Daily Economic News Summary: 2 July 2018

1. GST Anniversary: Narendra Modi Rules Out Single Rate Under Scheme, Says Mercedes And Milk Cannot Have Same Tax
Source: Firstpost (Link)

Prime Minister Narendra Modi on July 1 ruled out a single tax rate under the Goods and Services Tax (GST) and said a Mercedes car and milk cannot be taxed at the same rate. He added that accepting Congress' demand for a uniform 18 percent rate would lead to a spike in food and essential items' taxation. Modi said GST has, within one year of its launch, led to over 70 percent jump in indirect taxpayer base, demolished check-posts and merged 17 taxes and 23 cesses into one single tax. The new tax regime, which subsumed central levies like excise duty and service tax and state taxes like VAT, is aimed at making indirect taxation "simple" while eliminating the Inspector Raj, he said, and added the GST is an evolving system which is calibrated based on feedback from state governments, trades and other stakeholders. "It would have been very simple to have just one slab but it would have meant we could not have food items at zero percent tax rate. Can we have milk and Mercedes at the same rate? "So, when our friends in Congress say that they will have just one GST rate, they are effectively saying they will tax food items and commodities, which are currently at zero or 5 percent, at 18 percent," he said in an interview to *Swarajya* magazine.

2. UK Goods And Services Exports To India On The Rise
Source: The Economic Times (Link)

Britain's goods and services exports to India have gone up by 31.8 per cent in the year to March 2018, according to latest trade figures released this week. Countries outside the European Union (EU) like India were the main destination for UK services at 167.4 billion pound, making up 60.4 per cent of all services exports, according to Office of National Statistics (ONS) figures released on July 29. For the year ending March this year, the ONS data shows that exports of UK goods and services registered a 7.3 per cent hike to GBP 620.2 billion. "Demand for high quality British products remained strong from countries outside the EU including China, India and Canada and we are putting companies in position to benefit from growing global opportunities," said Liam

Fox, UK secretary of state for international trade. The Department for International Trade (DIT) also highlighted that non-EU countries remain the main destination for UK services at around GBP 167.4 billion, making up 60.4 per cent of all services exports.

3. India Seeks Ways To Continue Iran Oil Imports
Source: The Economic Times (Link)

India hopes to avoid an abrupt end to oil imports from Iran without triggering sanctions even as it readies a rupee payment mechanism for oil imports from the Islamic Republic. The US and India haven't had any conversation yet on possible exemption but officials believe that the door for negotiations is still open despite strong words from the US recently to eliminate oil import from Iran. Officials see a window of opportunity because a recent update in the US treasury's website lists circumstances in which the US government can waive sanctions. The tough words from the US are certainly aimed at the better compliance of sanctions by all countries as well as at making it harder for importing countries to negotiate waivers, an official said. The US is probably trying to lower importing countries' expectations before any negotiation on waivers start, he said. Indian and US officials are likely to meet this month to figure out the implications of the Iran sanctions for India. There are some hints from the US of possible exemptions to purchase a reduced quantity of oil from Iran, officials said.

4. India 73rd Country With Most Funds In Swiss Banks, Pak At 72, UK On Top
Source: Business Standard (Link)

India has moved up to 73rd place in terms of money parked by its citizens and companies with Swiss banks, while the UK remains on the top. India had slipped to 88th place with a 44 per cent plunge in such funds during 2016, but the latest data from the Swiss National Bank (SNB) shows an increase of over 50 per cent during 2017 to CHF 1.01 billion. Pakistan is now placed one place higher than India at 72nd position, down one slot, after 21 per cent dips in funds from that country in Swiss banks during 2017. The funds, described by SNB as 'liabilities' of Swiss banks or 'amounts due to' their clients, are official figures disclosed by Swiss authorities and do not indicate to the exact quantum of the much-debated alleged black money held in famed safe havens of Switzerland. The official figures, disclosed annually by Switzerland's central bank, also do not include the money that Indians, NRIs or others might have in Swiss banks in the names of entities from different countries. It has been often alleged that Indians and other nationals seeking to stash their illicit wealth abroad use multiple layers of various jurisdictions, including tax havens, to shift the money in Swiss banks.

5. Government's Crackdown On Shell Companies: Over 1000 Companies May Lose Registration
Source: Financial Express (Link)

As many as 1,313 "listed" entities that have failed to file their annual reports for two years face the prospect of being struck off the registrar of companies' (RoC) database. The move is a continuation of the ministry of corporate affairs' (MCA) efforts to weed out shell companies. A senior ministry official observed that while the companies were categorised as "listed", in reality most of them were not. Consequently, their status will be altered from "listed" to "unlisted" before they are struck off. "They might have sought permission from the MCA to file draft prospectuses for initial public offerings (IPOs) but did not complete the process. That is why they are categorised as 'listed'," the official explained. In May, the government had asked the Securities and Exchange Board of India (Sebi) for a "status" report on these companies. The market regulator was able to trace 911 firms but discovered that another 402 were not listed on any of the bourses. Of the 911 firms, Sebi found that 335 have been delisted while 73 are vanishing companies. Around 80 were on the dissemination board of the BSE and NSE, while 405 continued to be listed. Another 18 firms are limited by guarantee or private limited companies. The MCA is empowered to strike off the delisted firms (330 on BSE and 5 on NSE) as well as 18 private limited or companies limited by guarantee. However, it must wait for Sebi to act before it can take action against the remaining 558 firms. Of the 80 companies on the dissemination board, 33 are on the NSE and 47 on the BSE.

