Daily Economic News Summary: 3 May 2018

1. Cabinet Approves Recognition Agreement Between Accountancy Institutes Of India, S Africa
Source: The Hind, Business Line (Link)

Now it will be easy for Indian accountancy professionals to explore employment opportunities in South Africa, with the Cabinet on May 2 approving a proposal in this regard. The Union Cabinet has approved the mutual recognition agreement (MRA) between the Institute of Chartered Accountants of India (ICAI) and South African Institute of Chartered Accountants (SAICA). “The MRA is likely to lead to greater employment opportunities for Indian Chartered Accountants in the region and also lead to greater remittances from them to India,” an official statement said on May 2. MRAs pave the way for recognition of the professional bodies of one country by the other. Regulatory bodies of various professional services such as engineering, accountancy and architecture are encouraged to enter into these pacts. These agreements are part of free-trade pacts that India has signed with several regions, including Singapore, Japan, South Korea and Asean. The agreement will facilitate recognition of Indian accountancy professionals with local accountancy qualification in addition to existing ICAI qualification, which will increase their professional avenues in South African markets, it said. It will also foster strong working relations between the two accounting institutes.

2. Is India's Oil Addiction Undermining Its Economy Once More? All Signs Are Worrying
Source: The Economic Times (Link)

From about the beginning of 2017, even skeptics had to admit, India looked to be recovering from a growth slowdown. Most dramatically, in the last two quarters for which data is available, investment in physical capital -- which had long been too low for growth to recover -- increased by 12 percent and 10 percent, respectively. In the first two months of 2018, exports grew by over 9 percent. For once, optimism seemed warranted: Decent growth and macroeconomic stability seemed likely to bolster optimism, encourage more investment and launch a virtuous cycle. Unfortunately, while growth is indeed reviving, the macro-economy isn’t looking all that robust. Most worryingly, the rupee is just about the worst-performing currency in Asia this year;

some analysts believe that it will, before the end of the year, be cheaper against the dollar than ever before. Others may not be as gloomy but, across the board, they've lowered their forecasts for India's currency. Back when crude oil prices were at their peak, India was being talked about as one of the "fragile five" economies most at risk from a tightening of the U.S. Federal Reserve's monetary policies. The country's current account deficit stood at an uncomfortably high 4.8 percent of GDP.

3. From Bank Info To E-Way Bills, Govt Eyes More Data To Curb Tax Evasion
Source: Livemint (Link)

The Union government has signalled its intent to tighten scrutiny of businesses. For this, it is proposing to mine all data points, not just limited to direct and indirect taxes, but extending to transaction information collated from banks, details disclosed to the ministry of corporate affairs and the shops and establishment department of states and data collected from e-way bills. All of this will be part of the fraud analytics infrastructure the government is creating for indirect taxes. It will entail building a risk profile of the taxpayer using information such as sales, purchases, links with suspect firms and dealings in sensitive commodities under the goods and services tax (GST). The government is hoping that fraud analytics of the massive amount of information collected from various sources will help in plugging revenue leakages under GST by identifying methods employed by taxpayers to avoid paying taxes. The GST Network has circulated the draft request for proposal to hire fraud analytics providers. Their mandate will include analysing data generated from the e-way bill system and tax return forms, identifying fraudulent patterns, performing tax rate sensitivity analysis, helping in policy formation and preventing revenue leakages. While the e-way bill was made mandatory from 1 April for inter-state movement of goods, invoice matching is expected to start in the next few months with the GST Council looking to finalize the tax return forms in its 4 May meeting

4. Draft Policy On Electronics To Come Out Soon
Source: Livemint (Link)

The new National Electronics Policy, which is expected to be finalized by the second half of this financial year, will focus on providing incentives and tax sops to electronic manufacturing companies in India to encourage exports while catering to the demands of the domestic market. The draft policy is expected to be released for public consultation within a month. The proposed policy will cover diverse areas, ranging from medical electronics to mobile phones and automotives, right down to the level of components and sub assemblies and will put the onus on increasing value addition capabilities. The duty structure is geared towards encouraging players to bring in raw modules and components for assembly, according to a senior IT ministry official, who did not wish to be named. The proposed policy will also leverage the country's existing strengths in electronics design, given that nearly 75% of global technology majors have research and development presence in India, the official said. The country will be moving towards incentivising the export of electronics products manufactured in India, too, said the IT ministry official. India has not had much success in penetrating the export markets so far, according to the Make in India strategy for electronic products prepared by NITI Aayog in 2016. At $6 billion, India has less than 1% share in the world markets.

