Daily Economic News Summary: 4 May 2018

1. GST Council Meet Today To Consider Simplified Tax Returns, Cess On Sugar
Source: The Hindu, Business Line (Link)

The Goods and Services Tax (GST) Council is set to hold its 27th meeting on 4 May to decide on the proposals to simplify the return-filing process and consider imposing cess on sugar to help sugarcane farmers. Finance Minister Arun Jaitley will chair the meeting through video conferencing. Though the meeting has limited agenda, many industry lobbies are doing their best to impress upon the Council to consider rate cuts, especially for cement, home appliances and multiplex tickets. The Council, however, is unlikely to take up any rate revision proposal. The Council will take up the proposal for comprehensive return process as finalised by the Group of Ministers, headed by Deputy Chief Minister of Bihar Sushil Kumar Modi. The new process involves single return as against the present system of GSTR Forms 1-3. Though the registered assessees have to file only the GSTR Form 1 while the other two are auto-populated, there is still a misconception about filing 39 returns annually. This is one of the reasons why the government is pushing for single comprehensive return form with details of inward and outward supplies. This will reduce the number of returns, help in invoice matching and have all details in one place. It may be noted that the earlier invoice matching system was suspended temporarily and registered assessees were expected to file GSTR Form 3B. Now, this will be done away with after the introduction of the proposed comprehensive mechanism.

2. India Opposes US Proposal To Penalise China For IPR Violation
Source: The Hindu, Business Line (Link)

India and seven others have come in support of China in its fight against the US proposal to impose $50 billion of retaliation tariffs unilaterally on Chinese imports for its alleged violations of intellectual property rights (IPR) rules as per the US government's 'Section 301' investigations. New Delhi, which has been placed on the 'priority watch list' by the US for many years in its Section 301 investigation report on IPR issues, said such unilateral actions by the US could lead to a trade war, a Geneva-based official told *BusinessLine*. The observations were made at a recent meeting of the Dispute Settlement Body (DSB) of the World Trade Organisation (WTO) where

China registered its official complaint against the US's Section 301 conclusions and the proposed retaliatory tariffs. "We have always criticised attempts made by the US to put pressure on its trading partners, including India, to change their IPR laws even when these are in compliance with the WTO's Trade Related Intellectual Property Rights (TRIPS). Such unilateral action is against multilateral trading norms and must be discouraged," a government official said.

3. Solar Manufacturing Schemes Face Hurdles Over Subsidy, WTO Rules
Source: Business Standard (Link)

A subsidy scheme for promoting solar power equipment manufacturing is awaiting approval of the finance ministry while another one that offers assured power offtake to manufacturers is embroiled in World Trade Organisation (WTO) regulations. Officials said a Rs 160 billion capital subsidy was available to domestic and foreign players to set up end-to-end solar power equipment manufacturing in India. Under the M-SIPS scheme, the subsidy is to be disbursed after the setting up of the facility. The industry, however, has sought an upfront subsidy and interest subvention. "The process of disbursal of the capital subsidy is complex and based on the reimbursement principle. To encourage effective participation, the capital subsidy should be disbursed upfront against a bank guarantee of the same amount," the Solar Power Developers' Association has said in a representation to the ministry of new and renewable energy (MNRE). Ministry officials said they had received several representations from industry bodies and these were being studied. "Every part of the supply chain has expressed its opinion. These are being evaluated. But sanction of the subsidy is in hands of the expenditure department of the finance ministry," an official said.

4. Amid Agri Crisis, Pain For Rural India As Modi Govt Chokes MGNREGS Funding
Source: Business Standard (Link)

Launched in 2006, MGNREGS, the world's largest rural jobs programme, guarantees 100 days of unskilled work to rural Indians such as Lal. It has 110 million active workers, and the wages it pays are an important source of income in Indian villages at a time when the farm sector is in crisis, more villagers are working as farm labour than as cultivators, and non-farm jobs are not enough to accommodate the large number of people entering the labour force. Starting 4

May, IndiaSpend will analyse the successes and failures of this scheme, and the challenges it faces, in a three-part series. This first part analyses budget allocations to find that despite heightened farm unrest, this year the government has set aside the least proportion of money for the scheme–48% of the budget of the rural development ministry–in the three years since 2016-17. Reduced funding has resulted in 48% fewer projects getting completed over the six years to 2016. Although expenditure on wages now constitutes 73% of expenditure against the stipulated 60:40 wages-to-materials ratio under MGNREGS guidelines, delays in wage payment are frequent, as the second part will explore. When MGNREGS expenditure overshoots the allocation by the central government, state governments make up the shortfall, which becomes a 'pending liability' for the Centre–the arrears mentioned above–this brief from Accountability Initiative explains. The cumulative liabilities until 2017-18 amounted to Rs 126 billion, twice the liabilities of Rs 63.55 billion in 2015-16.

