

Daily Economic News Summary: 27 April 2017

1. FinMin to look into changes sought by Canada in draft bilateral treaty

Source: The Hindu: Business Line ([Link](#))

Softening its stance on the non-negotiability of the model Bilateral Investment Treaty (BIT), the Finance Ministry has agreed to engage with Canada on the changes it has sought in some of the provisions, as part of the investment pact being negotiated between the two countries. Canada has issues with the Investor State Dispute Settlement (ISDS) mechanism in the model BIT, which lays down that all domestic options need to be exhausted before a company can go for international arbitration. It does not come with a time-line raising apprehensions that if domestic courts take a long time in sorting out a dispute, the foreign investor would have no option other than to wait. The Department of Economic Affairs recently invited Canadian officials to give a presentation on the additional demands so that it could deliberate on the points raised, a government official told *BusinessLine*. “There is enormous political pressure to get the BIT and the Comprehensive Economic Partnership Agreement with Canada off the ground. Based on Canada’s proposal, India could also examine what can be done for similar concerns raised by other countries in the BIT,” the official said.

2. India, Sri Lanka ink pact for economic cooperation

Source: The Hindu: Business Line ([Link](#))

India and Sri Lanka today signed a pact to boost economic ties after wide-ranging talks between their prime ministers during which the Indian leadership expressed the hope that the island nation will complete its reconciliation process within the two-year deadline. Prime Minister Narendra Modi and his Sri Lankan counterpart Ranil Wickremesinghe, who arrived here yesterday on a five-day visit, discussed a range of bilateral issues and matters of mutual interest, an external affairs ministry release said. The Indian side also informed the Sri Lankan government of the measures taken by it in connection with deep-sea fishing by Indian fishermen, it said. The Indian interlocutors also requested continued cooperation of the Sri Lankan government for humanitarian treatment of Indian fishermen, without resorting to force under any circumstances, the release said, adding the two sides welcomed the meeting of the Joint Working Group on Fisheries held in Colombo earlier this month.

3. Arun Jaitley expresses Indian concern on worrying sign of protectionism

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

Signs of economic protectionism and new barriers to migration are major global concerns, FM Arun Jaitley said in Moscow, days after raising the issue in Washington. Speaking on global security challenges at an international security conference on Wednesday, Jaitley listed economic protectionism as a top concern, right after talking about unpredictability in ties between major powers. "There are... worrying signs of economic protectionism. New barriers to migration and the closing of borders are other elements of such an approach. However, such efforts are unlikely to be able to address the complex issues involved," said Jaitley, who is also the country's defence minister. The minister had raised the issue of H-1B visa curbs in a meeting with US counterpart Steven Mnuchin in Washington on the weekend, pointing out that rising protectionism would hurt the global economy. Speaking in Moscow, he identified Asia as the stage for global competition and said economies in the region will be critical for global growth. "For the foreseeable future, Asian economies will continue to be the drivers of global growth. Asia could also be emerging as the stage for competition between large and rising powers," he said.

4. India to take longer cut duties on Australia, New Zealand goods

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

India plans to take longer to reduce duties on goods imported from Australia and New Zealand, apart from China, than from other partners under the proposed free trade agreement among 16 Asia-Pacific countries. This is because India does not have any trade pact with these three countries, officials said. Earlier, India had considered least tariff concessions and a longer phaseout only for China so as to reduce the widening trade deficit with the country. However, that formula did not find many takers. The fresh proposal is likely to be discussed next week when the members of the Regional Comprehensive Economic Partnership (RCEP) meet in the Philippines. "It is not about tiers now but deviations since there could be one common concession," said an official aware of the development. These deviations will help India offer differential tariff concessions to different members of the grouping, said the official, who did not wish to be identified. RCEP is a wide-ranging free trade agreement that covers goods, services, investment, competition, economic and technical cooperation, dispute settlement and intellectual property rights among 10 members

of the Association of Southeast Asian Nations (ASEAN) and their six free trade agreement partners – Australia, China, India, Japan, Korea, and New Zealand.

5. Relief for Indian MNCs likely as government mulls diluting POEM rules

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

Indian companies with overseas subsidiaries are likely to get some leeway around transfer pricing, withholding tax and advance tax requirements under the place of effective management (POEM) rules, two people with knowledge of the matter said. The government is considering issuing a circular saying that these requirements won't apply to companies whose POEM is in India, they said. It would clarify that POEM is only for income declaration purpose in India, one of them added. Such a clarification is expected to stop trigger happy income tax officers from complicating matters for Indian multinationals. POEM is a framework introduced by the government in the current financial year to determine the tax payable by a foreign company, including subsidiaries of local firms, which for all purposes is managed from India. Previously, such companies weren't required to pay tax in India unless its affairs were fully controlled and managed from this country. As the rules stand today, Indian tax officers can demand that Indian multinationals, which they believe have POEM in India, to comply with all taxation regulations in the country.

6. 'Map app' to help taxman track down evaders

Source: The Hindu: Business Line ([Link](#))

In a bid to widen the tax net, the government will soon use mapping applications to track tax evaders down to their homes. As part of its Project Insight, which is going live next month, the Central Board of Direct Taxes will use locational intelligence to assess the affluence of a taxpayer and how it matches with the income declared in his/her tax return. The government is using the services of digital mapping company MapmyIndia to sniff out people who may be living in an affluent locality but not paying taxes corresponding to their lifestyle. MapmyIndia has supplied the government cartographic data for the entire country with each residential address and a geocoding engine, which transforms the address to a location on the Earth's surface (spatial representation).