BANKING WATCH

FUND TRANSFER SET TO GET CHEAPER

Mumbai: Fund transfer through the real-time gross settlement (RTGS) and national electronic funds transfer (NEFT) systems is set to become cheaper from Monday after the Reserve Bank of India decided it will not impose any charges on such transactions. **PTI**

SECOND ANNIVERSARY OF GOODS AND SERVICES TAX IMPLEMENTATION

New returns system, single refund window, e-invoice ready for rollout

MoS for Finance & Corporate Affairs Anurag Thakur to preside over Monday's event with key officials

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 30

AS THE indirect tax regime of Goods and Services Tax (GST) completes two years on July 1, the government has outlined measures such as the introduction of the new returns system, single refund window, electronic invoice system, composition scheme for services and single cash ledger in the current fiscal.

The Finance Ministry will mark the completion of two years of GST, with Minister of State for Finance and Corporate Affairs Anurag Thakur presiding over the event alongside key secretaries and officials of various departments, the finance ministry said in a release on Sunday.

The new returns system will be introduced on a trial basis from July 1 and on a mandatory basis from October 1.

"Sahaj and Sugam returns for small taxpayers are proposed," the release said.

With regards to single cash ledger, the government will rationalise the ledger in such a manner that the previous 20 heads are merged into five major heads, it added. There is only one cash ledger for tax, interest, penalty, fee and others.

A single refund-disbursing mechanism will come into play wherein the government which sanctions refund disburses all four major heads of refunds namely central GST, state GST, integrated GST and cess, the ministry said.

"Threshold limit of Rs 40 lakh is offered of suppliers of goods as per the choice of states. Introduction of composition scheme for small service providers up to an annual turnover of Rs 50 lakh with a tax rate of 6 per cent, electronic invoicing system in a phase-wise manner for B2B (business-to-business) transactions is proposed to be introduced and GST Appellate Tribunals are being established at various state headquarters and area benches also," it further said.

GST subsumed more than a dozen central and state levies like excise duty, service tax and VAT when it was implemented on July 1, 2017.

However, its implementation on five petroleum products - petrol, diesel, natural gas, crude oil and aviation turbine fuel (ATF) was deferred.

The government said GST has integrated India into a single common market by breaking barriers to inter-state trade and commerce.

By eliminating cascading of taxes and reducing transaction costs, it will enhance ease of doing business and provide an impetus to 'Make in India' campaign, it added.

"The introduction of GST was a game changer for the Indian economy as it has replaced multi-layered, complex indirect tax structure with a simple, transparent and technology-driven tax regime", it said.

A book on 'GST for MSME' will also be released during Monday's event. Officers of the Central Board of Indirect Taxes and Customs (CBIC) will be awarded 'GST Commendation Certificates' by Thakur, the release said.

TRIAL OF NEW RETURNS SYSTEM FROM JULY 1

- **The new returns system will be introduced on a trial basis from July 1 and on a mandatory basis from October 1, with the finance ministry saying that "Sahaj and Sugam returns for small taxpayers are proposed"**
- **With regards to single cash ledger, the government will rationalise the ledger in such a manner that the previous 20 heads are merged into five major heads**
- **Officers of the Central Board of Indirect Taxes and Customs will be awarded 'GST Commendation Certificates' by Thakur at Monday's event**

Amid concerns over trade war & domestic growth, FPI inflow slows down in June

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 30

EVEN AS the ruling NDA government came back to power and the Bharatiya Janata Party secured a majority on its own in the general elections concluded on May 2019, domestic growth concerns, global trade worries and slow progress of monsoon in India weighed over the minds of foreign portfolio investors (FPIs) as they significantly reduced the pace of fund inflow into Indian equities in June.

While March this year witnessed the highest ever fund inflow into equities in a month by FPIs at Rs 33,980 crore, it stood at Rs 2,272 crore in June.

Between January and June, FPIs have pumped in a net of Rs 77,322 crore, the highest in the first six months in any year.

February, March and April witnessed strong FPI inflows, which declined a bit in May and then reduced further in June. The pace of FPI flows had a bearing on the stock market performance. While the Sensex at the BSE increased by 10.7 per cent in the three-month period between March and May, it fell marginally by 0.8 per cent in June 2019.

