinvestment receipts accrue to the government on sale of public sector enterprises which are owned by the government. It also includes sale of strategic assets. Disinvestments receipts have been revised to ₹65,000 crore in RE 2019-20. For BE 2020-21, disinvestment receipts are budgeted at ₹2,10,000 crore which is inclusive of ₹90,000 crore from sale of Public Sector Banks and other Financial Institutions. In 2021-22 and 2022-23, disinvestment receipts are expected to be up.

Borrowings – Public Debt and Other Liabilities

24. In 2019-20, gross and net market borrowing by the Government of India (GoI) through dated securities, excluding buyback/switches were budgeted at ₹7,10,000 crore and ₹4,73,972 crore, respectively. Actual gross and net market borrowings through dated
securities during the year 2018-19 stood at ₹5,71,000 crore and ₹4,22,735 crore, respectively. Net market borrowings through dated securities were budgeted to finance 60.12 per cent of Gross Fiscal Deficit (BE) in 2019-20. Other sources such as net borrowing from Treasury Bills, NSSF, state provident fund, net external assistance and cash draw down were budgeted to finance the remaining 39.88 per cent of the GFD.

25. Market borrowing for the first half (H1) was kept around 62.25 per cent (at ₹4,42,000 crore) of the gross market borrowing of FY 2019-20. In the second half, market borrowing were kept at ₹2,68,000 crore, representing 37.75 per cent of the budgeted gross market borrowing. Gross and net market borrowings (upto December 27, 2019) in 2019-20 aggregated to ₹6,34,000 crore (89.30 per cent of budgeted gross borrowings of ₹7,10,000 crore for 2019-20) and ₹5,32,972 crore (125.96 per cent of budgeted net borrowings of ₹4,23,122.01 crore for 2019-20), respectively.

26. During 2019-20, 7 out of 10 tranches of Sovereign Gold Bond (SGB) scheme have been completed (upto December 27, 2019), with a total subscription of 4445.7 kilograms of gold amounting to ₹1,618.84 crore received. Net treasury bills realization has been above budget estimates during the year so far, with contribution coming from higher investment by State Governments through the non-competitive route in the weekly auction of T-bills. NSSF received substantially higher inflows during the year vis-à-vis budget estimates.

27. The weighted average maturity of primary issuances of rupee dated securities in fiscal year 2019-20 (upto December 27, 2019) was 16.07 years vis-a-vis 14.73 years in previous year. The weighted average yields of primary issuance during fiscal year 2019-20 decreased to 6.86 per cent from 7.77 per cent in the previous year, indicating low yield environment.

28. Of the overall Central Government liabilities, about 94.1 per cent are domestic and 5.9 per cent are external as at end-March 2019. Dated securities are primarily held by domestic institutional investors. Commercial banks are the largest investors and currently hold about 39.66 per cent of outstanding dated securities at end-Sept 2019, 41.41 per cent of outstanding dated securities at end-Sept 2018 and 40.51 per cent of outstanding dated securities at end- Dec 2018. Insurance companies are another major investor category in the government securities, which generally prefer longer tenor securities due to their long term liabilities. As at end of September 2019, the share of insurance companies holdings in the central Government dated securities marginally increased to 24.86 per cent from 24.57 per cent at end of previous financial year. Provident funds are another stable source of demand for Government securities whose share is at 4.87 per cent at end-Sept 2019.

29. Continued strong demand from banking sector and more so from insurance sector combined with a strong Primary Dealers’ network implies that the Government borrowings programme for 2019-20 would be completed comfortably without exerting any pressure on availability of financial resources for the private sector.

30. Central Government Debt which was budgeted at 48 per cent of GDP in 2019-20 has been revised upwards to 50.3 per cent of GDP in RE 2019-20. This is mainly on account of allowing a fiscal deficit of 3.8 per cent of GDP in RE 2019-20. As a percentage of GDP, Central Govt. Debt is expected to marginally decline to 50.1 per cent in 2020-21 and at a higher pace in projection years to reach 45.5 per cent in 2022-21. The borrowings are expected to reduce in the medium term with increased revenue collections. With contraction of Government deficit, there will be more room for private investment and capital inflows. Low levels of inflation will also benefit the Government in medium term by reducing the cost of fresh borrowings of GoI, resulting in reduction in interest payout.

31. A progressive reduction in debt-GDP ratio of the Government will ease the interest burden and allow more space to the Government to spend on other socially productive sectors without taking recourse to additional borrowings.

### Total Expenditure

32. Total Expenditure in RE 2019-20 has been pegged at ₹26,98,552 crore which reflects a reduction of ₹87,797 crore over BE 2019-20. BE 2020-21 has been estimated at ₹30,42,230 crore reflecting a growth of 12.7 per cent over RE 2019-20. The growth of total expenditure is expected to be 7 per cent and 9.8 per cent respectively over previous year in 2021-22 and 2022-23. Revenue expenditure is expected to grow at a slower rate than earlier in projection years to reach a level of 10.7 per cent of GDP in 2022-23. Capital expenditure on the other hand is anticipated to be 1.9 per cent of GDP in 2022-23.
Revenue account

33. Revenue expenditure is estimated to be ₹23,49,645 crore in RE 2019-20 which is lower than BE estimate by ₹98,136 crore. The reduction in RE 2019-20 is mainly on account of reduction in expenditure on food subsidy. The details are provided in Statement 27 Part – B of the Expenditure Profile. BE 2020-21 for revenue expenditure is budgeted at ₹26,30,145 crore which reflects an increase of 11.9 per cent over RE 2019-20. Revenue expenditure is expected to be 87.1 per cent of Total Expenditure in the RE 2019-20 before coming down to 86.5 per cent in 2020-21. In the medium term, revenue expenditure as a percentage of total expenditure is anticipated to decline further to 85.9 per cent in 2021-22 and 85.2 per cent in 2022-23.

34. The major components of the revenue expenditure of the Government include Interest payments, Subsidies, Salaries, Pensions, Defence revenue expenditures, expenditure on Central Police Organizations and the revenue transfers made to the State/UT Governments in the form of Finance Commission grants, Centrally Sponsored Schemes and Other Transfers. In the other transfers category is included the transfer to State Governments for compensating revenue losses on account of implementation of GST. The grants to Central autonomous bodies are also a substantial part of the Central sector schemes are also in the nature of revenue expenditure. These are discussed briefly in the following paragraphs.

Interest payments

35. Interest payments constitute the largest component of Centre’s revenue expenditure. Interest payment expenditure was budgeted at ₹6,60,471 crore in BE 2019-20 which was 33.7 per cent of revenue receipts. Interest payment expenditure is expected to be lower in RE 2019-20 at ₹6,25,105 crore which is expected to constitute 33.8 per cent of revenue receipts. In 2020-21, outgo towards interest payments is expected to be ₹7,08,203 crore which is 35 per cent of revenue receipts. The interest payments as a per cent of revenue receipts are expected to come down in the medium term as revenue receipts show greater buoyancy. The total interest payments outgo in 2021-22 and 2022-23 as a per cent of revenue receipts is expected to be 35.6 per cent in both.

Major subsidies

36. Major subsidies, - for Food, Fertilizer and Petroleum, form a significant component of revenue expenditure. The expenditure on on account of these items are estimated to reduce from the Budgeted level of ₹3,01,694 crore to ₹2,27,255 crore in RE 2019-20, reflecting a reduction of ₹74,439 crore. In BE 2020-21, expenditure on account of subsidies is expected to be ₹2,27,794 crore. One of main reasons for the above decrease is use of NSSF for funding the food subsidy requirements of the FCI. This reflects a benign increase of 0.2 per cent from RE 2019-20. As a percentage of GDP, subsidies are expected to come down to 1.1 per cent in RE 2019-20 and 1 per cent in BE 2020-21, compared to 1.4 per cent budgeted in 2019-20. The outgo on account of subsidies is expected to come down to 0.9 per cent of GDP in 2022-23.

