

13 ECONOMY

ACCORDING TO CMIE DATABASE

‘Unemployment rate rises to 27-month high; labour participation goes down’

This is also the highest unemployment rate since September 2016 when it stood at a high of 8.46%

ENSE ECONOMIC BUREAU
NEW DELHI, JANUARY 6

ESTIMATED UNEMPLOYMENT rate shot up to a 27-month high of 7.38 per cent in December 2018 and the numbers of those employed fell by 1.09 crore over the last 12 months from 40.78 crore employed in December 2017 to 39.69 crore in December 2018.

These are the estimates provided by CMIE database on “Unemployment Rate in India” that is based on the panel size of over 1,58,000 households. The CMIE data, however, also shows that alongside the rise in unemployment, there has been a dip in the labour participation rate.

The unemployment rate in December 2018 shot up to 7.38 per cent from 6.62 per cent in November 2018 and 4.78 per cent

UNEMPLOYMENT AND PARTICIPATION RATE			
Date	Estimated Unemployment Rate (%)	Estimated Employed	Estimated Labour Participation Rate (%)
Sept 2016	8.46	417943274	47.84
Dec 2016	6.43	405412411	45.15
Dec 2017	4.78	407895333	43.57
Dec 2018	7.38	396953989	42.47

Source: CMIE

in December 2017. This is also the highest unemployment rate since September 2016 when it stood at a high of 8.46 per cent.

A closer look at the numbers show that a large part of the drop in employment over the last 12-

months is on account of job losses in rural areas. Of the total drop of 1.09 crore jobs in calendar 2018, 91.4 lakh or over 83 per cent of the jobs were lost in the rural areas, shows the database.

The number of those em-

ployed in rural areas dropped from 26.94 crore in December 2017 to 26.03 crore in December 2018. The remaining 17.9 lakh jobs were lost in the urban areas as the overall numbers of employed fell from 13.84 crore to 13.66 crore.

However, in line with a dip in the unemployment rate, the CMIE data shows that there has been a dip in the estimated labour participation rate — proportion of working-age people (which is people of 15 years or more) who are willing to work and are either actually working or are actively looking for work.

According to the CMIE data, the estimated labour participation rate came down to 42.47 in December 2018 from 43.57 in December 2017. It however, stood at 45.15 in December 2016 and at 47.84 in September 2017.

In an article in October 2018,

Mahesh Vyas, MD and CEO of CMIE wrote, “In my opinion, the LPR is more important than the unemployment rate because it tells us how many people are willing to work.”

He further said that while a high LPR directly contributes to growth, if a very small proportion of people are willing to work then a low unemployment rate does not mean much. Data shows that while the trend in urban and rural areas have been broadly the same in calendar 2018, it was contrasting in calendar 2017.

While the urban regions witnessed an overall increase in the number of employed by 35.5 lakh, the rural areas witnessed over 10 lakh job losses in 2017 too.

In 2018, while the pace of job losses only gained momentum in rural areas, the urban parts too witnessed job losses.

AIM TO PROVIDE RELIEF TO MSMEs

Hike exemption threshold level under GST regime, suggests ministerial panel

ENSE ECONOMIC BUREAU
NEW DELHI, JANUARY 6

THE MINISTERIAL panel, headed by Minister of State for Finance Shiv Pratap Shukla, in a meeting held on Sunday converged on the view to hike the exemption threshold level under the indirect tax regime in a bid to provide relief to micro, small and medium enterprises (MSMEs).

In a separate meeting, the ministerial panel headed by Bihar’s Deputy Chief Minister Sushil Kumar Modi decided to recommend levy of a 1 per cent calamity cess under Goods and Services Tax (GST) by Kerala for a period of two years.

The hike in exemption threshold will be applicable to B2C (business-to-consumer) registrants, while B2B (business to business) and inter-state sales will be excluded.

The Shukla-led panel also suggested that the composition scheme be extended to service providers with annual turnover of up to Rs 50 lakh with a GST levy of 5 per cent and that composition scheme dealers be allowed to file annual returns, even as they would continue to pay their taxes quarterly.

Also, the other ministerial panel will suggest the GST Council to allow additional borrowing over the permitted limit by states hit by natural calamity.

The final decision on the recommendations of both the panels will be taken in the upcoming meeting of the GST Council that is scheduled to be held on Thursday.

