

GOLD

₹33,325

RUPEE

₹71.44

OIL

\$62.10

SILVER

₹39,850

‘CONCENTRATION RISK’

# RBI wants more players to promote payment platforms

Central bank had earlier opposed government’s plan for separate regulator for payment systems

ENSECONOMICBUREAU  
MUMBAI, JANUARY 22

CONCERNED OVER “the concentration risk” and monopoly in the retail payments market, the Reserve Bank of India (RBI) has said it would encourage more players to participate in and promote pan-India payment platforms and sought views from various stakeholders.

Payment Systems in India have grown in a manner which is characterised by a few operators while there is a wide array of payment systems, the RBI said. “This has given rise to certain questions which range largely around concerns of concentration, need for competition and the resultant impact on economic efficiency and financial stability,” the RBI said in a Policy Paper on Authorisation of New Retail Payment Systems.

The central bank, which opposed the government’s plan for an independent regulator for payment systems last year, has now proposed diversification across multiple operators as against multiple and varied re-

## ‘CHARACTERISED BY A FEW OPERATORS’

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tail payment systems being concentrated in a single entity. It also sought discussion on multiple systems with similar product features offered by different operators as against payment systems managed by a single operator — Unified Payments Interface (UPI), Immediate Payment Service (IMPS), Aadhaar Enabled Payment System (AePS), Aadhaar Payment Bridge System (APBS), Bharat Bill Payment System (BBPS), Instant Money Transfer (IMT).

The RBI is also for a review of the criteria for licensing, to facilitate innovation and competition and to broaden potential applicants. The availability of a window for licensing operators

of a payment system on-tap is also being proposed.

As at the end of 2018, there were 89 authorised non-bank payment system operators (PSOs).

The RBI said payment and settlement systems are essential for smooth functioning of financial markets, individual remittances, financial inclusion and growth of the economy as a whole. Therefore, central banks have a keen interest in their safe and efficient functioning. “The RBI, as the regulator of payment and settlement systems in the country, sets the necessary regulatory framework, generally through a consultative process, to ensure that different types of payment systems operate in a

safe, secure and efficient manner to meet the needs of varied segments of society,” it said.

The RBI authorises payment systems in terms of powers vested with it by the Payment and Settlement Systems Act, 2007 (PSS Act), it said.

For many years in India, banks have been the traditional gateway to extend payment systems. Over a period of time, given the demand for varied payment services and in keeping with the fast pace of technological changes, non-bank entities have also been permitted access to the payment space, the RBI said.

“Reserve Bank’s regulatory framework has recognised and facilitated the increasing contribution of non-banks in the payments domain even as some element of distinction continues to be maintained to reflect their differential role and activities vis-à-vis banks,” it said.

In October last year, the RBI went public with its resistance to the Centre’s proposal to set up an independent Payment Regulatory Board (PRB) which will oversee all payment systems

in the country stating that the proposed body “must remain with the Reserve Bank” and headed by the RBI Governor. Coming out strongly against the Inter-Ministerial Committee’s proposal to take PRB out of the RBI’s purview, the RBI said there has been no evidence of any inefficiency in payment systems of India.

“The digital payments have made good and steady progress. India is gaining international recognition as a leader in payment systems. Given this, there need not be any change in a well-functioning system,” the RBI said in a dissent note to the proposal for an independent PRB outlined in the draft Payment and Settlement System Bill, 2018.

“Reserve Bank has been issuing guidelines for various payment systems and grants to authorisation to non-banks for setting up and operating payment systems. It may be noted that licensed banks also need to obtain specific permission from Reserve Bank for setting up and operating a payment system,” the RBI said in the latest policy paper.

# File returns for FY18, else face action: Tax dept to non-filers

ENSECONOMICBUREAU  
NEW DELHI, JANUARY 22

THE INCOME tax department through data analysis has identified several “potential non-filers” who have engaged in high value transactions but have still not filed their income tax returns for assessment year 2018-19 (relating to financial year 2017-18). The department has asked the non-filers to file the income tax returns or submit online response within 21 days, failing which the department will consider legal action against the non-filers, a Finance Ministry statement said on Tuesday.