Defence Services

37. The Defence Services revenue expenditure constitute mainly, expenditure on salaries, other establishment related items including Stores, works related maintenance expenditures, transport and other miscellaneous expenditure. In RE 2019-20, Defence Service revenue expenditure is estimated at ₹2,05,902 crore against the budgeted estimates of ₹2,01,902 crore reflecting an increase of 2 percent in RE over BE. In BE 2020-21, the expenditure outlay under this head is budgeted at ₹2,09,319 crore which is 1.7 percent higher than RE 2019-20. It is expected that expenditure on this component will increase by 7.5 per cent each year in medium term.

Finance Commission Grants

38. The Finance Commission grants are given to the State Governments under the statutory provisions under Article 275(1) of the Constitution. The transfer to states under FC grants for RE 2019-20 are based on recommendations of 14th Finance Commission in relation to revenue deficit grants, Grants in aid for State disaster response funds and Grants in aid for the rural and urban local bodies. The Finance Commission grants in BE 2020-21 are estimated on the basis of recommendations of Fifteenth Finance Commission made in the first report which is applicable for FY 2020-21. No projections have been made for 2021-22 and 2022-23 since final report of Fifteenth Finance Commission, containing recommendation for FYs 2021-22 to 2025-26 is expected to be presented to the President by October 2020 only.

39. FC grants are estimated at ₹1,23,710 crore and ₹1,49,925 crore in RE 2019-20 and BE 2020-21 respectively. This reflects a rise in FC grants by 21 per cent in BE 2020-21 over RE 2019-20.
Pension

40. Revenue expenditure under Pension has three main components, i.e. civil pensions which cater to pension expenditure to all Ministries/Departments of the Union Govt. barring few exceptions, defence pensions and pensions under Department of Telecommunication. Pension expenditure in RE 2019-20 is estimated to be ₹1,84,147 crore reflecting an increase of ₹9,848 crore over BE 2019-20. This is mainly on account of payment of pension arrears of 2018-19. In BE 2020-21, pension expenditure is budgeted to be ₹2,10,682 crore which reflects a growth of 14.4 percent over RE 2019-20. In the medium term, the payment on account of pension is expected to grow at a moderate pace of 7 percent over previous year. As a per cent of GDP, it is expected that payment will come down to 0.8 percent of GDP from the level of 0.9 percent in RE 2019-20.

Capital Outlay

41. Capital expenditure of the Government in RE 2019-20 has been kept at ₹3,48,907 crore as compared to ₹3,38,569 crore in BE 2019-20. This reflects an increase of ₹10,388 crore (3.1 percent) over BE 2019-20. In BE 2020-21, capex is budgeted at ₹4,12,085 crore reflecting an increase of 18.1 percent over RE 2019-20 level.

42. Capital expenditure as a percentage of GDP is expected to increase by 0.1 percent in BE 2020-21 (over RE 2019-20) to reach 1.8 percent of GDP. Capex is expected to reach 1.9 percent of GDP by 2022-23 on account of government’s push towards infrastructure projects.

GDP Growth

43. The real GDP growth moderated to 5.0 percent in 2019-20 as compared to 6.8 percent in 2018-19 due to global factors and domestic financial market challenges. The fundamentals of Indian economy, however, remain strong and GDP growth is expected to rebound from the first quarter of 2020-21. It is expected that the nominal Gross Domestic Product will grow at the rate of 7.5 percent in 2019-20 (to reach ₹2,04,42,233 crore) in comparison to a growth rate of 11.2 percent in 2018-19. The GDP growth is expected to pick momentum from 2020-21. In 2020-21, the nominal GDP is expected to grow at a rate of 10 percent and attain the level of ₹2,24,89,420 crore. The nominal gross domestic product is projected to grow at 12.6 percent and 12.8 percent respectively in 2021-22 and 2022-23. In absolute terms, the GDP for 2021-22 and 2022-23 work out to be ₹2,53,15,981 crore and ₹2,85,54,285 crore respectively.

Assessment of sustainability relating to

4. The balance between revenue receipts and revenue expenditure:

44. Total revenue receipts comprise tax revenue (net) and non-tax revenue receipts. The revised estimates of 2019-20 reflect a decrease in revenue receipts to the tune of ₹1,12,661 crore over BE estimate, mainly on account of fall in tax revenues. In BE 2020-21 revenue receipts are estimated at ₹2,20,926 crore (₹16,35,909 crore under tax revenue – Net and ₹3,85,017 under NTR). Non-tax revenue receipts in RE 2019-20 are expected to be ₹3,45,513 crore. In comparison, revenue expenditure is estimated to decrease by ₹198,135 crore in RE 2019-20 as compared to BE 2019-20. The revenue deficit is expected to be 2.4 percent of GDP in 2019-20 which reflects an increase of 0.1 percent over BE estimates.

45. Total revenue receipts in 2021-22 and 2022-23 are expected to grow at 10.2 percent and 12.1 percent respectively over previous year and remain at around 9 percent of GDP. Tax revenue (net) is expected to grow at 12.3 percent and 12.6 percent over previous year. Revenue expenditure, on the other hand, is expected to grow at a lower rate than revenue receipts in the medium term. It is expected that revenue expenditure as a percent of GDP will come to 11.1 percent in 2021-22 and 10.7 percent in 2022-23. This will in turn bring down revenue deficit to 2.1 percent of GDP and 1.8 percent of GDP in 2021-22 and 2022-23 respectively.

46. The total capital receipts for 2019-20 has been estimated at ₹8,48,452 crore. Out of this, 90.6 percent pertains to borrowings and other liabilities contracted for financing fiscal deficit. Corresponding to this, capital expenditure has been budgeted at ₹3,48,907 crore which is around 45.4 percent of fiscal deficit. Grant in aid for creation of capex refers to the grants given to states/UTs and Autonomous bodies which are earmarked for creation of capex even though they are budgeted as revenue expenditure in the Union Budget. These have been revised to ₹2,07,333 crore.

47. In BE 2020-21, capital receipts are budgeted at ₹10,07,378 crore, with share of borrowing falling to 78.7 percent. Non-Debt Capital Receipts are expected to increase in BE 2020-21 owning to disinvestment of strategic assets. Capex is also expected to increase
by 18.1 per cent over RE 2019-20 on account of Investment pipeline Scheme. Revenue Deficit as a percentage of Fiscal Deficit is however expected to deteriorate of 75.1 per cent in 2020-21 compared to 68.3 per cent in 2019-20.

48. In the medium term, the ratio of revenue deficit to fiscal deficit is expected to improve to 67.7 per cent in 2021-22 and 61.6 per cent in 2022-23 on account of higher growth pace of capex compared to revenue expenditure in the medium term.