Experts say that both traders and investors are waiting for a series of events at this point of time, including the trade discussions on the sidelines of G20 summit in Japan. While the meeting of the world's 20 major economies is expected to calm the nerves across the global markets, India's discussions with the United States on the tariff issue would calm domestic sentiments. Besides, the market would also be closely watching the forthcoming events, such as presentation of the Union Budget on July 5, and will see what steps the government takes to boost economic growth.

Looking at the much talked about debt crises and defaults, while the Securities and Exchange Board of India (Sebi) recently tightened the reins with stricter disclosures and stringent regulations to discipline investments by mutual funds, it remains to be seen as to what steps does the government announce.

Jimeet Modi, founder and CEO, Samco Securities, said, "The lacklustre vibe before the Budget can be the calm before the storm and markets are expected to remain muted and sideways, but there is likelihood of downward pressure. The auto sector is at the tipping point. Depending on how the government provides support, these stocks will either revive or fall off the cliff."

"Other sectors which are likely to benefit from the Budget would clearly be low cost housing, agriculture and infrastructure as the government knows very well the multiplier effect to attain the growth and employment targets. Investors should still follow a wait and watch approach," he added.

With growing concerns both on global trade front and uncertainty in equities and debt, while investors are moving to safer havens such as gold, FPIs may also look for government's growth push before they regain confidence to park their funds in India.

FPI INFLOWS IN 2019

Month	FPI equity inflow
January	-5,263.85
February	17,219.62
March	33,980.56
April	21,193.45
May	7,919.73
June	2,272.74

Source: CDSL; All figures in ₹ crore

EXPLAINED

Markets reflect slowing FPI inflow

BETWEEN JANUARY and June 2019, FPIs have pumped in a net of Rs 77,322 crore, the highest in the first six months in any year.

The pace of FPI flows has, however, been slowing down. This has had a bearing on the stock market performance. While the BSE Sensex rose by 10.7 per cent in the three month period between March and May, it fell marginally by 0.8 per cent in June 2019.

Rationalisation of slabs, GST on fuel in industry wishlist

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 30

RATIONALISATION OF tax slabs with two-three rates and limited demerit goods in the peak 28 per cent slab, single registration window for service providers and inclusion of electricity, oil & gas, real estate and alcohol under its ambit are key suggestions put forward by the industry to the government for the second phase of Goods and Services Tax.

As GST implementation completes two years on July 1, industry bodies such as CII, FICCI urged the government to take further rationalisation measures to kickstart GST 2.0.

"GST 2.0 will take the Indian economy to the next growth level," CII president Vikram Kirloskar said.

Stating that the teething troubles related to GST may have been resolved, FICCI president Sandip Somany said there is "now need to move forward to achieve the underlying objective of GST framework of creating a simplified indirect taxation system."

FICCI claimed it is generally observed that when members of the Advance Ruling Authority are officers of state tax and central tax departments, they tend to be a revenue-biased while interpreting provisions of the GST law and pronouncing a ruling.

The industry body said divergent rulings by different revenue officers in various states has created ambiguity, environment of uncertainty and chaos among taxpayers, suggesting the government should contemplate constituting an independent high-level central body similar to the one under the erstwhile indirect tax regime as 'Authority of Advance Ruling' under the GST regime.

Former CII president Adi Godrej said in just two years, GST has consolidated and is delivering notable outcomes for smoother business, lower logistics costs, and easier payment of taxes in digital mode.

"We believe GST will be a forceful instrument for driving economic growth for India in years to come," he added.

CII director general Chandrajit Banerjee said Indian industry was also really flexible in its approach and that helped in successful rollout of GST, while Kirloskar said the GST Council is proactively examining all issues facing industry and providing solutions.

Somany added the first step should be immediate inclusion of 5 per cent GST on natural gas. "Further, till the time petroleum products are brought within the GST net, suitable amendment should be brought in the excise and VAT laws to allow credit of GST paid on inputs/input services and capital goods against payment of excise duty/VAT to the manufacturers/suppliers of petroleum products," he said.

