Daily Economic News Summary: 19 May 2017

1. Sweden offers its expertise for developing smart cities in India
Source: The Economic Times (Link)

Sweden has offered its expertise and technology in environment-friendly public transport and solid waste management for developing smart cities in India. This emerged during a meeting of Sweden Minister of European Union Affairs and Trade Ann Linde and Union minister M Venkaiah Naidu here today. Sweden has evinced a keen interest in partnering with India for development of smart cities, an official release said. "Sweden has suggested a Common Plan of Action for applying its expertise and technology in promoting sustainable and green-friendly public transport solutions besides solid waste management in smart cities," it added. The visiting Swedish minister said her country is a global leader in waste management, urban mobility solutions, smart parking systems and air filtration -- which are integral to smart city plans of Indian cities.

2. India has entered an economic era of integrity & inclusiveness: MJ Akbar
Source: Financial Express (Link)

Union minister M J Akbar today hailed the economic and foreign policy initiatives of the Modi government and said the country has entered an economic era of integrity and inclusiveness, where no one will be left behind. “India has entered an economy of integrity and inclusiveness. An integrity where talent will rise, which will ensure development for all. You are in the first year of process where our nation is going to double its income in next 10 years. You may noticed the changes in our economy,” the minister of state for External Affairs said while addressing the convocation ceremony of International Management Institute (IMI). While noting the shift in India’s foreign policy, Akbar said earlier India used to have a world policy or a foreign policy but now “the world has a India policy”. “The world wants India and it recognises that here is a country which is capable of being on the vanguard of the 21st century. The first 20 years of a century more or less define the shape of a century and we in the first quarter have began to define that we will sit on the high in the world table. It will not happen because of any military power but because of economic power and its inclusiveness,” he said.

3. Boost to India's renewables plan as Chinese investments shift to solar
Source: Financial Times (Link)

India is treading a strong renewable energy path post-Paris Agreement as it witnesses a step-up in Chinese investments in solar energy. Additionally, there's a significant slowdown in Chinese investments in thermal power plants. This fact of slowdown came to light in a just-released report of the Global Environmental Institute (GEI) which says China's overseas investment, including in India, into 240 coal power plants along the Belt and Road Initiative has slowed down in 2016 after the Paris Agreement on Climate Change. India was once the top destination for fossil fuel infrastructure investments. Although India is not a part of the Belt and Road initiative, China had expanded its investments to include many other countries. According to a financial expert in India, there is a noticeable spike in solar investment by Chinese firms. "Chinese investments in Indian coal projects have been declining. At the same time, Chinese investments in India on solar projects are slowly increasing," Jai Sharda, a founding partner with equity research Indian firm Equitorials, told IANS. There are reports that GLC-Poly energy, China's top solar module manufacturer, is in talks with India's Essel group to set up a solar module manufacturing facility in India this year, he added. India has committed to generate up to 100 gigawatts of solar power by 2022. The GEI report says that since 2016, China's support for overseas coal-fired power plant development has slowed down mainly due to shifting towards renewable energy under the Paris Agreement.

4. Modi government halves spending on maternity benefit programme
Source: The Economic Times (Link)

The Modi government today virtually halved the number of beneficiaries under its Maternity Benefit Programme (MBP) by restricting the scheme to firstborns instead of 'first two live births' as applicable earlier. PTI had earlier reported that reduced allocation of funds of Rs 2700 crore for the scheme in the Union Budget 2017- 2018 might lead to reduction in the number of beneficiaries. A government committee had estimated Rs 14.512 cr. Prime Minister Narendra Modi, in a televised address on New Year eve last year, announced pan-India expansion of the existing Indira Gandhi Matritva Sahyog Yojana, which was being implemented across 56 districts on a pilot-basis since 2010. The scheme was applicable for the first two live births. The Cabinet at its meeting today decided eligible pregnant women and lactating mothers (PW&LM) will now receive Rs 6,000 in nearly all blocks and districts of the country for improving their health and nutrition status. The scheme seeks to bring down maternal mortality. Pregnant women and lactating mothers are eligible to receive a cash benefit of Rs 5,000 in three instalments through direct benefit transfer from the women and child development ministry…Activists have criticised the move, saying it was aimed at cost-cutting and discriminated against children who are second born.