**Fiscal Policy Strategy Overview:**

**Indirect tax Policy**

49. **Customs Duty**

- The basic customs duty rates in general are Nil/2.5 per cent/5 per cent/7.5 per cent on the inputs/intermediate products [industrial chemicals, ores and concentrates, fuels, textile fibres and yarns etc] used in industries for manufacturing.
- Finished items of consumption attract higher duty, e.g., items like paper and paper products, marble slabs, auto parts, electronic items etc.
- Concerted efforts have been made to remove inversions in duty structure. Tariff Commission and DPIIT examines the issues of inversion/ negative effective protection to the domestic industry. In majority of cases Tariff Commission did not find any inversion. Appropriate corrections made in few cases recommended by them. The inversion now being spoken about essentially emanates from FTA and ITA, the review of which lies in the domain of Department of Commerce.
- To safeguard the strategic interests of the country specified Defence equipment and their parts, imported by the Ministry of Defence or the Armed Forces, have been exempted from Basic Customs Duty in General Budget 2019-20.
- In line with “Make in India” initiative of the Government, custom duty was increased on certain goods in General Budget 2019-20 to provide level playing field, ensure better capacity utilization and achieve import substitutions. The customs duty was increased on goods like Specified electrical/electronic/telecom equipment and hardware, Poly Vinyl Chloride, Specified articles of Nylon, HDPE and plastics, Stainless steel and other alloy steel and their semi-finished products, wires of alloy steels, Certain automobile parts, newsprint, Uncoated paper used for printing of newspapers and lightweight coated paper used for printing of magazines. The end used based exemption granted to Palm stearin and fatty oils was also withdrawn.

- Further, customs duty was reduced on certain goods to reduce input costs and/or to remove duty inversion, so as to incentivize the domestic value addition in these sectors. Some of the goods on which customs duty was reduced are: Specified parts for manufacture of electric vehicles, Naphtha, Ethylene dichloride (EDC), Propylene Oxide (PO) and Raw material for manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney. Moreover, Capital goods used for manufacturing of electronic items, namely Populated PCBA, Camera module of cellular mobile phones, Charger/Adapter of cellular mobile phone, Lithium Ion Cell, Display Module, Set Top Box and Compact Camera Module were exempted from BCD.
- To incentivize exports, the export duty on El leather has been abolished and on Hides, skins and leathers (tanned and un-tanned, all sorts) the export duty has been reduced.
- Moreover, as part of revenue augmentation exercise, customs duty rates on all precious metals like gold, silver, platinum, waste of precious metal etc. (other than rhodium), gold and silver dore, gold/silver bought by an eligible passenger has been raised by 2.5 per cent (10 per cent to 12.5 per cent).

50. **Goods and Services Tax** - The introduction of GST has been a game changer for the Indian economy as it has replaced multi-layered, complex indirect tax structure with a simple, transparent and technology-driven tax regime. GST has integrated India into a single common market by breaking barriers to inter-state trade and commerce. By eliminating cascading of taxes and reducing transaction costs, it has enhanced ease of doing business and has provided an impetus to ‘Make in India’ campaign.

51. However, there are criticisms of the
implementation of the GST. There are too many rates, too large a set of commodities has been excluded, and the system is more complex than it needs to be especially in the matter of crediting taxes paid on inputs and providing refunds to exporters. The government has acknowledged many of these problems and they are being addressed on regular basis.

52. To bring about further reforms in the indirect tax system, the government is coming up with introduction of a single source fully automated new return system, rationalization of cash ledger system and a single refund-disbursing mechanism, among others.

53. **A single source fully automated return system**

- Since the inception of Goods and Services Tax (GST), the main intention of the government was to have a robust system for allowing invoice level reconciliation of transactions. It was envisioned in the form of the returns GSTR-1, GSTR-2 and GSTR-3. However, keeping taxpayer convenience and revenue interest, a simplified return in Form GSTR 3B read with GSTR 1 was introduced.

- The government intended to implement its principle idea of invoice-level reconciliation by following the sequence of returns GSTR-1, GSTR-2 and GSTR-3. Now, under the new return filing system, the government maintains a similar working model, however at the same time the new system aims to reduce manual efforts and uses technology extensively. It aims to achieve this by having a single main return (GST RET-1/2/3) supported by two annexures (GST ANX-1 & GST ANX-2) that work dynamically on a separate facility.

- The **New Return System** is proposed to be introduced w.e.f. 01.04.2020. A target of 10 lakhs voluntary uploads of ANX-1/ANX-2 has been set with an idea that the taxpayers get experience of the proposed new return system and gain confidence in the new system before it is rolled out. A daylong National Feedback Session was organised so that on the basis of the feedback received from the taxpayers, issues reported by the taxpayers would help in fine tuning the system thus avoiding any glitches before roll out itself.

54. **Fully electronic refund process through FORM GST RFD-01 and single disbursement**

- The necessary capabilities for making the refund procedure fully electronic, in which all steps of submission and processing shall be undertaken electronically, have been deployed on the common portal with effect from 26.09.2019.

- Further, separate disbursement of refund amounts under different tax heads by different tax authorities, i.e. disbursement of Central tax, Integrated tax and Compensation Cess by Central tax officers and disbursement of State tax by State tax officers, was causing undue hardship to the refund applicants. In order to facilitate refund applicants on this account, both the sanction order and the corresponding payment order for the sanctioned refund amount, under all tax heads, is issued by one officer only.

55. **Rationalization of cash ledger:** With regards to single cash ledger, rationalisation of the ledger in such a manner that earlier 20 heads are merged into 5 major heads is on the anvil. Unified Cash Ledger, which will be rolled out w.e.f. 01.02.2020.

56. **Generation and quoting of Document Identification Number:** In keeping with the Government’s objective of transparency and accountability in indirect tax administration through widespread use of information technology CBIC w.e.f. 08.11.2019 has introduced Document Identification Number (DIN), for all communications sent by its offices to taxpayers and other concerned persons. Presently DIN is applicable for search authorization, summons, arrest memos, inspection notices and letters issued in the course of any enquiry.

57. **Sabka Vishwas (Legacy Dispute Settlement) Scheme 2019**

- The scheme is a one-time measure for liquidation of past disputes of Central Excise, Service Tax and 26 other indirect tax enactments. It provides an opportunity of voluntary disclosure to non-compliant taxpayers. Cases covered under the scheme are (i) A show cause notice or appeals arising out of a show cause notice pending as on the 30th day of June, 2019 (ii) An amount in arrears (iii) An enquiry, investigation or audit
where the amount has been quantified on or before the 30th day of June, 2019 (iv) A voluntary disclosure

- The scheme provides that eligible persons shall declare the unpaid tax dues and pay the same in accordance with the provisions of the scheme. The scheme provides for certain immunities including penalty, interest or any other proceedings including prosecution to those persons who pay the declared tax dues.

58. **Electronic invoicing** - The Government has proposed to introduce electronic invoicing system (e-invoice) for all B2B invoices in a phased manner. Phase 1 would be voluntary and is proposed to be rolled out from Jan 2020. Further, it is proposed to make e-invoicing mandatory for those having annual turnover of more than ₹ 100 crores w.e.f. 01.04.2020. 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 filing the returns.

59. **Quick Response (QR) Code** - The Government is proposing to implement the system of invoice with dynamic QR code for all B2C invoices for the taxpayers having annual aggregate turnover of more than ₹ 500 crores w.e.f. 01.04.2020. Further, to ensure the smooth roll out, these taxpayers would have an option to voluntarily issue invoices with QR code w.e.f. 01.03.2020.

60. **Exemption from filing of Annual Returns for small taxpayers** - The Government has exempted the small taxpayers having annual aggregate turnover of ₹ 2 crores and less from filing the annual returns in the format GSTR 9 for the period 2017-18 and 2018-19 vide Notification No. 47/2019-CT dated 09.10.2019 which provides that if these taxpayers have not filed their annual returns by the due date, it should be considered as deemed to be furnished by due date.

61. **Changes with respect to rates on Goods** - The changes in GST rates during the year 2019 have been made to make the GST rate structure simpler, promote exports, address issues of credit accumulation, resolve disputes for past periods etc.

62. **GST rate structure on auto and auto parts** has been discussed and debated significantly in last few months. Auto sector contributes significantly to GST revenue. Therefore, any change in GST rate of automobiles and parts will have a significant implication to revenue and compensation requirement. The GST rates on auto sectors has been discussed in the GST Council. The Council did not recommend any change. It was felt that temporary auto slowdown may be attributable to certain other reasons such as lack of credit, base effect (as in last few years auto sector has grown rapidly), and structural changes like adoption of newer fuel standards from BS-IV to BS-VI from April 2020 etc.

