

Daily Economic News Summary: 11 May 2016

1. India to tax Mauritius investments for first time since 1983

Source: **Reuters** ([Link](#))

India will start imposing capital gains tax on investments coming from Mauritius starting next year, after the two countries agreed to amend a three-decade old treaty that brought in billions of dollars in investment but was suspected of abetting tax evasion. The tax will apply to investments made from April 1, 2017. It will be imposed at 50 percent of the domestic rate - now 15 to 20 percent, depending on the instrument and length of investment - until March 31, 2019, for companies already established in Mauritius. The full rate will apply for all companies after that. The amendment of the treaty is a victory for Prime Minister Narendra Modi's government, after previous administrations had also unsuccessfully tried to change the terms of the treaty. signed in 1983, the treaty has been a cornerstone of Mauritius' rise as a financial centre, and it has allowed the country to become the source of the biggest foreign investments into India.

But the treaty's terms have been a growing irritant to India, which has long suspected a chunk of the funds are not real foreign investments, but come from rich Indians routing cash through the island to avoid Indian taxes, a practice known as "round tripping". Recovering untaxed wealth stashed abroad by rich Indians has been a central goal of Modi's government. Like other governments, it has also tried to limit the use of the kind of tax havens exposed by the trove of documents called the Panama Papers.

2. Apple comes to India: Foxconn to set up plant in Maharashtra

Source: **BGR** ([Link](#))

Reports suggest that Foxconn has neared a deal with with Maharashtra government to acquire a 1,200-acre of land in the state to set up a \$10 billion plant for manufacturing Apple devices. According to the report, the plant will come into operation by 2017-end. The report cites Maharashtra Industry Minister Subhash Desai who revealed Foxconn's plans to invest in the state. The development comes shortly after Telecom Minister Ravi Shankar Prasad revealed that Apple will manufacture only new iPhones in India. It may be recalled that Apple CEO Tim Cook had held meetings with Prime Minister Narendra Modi last year. According to reports, the two sides discussed possibility of greater investments in India along with starting local manufacturing.

Foxconn has already tied up with several smartphone brands such as Xiaomi and OnePlus in India for domestic manufacturing. Foxconn is already making efforts to expand its base outside China, and has been scaling up its operations in India, especially after the Make in India initiative. Earlier this year Foxconn confirmed to set up as many as six new manufacturing plants in India. As far as Apple goes, the company has already set sights on emerging markets, especially India and China, for boosting its revenues. Despite slowdown in the US, Apple had had posted a 76 percent growth in the last quarter of 2015 in India. Recently, the company revealed it had registered 56 percent growth year-on-year in the most recent quarter while global sales had continued to slow down. A third party report from Canalys confirmed Apple was the second fastest growing smartphone brand in India.

3. Honda, Renault enter the fleet market to drive sales

Source: **Economic Times** ([Link](#))

The cab market is no longer a taboo area for India's premium car makers such as Honda Motor, as that segment is witnessing rapid activity with taxi aggregators like Ola and Uber expanding aggressively even as demand for vehicles from elsewhere remains muted. Honda had earlier kept a distance from the taxi segment over concerns that it would impact its premium brand image. The Japanese company has now shed that fear, as it expects sales to taxi fleet operators to bring in incremental volume. Renault is another foreign auto maker in India seriously pursuing the opportunity.

4. Nokia bets on India's e-commerce sector to grow analytics, applications business

Source: **Economic Times** ([Link](#))

India's ecommerce sector will become an important revenue generator for Nokia's global analytics and applications business as demand grows for tools that help to understand and monetise customer behaviour. India becomes even more crucial for the Finnish telecom equipment maker as its core clients in India demand customer-retention tools based on analytics, said a top executive of Nokia, which is setting up its first centre of excellence for Internet of Things (IoT) in Bengaluru this year. *"We're in the early stages of discussions for non-operator-led services that need to get monetised in sectors like ecommerce,"* said Bhaskar Gotri, president of Nokia's analytics and applications business, a line that was added after the merger with AlcatelLucent concluded early January. *"This portfolio gives us the space and the ability to get into new business segments within the carrier space, and also adjacent segments, whether it is ecommerce, public sector utility or others,"* Gotri said.

5. Oil and Gas fields auction this month to be on simpler terms: Sources

Source: **Economic Times** ([Link](#))

After more than a 4-year break, India will this month launch auction of discovered oil and gas fields on simpler contractual terms together with pricing and marketing freedom. Oil Minister Dharmendra Pradhan will on May 25 launch the Discovered Small Fields Bid Round, official sources said. Last exploration licensing round concluded in March 2012. That was the Ninth round of bidding under the New Exploration Licensing Policy (NELP). A total of 256 block were awarded in the nine rounds of NELP. Now in the new round, as many as 67 idle discoveries of state-owned ONGC and Oil India Ltd have been clubbed into 46 fields for offer in the international bidding round. Of these, 28 discoveries are in Mumbai offshore and another 14 are in the prolific Krishna Godavari basin. As many as 10 discoveries in the Assam shelf. Sources said the government took away these discoveries from ONGC as it could not develop them because of small size and unviable price. But in the bidding round, the government is offering complete pricing freedom and ONGC too can bid to get back its discoveries. The discoveries were given up by the state run as late as 2012-13. In-place reserves in these identified discoveries/ fields is about 88 million tons of oil and equivalent gas.

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By Harsha Hazarika