“Kerala had asked the GST Council for levying cess to fund rehabilitation work after it faced floods. The GoM has recommended that Kerala be allowed to levy 1 per cent cess for two years.”

“Also, the Centre and states will together decide on increasing the borrowing limit under FRBM for funding natural

EXPLAINED

Steps to ease the compliance burden of MSMEs

IN THE run-up to elections this year, the focus is on providing relief to MSMEs in order to ease their compliance burden.

The proposed measures such as free accounting software, hike in exemption threshold and extension of composition scheme to service providers under GST are steps in that direction. These measures are also being stressed upon as these have a minimal revenue impact compared with rate cuts.

calamity,” Modi told reporters after the meeting of the GoM.

Modi also said that for now the proposal is for Kerala and could extend to other states as and when there is a natural disaster or calamity.

“If there’s calamity in any other state and if they urge the GST Council, at that time the GST Council will decide,” the Bihar Deputy CM said, adding that the GST constitutional amendment provides for raising additional resources if any state faces natural disaster.

Kerala’s Finance Minister Thomas Isaac said that as per the recommendation of the GoM, the state will have the power to choose the goods and services on which the calamity cess be levied.

“It will be a cess up to 1 per cent on the value of goods and services but it will left to the state to determine whether it is across the board or certain commodities, that flexibility will be given,” he said.

On the proposed relief to MSMEs, Modi, who is a member of the ministerial panel, said that the GoM was unanimous that the exemption limit should be increased but there were varied suggestions from different states and the final call will be taken by the GST Council.

“The proposal was to increase it to Rs 75 lakh but there

were different views on this. Delhi suggested Rs 40 lakh (exemption limit), Bihar suggested Rs 50 lakh, but the final decision will be taken by GST Council...no unanimous recommendation was there by the GoM but the majority view was that the threshold should be increased,” Modi said.

Another suggestion was that for MSMEs with turnover between Rs 50-60 lakh be levied Rs 5,000 GST, and those between Rs 60-75 lakhs be levied Rs 10,000-Rs 15,000 GST.

“Under the earlier excise duty regime, businesses with turnover of up to Rs 1.5 crore were exempt. So it was felt that there was a need to give relief to the MSMEs under GST,” Modi said.

The Shukla-led GoM has also suggested to the Council to allow businesses with turnover of up to Rs 1.5 crore to avail composition scheme, up from the current Rs 1 crore.

Currently, under composition scheme, traders, manufacturers and restaurants pay a nominal tax and file returns and pay taxes quarterly.

The Group of Ministers has also suggested that businesses with turnover of up to Rs 1.5 crore be provided with a free accounting and billing software by the goods and service tax Network.

BRIEFLY

Second round of oil block auction today

New Delhi: After months of delay, India will Monday launch the second auction of 14 blocks for prospecting of oil and gas in an attempt to raise domestic output to cut imports. Officials said the Open Acreage Licensing Policy bid round-II, with 14 blocks measuring 29,333 sq km in aggregate area on offer, will be launched by Oil Minister Dharmendra Pradhan on Monday.

Parl panel nudges RBI over dry ATMs

New Delhi: A parliamentary panel has asked the Reserve Bank to address the problem of perpetually dysfunctional ATMs so as to avoid any situation of forced cash crunch.

RCom accuses Ericsson of media trial

New Delhi: Reliance Communications Sunday accused Ericsson, which is an operational unsecured creditor of the company, of attempting media trial and sensationalising the issue of dues recovery, saying it might put interest of even secured lenders at risk.

Stop sale of pvt labels on e-tail sites: CAIT

New Delhi: CAIT Sunday urged the Commerce Ministry not to allow private labels to be sold on e-commerce marketplaces and desist from extending the February 1 deadline for implementation of changes to FDI policy for the sector. PTI

‘CRISIS TO CRIMP OPERATING PROFITS OF NBFCs BY UP TO 0.5%’


Decline in profitability will be primarily due to increase in the cost of funds, slowdown in portfolio growth and cost of carrying additional liquidity due to the troubles

All these factors will have an impact of 0.30-0.50% on the operating profit, the agency said, elaborating on the impact of each of the setbacks

Cost of funds will increase by up to 0.50% for such lenders, while the slowdown in growth will have an impact of up to 0.10 per cent on the operating profit