63. **GST on electric vehicle** - to promote clean and sustainable environment friendly vehicles, the government has reduced the GST rate on Electric Vehicles and Electric Vehicle Chargers to 5 per cent.

**Direct Tax policy**

64. The legislative measures for expansion of tax base require to be supplemented by administrative measures to prevent leakage of tax and erosion of tax base. A number of administrative and technological initiatives have been taken in respect of income tax administration to improve compliance, streamline tax payer services, strengthening internal business processes and to augment revenue which are as under:

- **Implementation of E-assessment scheme, 2019**:

In order to provide greater accountability and transparency in tax administration, the Government has vide Central Board of Direct Taxes notification dated 12th September, 2019 launched a scheme of e-assessment of Income-tax in electronic mode, with no human interface. National e-Assessment Scheme (NeAC) was integrated on 08-10-2019 which has been carried out on ITBA with the support of Insight team. With the implementation of this scheme on the ITBA platform, greater efficiency, transparency and accountability in the assessment process is coming out as there is no physical interface between the tax payers and the tax officers. In the first phase 58,322 cases have been selected for scrutiny under the faceless e-Assessment Scheme 2019 and the e-notices have been served before 30th of September 2019 for the cases of Assessment Year 2018-19. The Benefits of Faceless Assessment are that it eliminates human interface between Assessing Officer and Assessee; optimizes the utilization of resources through economies of scale; introduces team-based assessment with dynamic jurisdiction; provides ease of compliance for taxpayers and brings transparency and efficiency, thus improving the quality of assessment and monitoring.
Introduction of quoting Documentation Identification Number (DIN):

In a major step that will bring efficiency and transparency in the functioning of the income tax department, every communication of the department whether it is related to assessment, appeals, investigation, penalty, and rectification among other things issued from 1st October, 2019 onwards will mandatorily have a computer generated unique document identification number (DIN). Now any tax notice, summon or letter issued to any corporate or individual tax payer will be invalid without this number issued on or after the 1st day of October, 2019 unless a computer-generated Document Identification Number (DIN) has been allotted and is duly quoted in the body of such communication. With the introduction of this functionality taxpayers can also authenticate the genuineness of notice/letter/order issued by the income tax authority from the pre-login page of e-filing portal of income tax department.

Pre-filling of return:

In order to ease the compliance cost for individuals, pre-filled Income tax Returns (ITR) have been provided to more than 2 crore salaried taxpayers.

Integration of PAN with AADHAAR UIDAI (Aadhaar PAN linking)

Integration of database with UIDAI has already taken place for seeding of Aadhaar with PAN for dual purpose. It prevents any of the duplicate PAN from being issued to any applicant as well as to identify the applicant having an already issued PAN. Till 30.11.2019 a total of 29,65,57,524 PANs of individuals have been seeded with Aadhaar data base, which is approximately 62.43 per cent of total PAN allotted to individuals. During the month of November 2019, total 51,20,991 PANs have been authenticated with Aadhaar database. Seeding of Aadhaar in remaining PANs is presently going on. CBDT has mandated that every person who has been allotted Permanent Account Number as on the 1st day of July, 2017, and who is eligible to obtain Aadhaar number, shall intimate his Aadhaar number to the Principal Director General of Income-tax (Systems) or Principal Director of Income-tax (Systems) by 31st March, 2020 except the persons excluded under sub-section 139AA of the Act.

Other Initiatives in PAN:

The Permanent Account Number (PAN) issued by the Income-tax Department has now taken the role of “identifier” beyond the department as it is now required for various activities like opening of a bank account, opening of a Demat account, for other financial transactions prescribed in Rule 114(B) of the Income-tax Rules, 1962, registration for Goods and Services Tax (GST) etc. Thus PAN is leveraged to become Common Business Identification Number (CBIN) or simply Business Identification Number (BIN) for providing registration to a number of government departments and services.

Also, now e-PAN is being allotted to individuals applying through Aadhaar based eKYC route of application, within 2 hours turnaround time (TAT). Furthermore, a facility to enable the existing PAN holder to download e-PAN through PAN website after OTP authentication has been created. This enables a secure e-PAN which is printable. Also, e-PAN is embedded with an enhanced QR code which captures demographic data as well as photograph and signature of applicant. This QR code can be read through an app which is freely available on Google Play Store. The enhanced QR code enables offline verification of PAN data, thus eliminating possibility of photo shopping etc. resulting in enhanced security of PAN card and e-PAN.

Integrated E-filing & Centralized Processing Center (CPC) 2.0:

To fulfil the expectations of taxpayers, the Integrated e-Filing and Centralized Processing Center 2.0 Project (hereinafter referred to as CPC 2.0 project) envisions redefining Income tax filing and processing in India to provide a best-in-class experience to all taxpayers. The Union Cabinet has given its approval for CPC 2.0 Project of the Income Tax Department. It aims to improve income tax administration by introducing measures 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. It further aims to ensure horizontal equity by processing returns filed by all categories of taxpayers across the country in a consistent, uniform, rule driven, identity blind manner. This will assure fairness in tax treatment to every taxpayer irrespective of their status.
Centralized Processing Cell (Tax Deduction at source) in short CPC (TDS)

Centralized Processing Cell – CPC(TDS) undertakes end to end processing of TDS statements through a Rule Based Technology enabled system and offers e- services that are accessible on any-time, anywhere basis to more than 23.75 lakh deductors, 9.09 crore taxpayers from all over India and abroad and more than 980 officers of the Income Tax Department who are administering TDS across India. The CPC(TDS) now generates TDS certificates from the data reported by the deductors and after matching tax payments (reported through banks or other competent entities). These certificates, having a reference number, are verifiable online and unique for a deductor-deductee combination. More than 209.14 Crore digital TDS certificates have been downloaded by deductors from TRACES website till date. Further, issuance of 197 Certificates (Lower Deduction Certificates) have been made online and contactless. Issuance of 197 including revision of certificate is completely online now which is fast and convenient for taxpayers. During the calendar year 2019, several new initiatives were taken by CPC (TDS) like enhanced 24Q to capture detailed data of salary for the purpose of pre-filling of ITRs which has led to ease of compliance for the taxpayers. DIN Verification Functionality has been put in place in the TRACES homepage to aid the taxpayers to verify the communication received from the Income-tax office.

Online payment of Direct taxes by taxpayers

Recent initiatives for promoting digital payments are as follows: Presently, 6 banks namely, SBI, PNB, Indian Bank, HDFC, Canara and ICICI Bank have started the e-payment facility online through their debit cards as well; ATMs of Corporation Bank, Bank of Maharashtra, Axis Bank, Central Bank of India, Bank of India, HDFC Bank, Canara Bank, Union Bank of India, Punjab & Sind Bank, Punjab National Bank, Indian Bank, UCO Bank, Andhra Bank, Bank of Baroda and Oriental Bank of Commerce can also be used for payment of taxes; the taxpayer can click on tax payment link on online ITR preparation facility (ITR1 and ITR4), which will display filled Self-Assessment Tax challan from the tax payment portal with all fields pre-filled. User needs to only select Bank and proceed for payment. This provides ease of tax payment and also reduces mistakes in filling tax challan; Challan 280 payment and Challan Status Inquiry (CIN based view) has been integrated with UMANG (Unified Mobile Application for New Age Governance) and also now, users can use mobile app for tax payment and tracking refund status through the convenience of their mobile phones.

