

## The centerpiece of Budget 2021 - Aatmanirbhar Bharat

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### THE Union [Budget 2021](#)

renewed its commitment to the government's vision of 'Aatmanirbhar Bharat'. The budget has fostered this theme through its policy for six identified pillars including health, infrastructure, inclusive development, re-invigorating human announcements capital, innovation and R&D and Minimum Government Maximum Governance. The budget has given several incentives to industry to manufacture in India, specifically at a time when India is trying to woo investors looking to set up manufacturing hubs outside China. The budget seeks to ensure the twin objectives of self-sufficiency and self-reliance through various measures both tax and non-tax related.

The Budget also announced a slew of Indirect Taxation reforms including carrying out thematic tariff changes that aim at supporting India's flagship Make in India program and vision of Aatmanirbhar Bharat. Custom duties have been hiked for industries such as chemicals, cut and polished stones, safety glasses and parts of signaling equipment, metal products such as screw, nuts, etc., where there is sufficient local capacity to discourage imports. Several sectors such as textiles, ferrous and non-ferrous metals, precious metals, etc. were marred by factors such as inverted duty structures or tariffs causing an unwarranted increase in price of raw materials. Several tariff changes have been brought about to tackle these issues. This is interesting as some of the proposals were being suggested by the industry for long and have been finally addressed in this year's budget. Most commendably these are not as protectionist as one would have expected but pragmatic.

There is also a proposal to rationalize the Customs duty exemptions by proposing to revisit 400 outdated exemptions as well as ensuring that any new Customs duty exemptions are provided for a specified timeline. Therefore, it may be necessary for industry to examine if any old conditional exemptions are being claimed and appropriately represent themselves to seek continuation of the said exemption. Further, the proposals assure to standardize compliance requirement for end use-based exemptions. Also, temporary revocation of Anti-Dumping Duty/Countervailing Duty on certain items such as various steel products from China/Indonesia is a balancing approach to check soaring metal prices locally.

The issue of admissibility of concessional rate of Customs duty on import of goods sent to job workers for manufacture has always been a subject matter of litigation. However, the Government has now explicitly allowed the benefit of concessional Customs duty on import of goods for use in manufacture on job work basis. This lays to rest the ambiguity which was existent in law and also encourages indigenous manufacturing.

Last year, the Ministry of Electronics and Information Technology had approved the applications of various international applicants for manufacturing of mobile phones and specified electronic components in India under the Production Linked Incentive (PLI) scheme. To further strengthen the objective of the Government to boost domestic manufacturing and thereby position Indian manufacturing companies as an integral part of global supply chain, the budget has reinforced that the PLI scheme would be full-fledged available to 13 champion sectors, with an allocation of INR 1970 billion over five years starting from F.Y. 2021-22. However, details of identified 13 sectors have not been made available presently. This initiative will help bring scale and size in key sectors, enhance exports, generate employment while making Indian manufacturers globally competitive.

Budget also unleashes reforms in the Tax Dispute Resolution mechanism. Substantial changes have been introduced in relation to Tax Dispute Resolution mechanisms to impart greater efficiency, transparency and accountability by eliminating interface to the extent technologically feasible. One hopes that the dispute resolution process will get smoother with several reforms and proposals made towards early and swift resolution of disputes like Constitution of Board for Advance Rulings (DT), a National Authority for (GST), more benches of Tribunals, embedding faceless processes at higher appellate forums, etc. Also, investigations to be closed in a time bound manner gives businesses more certainty and stability.

To achieve the goals and objectives of the National Infrastructure Pipeline, the Finance Minister has emphasized on the need for major increase in funding from the Government as well as the financial sector. Impetus to roads, transportation and power sectors, in particular and

proposals such as added economic corridors, reduced logistics costs would go a long way in aiding businesses to operate efficiently and seamlessly.

Special thrust has been given to healthcare and textile sector in the budget. In wake of a pandemic, there is a paramount increase in spend on healthcare (137% including spend on the vaccine). The announcement of 'PM Aatmanirbhar Swasth Bharat Yojana' scheme will focus on developing capacities of primary, secondary, and tertiary healthcare systems, strengthen existing national institutions, and create new institutions, cater to detection and cure of new and emerging diseases. As regards textile industry is concerned, to enable this industry to become globally competitive, attract large investments and boost employment generation, a scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme. Seven Textile Parks will be established over 3 years. This will create world class infrastructure to enable India to draw more investments.

Amongst all these announcements, one couldn't fail to notice that while the Indian economy is very much on its way to emerge out of COVID-19 crisis, the Government has tried to put its best foot forward in order to move the wheels of the economy. The display of commitment and sheer will of the Government will fuel the post pandemic recovery. As a way forward for the industry, it is incumbent to augment future plans to suit India's evolving policy towards localisation as gradually all industries would be impacted alike and the time for preparation/transition may be less. Industries should identify areas of representation/advocacy that presently hurdle the businesses as clearly the Government is listening.

**[The views expressed are strictly personal.]**

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