5. 1 Trillion GST Mop-Up, Not Enough! Here's Why Modi's Worry Is Far From Over
Source: Financial Express (Link)

For the first time, the GST collection in the month of April surpassed a whopping Rs 1 lakh crore mark, which Finance Minister Arun Jaitley dubbed "a landmark achievement". However, analysts are still concerned over low tax compliance. The GST tax compliance has stayed around 69% for the past few months. The compliance showed a little improvement in the month of March as it increased to 69.5% until April 30, analysts say that the Narendra Modi government needs better taxpayer numbers to meet its FY19 target. Even after nine months, GST Network (GSTN) continues to have teething troubles, which could be another reason for low compliance. "There are still a few registered assesse (taxpayers) who are unable to file GST return on account of either technical glitches or resistance in acceptance of technology," Sandeep Chilana, Partner, Shardul Amarchand Mangaldas told FE Online. A Ficci survey showed that businessmen are facing problems such as delayed reflection of updated data as well as payments, delays in process of input credit set-offs and lack of provision to modify or revise errors.

6. Pay 2% Of Capital Investment For Green Clearance: Environment Ministry To Corporates
Source: The Economic Times (Link)

The environment ministry has firmed up guidelines that will require every corporate seeking green clearance to set aside up to 2% of its capital investment for Corporate Environment Responsibility (CER). The guidelines make it mandatory for companies to set aside funds for CER over and above what is required for executing the environment management plan in a projectaffected area. While brownfield (expansion) projects would be required to earmark 0.125% to 1% of additional capital investment for CER purposes, the slab for greenfield projects ranges from 0.25% to 2% of the capital investment. The exact quantum, officials said, will be decided for every project by the Expert Appraisal Committee when it comes up for green clearance. At present, Section 135 of the Companies Act lays down Corporate Social Responsibility (CSR) for every company with a net worth of Rs 500 crore or more, or turnover of Rs 1,000 crore or more, or net profit of Rs 5 crore in a financial year. CER activities will include measures like pollution control, wildlife and forest conservation, compensatory afforestation and rehabilitation and resettlement of displaced persons. Funds can be used for creating drinking water supply infrastructure, sanitation, health, education and skill development, among others.

7. Cabinet Clears Rs 50.8 Billion For New Terminals At Three Airports
Source: Business Standard (Link)

The Cabinet Committee on Economic Affairs (CCEA) approved a proposal to build new terminals at the airports of Chennai, Guwahati and Lucknow, at a total cost of Rs 50.82 billion. The government, on the May 2, also approved continuation of the agri-umbrella programme, ‘Green Revolution Krishonnati Yojana’, with a central outlay of Rs 332.7 bn till March 2020. It was launched last year after clubbing 11 schemes for the sector. Also, the Cabinet doubled the investment limit to Rs 1.5 million under the Pradhan Mantri Vaya Vandan Yojana pension scheme and extended the subscription period, which was to end on May 3, by two years. The scheme is for citizens aged 60 years and above. It was originally opened for subscription from May 4, 2017 to May 3, 2018. Seeking to improve India’s ranking in the ease of doing business index, the government also approved an ordinance to amend a law for speedy disposal of commercial disputes. While law minister Ravi Shankar Prasad refused to give details, saying the ordinance was yet to get the President's nod, the Bill before Parliament in this regard says the specified value of a commercial dispute will be brought down to Rs 0.3 million from the present Rs 10 million.