“Non-filers are requested to assess their tax liability for AY 2018-19 and file the Income Tax Returns (ITR) or submit online response within 21 days. If the explanation offered is found to be satisfactory, matters will be closed online. However, in cases where no return is filed or no response is received, initiation of proceedings under the Income-tax Act, 1961 will be considered,” the statement said.

The analysis was carried out to identify non-filers about whom specific information was available in the database of the income tax department. “The sources of information include Statement of Financial Transactions (SFT), Tax Deduction at Source (TDS), Tax Collection at Source (TCS), information about foreign remittances, exports and imports data etc,” it

## EXPLAINED Over 1.72 crore returns filed by targeted non-filers

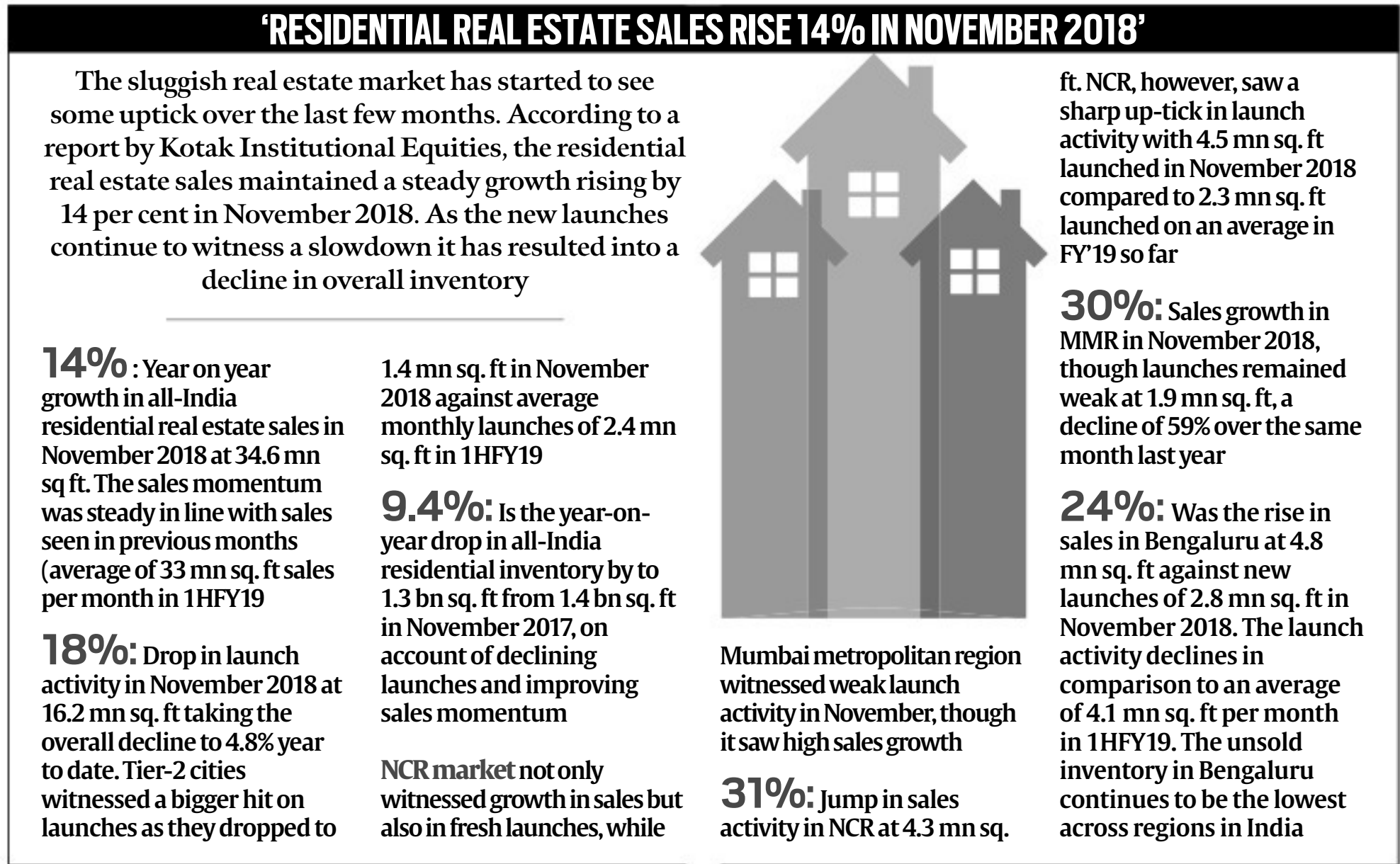
POTENTIAL NON-FILERS, who conducted high-value transactions but have failed to file their tax returns, could face proceedings under the Income-Tax Act, 1961.

