

## Daily Economic News Summary: 6 May 2016

### 1. Govt drops cap gains tax on startup shares held for 2 years

Source: **Times of India** ([Link](#))

In a fresh boost to startups, the government on Thursday inserted an amendment to the Finance Bill to provide for capital gains tax exemption if shares of an unlisted company were held for more than two years. Currently, there is no capital gains tax on share transactions in listed companies if those stocks are held for 12 months. But shares of unlisted entities face capital gains tax of 20% even after three years. The tax treatment has been a major area of concern for international investors, several of whom are pumping billions into Indian companies. And, the move is expected to spur M&As. The amendment was introduced as finance minister Arun Jaitley introduced other ones to the Bill, which was later cleared by the Lok Sabha. Most of the other amendments were in the nature of clarifications. For instance, buyers will have to pay 1% tax on cars which cost over Rs 10 lakh, which will be collected by the seller. This, officials said, was a clarification, although the move is meant to keep a check on the flow of black money in the economy. A similar provision of tax deducted at source had been prescribed for property of over Rs 50 lakh.

### 2. Germany offers India deal for next generation submarines

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

In a departure from its traditional approach to business in India, Germany is for the first time offering a military deal under the government-government umbrella for its new-generation conventional submarines that have exceptional underwater endurance. While in the past the German government had kept away from contracts being bagged by its arms industries in India, the HDW 214 submarines are being offered as a special case for Indian Navy's requirement of six boats, which are to be made in India at an estimated cost of over Rs 60,000 crore. Sources told ET that the formal proposal is being shared with the defence ministry in which the German government will give assurances on fair price, technology transfer and quality. Russian and French submarines are, too, competing for the mega P 75I project, which is likely to see a private sector yard in India carry out a major chunk of the work. India will be mandating Air Independent Propulsion (AIP) - a technology that enables the submarine to remain underwater for several days at a stretch instead of coming up to surface frequently to replenish oxygen needed to burn the fuel — for the submarines.

### **3. Government earmarks Rs 500 crore for tech facilities in premier institutes**

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

The government will invest close to Rs 500 crore to set up research parks, technological business incubators and startup centres in premier educational institutes like the Indian Institute of Technology (IIT), Indian Institute of Science (IISc) and National Institute of Technology, according to a senior official. These institutes had recently made proposals to the ministry of human resources development and the department of science and technology (DST) for such facilities. The official cited earlier told ET that the HRD ministry has committed Rs 50-80 crore towards over Rs 100 crore needed for each research park while the department of science and technology is likely to invest close to Rs 100 crore for setting up of technology business incubators (TBIs) and startup centres. The funds will be released when the institutes are ready, the official said. Six institutes are likely to get funds for research parks including the IIT campuses in Delhi, Kanpur, Hyderabad, Gandhinagar and Guwahati, and IISc Bangalore.

### **4. Government's infrastructure push, price recovery may boost metal stocks further**

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

Deutsche Bank expects domestic steel demand growth to increase to 8-10% in fiscal year 2018 backed by government's thrust on infrastructure spending and a possible revival in rural demand, which has remained subdued over the past couple of years due of weak monsoons. The performance of metal stocks (year-to-date) has been impressive. Tata Steel and JSW Steel have gained about 28% so far this year, while Hindalco and Nalco have risen about 8% — these stocks have outperformed the BSE Metal Index which has remained flat over the same period.

### **5. AT&T, Virgin Media look to redial India**

Source: **Times of India** ([Link](#))

The competition in the Indian telecom market is set to get fiercer. The \$147-billion American telecom giant AT&T and Virgin Media, founded by Richard Branson and now controlled by the \$18.3-billion global major Liberty Global, are planning their second coming into the country.

Top sources in the government said the two companies have expressed their interest to enter India, and the foray could initially be through the mobile virtual network operator (MVNO) route. Under MVNO, companies buy airtime and bandwidth (for calls and data) in bulk from existing operators and then offer services under their brand.

A source said the entry could be a "precursor to a larger gameplan" as the companies, especially AT&T, may look at participating in the mega spectrum auctions slated to be held in the second half of this year. *"There is a huge quantity of spectrum — over 2,000 MHz — that will be made available for sale and this could well be an opportune time for any new operator to come in,"* the source added. The sources said the companies have held preliminary discussions with top government functionaries and are firming up their entry strategy.



**By Harsha Hazarika**