6. FDI Growth Hits 5-Year Low In 2017-18
Source: Economic Times (Link)

Foreign direct investment (FDI) in India seems to be petering out with the inflows growth rate recording a five-year low of 3 per cent at USD 44.85 billion in 2017-18. According to the latest data of the Department of Industrial Policy and Promotion (DIPP), FDI in 2017-18 grew by only 3 per cent to USD 44.85 billion. Foreign inflows in the country grew by 8.67 per cent in 2016-17, 29 per cent in 2015-16, 27 per cent in 2014-15, and 8 per cent in 2013-14. However, FDI inflows recorded a negative growth of 38 per cent in 2012-13. According to experts, it is critical to revive domestic investments and further ease of doing business in the country to attract foreign investors. UNCTAD Secretary-General Mukhisa Kituyi has said, "Downward pressure on the FDI and slowdown in global value chains are a major concern for policy makers worldwide, and especially in developing countries". The main sectors that received maximum foreign inflows in the last fiscal include services (USD 6.7 billion), computer software and hardware (USD 6.15 billion), telecommunications (USD 6.21 billion), trading (USD 4.34 billion), construction (USD 2.73 billion) automobile (USD 2 billion) and power (USD 1.62 billion).

7. Indian Economy To Touch USD 5 Trillion By 2025: President
Source: Financial Express (Link)

President Ram Nath Kovind on July 1 said the Indian economy is set for a surge with the GDP size seen at doubling to USD 5 trillion probably by 2025. He was speaking after launching the platinum jubilee celebrations of chartered accountants' apex body ICAI. "Indian economy is set for a surge and in the next decade, probably even by 2025, India is expected to double the size of the GDP to USD 5 trillion," Kovind said. Emphasising that adherence to fair taxation system is much more than merely providing revenue to the government, Kovind said chartered accountants are the watchdogs of public trust. Chartered accountants have a key role to play and are facilitators of tax payers as well as taxation system. Minister of State for Corporate Affairs P P Chaudhary said the government's fight against black money is continuing and that around 2.25 lakh suspected shell companies have been identified. These entities are being analysed and suitable action would be taken, he added.

8. PAN-Aadhaar Linking Deadline Extended Till 31 March 2019: CBDT
Source: Livemint (Link)

The CBDT on June 31 extended the deadline for the PAN-Aadhaar linking to 31 March next year. This is the fifth time the government has extended the deadline for individuals to link their Permanent Account Number (PAN) to their biometric ID (Aadhaar). The policy-making body of the tax department issued an order, under Section 119 of the Income Tax Act, late night, extending the deadline. The Central Board of Direct Taxes (CBDT) had last extended the deadline on 27 March. The latest order said the deadline for the PAN-Aadhaar linking for filing I-T returns was being extended after "consideration of the matter". It is understood that the fresh CBDT order has come against the backdrop of the Supreme Court order earlier this year directing extension of the 31 March 2018 deadline for linking Aadhaar card with various other services. The apex court had ordered that the deadline be extended till the five-judge constitution bench delivers its judgment on petitions challenging the validity of the biometric scheme and the enabling law. The government has now made quoting of Aadhaar mandatory for filing income tax returns (ITRs) as well as obtaining a new PAN.

9. Farm Relief: MSP Scheme Could Cost Government Over Rs 1,75,000 Crore
Source: Financial Express (Link)

The government's plan to raise MSPs for crops to 1.5 times the A2+FL costs is likely to cost around Rs 1,75,000 crore in a full year if market prices are lower than the MSP by 20%. The exceptionally high cost of this plan, it is likely, was the reason for the delay in the announcement of this season's MSP as the government was trying to work on ways to finance it; the plan is now likely to be announced later this week. A calculation by Ashok Gulati, Tirtha Chatterjee and Siraj Hussain at Icrier a few months ago put the cost at Rs 113,035 crore, assuming the market price of crops was lower than the MSP by 20%; the figure was Rs 56,518 crore if the fall was 10% and Rs 169,553 crore if the fall was 30%. The Icrier analysis, however, was based only on the marketable surplus, an assumption that may not hold when the government is promising an MSP for crops and saying it will compensate farmers at this price if the crop is not procured. In which case, it makes sense for farmers to bring in all their produce to sell to the government and buy back what they need for consumption from the market later, when prices have fallen. Madhya Pradesh's Bhavantar saw an increase in market arrivals as farmers realised they could get a better deal, though 100% arrivals may not happen for a few years.