The crackdown by the IT Department comes after data analysis done through the Department’s non-filers monitoring system (NMS), which helps it to identify and monitor persons associated with high-value transactions but have failed to file returns. As a result of intensive follow-up, more than 1.72 crore returns were filed by those identified in different NMS cycles and self-assessment tax of about Rs 26,425 crore was been paid by them till December 2017.

The department’s aim is to identify and monitor persons who enter into high value transactions and have potential tax liabilities but have still not filed their tax returns. The tax department, however, did not specify the number of non-filers identified through the data analysis for financial year 2017-18.

According to a reply given by Finance Minister Arun Jaitley in Lok Sabha in February 2018, the number of non-filers with potential tax liabilities identified in various NMS cycles stood at 35.10 lakh in 2017 (cycle 6), 67.54 lakh in 2016 (cycle 5), 58.95 lakh in 2015 (cycle 4), 44.07 lakh in 2015 (cycle 3), 22.09 lakh in 2014 (cycle 2) and 12.19 lakh in 2013 (cycle 1). Due to constant and intensive follow-up of NMS data, more than 1.72 crore returns were filed by the persons identified in different NMS cycles and self-assessment tax of about Rs 26,425 crore was been paid by them till December 2017, Jaitley had said.

For 2017-18, the income tax department has enabled e-verification of these NMS cases to reduce the compliance cost for taxpayers by soliciting their response online, the statement said. Taxpayers can access information related to their case from the ‘compliance portal’ accessible through the e-filing portal of the department at <https://incometaxindiaefiling.gov.in>.



## IL&FS EFFECT ICRA downgrades six debt schemes

ENSECONOMICBUREAU  
NEW DELHI, JANUARY 22

IN LINE with the growing risk of default by various special purpose vehicles of IL&FS, rating agency ICRA has placed ratings of six mutual fund schemes, with aggregate assets under management of over Rs 18,000 crore, under watch with negative implications on account of their exposure to IL&FS and its group entities.

The six schemes include two schemes of HDFC Mutual Fund — HDFC short term debt fund and HDFC Banking (AUM of Rs 8,985 crore) and HDFC Banking and PSU debt fund (Rs 2,803 crore); three schemes of UTI Mutual Fund — Banking and PSU debt fund (Rs 637 crore), Bond Fund (802 crore), Dynamic Bond Fund (Rs 1,012

### Crisil downgrades NCD of IL&FS arm

New Delhi: Crisil on Tuesday downgraded rating on the non-convertible debentures of Jharkhand Road Projects Implementation Company to D (Default) or the junk grade. Jharkhand Road Projects Implementation Company is a subsidiary of IL&FS Transportation Networks Ltd. **PTI**

The six schemes have exposure to either of the three IL&FS SPVs — Hazaribagh Ranchi Expressway Limited (HREL), Jharkhand Road Projects Implementation Company Limited (JRPLCL), Jorabat Shillong Expressway Limited (JSEL). “The default risks by various SPVs of IL&FS have increased given the recent communication by their management to trustees expressing to stop future repayments citing their interpretation of an order given by National Company Law Appellate Tribunal on October 15, 2018,” it said.