With stabilisation of revenues, there is a need to further rationalise the 28 per cent category to only cover demerit goods. From a medium-term perspective, a rate structure of two-three slabs will be welcome and this can also address inverted tax issues, CII said.

It also suggested adopting a single registration process, with IGST for the respective states being paid by such centralised registrants and doing away with GST on cross-charge for services.

CII also recommended that electricity, oil and gas, real estate and alcohol should be included under GST at the earliest, which will lead to seamless input tax credit availability across all sectors, adding that issues in simplification of GST compliances and filing of returns, matching of invoices and getting seamless input tax credit needs to be taken up.

> **"We believe GST will be a forceful instrument for driving economic growth for India in years to come,"**
>
> **CHANDRAJIT BANERJEE**
> DIRECTOR GENERAL, CII

BRIEFLY

Coal supply by CIL to power sector falls 3%

New Delhi: Supply of coal to the power sector by Coal India (CIL) fell by by 2.6 per cent to 80.9 million tonnes in the first two months of the ongoing fiscal, government data showed.

Divestment: IL&FS to form sub-panel

Mumbai: IL&FS has decided to constitute a sub-committee to oversee the process of divestment of its assets in light of the RBI's June 7 circular. **PTI**

340 infra projects show cost overruns of ₹3.3 lakh cr

As many as 340 infrastructure projects have shown cost overruns to the tune of over Rs 3.3 lakh crore, the Ministry of Statistics and Programme Implementation's (MoSPI) report for March 2019 said

₹18,09,681.47cr Original implementation cost of 1405 projects

₹21,39,924.38cr Anticipated cost of completion of 1405 projects

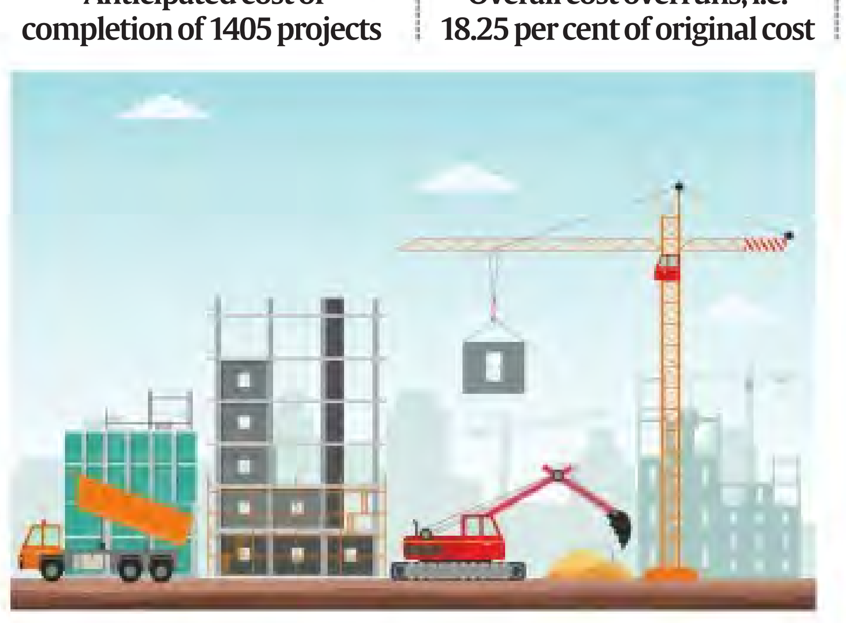
₹3,30,242.91cr Overall cost overruns, i.e. 18.25 per cent of original cost

₹8,53,680.47cr Expenditure incurred on these projects till March

1405: Number of infrastructure projects monitored by MoSPI, each worth Rs 150 crore and above

340: Projects that reported cost overruns

381: Projects that reported time escalation; average time overrun of 43.17 months



REASONS REPORTED FOR TIME OVERRUNS:
- Delays in land acquisition
- Forest clearance
- Supply of equipment
- Fund constraints
- Geological surprises
- Geo-mining conditions
- Slow progress in civil works
- Shortage of labour

- **117:** Projects delayed by one to 12 months
- **63:** Projects delayed by 13 to 24 months
- **103:** Projects delayed by 25 to 60 months
- **98:** Projects delayed by 61 months or more

Need to cut centrally sponsored schemes, says N K Singh

PRESS TRUST OF INDIA
NEW DELHI, JUNE 28

FIFTEENTH FINANCE Commission Chairman N K Singh has said the number of centrally sponsored schemes currently exceeds 150 that needs to be reduced for better spending, as revenue buoyancy in indirect taxes remains weak.