5. ASSOCHAM moots comprehensive industrial policy for SMEs in Punjab
Source: Business Standard (Link)

Industry body Assocham has suggested announcement of comprehensive industrial policy in Punjab to bring back the past glory of the state, which was once a hub for small and medium enterprise (SMEs) and known for value addition to agri-products. In a joint vision paper for the new government brought out by Assocham and Thought Arbitrage Research Institute (TARI) which was released by Assocham National Secretary General D S Rawat and Kshama V Kaushik, Director, TARI, it mentioned that the policy should focus on activities relating to farm products, horticulture, livestock products like milk and other dairy items, cotton and textiles which have strong backward and forward linkages in the state's economy. According to the paper, Punjab needs to promote less water guzzling crops like pulses, oilseeds, cotton, maize, millet, vegetables and fruits - by providing improved seeds and ensuring that farmers get a fair price for these crops through a market support mechanism…It also suggested incentivising technology like direct seeding of paddy and drip irrigation which saves 30-50 per cent of water. More investment is needed in production and promotion of organic manure, bio-pesticides to cut down use of chemical pesticides linked to the spread of cancer, it further said…Tourism is another area which has huge potential but remains neglected, it claimed. The study pointed out that Punjab has no clear and defined health policy despite the alarming level of cancer and drug addiction and high cost of hospitalization.

GST Special:

6. GST rules in place, first list of goods and rated out
Source: Indian Express (Link)

Aiming to keep most items, especially those of mass consumption, at affordable prices, the states and the Centre evolved a consensus on the first day of the 14th Goods and Services Tax (GST) Council meeting on Thursday to keep 81 per cent of a total of 1,211 items at the modal tax rate of 18 per cent or below. The Council also gave final approval to seven rules pertaining to registration, payment, refund, invoice debit, credit note, input tax credit, valuation, and composition scheme — essential prerequisites for the industry to gear up for the transition to GST. Two rules on transition provisions and returns have been sent for legal vetting. Foodgrains, including cereals and jaggery, have been exempted with a zero per cent tax slab, while essential items of normal sugar, tea, coffee and edible oil have been placed in the 5 per cent tax slab. The GST on items such as toothpaste, soap and hair oil will be 18 per cent as against the present total tax incidence of 28 per cent and above. Coming down hard on tobacco, cigarettes and cars, the Council decided on the cess rates for demerit and luxury items. A cess of 204 per cent has been proposed for pan masala gutkha; cigarettes not exceeding 65 mm will attract a cess of 5 per cent plus Rs 1,591 per thousand. Small petrol cars with an engine capacity of less than 1200 cc will attract 1 per cent cess, and those with a diesel engine capacity of less than 1500 cc will attract 3 per cent cess. Large cars with an engine capacity greater than 1500 cc, and SUVs with a length of more than 4 m and engine capacity greater than 1500 cc, will attract a cess of 15 per cent. A decision on the tax rate for six categories of items, including gold, beedi, textile, footwear, agricultural implements and packaged/branded food items, was kept in abeyance and is likely to be taken up for discussion on Friday… Also, some states raised concerns regarding the impact of categorisation of items in the tax slabs of zero, 5 per cent, 12 per cent, 18 per cent and 28 per cent on their respective revenues, another state finance minister said, adding that there are concerns among states whether these rates are revenue-neutral or not.

7. GST Council to take up exporters' concerns on tax incentives, refunds
Source: The Hindu: Business Line (Link)

The Goods and Services Tax (GST) Council, which meets on Thursday, will take up the Commerce Ministry's concerns over tax incentives for exporters, and the possible delay in payment of refunds under the new taxation regime that kicks in on July 1. "I met the Finance Minister (on Wednesday) and gave him the details of what emerged after consultations between a committee of senior officials from the Commerce Ministry and Revenue Secretary Hasmukh Adhia (on concerns related to GST)," Commerce and Industry Minister Nirmala Sitharaman told *BusinessLine* in an interview. According to exporters' body FIEO, there are apprehensions about liquidity under the GST regime as exemptions currently enjoyed by exporters — on payment of additional customs duty and excise on imports of inputs used in exports — will get subsumed under GST. Exporters' costs could go up by up to 1.25 per cent (FOB value) once the GST is implemented, according to industry calculations. The Revenue Department, however, feels the concerns are overstated. "Their argument is that the payments are in automatic mode. The moment export happens, money gets into the exporters' account. So there is no locking-up period. Let us see what decision the GST Council takes when it looks into the matter," Sitharaman said.

8. New GST rules provide clarity on 3 issues
Source: Business Standard (Link)

On Thursday, the GST Council approved all eight rules, clearing the ground for the rollout of the goods and services tax (GST). A preliminary reading of these rules reveals three significant changes. First, the final rules have clarified on the valuation of goods between related parties. Under the new indirect tax regime, transactions between related parties, for example two companies belonging to the same group, will now be valued at 90 per cent of the market value…Second, clarity has also been provided on how to arrive at the value of assets repossessed by banks on which the GST rates will be levied. Earlier, it was not clear as to whether GST would apply on the entire sale proceeds of such assets. But the rules have clarified that under GST, banks will now be allowed to deduct five per cent every quarter, or 20 per cent each year from the purchase value of the asset to arrive at the price at which GST is applicable…Third, the rules have also clarified on how to deal with cases where input tax credit has been claimed but later reversed due to non-payment to the vendor.