As the going gets tough, all the NBFCs have started building extra liquidity buffers, which will narrow

The ongoing issues with the non-bank lenders will crimp the operating profits of such companies by up to 0.50 per cent, according to a report by ratings agency Icra



the net interest margins by up to 0.15%, thereby impacting the profitability

on asset quality as the small businesses segment, one of the largest customer segment for the NBFCs, will find the going tough

There can also be an impact

Defaults by infra financier IL&FS in August last year percolated into concerns on wider NBFC universe

Companies were dependent on short-term money to fund long-term assets were the ones where the concerns were the highest and witnessed huge corrections in stock prices

Mutual funds segment was one of the primary suppliers of liquidity and have become wary of exposures.

NBFCs have diversified their borrowing to the banking system which has given Rs 70,000 crore by September alone to support repayment of the maturing borrowings in the October-December period

Corp Affairs Ministry to collect KYC details of companies, CAs

PRESS TRUST OF INDIA
NEW DELHI, JANUARY 6

IN EFFORTS to weed out unscrupulous elements, the Corporate Affairs Ministry plans to collect KYC details of companies, chartered accountants, cost accountants and company secretaries.

A senior ministry official said the exercise would help in having a “sanitised list” of companies and professionals.

Last year, the ministry carried out the Know Your Customer (KYC) initiative for directors to ascertain their identities as part of larger efforts to clamp down on entities that are suspected to be conduits for illicit fund flows. Corporate Affairs Secretary Injeti Srinivas said that KYC requirement for directors was a major step. Against 33 lakh individuals

who had Director Identification Numbers (DINs), little over 16 lakh have complied with the KYC requirement. DIN is a unique number allotted to individuals who are eligible to have directorship on the boards of registered companies.

Srinivas said the ministry would be doing the KYC process for companies, which would be a major step wherein the MCA21 system would not register the companies in case they are non-compliant with certain parameters. “If you are defaulting in payment of deposits, system will not let you register. If you are having non-compliant directors who have not done KYC, the system will not let you enter.

“So the company will be forced to either remove the director or make the director compliant and then get into the system,” Srinivas said.

Apex court admits Vodafone Idea’s appeal in taxation matter

INDUBHAN
NEW DELHI, JANUARY 6

THE SUPREME Court has sought the Income Tax Department’s response on whether installation of cell site towers by telecom companies in existing telecom circles amounted to ‘extension of existing business’ or providing better connectivity to customers for taxation purposes.

A bench led by Justice UU Lalit issued notice to the revenue authorities on the Vodafone Idea’s appeal against the Delhi High Court’s order in June last year that said the installation of cell site towers in existing telecom circles amounted to ‘extension of existing business’ of providing telecom service as stipulated in proviso to section 36(1)(iii) of the Income Tax Act, 1961, thus warranting proportionate disallowance of interest.

Vodafone had merged with Idea Cellular in August last year and the resultant company was

Notice issued to authorities on Vodafone Idea’s appeal against the Delhi HC’s order saying that installation of cell site towers in existing telecom circles amounted to ‘extension of existing business’

subsequently re-named as Vodafone Idea.

According to the new entity, the installation of cell-site towers in existing telecom circles did not tantamount to extension of existing business but, in fact, amounted to only carrying on the existing business more efficiently and for providing better connectivity to its customers.

“Accordingly, the interest expense incurred by the company on loans raised for installation of cell-site towers in existing telecom circles did not come within the ambit of extension of business, warranting disallowance u/s 36(1)(iii) of the Act,” senior counsel Arvind Datar and counsel Sachit Jolly, appearing for the company, stated.

The company said that the HC wrongly concurred with the findings of the Income Tax Appellate Tribunal that the cell site towers were installed to reach greater number of customers and thus for increasing subscriber base. Instead, the purpose of the installation of cell-site towers was to provide better connectivity and the increase in new customers was merely incidental, it stated.

The impugned order has a cascading effect on numerous other cases for different Ays and would drastically effect its financial position, it added. The counsel submitted that for the relevant Assessment Year 2009-10, Vodafone Idea declared ‘capital work in progress’ of Rs 278.96 crore in its balance sheet. FE

Nepal to RBI: Declare banned new Indian currency notes legal

PRESS TRUST OF INDIA
KATHMANDU, JANUARY 6

NEPAL HAS asked the RBI to declare newly circulated Indian currency notes of denominations higher than Rs 100 legal tender in the country, according to media report on Sunday.