CPC-ITR is the processing unit of the Income Tax Department for processing and accounting of all Income Tax Returns filed electronically. CPC has processed 5.94 crore returns of income during Financial Year 2018-19 with year on year growth rate of 34 per cent. Further, till 30th Nov 2019, CPC has processed 4.72 crore returns in Financial Year 2019-20. Also, CPC has implemented the Electronic Verification Code (EVC) process through E-filing which has been successful and more than 50 lakh taxpayers have adopted this Green Initiative. CPC has already processed 3.02 crore returns validated through EVC for FY 2019-20. Further, average processing time has been reduced to 50 days for FY 2019-20, which is less than the period specified in citizen’s charter (6 months) and much less than performance in manual processing.

CPC has enabled Web based Taxpayer Grievance Mechanism in the FY 2016-17. Under this system, the taxpayers can login to the e-filing web portal of the department and submit their grievances online. The resolution of the grievances and other assistance is provided through registered e-mails of the taxpayers. Status of redressal of the grievance is also updated on the e-filing web portal. Up to 31st March 2019, 14.70 lakh grievances have been received out of which 14.59 (96 per cent) lakh grievances have been addressed. E-Nivaran Centralized Grievance System has been integrated with Online Grievance Portal from 19th August 2016 and 11.32 lakh grievances were received and 10.99 lakh were processed till 31st March 2019. For FY 2019-20, 4.79 lakh have been processed till 30th Nov 2019.

The e-Filing project is an eminent e-governance and e-delivery measure taken by the Income Tax Department for providing web-enabled services to the taxpayers. The project aims at enabling e-filing of Income tax returns, audit reports and other Forms prescribed under the Income Tax over Internet directly by taxpayers and through e-return intermediaries (ERIs). The project also provides other web-enabled services to facilitate public private participation in the filing of returns. Electronic filing of IT returns over the internet picked up from FY 2006-07 and the number of returns filed electronically has risen from around 4 Lakh in FY 2006-07 to 668.09 Lakh in FY 2018-19. For FY 2019-20, 636,63 lakhs returns have been filed as on 30th Nov 2019.
e-Nivaran is the online grievance redressal system of the Income Tax Department. All types of Grievances such as PAN application, processing, assessment, appeals, TDS etc., can be filed by tax payers. It is a cent percent paperless system, where communication is enabled through, e-mail, SMS also. Apart from Income Tax Department network, other related agencies such as NSDL, UTIITSL, SBI Refund Banker etc are also roped in the scheme. CPC-ITR, CPC-TDS and E- Filing Portals are also there, and are addressing the grievances filed by the tax payers. Grievances filed with CPGRAMS will also be integrated soon.

Payment of Refunds to taxpayers: 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, refunds determined by the Income Tax Assessing Officers and CPCs are sent by ECS or Direct Credits to the bank accounts through the State Bank of India (SBI), which has been designated as the Refund Banker agent of the Department. A web based status tracking facility in collaboration with India Post and National Securities Depository Ltd. (NSDL) is available under the Scheme. Call centre facility with toll free number is also available for tracking the status of refunds issued through the scheme. There has been a steady increase in number and percentage of refunds issued through the scheme. During current Financial Year 2019-20 (up to December 2019), the percentage of refunds issued through the scheme is 99.99 per cent of the total number of refunds issued all over India. Further, a new mechanism of PAN Account validation using PFMS has been implemented since last two years to shift to electronic payment of refund. Under this arrangement, the PAN Account information is transmitted to the banks using PFMS interface and banks provided the PAN, Name etc seeded in the account to enable validation of PAN and Account linkage. From April, 2019 the department has started obtaining the same data string online through NPCI also which has larger coverage of integration with banks. A repository of around 3.5 crore PAN and Bank account linkage has been created for validation and due diligence before issuing refunds. In case of validated PAN Account record, the refund exceeding the predefined threshold (50,000) is issued electronically. As a result of this initiative, from 01.03.2019 the department has started transmitting 100 per cent refunds through electronic mode.

Expenditure Policy:
Expenditure Management

65. Over the years, Government of India has been funding the developmental needs of the country through the Centrally Sponsored Schemes and Central Sector Schemes. 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.

66. 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.

67. The Fifteenth Finance Commission has submitted a Report for the Year 2020-21 and has made recommendations on vertical and horizontal devolutions only for one year. The Commission will make available its final report by 30th October 2020 for the extended period of 2021-22 to 2025-26. In the meantime, the evaluation exercise will be completed.

68. In view of the change in the Finance Commission cycle, to provide stability and clarity in funding, an interim extension beyond 31st March, 2020 or the date till which the schemes are already approved has been given for a period till 31st March, 2021 or till the date the recommendations of 15th FC come into effect, whichever is earlier [vide DoE OM dated 10th January, 2020].

69. The Outcome Budget 2020-21 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.

Direct Benefit Transfer (DBT):

70. DBT is a landmark initiative of the Government to ensure that benefits promised under various welfare and subsidy programmes of the country reach eligible and rightful beneficiaries and are delivered to them at

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2 those funded from the Consolidated Fund of India
their doorstep or in their bank accounts. DBT framework has effectively leveraged digital technology for better targeting of beneficiaries, timely delivery of benefits and removal of middlemen, thereby lending greater transparency and accountability in the public delivery system. Pradhan Mantri Jan Dhan Yojana (PMJDY) aimed at financial inclusion of the poor and the legislative approval for use of Aadhaar as proof of identity for delivery of subsidies, services and benefits under Section 7 of the Aadhaar Act, 2016 have given further fillip to DBT efforts.

71. **DBT in Central Ministries and Departments -** DBT since inception continues to be a success story with 433 schemes of 56 Central Ministries and Departments under its ambit today. Under the present DBT framework, schemes are broadly classified into the following categories based on the type of benefit given under the schemes:

i. **Cash schemes:** This category includes 301 schemes or components of schemes where subsidies/benefits are transferred directly into the bank accounts of the beneficiaries. For example, under PAHAL, beneficiaries buy LPG cylinders at market price and receive subsidy directly in their bank accounts. In MGNREGS, all wage payments to workers are directly transferred into their bank accounts.

ii. **In-kind schemes:** This category includes 67 schemes or components of schemes where beneficiaries receive subsidies in the form of goods, commodities, etc. after conducting Aadhaar-based authentication preferably at Point of Sale (PoS). For instance, under PDS, foodgrains are distributed at subsidized rates via Fair Price Shops to authenticated beneficiaries. Under Fertilizer Subsidy scheme, fertilizer companies release fertilizers to farmers at subsidised rates after conducting Aadhaar authentication at PoS.

72. The remaining 65 schemes are composite schemes which have both cash and in-kind components. One such scheme is ‘Swacch Bharat Mission-Grameen’ of M/o Drinking Water & Sanitation, wherein funds (for constructing household latrines) are transferred into the bank accounts of identified beneficiaries in certain areas while in others, latrines are constructed under community approach for beneficiaries without involving any direct fund transfer to beneficiary.

73. **DBT in States and UTs -** All States and UTs have set up DBT Cells and developed active State Portals\(^3\) for effective monitoring of progress of all DBT schemes implemented in their respective States. So far, a total of 3,665 schemes (2,196 Centrally sponsored and 1,469 State schemes) have been identified by States/UTs for DBT implementation. States such as Andhra Pradesh, Madhya Pradesh and Rajasthan have unified public service delivery management solutions such as ‘AP CORE’ (CM Office Real Time), ‘Samagra’ and ‘Bhamashah’ respectively. The replication of best practices in DBT, have allowed States to not only identify eligible beneficiaries in a transparent manner, but also to build systems to target schemes and programs based on their precise socio-economic and demographic information.

