

Daily Economic News Summary: 18 March 2016

1. Income tax department eases norms governing foreign fund managers

Source: **Live Mint** ([Link](#))

The income-tax department on Wednesday notified rules relaxing certain earlier conditions governing foreign fund managers in a bid to encourage them to move to India. Presently, most of them manage foreign capital to India out of Singapore, Dubai and London. Finance minister Arun Jaitley in his budget speech last year had proposed steps to encourage the relocation. *“The present taxation structure has an inbuilt incentive for fund managers to operate from offshore locations. To encourage such offshore fund managers to relocate to India, I propose to modify the Permanent Establishment (PE) norms to the effect that mere presence of a fund manager in India would not constitute PE of the offshore funds resulting in adverse tax consequences,”* he had said in the budget speech. However, in the fine print, there were certain clauses that dissuaded such fund managers from moving to India. On Wednesday, the government set it right.

The new rules provide for a pre-approval mechanism under which a fund can seek prior approval from the tax department and avail exemption under Section 9A of the Income Tax Act. This will provide the much-needed certainty to the offshore funds. The section deals with treatment of income deemed to accrue or arise in India, and are taxable in India. The latest circular also clarified that in case the investment in the fund is made directly by an institutional entity, the investor interest in the fund will be determined by looking through the entity. This see-through approach in determining the number of investors in the fund will help in meeting the criteria that a fund should have a minimum of 25 members.

2. Foreign direct investment up 29% under Make in India: Nirmala Sitharaman

Source: **Live Mint** ([Link](#))

Foreign direct investment (FDI) in the country increased by 29% for the 15-month period—ended December last year—after the launch of the Make in India initiative, Parliament was informed on Wednesday. Launched on 25 September 2014, the initiative aims at promoting India as an important investment destination and a global hub for manufacturing, design and innovation. *“FDI inflow has increased 29% during October 2014 to December 2015 (15 months after Make in India was launched) compared to the 15-month period prior to the launch of this initiative,”* commerce and industry minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

In a separate reply, she said during April-January 2016, the government received 424 FDI proposals. Out these, 285 proposals have been disposed of. In a separate reply about FDI in e-commerce, the minister said foreign investment in business to customer e-commerce activities has been “opened in a calibrated manner” and an entity is permitted to undertake retail trading through e-commerce under certain circumstances. She said that a manufacturer is permitted to sell its products manufactured in India through e-commerce retail and a single brand retail trading entity operating through brick and mortar stores, is permitted to undertake retail trading through e-commerce.

3. SBI partners Uber for instant vehicle financing

Source: **Live Mint** ([Link](#))

Public sector lender SBI has tie-up with taxi-aggregator Uber to provide instant vehicle finance to ‘driver-partners’ on the latter’s platform. The scheme would encourage skilled drivers to overcome liquidity crunch and excess documentation requirements to become an entrepreneur. The loans could be sanctioned in one day using an inbuilt digital offering, and would be collateral free as well as carry a very competitive interest rate. All loans will be covered under the government’s Pradhan Mantri Mudra Yojana Scheme, SBI said in a statement. *“The on-demand transportation segment growth has created a whole new ecosystem enabling lakhs of Indians to earn livelihood by becoming micro-entrepreneurs on such platforms,”* SBI chairman Arundhati Bhattacharya said. *“In the process, it has also opened up a new world of opportunities for the banking industry,”* she said, adding that one has to go beyond traditional banking to leverage such opportunities. SBI managing director Rajnish Kumar said the new facility would enable drivers to apply for loans at the Uber Partner Centre and get loans sanctioned in one day. *“This is supported by our digitally integrated back-end system, thereby eliminating the long processing time. The partnership with Uber will also help us simplify the documentation requirements thereby eliminating traditional financial statements like income tax returns,”* Kumar said.

4. German SMEs to invest Rs 3000 crore to set up projects in India

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

German Small and Medium Enterprises (SMEs) have pledged to invest over Rs 3,000 crore for the 'Make in India' initiative for setting up of new manufacturing plants and projects. The German SME's (Mittelstand) have committed an investment of over Rs 3,000 crores for 'Make In India' under the Make in India Mittelstand (MIIM) initiative, said India's Ambassador to Germany Gurjit Singh during a business event held at the Indian Embassy here. The investments will result in setting up of 15 new manufacturing plants, 6 expansion projects and 2 pilot projects covering the states of Maharashtra, Gujarat, Karnataka and Tamil Nadu. MIIM, launched in September 2015, is an investment facilitation programme being implemented by the Indian Embassy in Berlin with the support of Department of Industrial Policy and Promotion (DIPP) and Investment and Technology Promotion (ITP), Division of the Ministry of External Affairs to attract investments by German Mittelstand (SME) companies.

5. Airbus to set up India training centre with \$40 million investment

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

European plane maker Airbus plans to invest \$40 million (Rs 260 crore) in the first phase of setting up a pilot and maintenance training center close to Delhi. The centre is likely to be operational by the end of 2017. Srinivasan Dwarakanathan, president of Airbus division in India said this is the aerospace company's biggest capital investment in the country yet. The centre will be fully owned by the Airbus Group with training to be delivered by Airbus' specialised training instructors. It will house four A320 full-flight simulators and will have the capacity to train over 8,000 pilots and 2,000 engineers over 10 years from 2018 onwards, the company said in a statement.

Airbus has 210 of its planes flying in India and an order for over 500 from the likes of budget carriers IndiGo and Go Air. According to Airbus' latest global market forecast, India requires over 1,600 passenger and freighter aircraft in the next 20 years to 2034, with an accompanying demand for new pilots and maintenance engineers.

6. Cisco Chairman John Chambers meets PM Narendra Modi

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

John Chambers, Chairman of US tech giant Cisco, today met Prime Minister Narendra Modi to discuss the firm's role in various government initiatives including Digital India, Skill India, Make in India and cyber security issues. *"During the meeting, he explained to Prime Minister the elements of Cisco's Country Digitisation Acceleration Programme, and how it is aligned to the PM's vision and initiatives including Digital India, Skill India, Make in India, Start Up India, Smart Cities and Cyber Security initiatives,"* an official statement said. Appreciating the initiatives taken by Cisco, Modi emphasised benefits of technology in areas like long distance education and in eliminating leakages in subsidy. He also discussed possibilities of cooperation in the area of cyber security, the statement said. The \$143-billion firm has over 10,000 people in India. It is also setting up a manufacturing base in Pune to locally make products to "support the Digital India vision" and aims to eventually make it an export hub.



By Harsha Hazarika