The Nepal Rastra Bank (NRB), the country’s central monetary authority, has written a letter on Friday to the Reserve Bank of India (RBI), asking it to make Indian bank bills Rs 200, Rs 500 and Rs 2,000 legal tender in Nepal, The Himalayan Times reported.

The NRB has asked the India’s central bank to issue a notification under the Foreign Exchange Management Act (FEMA), which

will make Indian bank notes of denomination more than Rs 100 legal tender in Nepal and to provide the exchange facilities to get bills of such denominations, it said.

The RBI has only allowed the circulation of Indian currency notes of Rs 100 and less in Nepal and provides exchange facilities for bills of these denomination.

Before the demonetisation of Rs 500 and Rs 1,000 bank notes in November 2016, the RBI had issued a FEMA notification allowing Nepali citizens to carry Rs 25,000 worth of such bank notes.

After the demonetisation of Rs 500 and Rs 1,000 Indian currency notes, circulation of new bank notes of denominations Rs 200, Rs 500 and Rs 2,000 was started by the Indian government.

The RBI did not issue the notification for the newly circulated bank notes, making their use illegal in Nepal. “As the RBI was not allowing the circulation of the higher denomination Indian notes, we had to ban their use in Nepal to protect our citizens,” Bhisma Raj Dhungana, Chief of Foreign Exchange Management Department at the NRB.

“However, after we received complaints from people in various sectors, especially those who have to visit India frequently, we asked the Indian central bank to make such bank notes legal tender in Nepal,” he said

The circulation of such notes in Nepal, according to Dhungana, will solely depend upon the RBI and Indian government’s will.

‘Weakness in China economy gives Beijing incentive for trade deal’

REUTERS
WASHINGTON, JANUARY 6

US PRESIDENT Donald Trump said on Sunday that trade talks with China were going very well and that weakness in the Chinese economy gave Beijing a reason to work toward a deal.

US officials are meeting with their counterparts in Beijing this week for the first face-to-face talks since Trump and China’s President Xi Jinping in December agreed to a 90-day truce in a trade war that has roiled international markets. Trump imposed import tariffs on hundreds of billions of dollars of Chinese goods to pressure

Beijing to change its practices on issues ranging from industrial subsidies to hacking. China retaliated with tariffs of its own.

Trump said the US tariffs had hurt China. “I think China wants to get it resolved. Their economy’s not doing well,” Trump told reporters at the White House before boarding the Marine One presidential helicopter. “I think that gives them a great incentive to negotiate.”

Beijing on Friday cut bank reserve requirements amid slowing growth at home and pressure from the US tariffs. Asked what he expected to come out of this week’s talks in Beijing, Trump sounded a positive note.

Son of ex-Nissan head Carlos Ghosn predicts court surprises

ASSOCIATED PRESS
PARIS, JANUARY 6

THE SON of former Nissan chairman Carlos Ghosn, in an interview, said that people will be surprised when his father, detained since November 19 for allegedly falsifying financial reports, recounts his version of events to a Tokyo court on Tuesday.

In an interview published Sunday, Anthony Ghosn, 24, told French weekly *Journal du Dimanche* that his father, who will remain detained until at least January 11, will get 10 minutes to talk at the hearing, being held at his own request.

“For the first time, he can talk about his version of the allegations

Anthony Ghosn said that his father, who will remain detained until at least January 11, will get 10 minutes to talk at the hearing, being held at his own request

against him,” Anthony said.

“I think everyone will be rather surprised hearing his version of the story. Until now, we’ve only heard the accusers,” the son said, adding that he has no direct contact with his father, and gets information via lawyers.

He said his father, who for decades was a revered figure in the global auto industry, has lost about 10 kilograms eating three bowls of rice daily, but he reads books and “he resists.”

Ghosn refuses to cave in, said

his son, contending that he would be freed from detention if he admitted guilt to the prosecutor.

“But for seven weeks, his decision has been quite clear ... He won’t give in,” Anthony said, adding that he would wear prison clothes and handcuffs in court.

Countering media portrayals, he insisted his father, a Brazilian-born Frenchman of Lebanese ancestry, is “not obsessed by money.”

“He always told us that money is but a means to help those you love, but not an end unto itself.”