5. Opening Up: Envoy Sees The Benefit For India As China Gives Tax Relief For Drugs
Source: Financial Express (Link)

Amid a looming trade war with the US, China has exempted 28 drugs including all cancer medicines from import tariffs from May 1 and decided to further open up to foreign businesses. The move is a "good news for India's pharmaceutical industry and medicine export to China", Luo Zhaohui, the Chinese ambassador in New Delhi, said in a tweet on 3 May. "I believe this will help reduce trade imbalance between China and India in future," he tweeted. However, pharmaceutical industry executives are sceptical about any meaningful gains to India, saying the choice of mainly cancer products for the exemption suggests the decision is aimed primarily to placate the US. More than tariffs, non-tariff barriers are the real issue for Indian pharma companies seeking to export to China, they say. India's exports of pharma products to China were negligible $37.44 million in the first 11 months of 2017-18. The move comes at a time when China is facing criticism over inadequate action to trim its massive trade surplus with both the US and India, and also follows Prime Minister Narendra Modi's recent visit to China. Luo also said an executive meeting of the State Council on 2 may, chaired by Chinese Prime Minister Premier Li Keqiang, decided to further improve business environment by halving time required to open a business. "China's door to the outside world will open wider. Indian businesses are welcome!," he tweeted.

6. Cognizant Acquires Belgium-Based Hedera Consulting
Source: Livemint (Link)

IT firm Cognizant on May 3 said it has acquired privately-held Hedera Consulting, a move that will strengthen the former's consulting and digital transformation capabilities for clients in Belgium and the Netherlands. The size of the deal was however nor disclosed. "The purchase further expands Cognizant's consulting, business insight and digital transformation capabilities for clients in Belgium and the Netherlands...Hedera Consulting is now part of the Cognizant Consulting business unit," the US-based IT firm said in a statement. Cognizant president, global growth markets, Santosh Thomas said that companies in the Belgian and Dutch markets are re-designing their business and IT operating models for the digital era. Founded in 2009, Hedera specialises in business advisory and data analytics services across sectors, helping clients in areas like growth strategy, innovation, marketing, sales and customer service. In 2015, Hedera started an additional business line focusing on analytics and data excellence.

7. Walmart Moves A Step Closer To Flipkart Deal
Source: Livemint (Link)

Flipkart has bought back shares worth $350 million from several minority investors, including DST Global, IDG Ventures and ICONIQ Capital, as India's most valuable internet start-up prepares to sell a majority stake to Walmart Inc. The country's largest online retailer has bought back about 1.9 million preference shares from minority investors in a transaction that values Flipkart at $17.69 billion, according to documents filed with Singapore's Accounting and Corporate Regulatory Authority that were sourced from data intelligence platform Paper.VC. According to the documents, the buyback is a significant step towards Flipkart converting itself into a private company as per Singapore law, paving the way for its proposed sale to Walmart. This is the second such transaction in the past 12 months, although in the latest instance, a number of minority Flipkart shareholders have been handed complete exits. In August, most of Flipkart's minority shareholders sold a portion of their stakes to SoftBank, which pumped in roughly $2.5 billion in Flipkart to buy primary and secondary shares in the online retailer. *Mint* reported on 2 May that Walmart, the world's largest retailer, is in final negotiations to buy a majority stake in Flipkart even as a rival combination of Flipkart and Amazon looks increasingly unlikely. Walmart and some Flipkart investors, including Japan's SoftBank Group Corp., are yet to agree on the final details and a deal could take at least a month to be signed, the report said.