74. **National Scholarship Portal -** The National Scholarship Portal (NSP) launched by Hon’ble Prime Minister on 1st July 2015 is a key initiative under Digital India programme aimed at providing one-stop solution for scholarships. It facilitates a gamut of activities ranging from student registration to application submission, verification, national level de-duplication, merit list generation, sanction and electronic transfer of funds; thereby providing an end-to-end comprehensive solution towards enabling effective disbursal of scholarships.

75. In Academic Year 2018-19, 60 Scholarship Schemes (pertaining to 10 Ministries and 9 States) were on-boarded on NSP and more than 2100 crore scholarship amount was disbursed to around 68 lakh students. For Academic Year 2019-20 the portal is still open and the applications are being processed.

76. **DBT: Present Status -** The progress of DBT implementation in the above schemes is being regularly monitored through the DBT Bharat Portal. Since the adoption of DBT in 2013-14 till 30th December, 2019, a sum of ₹ 9,08,011 crore has been transferred through DBT to about ₹ 140.7 crore eligible beneficiaries\(^4\) under cash and in-kind schemes.

77. In the Financial Year 2019-20 till 30th December, ₹ 2,04,418 crore has been transferred through DBT to ₹ 140.7 crore eligible beneficiaries under identified DBT schemes.

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3 Except West Bengal and Ladakh all States / UTs have veloped State DBT portals
4 Non-unique as the same beneficiary may be eligible for more than one scheme
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 ₹1,41,677.6 crore primarily as a result of removal of duplicate or fake beneficiaries. Scheme wise break-up of the estimated gains as reported on DBT Bharat Portal is placed at Annexure I for reference.

Focus Areas

i. DBT implementation in State - Responsibility of implementing various Centrally sponsored Schemes and State schemes lies with State Governments. With 2,196 CSS and 1,469 State schemes identified by State Governments, it becomes imperative that States need to implement DBT schemes on ground and an ecosystem for effective and timely implementation of DBT in States is developed.

ii. Rationalization of key subsidies such as Agriculture and Fertilizer Subsidies - Agriculture and fertilizer subsidies continue to be important measures of farmer support in view of agrarian nature of our economy. More than half of workforce depends on agriculture for employment and around 80 per cent farmers are small and marginal. In view of this government incurs huge amount of money to subsidize agriculture. These subsidy programs are implemented at massive level and suffer from problems of leakages, poor targeting and moral hazard. These subsidy programs need to be rationalized as they cause huge burden on the state finances besides creating issue of perverse incentive. These problems can be dealt with by eliminating middlemen in the process of subsidy delivery through direct benefit transfer to beneficiary’s bank account, linking beneficiary entitlement to beneficiary’s economic status through collation of beneficiary databases such as income and asset ownership database, and removing ghost beneficiaries through de-duplication mechanism which can be achieved through beneficiary authentication mechanism using Aadhaar.

Subsidies

Total subsidy allocation for major subsidies the year 2020-21 is estimated at ₹2,27,794 crore. This includes subsidies of food (₹1,15,570 crore), fertilizers (₹71,309 crore) and fuel (₹40,915 crore).

Fertilizer Subsidy - New Urea Policy – 2015 (NUP-2015) has the objective of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the Government. The total production of urea during 2016-17, 2017-18 and 2018-19 was 242.01 LMT, 240.23 LMT and 240 LMT respectively, which is significantly higher than 2014-15. Further, due to the revision of energy norms under NUP-2015, there has been a saving of ₹638.90 Crore, ₹535.04 Crore and ₹615.28 Crore during the year 2015-16, 2016-17 and 2017-18 respectively. Resultantly, there has been a total saving of around ₹1,789 Crore in three years. In May, 2019, the duration of New Urea Policy-2015 has been extended from 1st April, 2019 till further orders.

Conversion of urea units from Naphtha feedstock to natural Gas feedstock: Three Naphtha based urea units viz., Madras Fertilizers Limited-Manali (MFL), Southern Petrochemicals Industries Corporation (SPIC) - Tuticorin and Mangalore Chemicals & Fertilizers Limited (MCFL) are allowed to do urea production using Naphtha as feedstock till gas availability and connectivity to these three units either by gas pipeline or by any other means. It is pertinent to mention here that MFL has already started production of Urea by using gas as a feedstock from 29th July, 2019.

New Investment Policy (NIP) – 2012 was announced to facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector. Chambal Fertilizers & Chemicals Limited (CFCL) has been set up a brownfield project at Gadepan, Rajasthan. The commercial production of CFCL-III started on 1st January, 2019.

DBT in Fertilizers - Under the fertilizer DBT system, 100 per cent subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the
beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc. **2.26 Lakh** PoS devices have been deployed across all States. A total of **1182.04 Lakh Metric Tons** Fertilizers have been sold through PoS devices under DBT Scheme till December 2019.

86. NITI Aayog has conducted four extensive evaluations through an independent in the DBT pilot districts. The highlights of the study are as under:

i. Implementation of DBT System has streamlined the Fertilizer distribution. Retailers and farmers in all districts reported “Nil shortage” of urea owing to neem coating.

ii. There is improved tracking through mFMS Id i.e. Fertiliser companies have on-boarded untraceable retailers and co-operative depots on mFMS system to avoid delay in subsidy payments.

iii. Overcharging by retailers has reduced as each fertilizer purchase by farmers is supported by a receipt generated through PoS machines indicating both MRP paid by the farmers and the subsidy component paid by the Government on the quantity of fertilizer purchased by the farmers.

iv. Cross border sale has also reduced e.g. across border to Nepal and Bangladesh from Kishanganj.

v. Preference for Aadhaar based system is increasing among farmers.

vi. Initiatives such as reducing the size of urea bag and increased retailer margin seem to have positive impact.

vii. 76.5 per cent Farmers are aware that urea comes with neem extract coating.

viii. 94.9 per cent Farmers perceive that neem coated urea is beneficial for crops.

ix. Farmers prefer DBT in Fertilizer because it Tracks actual buyer, reduces black marketing and diversion, reduces overcharging by retailers and induces awareness about quantity and price of fertilizer.

87. Implementation of DBT in fertilizers has resulted in (i) transaction visibility at the end point/retail point, (ii) transparent and faster tracking of movement of fertilizers along the value chain, (iii) optimal use of nutrients due to linking Soil Health Card with DBT. Further it is expected that putting up a PoS device at 2.26 lakh retailers will create a channel which will provide unlimited opportunities for the Government to reach rural India. Digitizing transactions will create purchase history of farmers, which can be used by Financial Institutions to provide credit to farmers based on transaction history at Fertilizer outlets.

88. To address the peak season sales, a single retailer can install more than one PoS device at the retail point. There is a provision to use maximum up to 10 PoS devices at a single retail point under DBT system. To overcome various operational challenges pertaining to internet connectivity, the Department of Fertilizers has come up with various options as under:

i. PoS devices were provided with multiple connectivity options such as Wi-Fi, LAN, PSTN, SIM, etc.

ii. A network survey/assessment can be conducted at retail shops, to identify the telecom service providers having good connectivity in that area.

iii. Simple measures such as attaching an antenna to the PoS device can give better signal reception.

89. **Grievance Redressal Mechanism for Fertilizer DBT** -

i. A dedicated 15-member Multi-lingual Help Desk has been set up to provide quick response to the queries of wide range of stakeholders across the country as a preparatory to DBT implementation. The helpdesk will operate from 9.30 am to 6.00 pm on all working days including Saturdays. The toll free number of the helpdesk is 1800115501. Further, Whatsapp is being used extensively for quick response to grievances of various stake holders.

ii. To address the issues of malfunctioning PoS devices, separate toll free lines have been provided by PoS vendors viz., Visiontek, Analogics and Oasys. Dedicated manpower/vendor support system has been provided by the PoS vendors across all States. Further, DBT State Coordinators have been appointed by D/o Fertilizers in every State/UT to monitor the implementation of DBT and for quick
resolution of hardware/software problems.