8. Poland Bets Big On West Bengal As Investment Destination
Source: The Economic Times (Link)

Poland has launched a new programme to further strengthen its bilateral cooperation with India. The programme known as the 'West Bengal Project' was launched in Warsaw on April 6, 2018, and seeks to facilitate greater collaboration between the two countries in the mining sector. The West Bengal Project is the first-of-its-kind programme, launched by the Government of the Republic of Poland, to offer a full range of comprehensive solutions aimed specifically at a particular sector of a foreign partner's economy. On the Polish side, the project seeks to partner several governmental and private sector institutions and business enterprises which can provide the whole range of tailor-made solutions specifically for the mining and energy sectors of West Bengal. Key partners of the project include the Polish Ministry of Foreign Affairs, the Ministry of Energy, the Ministry of Entrepreneurship & Technology, the Polish Development Fund (PFR), JSW S.A. the largest producer of coking coal in Poland, PeBeKa a leader in mining and infrastructure development projects, and the Indo-Polish Chamber of Commerce & Industry (IPCCI). A key component of the project is to initiate transfers of technology related to the coal mining industry specifically, in relation to the exploration of new coal deposits, the construction of new coal mines, maintenance and stability of surrounding infrastructure, etc. Other avenues of cooperation relate to the development of port infrastructure and the generation of renewable sources of energy. The West Bengal Project also seeks to use its expertise to act as a springboard for other Polish business enterprises to offer their products, services and solutions across all sectors of the Indian economy.

9. India Slips 3 Notches To 11th Spot In AT Kearney FDI Confidence Index
Source: Financial Express (Link)

India has slipped by three notches to 11th position in the FDI Confidence Index 2018 of global consultancy firm A T Kearney. "India falls by three spots, reversing its two-year streak of rising in the rankings," the report said. It said that India fell out of the top 10 for the first time since 2015. China (5), India (11), and Singapore (12) all rank lower this year, while Australia rises to 8th and New Zealand jumps to the 16th spot in only its second year on the Index. Japan and South Korea hold steady at 6th and 18th, respectively, it added. India was ranked 8th in 2017, while it was at 9th rank in the previous year. The report said that some policies may have deterred investors, at least in the short term. "The 2017 nationwide goods and services tax (GST), for example, has faced implementation challenges, and the 2016 demonetisation initiative disrupted business activity and weighed on economic growth," it added. About Asia Pacific region, the report said that investor preference for the region appears to have "declined slightly", with only seven Asian countries appearing on this year's Index. "The flip side is that this year marks an all-time low for the share of emerging markets on the Index

10. Industry, Analysts Give The Draft Telecom Policy A Thumbs Up
Source: The Hindu, Business Line (Link)

The much-awaited draft on National Telecom Policy, named National Digital Communications Policy, 2018, released for public comments has been welcomed by the telecom industry and analysts, who believe that early finalisation and implementation would be beneficial for all. Given the sector's capital-intensive nature, the Policy aims to attract long-term, high quality and sustainable investments. The policy talks of attracting investment up to $100 billion by 2022, but who would invest at a time when operators are struggling and that also has a debt of around ₹7.8 lakh crore. "The huge opportunity arising from one-billion connections, 1.3 billion population, six-lakh villages, smart cities, etc will drive emerging technologies like analytics, cloud and Artificial Intelligence to unlock a lot of value for all sectors and hence the long-term outlook is attractive for funding," Hemant Joshi, Partner at Deloitte India, told *BusinessLine*. "The policy is committed to provide high-speed Internet to all by various initiatives such as BharatNet, GramNet, NagarNet and Jan Wi-Fi, which will ultimately help end-users," said Joshi at Deloitte.

11. 11 Farm Schemes, With Over ₹33,000-Cr Outlay, Merged
Source: The Hindu, Business Line (Link)

The Centre has decided to merge 11 different government agricultural schemes, including the horticulture mission and the National Food Security Mission, into an umbrella scheme called Green Revolution–Krishonnati Yojana (GRKY) for better coordination and fine-tuning. The umbrella scheme, extended beyond the 12th Five-Year plan to 2019-20, will have a Central share of ₹33,270 crore, Union Minister for Law and Justice Ravi Shankar Prasad, said briefing the media after the Cabinet meeting. "The schemes will be continued with an expenditure of ₹33,269 crore for three financial years till 2019-20," he said. The schemes and missions that are brought under the GRKY include the national mission for sustainable agriculture, national mission on oilseeds and oil palm, integrated schemes for agricultural marketing, agricultural census and economics and agricultural cooperation and several sub-missions such as those on agriculture extension, seeds and planting materials, agricultural mechanisation, and plant protection and plant quarantine, an official statement said. The schemes/missions focus on creating/strengthening of infrastructure of production, reducing production cost and marketing of agriculture and allied produce. They have been under implementation for varying duration during the past few years, the Minister said.