It further pointed that two SPVs of IL&FS demanded a refund of the debt payment executed by them after October 15, 2018, from their trustees. “Despite a ring-fenced structure and adequate cash flows to service the debt ob-

ligations, these SPVs have asked the trustees to stop debiting the SPVs escrow account towards its future obligations,” ICRA pointed.

According to ICRA as on December 31, 2018, the exposure of HDFC-STDF and HDFC-BPSU to HREL stood at 0.55 per cent and 0.29 per cent of the AUM respectively. For the three schemes of UTI — UTI Banking and PSU Debt Fund, UTI BF and UTI DBF — the exposure to JSEL stood at 6.87, 5.98 and 6.25 per cent of the AUM respectively as on December 31, 2018. Similarly, the exposure of Aditya Birla Sun Life Short Term Opportunities Fund to JRPLCL stood at 1.15 per cent of AUM as on December 31, 2018. ICRA noted that in case of delays in honouring its obligations by these SPVs, their ratings are likely to be downgraded, impacting the credit scores of these MF schemes.

DECEMBER 31 CIRCULAR SEEN AS BENEFICIAL FOR CONGRESS PARTY IN NATIONAL HERALD CASE WAS WITHDRAWN EARLIER

## Herald case: CBDT issues fresh circular for clarifying stance

ENSECONOMICBUREAU  
NEW DELHI, JANUARY 22

AFTER WITHDRAWAL of the December 31 circular that would have given breather to Congress party in the National Herald case, the Central Board of Direct Taxes (CBDT) has issued a fresh circular clarifying that the stance taken in the withdrawn circular about fresh issuance of shares would not be a correct approach as it could be subject to abuse and would be contrary to the legislative intent of Section 56(2) of Income-tax Act. Also, any view expressed in the now withdrawn circular shall be considered to have “never been expressed” and should not be

taken into account by any Income-tax authority in any proceeding, the CBDT said in the circular dated January 21.

The latest circular states the Board has made a “comprehensive review” related to interpretation of the word “receives” used in Section 56(2)(viia) of the Income-tax Act. “Keeping in view the plain reading as well as the legislative intent of Section 56(2)(viia) and similar provisions contained in Section 56(2) of the Act, being anti-abuse in nature, it has been decided that the view, as was taken in circular 10/2018 (subsequently withdrawn by circular no. 02/2019) that section 56(2)(viia) of the Act would not apply to fresh issuance of shares,

### Any view expressed in the now withdrawn circular shall be considered to have “never been expressed”

would not be a correct approach, as it could be subject to abuse and would need contrary to the express provisions and the legislative intent of Section 56(2)(viia) or similar provisions contained in section 56(2) of the Act,” it said.

On January 4, while withdrawing the December circular, the CBDT had stated that it had been brought to the notice of the Board that the matter relating to inter-

pretation of the term “receives” used in section 56(2)(viia) is “sub judice in certain higher judicial forums”. The CBDT had said that “the matter is required to be examined afresh so that a comprehensive circular on the matter can be issued.”

The December 31 circular had clarified the applicability of Section 56(2)(viia) of the Income-tax Act, saying that the provisions of the section “shall not be applicable” in case shares were “received” by a firm or a specified company as a result of the fresh issuance of shares including by way of issue of bonus, rights and preference shares or transactions of similar nature by the specified company.

The December circular had also said that Section 56(2)(viia)

was inserted as an anti-abuse provision in the Finance Act, 2010, that was meant to prevent the transfer of shares in a company for no or an inadequate consideration. However, it stated that it was “never the intention to apply these provisions to fresh issuance of shares” by the specified company by way of issue of bonus shares, rights shares and preference shares or transactions of similar nature. Section 56(2)(viia) of the I-T Act provides for taxation of income where a company, in which public are not substantially interested, or a firm receives shares of a specified company from a person for “no or inadequate consideration”.

The December circular was welcomed by the Congress party

as a vindication of its stand in the National Herald case, which relates to acquisition of shares of Associated Journals Ltd (AJL), which published National Herald newspaper, to Young Indian, a Section 25 company incorporated in 2010. In December 2010, AJL decided to transfer its entire equity to Young Indian in lieu of YIL owning its Rs 90 crore debt after which AJL became a fully-owned subsidiary of Young Indian. Young India was owned by four individuals — Rahul Gandhi, Sonia Gandhi, Motilal Vora and Oscar Fernandes. The Congress party had taken a stand that the fresh shares issued by AJL are not taxable and it is now being contested in the court.