90. **Launch of DBT 2.0 initiatives on 10th July, 2019:** With the DBT system functioning satisfactorily, the Department has been continuously making efforts to improve the system based on the feedback received from various stakeholders. Some of the new initiatives of DBT 2.0 are as under:

i. **DBT Dashboards** - In order to provide accurate information about the position of supply/availability/requirement of various fertilizers at National, State and District levels, the DOF has developed various dash-boards which can be accessed by general public by clicking the e-urvarak website of DOF (www.urvarak.nic.in). These dash-boards provide various reports, viz.,

- Fertilizer Stock position (overall and production) at Ports, at Plants, in States and at District levels
- Proportionate requirement for the season and availability of stocks at various levels
- Top 20 buyers
- Frequent buyers
- Retailers not selling fertilizers

This is a new milestone in the Fertilizer Sector and the reports will help in assessing the overall demand and supply, facilitate day to day decision making and take necessary corrective measures in streamlining the Fertilizer consumption vis-a-vis the demand. The reports will also facilitate real-time monitoring of the availability and sale of fertilizers within the State.

ii. **PoS 3.0 Software** - Under DBT, the fertilizer are sold through the PoS devices installed at retail points across the country. Till now 14 versions of PoS software has been released in the process of improving the PoS operations, latest being PoS 3.0 version with new added features such as (i) Aadhaar virtual ID option during use, for registration, login and sale activity in DBT Software, (ii) capturing of Sale to farmers, Mixture manufacturers, Planter association separately, (iii) Multi-lingual facility, and (iv) Provision for Soil Health Card (SHC) recommendation: area-specific, crop-specific recommendations.

iii. **Desktop PoS Version:** Keeping in view the various operational challenges viz. limited PoS vendors, rush of sales due to peak season etc. the department developed a desktop version of PoS software as an alternative or added facility to PoS devices. Retailers with Laptops and Computer systems can use high speed broadband service for fertilizer sales. The Desktop software is more robust and secure as the application is developed and handled directly from the central HQ team at D/o Fertilizers. Desktop PoS version reduces the dependency on PoS devices & limited vendors.

91. **Food Subsidy:** Food subsidy is provided to meet the difference between Economic Cost of foodgrains and their sales realization at Central Issue Price (CIP) fixed for NFSA and other welfare schemes. In order to rationalize the release of food subsidy, Principles of Procurement Incidentals have been amended to restrict the benefit of indexation of procurement incidentals except for Minimum Support Price of food grains, gunny cost, and statutory charges for the states who have defaulted in timely submission of audited accounts. State Governments are encouraged for timely submission of the audited accounts so that their accounts can be finalized and near to actual amount of subsidy can be estimated for budgetary allocation. Department has started picking of foodgrain distribution data from Annavitrain Portal which captures real time distribution figures online. The Department has also started monitoring subsidy utilisation through PFMS on a regular basis before processing subsidy claims of the State.

92. **As the economic cost of procurement and distribution is lesser in decentralized system of procurement by the State as compared to FCI, the Department has been pursuing the State to adopt the system.** Considering the concerns raised by State Govts relating to lesser reimbursement of procurement incidentals w.r.t claims made by States, 3 sub-committees for revision in principles of various procurement incidentals were constituted. Sub Committee has submitted their recommendations which are under examination in the Department. Policy on re-imbursement of transportation charges has been amended and new policy has been notified.

93. **As a reform measure for checking leakages and diversions under Public Distribution System, Cash transfer of Food Subsidy Scheme is being**
implemented in 3 UTs viz. Chandigarh, Puducherry and the urban areas of Dadra & Nagar Haveli. About 9.33 lakh eligible beneficiaries are receiving cash subsidy to the tune of approximately 14.64 crore per month in the above mentioned UTs.

94. **PDS Kerosene** - The total increase in RSP (excluding state taxes/GST and other elements) of PDS Kerosene since July, 2016 till 1st January, 2020 is ₹18.48/litre. The total savings due to the above increase in RSP is estimated at ₹11,597 crores till December 2019. Based on the current price effective 1st January, 2020, the OMCs are currently incurring under recovery of ₹5.08 per litre on PDS Kerosene (at Mumbai).

95. **Domestic LPG** - Under PAHAL (DBTL) Scheme, the LPG cylinders are being sold at non-subsidized price and subsidy, as admissible, is being transferred to consumers directly into his/her bank account. As on 24.01.2020, 26.05 crore LPG consumers have joined this scheme. The scheme aims to rationalize subsidies based on approach to cut subsidy leakages, but not subsidies themselves.

**Infrastructure Policy** –

96. Infrastructure, because of its characteristics like high sunk costs and significant externalities, is primarily funded by the public sector. The rough division between public and private sector infrastructure investments the world over is two-thirds and one-thirds. In the Eleventh Plan period (2008-12), private sector investment on infrastructure as a proportion of total infrastructure investment is estimated to have gone above the one-third level and this proportion is estimated to have come down in more recent years. To improve public and private investment in infrastructure in India, the following initiatives have been taken.

i. A number of innovative methods of financing Infrastructure such as Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs), have been devised and launched. As a result of the innovative methods of financing, five InvITs and one REIT have been launched. 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. InvITs and REITs are instruments which allow institutional investors to invest in post-completion projects folded into a trust structure which also has tax benefits.

ii. Setting up of the Credit Enhancement (CE) Company to provide credit enhancement to infrastructure projects through raising the credit rating of bonds floated by infrastructure companies, as announced in Budget Speech 2019-20 and 2016-17. This proposal is at an advanced stage of approval.

**Benefit:** Traditional source of infrastructure finance is bank finance, which suffers from asset-liability mismatch (ALM) and leads to problems like NPA in banks. Bond financing of infrastructure is better. The proposed CE Company will enhance the rating of the bonds issued by infrastructure companies, thereby making it amenable to investment from institutional investors (without ALM issues).

iii. Public-Private partnerships (PPPs) in infrastructure: Recourse to PPP mode for implementation of infrastructure projects frees valuable fiscal space for the provision of public goods in areas where such financing may not be forthcoming. PPP projects are popular in sectors such as highways, airports and ports. Model Concession Agreements (MCAs) have also been developed for the road and port sectors.

**Public Private Partnership Appraisal Committee:** PPP projects are long-term projects and appropriate risk allocation lies at the heart of a good PPP project. The Government of India (GOI) notified the appraisal mechanism by setting up the Public Private Partnership Appraisal Committee (PPPAC) responsible for the appraisal of PPP projects in the Central Sector. The appraisal mechanism for PPP projects was streamlined to ensure speedy appraisal of projects, eliminate delays, adopt international best practices and have uniformity in appraisal mechanism and guidelines including risk allocation. The PPPAC is chaired by Secretary, DEA with Secretaries of Department of Expenditure, Department of Legal Affairs, the Sponsoring Ministry/
Department and CEO, NITI Aayog as members, to consider and approve the proposals for Central Sector PPP Projects.

**Achievement:** During the FY 2014-15 up to FY 2018-19, PPPAC recommended 56 Projects with a Total Project Cost of ₹ 87,728 crore. Out of these 56 projects, 43 are Road sector Projects, 3 are Port sector Projects, 8 are Airport sector Projects and 1 each are Housing and Tourism sector projects.

Further, during the FY 2019-20 till date, PPPAC recommended 8 projects with Total Project Cost of ₹ 27,514 crore. Out of these 8 projects, 2 are Eco-tourism, 01 from Port sector, 4 are Railway Station projects and 1 for passenger trains.

