Daily Economic News Summary: 3 December 2019

1. Tax rate cut aimed at attracting investments: Finance Minister
Source: The Economic Times (Link)

Finance minister Nirmala Sitharaman said the recent corporate tax rate cut was aimed at attracting investments and creating jobs while clarifying that the reduction in minimum alternate tax was applicable from the beginning of the current financial year. "We think we will attract investment by reducing tax rate," she told Parliament, while adding that several countries had done the same. She was speaking during the debate on the Taxation Laws (Amendment) Bill that was passed by the Lok Sabha, replacing a September 20 ordinance. The MAT clarification would have come as a relief as the text of the bill had said the relief would be applicable from the next financial year rather than the current one as mentioned in the ordinance.

2. Lok Sabha passes Bill to effect corporate tax reduction
Source: The Economic Times (Link)

The Lok Sabha on 2 December passed a Bill to replace an Ordinance for effecting reduction of corporate tax rates. Taxation Laws (Amendment) Bill, 2019, will amend the Income Tax Act 1961 and the Finance (No 2) Act 2019. It replace the Ordinance which was Promulgated by the President in September. In the biggest reduction in 28 years, the government in September slashed corporate tax rates up to 10 percentage points as it looked to pull the economy out of a six-year low growth with a Rs 1.4 lakh crore tax break. Base corporate tax for existing companies has been reduced to 22 per cent from 30 per cent, and to 15 per cent from 25 per cent for new manufacturing firms incorporated after October 1, 2019, and starting operations before March 31, 2023.

3. World Bank Group arm IFC to invest $75 mn in Mahindra Financial Services MSME fund
Source: Firstpost (Link)

World Bank Group arm IFC has anchored an investment round of $200 million in Mahindra Financial Services to create a dedicated pool of financing for the micro, small and medium enterprises in low-income states. The IFC has invested $75 million from its own account and is mobilising another $125 million as parallel loans, a statement said. Mahindra Finance has further committed $225 million to this pool. At least $100 million will be earmarked for women-owned MSMEs. "Although the financing needs of rural and women-owned enterprises are not radically different, the level of financial exclusion is higher," IFC's manager for financial institutions group for South Asia Hemalata Mahalingam said. The dedicated gender line and focus on unreached segments will contribute to addressing these gaps and demonstrate the commercial viability of investing in women and low-income groups, she said.

4. Vodafone Idea, Airtel get relief from tariff hikes, but Jio gains the most
Source: Livemint (Link)

The tariff hikes announced by Vodafone Idea Ltd and Bharti Airtel Ltd over the weekend have been far higher than the Street's estimates. So much so that it will help Airtel's India mobile business swing back into profits at the pre-tax level, after several quarters of losses. In Vodafone Idea's case, losses will reduce to a great extent. But given the fast pace of its market share losses, it would need to do much more to retain the gains from the tariff hike. The biggest gainer, by far, is Reliance Jio Infocomm Ltd. Analysts at JM Financial Institutional Equities estimate incremental quarterly revenues of ₹2,400 crore and ₹2,100 crore, respectively, for Airtel and Vodafone Idea as a result of tariff hikes. But in the case of Jio, which has said it will raise tariffs by 40% without giving details, JM's analysts expect incremental quarterly revenues of as much as ₹3,900 crore. Incremental revenues are compared to reported revenues in the September quarter, assuming no change in the respective subscriber base of the three firms.

5. FM Sitharaman ends MAT confusion: Reduced rate to be applicable from FY20
Source: Business Standard (Link)

The lower minimum alternate tax (MAT) rate announced as part of the corporation tax rate cuts in September will be applicable from the current fiscal year (2019-20 or FY20), Finance Minister Nirmala Sitharaman clarified on 2 December in the Lok Sabha after an error in the Taxation Amendment Bill spooked companies. For the second time in less than a week, Sitharaman also spoke of the challenges in maintaining fiscal discipline, while comparing the Modi government's fiscal record with that of the Manmohan Singh government. Sitharaman said a final call on the fiscal deficit will be taken at the Revised Estimate stage. The Taxation Law Amendment Bill, 2019 was introduced and passed in the Lok Sabha on 2 December. It had said the lower MAT rate of 15 per cent, down from 18.5 per cent, will be applicable from the next financial year (2020-21 or FY21), while the Ordinance had said the lower rate will be effective from the current financial year. The corrections were made by way of an official amendment, changing FY21 to assessment year 2020-21.

6. Samsung becomes first smartphone company to hit $10 bn revenue in India
Source: Business Standard (Link)

Samsung India has become the first smartphone and consumer electronics company to achieve $10 billion in revenues in the country, according to the latest regulatory filings made to Registrar of Companies (RoC). The milestone comes at a time when Samsung is heading into its 25th year of operations in India. The South Korean technology giant, also the world's biggest maker of smartphones, reported a revenue of Rs 73,086 crore in 2018-19 on the back of solid performance across its smartphones and consumer durable divisions, according to RoC data. Samsung India posted a 20 per cent jump in revenue in FY19, doubling its growth rate of 10 per cent achieved during FY18. According to RoC filing, Samsung India's revenue in FY18 stood at Rs 61,066 crore. Samsung India's smartphone division contributed a major chunk to the overall revenues, with mobile phone sales amounting to Rs 43,087 crore or nearly 60 per cent of overall revenue.

7. Govt grants six month extension to plastic scrap imports in three SEZs
Source: Business Standard (Link)

The government has granted six months extension to listed recycling units in three special economic zones (SEZs) to import such materials. Domestic recycling units across the country face ban on import of plastic wastes following environmental concerns. The Board of Approval for SEZs under the chairmanship of Anup Wadhawan, Secretary, Department of Commerce and with members from all leading departments involved in the monitoring of imports, met two weeks ago and decided to extend the letter of agreement (LoAs) for the three SEZs units for six months till May 31, 2020. The LoAs were scheduled to expire on November 30, 2019. The three SEZs in which recycling units are now allowed to import plastic scrap include Kandla Special Economic Zone (Kasez), Kandla, Falta SEZ, Kolkata, and Noida Special Economic Zone (NSEZ), Noida.