REUTERS  
HOUSTON, JANUARY 22

CRUDE PRICES tumbled more than 3 per cent on Tuesday over concerns that China’s slowing economy could curtail fuel demand worldwide as forecasters predicted weaker global growth amid the US-China trade war.

The International Monetary Fund on Monday warned the risk of a pronounced global slowdown has risen because of constrained international trade, and it trimmed its 2019 global growth forecast to 3.5 per cent, from 3.7 per cent in last October’s outlook. “That represents a lot of bar-

rels if you apply that to the oil market,” said Robert Yawger, director of energy futures at Mizuho in New York. “The IMF report put the crude oil market on the back of its foot, for sure.”

Brent oil futures were down \$1.95, or 3.1 per cent, at \$60.79 a barrel by 11 am EST (1600 GMT). US West Texas Intermediate (WTI) crude futures were down \$1.83, or 3.4 per cent, at \$51.97.

China reported the lowest annual economic growth in nearly 30 years on Monday and its state planner warned on Tuesday that falling factory orders point to a further drop in activity and more job losses.

WORLD ECONOMIC FORUM ANNUAL MEET

## ‘Super star’ firms giving a lot for free, but will it continue asks Rajan

BARUN JHA  
DAVOS, JANUARY 22

FORMER RBI governor Raghuram Rajan Tuesday said consumers are benefitting in a big way from the business of scale with several services in the new technology age coming for free or very cheap, but it needs to be seen whether this can continue going ahead.

Speaking here at a session of the World Economic Forum annual meeting, Rajan said we benefit tremendously from business of scale, there are benefits of efficiency at large corporations and consumers are gaining in a big way from low prices.

For example, Google provides a big amount of free services, said Rajan, who teaches at the Chicago University and is regarded as a global voice on economy.

Rajan said that we all know nothing is free, so it needs to be known who is paying for it when consumers get it for free.

He also wondered whether the business of scale is creating “super star firms” and who has the real power — is it large corporations or the governments?

“Obviously they are making money somewhere and we need to know whether the two revenue sides of consumers and advertisers are comparable when it comes to data and technology platforms,” he added. Rajan said we need to think whether competition would continue in the future. Addressing a separate session on Strategic Outlook for South Asia, Rajan said Indian economy would continue to grow while growth rate is slowing down in China.

“Historically, India had a big-



(From left) Stephen A Schwarzman, CEO Blackstone, Ning Gaoning, Chairman Sinochem Group, Raghuram G Rajan of the University of Chicago and Brian T Moynihan, CEO Bank of America during the session ‘Shaping a New Market Architecture’ at annual meeting of the World Economic Forum in Davos, Switzerland on Tuesday. **AP**

## Industry 4.0 presents huge opportunities for India: DIPP

Davos: India has a huge opportunity in the form of Industry 4.0 or the fourth industrial revolution but the country needs to adopt new technologies and provide a facilitative policy framework on a fast-track basis, a senior government official said Tuesday.

Speaking here at a session on the sidelines of the WEF annual meeting, Department of Industrial Policy and Promotion (DIPP) Secretary Ramesh Abhishek said efforts are being made at the central and state government level to provide necessary policy enablers. **PTI**

ger role in the region but China has now grown much bigger than India and has presented itself as a counter balance to India in the region,” Rajan said.

“India will become bigger than China eventually as China would slow down and India would continue to grow. So India will be in a better position to cre-

ate the infrastructure in the region which China is promising today. But this competition is good for the region and it will benefit for sure,” he said.

At the same session, Nepal Prime Minister K P Sharma Oli cited collaboration with China as well as India as reasons for his country’s economic growth. **PTI**

## Oil slumps over 3% on China slowdown fears

REUTERS  
HOUSTON, JANUARY 22

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