8. Indian Business Investment In The UK Remains Strong Despite Continuing Brexit Uncertainties
Source: Business Standard (Link)

Grant Thornton' India Tracker, The report, which monitors Indian businesses operating in the UK with an annual revenue growth of 10% or more, shows that the 87 fastest growing companies achieved an average annual growth rate of 44%, with seven companies seeing turnover growth of more than 100%.This year's tracker sees an increase of nearly 60% in companies making the list (55 in 2017) and a 13pp increase in annual growth rate (31% 2017) showing the growing strength of Indian businesses operating in the UK. Of the 87 that made the list, 22 featured in last year's list with one-third of the total number recording a growth rate of over 50%.Companies in the technology and telecoms, and pharmaceutics and chemicals sectors have again featured strongly and this year make up 20% and 16% of the list respectively. For the first time, this year, companies from the engineering and manufacturing sector came joint second in the number of companies in the Tracker. Uncertainty over the outcomes of Brexit negotiations does not appear to have negatively affected Indian companies' enthusiasm for the UK as an investment destination and around 800 Indian companies are now operating in the UK. The recent announcement of the new UK-India Tech partnership, created to identify and pair businesses, venture capital, universities and others to provide access routes to markets for British and Indian entrepreneurs and small and medium enterprises is hopefully a nod to a future relationship that is stronger and more substantial than ever

9. Flipkart Goes Private In Singapore Ahead Of Walmart Deal
Source: Business Standard (Link)

In a move seen as a precursor to US retail giant Walmart acquiring a majority stake in Flipkart, the Indian e-commerce player has bought back shares worth $350 million from investors in its Singapore-based parent to regain private limited status in the country. Flipkart bought 1,895,574 redeemable preference shares and 174,319 non-redeemable preference shares from investors for $350.46 million, according to documents the Bengaluru-based company filed with the Singapore authorities and sourced by business intelligence platform Paper.vc. The transaction was closed on April 27. Among the investors who sold their shares in this exercise were Shekhar Kirani, Deep Nishar, and IDG Ventures. Apart from these investors, several pension funds exited Flipkart through the buyback at $169.31 per share. Other large investors in the company SoftBank, Tiger Global, Naspers, Microsoft, eBay, and Accel did not participate in the buyback. Flipkart needed to become a private entity in Singapore to avoid excessive compliance in the case of a major transaction like the one being planned with Walmart. The US retail giant is said to be investing around $12 billion to pick up 60-80 per cent in Flipkart at a primary valuation of $20 billion.

10. India's Seafood Exports Increase 13% Despite Fall In Global Shrimp Prices
Source: Business Standard (Link)

India exported seafood worth $5.64 billion during the first 10 months of 2017-18, compared to $4.98 billion a year ago, registering a growth rate of 13.27 per cent. The increase in exports is despite an oversupply from major shrimp-producing nations and stringent testing norms. Quantity-wise, India exported 1,085,378 tonnes of seafood till January in FY18 against 954,744 tonnes shipped in the corresponding period of FY17. The growth in quantity was 13.68 per cent. "India's export of seafood remained on the upward curve despite a fall in global shrimp prices triggered by an oversupply from major shrimp-producing countries and more stringent test regimes imposed by the EU to detect antibiotic residues in frozen shrimp consignments. Also, we had to face competition from countries like Ecuador and Argentina," said A Jayathilak, chairman, Marine Products Export Development Authority. The US, South East Asia and the EU continued to be the three major importers, while the demand from Japan registered a substantial increase during the period. Frozen shrimp continued to be the top export item of the marine products basket with a share of 42.05 per cent in quantity and 69.95 per cent of the total earnings in dollar.

11. Google Offers Additional $3 Mn Grants To Support Education In India
Source: Business Standard (Link)

Google.org the philanthropic arm of tech giant Google on 3 May said it has made an additional grant of USD 3 million to two Indian non-profit organisations, taking its total commitment to USD

11.4 million in the country. These grants are part of Google's global commitment of USD 50 million, being used to help these organisations scale existing initiatives and fund content creation and teacher training through tech-based learning solutions. Last year, Google.org had given a grant of USD 8.4 million to four Indian NGOs: Learning Equality, Million Sparks Foundation, Pratham Books - StoryWeaver and Pratham Education Foundation. Since receiving the funding last year, the grantees have reached more than eight lakh students and teachers with their tools and programmes across India. India is the largest recipient of these grants, ahead of countries like Mexico, Brazil and Indonesia. "We strongly believe that technology can play a powerful part in solving the learning gap in India, and we are expanding our investments in India to ensure that all teachers and students are able to benefit from it," Google.org Education Lead Nick Cain told reporters.