**Benefit:** Development of infrastructure through PPPs helps in economic growth and development, creates jobs, provides opportunities for private sector participation, and improves living conditions. There are benefits in terms of resource augmentation and efficiency improvements.

**iv. Financial support to Public Private Partnerships in Infrastructure (Viability gap Funding):** Infrastructure projects are often not commercially viable on account of high project cost, long gestation period and returns spread over decades. However, they continue to be economically viable. Accordingly, the Scheme for Financial Support to Public Private Partnerships in Infrastructure [Viability Gap Funding (VGF) Scheme] was formulated to provide financial support in the form of capital grants, one time or deferred, to infrastructure projects undertaken through PPPs with a view to make them commercially viable. The Scheme provides Viability Gap Funding up to 20 per cent of the Total Project Cost (TPC). The Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget up to further 20 per cent of the TPC. **Achievement:** During the FY 2014-15 up to FY 2018-19, under the VGF Scheme, 48 projects amounting to a TPC of ₹ 19,952 crore were granted ‘In-Principle’ Approval and 21 projects were granted ‘Final Approval’ with a TPC of ₹ 6,136 crore. The total VGF disbursed during the last 5 Financial Years is ₹ 2,908 crore. **Benefit:** VGF Scheme has helped increased infrastructure investment as even those projects that are not financially viable may be taken up using the Scheme. Capital grant also incentivizes private sector participation in the projects, thus facilitating private sector efficiencies in infrastructure development.

v. A Task Force to draw up the **National Infrastructure Pipeline (NIP)** for each of the years from FY 2019-20 to FY 2024-25 had been set up. The abridged report of the Task Force on NIP was released by the Finance Minister on 31.12.2019. As per the NIP, over ₹100 lakh crore of infrastructure investment is planned in the period FY20-25. This investment is expected to come from public and private sectors.

**Benefits:** Well-planned NIP will enable more infra projects, grow businesses, create jobs, improve ease of living, and provide equitable access to infrastructure for all, making growth more inclusive. It will also help attain the $5 trillion GDP target by FY 2025.

**Government Borrowings, Lending and Investments:**

97. Rollover risk in the Government debt portfolio continues to be low as weighted average maturity of outstanding dated securities remains close to 10.40 years as on March 31, 2019, which is on higher side compared to international standards. Furthermore, share of short-term debt in outstanding dated securities as on March 31, 2019 is around 4.3 per cent and securities maturing in next 5 years are around 28.3 per cent of total outstanding dated securities, which reinforces the low level of rollover risks in short term. During the 2019-20, weighted average maturity of primary issuance continued to be high at 10.54 years, which was higher than 14.73 years in previous year. The weighted average yield of dated securities issued during the same period of 2019-20 stood at 6.86 per cent as compared to 7.77 per cent during 2018-19 indicating higher yield environment.

98. Net borrowing through treasury bills to finance its GFD in 2019-20 was kept at ₹25,000 crore. In addition, State Provident Fund and other receipts from Public Account would finance remaining portion of the fiscal deficit.

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5 Including special securities, FRBs and IIBs.
6 Up to December 26, 2019
99. One of the key features on the country’s debt profile is the low proportion of external debt as a percentage of total liabilities, which amounts to 5.9 per cent of Central Government’s total liabilities as on March 31, 2019. 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 a significant portion (67.5 per cent) of external debt at end-March 2019, which are largely on concessional terms.

100. With an objective of having a more predictable regime for investment by the Foreign Portfolio Investors (FPIs), RBI, in consultation with the Government, had set out the medium term framework (MTF) for FPI investment limits in Government securities in April 2015. This framework was comprehensively revised on March 27, 2019, maintaining the FPI investment limit in G-Secs at 6 per cent of outstanding stock of government securities in 2019-20. The allocation of increase in G-sec limit over the two sub-categories – ‘General’ and ‘Long-term’ – was set at 50:50 for the year 2019-20. This is also expected to lead to more diversified holding of the Government securities.

101. 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.

102. 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 (Govt 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.

103. Since 2004, the central government debt has fallen from 66.7 per cent of GDP in 2004-05 to 48.7 per cent in 2018-19 (provisional). The graph below depicts the Central Government Debt over the since 2004-05.

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7 Post 2018-19 the Central Government Debt since 2018-19 are as per S. 2(aa) of the FRBM Act, 2003
Contingent and other Liabilities:

104. In terms of Article 292 of the Constitution, Central Government gives guarantees for the repayment of borrowings upon the security of the Consolidated Fund of India. The FRBM Act mandates the Central Government to specify the annual target for assuming contingent liabilities in the form of guarantees. Accordingly, FRBM Rules prescribe a ceiling of 0.5 per cent of GDP for incremental guarantees that the Government can assume in a particular financial year. The Central Government extends guarantees primarily for the purpose of improving viability of projects or activities undertaken by the Government entities with significant social and economic benefits, to lower the cost of borrowing as well as to fulfil the requirement in cases where sovereign guarantee is a precondition for bilateral/multilateral assistance. As the statutory corporations, government companies, co-operative institutions, financial institutions, autonomous bodies and authorities are distinct legal entities, they are responsible for their debts. In the process of guaranteeing their financial obligations the Government has the commitment to assess the fulfilment of such obligations and adequately disclose them.

105. For better management of contingent liabilities, Government Financial Rules, 2017 and Government guarantee policy enumerates various principles which need to be followed before new contingent liabilities in the form of sovereign guarantees are assumed. As these guarantees have the risk devolving on the Government, the proposals are examined in the manner of a loan being taken directly by the Government. The principles enunciated in the policy lay down framework for minimization of risk exposure of sovereign while assuming these contingent liabilities. The principles include assessment of risk including the probability of a future pay-out, priority of the activity, institutional limits on guarantee for limiting exposure towards select sectors and reviewing the requirement of guarantee vis-a-vis other forms of budgetary support or comfort.

106. The stock of contingent liabilities in the form of guarantees given by government has increased in absolute terms from `1,07,957 crore in 2004-05 to `4,47,626.36 crore at the end of 2018-19. FRBM ceiling on guarantees which can be assumed by Government during a FY has resulted in reduced contingent liability to GDP ratio. This ratio which stood at 3.3 per cent in 2004-05 has now reduced to 2.35 per cent in 2018-19. 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 2018-19, net accretion to the stock of guarantees was `66,811 crore, amounting to 0.4 per cent of GDP, which is within the limit of 0.5 per cent under the FRBM Rules.

Strategic priorities for ensuing year:

107. The main focus of the Government in the ensuing year on the expenditure side will be to enhance creation of capital assets. Sanitation and water conservation will continue to be focus sectors. On the receipts side, resource mobilisation will be sought through sale of strategic assets.

Statement of deviation explaining the reasons thereof and the path of return to annual prescribed targets, as per the provisions of Section 4 (5) of the Act

108. The fiscal deficit target for 2019-20 has been recalibrated to 3.8 per cent of GDP compared to the Budgeted target of 3.3 per cent of GDP. The deviation has been necessitated on account of the structural reforms such as reductions in corporation tax taken by the Government. The fiscal expansion is within the provisions of Section 4(2) of the FRBM Act, 2003. A similar variation from the 2020-21 target of 3 per cent of GDP is anticipated on account of the spill over impact of the reforms.

109. It is expected that government will return to the path of fiscal consolidation in the medium term. The medium term projections of fiscal deficit are included in the table on page 1.

110. Fiscal deficit has been limited to the levels of 3.8 per cent of GDP in RE 2019-20 and 3.5 per cent in 2020-21. A vibrant economy like India can scarce afford to lose its growth steam. At the same time, Government is committed to keeping deficit at sustainable levels to ensure inter-generational equity in fiscal management.