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India Union Budget 2021-22

Point of view

Consumer Markets and E-commerce

#Budget2021 #KPMGBudgetLive

Key announcements for the sector

The India Union Budget 2021-22 was the first ever digital-only budget in India's history. With an aim to support the industry to get back to pre Covid-19 growth levels and revive consumption, the budget this year has largely focused on a slew of tangible reforms whist laying out a roadmap for Aatmanirbhar Bharat.

Below are the key announcements for the Budget 2021-22 presented for Consumer Markets:

- **Agriculture & Fisheries:**
  - Coverage of SVAMITVA Scheme (Survey of Villages and Mapping with Improvised Technology in Village Areas) extended to all states/union territories
  - Agricultural credit target enhanced to INR 16.5 lakh cr in order to ensure increased credit flows to animal husbandry, dairy, and fisheries
  - Allocation of INR 40,000 cr to the Rural Infrastructure Development Fund and INR 10,000 cr towards Micro Irrigation Fund
  - Operation Green Scheme extended to include 22 perishable products
  - 1,000 more mandis to be integrated with e-NAM
  - Development of 5 major fishing harbours and fish landing centres – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat.
  - Investments in seaweed farming with multipurpose seaweed parks to be established in Tamil Nadu
  - Agriculture Infrastructure Fund to be made available to APMCs for augmenting their infrastructure facilities
  - Customs duty raised on cotton from nil to 10% and on raw silk and silk yarn from 10% to 15%. Rates uniformly calibrated to 15% on items like maize bran, rice bran oil cake, and animal feed additives
  - Agriculture Infrastructure and Development Cess (AIDC) to be added on a small number of items; Alcoholic beverages, Crude palm oil, Peas, Kabuli Chana, Chickpeas, Lentil (Masoor), Gold, Silver and Dore bars
- **MSMEs:**
  - Revision of the definition for Small Companies under the Companies Act, 2013 by increasing their thresholds for paid up capital from INR 50 Lakh to INR 2 cr and turnover from INR 2 cr to INR 20 cr
  - Allocation of INR 15,700 cr to be provided to MSME sector

- Duties on raw material inputs and several items increased (e.g.: 10% to 15% on steel screws and plastic builder wares, 5% to 15% on prawn feed) to help encourage domestic processing. Exemption on import of duty-free items being provided as an incentive to exporters of garments, leather, and handicraft items

- **Start-ups:**
  - Extending the eligibility for claiming tax holiday for start-ups and capital gains exemption for investments in start-ups by one more year - till 31st March 2022
  - Incorporation of One Person Companies (OPCs) has been incentivized to grow without any restrictions on paid up capital and turnover and reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days. Also allowing Non-Resident Indians (NRIs) to incorporate OPCs in India
- **Textiles:**
  - Mega Investment Textiles Parks Scheme (MITRA) has been launched in order to boost exports. Seven Textile Parks will be established over a period of 3 years
- **Others:**
  - PLI Scheme: The PLI scheme is to have an outlay of INR 1.97 lakh cr over 5 years starting from FY22 with manufacturing incentives for 13 key sectors
  - Digital Infrastructure: INR 1,500 cr will be provided as a financial incentive to promote digital modes of payment within the country
  - GST changes proposed to tighten availability of input tax credit and cast onus on the Companies to ensure compliance by vendors
  - GST compliances simplified by removal of mandatory requirement of getting annual accounts audited and reconciliation statement submitted by specified professional. The same can now be self-certified

Implications for the sector

- **Agriculture & Fisheries:**
  - Continuity in MSP system will ensure that farmers have a steady income and are protected from the vagaries of market forces. Focused approach on rural consumption has been key as suggested by significant investments announced around rural infrastructure - roads, public transport, ports and railways. Increasing credit to farmers could help in reducing the input costs, thereby ensuring profitability
  - Investments in fishing harbours, fishing centres and seaweed farming indicate the government’s thrust on new and emerging sectors within the agriculture ambit. This could further provide large scale employment and additional sources of incomes
  - Investments in Agriculture Infrastructure Fund could help APMCs to augment storage infrastructure facilities, thereby helping reduce costs. With the goal to double farmer income, raising custom duties on cotton and silk and investments in storage facilities are likely to boost agriculture and allied activities in FY22
  - Keeping farmers’ well-being at the centre, the budget aims to enhance farmers’ income, thereby also rekindling rural consumption and provide the much-needed stimulus to growth
- **MSMEs and Startups:**
  - Domestic processing has been given attention by way of rationalizing duties on raw material inputs and several other items. Enabling start-ups and entrepreneurship is key for the Indian economy. By way of remodeling the structured guidelines for the Indian startup ecosystem at present, the government has enabled entrepreneurship at large thereby creating potential opportunities for job creation

- **Textiles:**
  - Since textiles are heavily labour intensive, MITRA scheme is likely to attract large investments and augment job opportunities. A world-class infrastructure for textiles is likely to help domestic manufacturers gain a competitive edge and support enhancement of exports
- **Others:**
  - PLI Scheme: The recent successful announcements around the Production Linked Incentive (PLI) scheme for various key sectors are a strategic enabler to promote 'Make-in-India' and 'Aatmanirbhar Bharat'. These schemes will help Indian manufacturers achieve scale and size, thereby creating global competitiveness and incremental jobs
  - Digital Infrastructure: Digital landscape in the country will gain from the stimulus provided by the government in the form of a corpus aimed at reinvigorating growth for a better digitalized India

All in all, increasing investments in rural infrastructure, MSME development, job creation and farmer productivity are the big themes from this budget aimed at driving growth in the coming year.

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