"The central outgo is spread over 700 different outlay schemes. The number of centrally sponsored schemes exceeds 150. We need to thin this spread for better spending. Revenue buoyancy continues to be weak in the area of indirect tax," said Singh, at the SKOCH Summit on 'ModiNomics 2.0' held on Saturday.

He said the goods and services tax (GST) needs to be watched carefully in the years to come. Compliance needs to be raised and leakages minimised. "We cannot talk about macroeconomics leaving out important area of deep structural reforms which this economy needs," he added.

SpiceJet flight in Surat, AI plane in Mangaluru avert mishaps on wet runways

ENS ECONOMIC BUREAU
NEW DELHI, JUNE 28

HEAVY RAINS saw two flights – an Air India Express plane in Mangaluru and a SpiceJet aircraft in Surat – veering off or overshooting wet runways Sunday. All passengers onboard the two flights escaped the incidents unhurt.

Earlier in the day, Air India Express Boeing 737 plane from Dubai, with 183 passengers on board, veered off the designated path in Mangaluru while vacating a wet runway after landing. According to an official, the flight's pilots made a failed landing attempt and went around before coming back again and landing, following which the aircraft veered off into soft ground.

"AI Express aircraft VT-AYA, operating IX 384, Dubai to Mangalore on June 30, after Landing on Runway 24 while vacating the runway to the right side, has gone off the taxiway into soft ground. Tailwind and wet runway with inadequate braking action was reported. All passengers and crew are safe, and deplaned using step ladder," a spokesperson said.

In the evening, SpiceJet's Bombardier Q400 coming into Surat from Bhopal overshot the runway at the time of landing amid heavy rains at the airport.

"(Sunday) evening Bhopal to Surat SpiceJet flight overshot Runway at Surat airport. All passengers and crew members are safe. Rescue operation is in progress and getting affected due to heavy rain," Surat airport director tweeted. A SpiceJet spokesperson confirmed the incident.

183 ON BOARD AIR INDIA FLIGHT

- **Air India Express Boeing 737 plane from Dubai, with 183 on board, veered off while vacating a wet runway after landing in Mangaluru**
- **SpiceJet's Bombardier Q400 coming into Surat from Bhopal overshot the runway while landing amid rains**

China's factory activity shrinks as US tariffs, slowdown hit orders

REUTERS
BEIJING, JUNE 30

CHINA'S FACTORY activity shrank more than expected in June, an official manufacturing survey showed, highlighting the need for more economic stimulus as US tariffs and weaker domestic demand ramped up pressure on new orders for goods.

The Purchasing Managers' Index (PMI) stood at 49.4 in June, China's National Bureau of Statistics said on Sunday, unchanged from the previous month and below the 50-point mark that separates growth from contraction on a monthly basis. Analysts polled by *Reuters* predicted a reading of 49.5.

The weak manufacturing readings are likely to cast a shadow over the apparent progress US and Chinese leaders made at the G20 summit in Japan over the weekend in restarting their troubled talks over tariffs amid a costly trade war. They will also spark concerns about stalling growth in China and the risk of a global recession, despite slightly better-than-expected export and industrial profits data in May.

Many economists still expect the economy to face strong headwinds in coming months as domestic demand falters and external risks rise. "Although the outcome of the G20 summit (in Osaka) might boost confidence for some entities, organic growth in the economy is still insufficient, and counter-cyclical stimulus policies need to be maintained," researchers at Huatai Securities wrote in a research note.

"The PMI index continued to fall across the board this month, and only the raw material inventory sub-index was up due to weak demand," the research note read. In June, China's factory output growth slowed, with the subindex falling to 51.3 from 51.7 in May while the contraction in total new orders accelerated to 49.6 from 49.8.

In June, China's factory output growth slowed, with the subindex falling to 51.3 from 51.7 in May. *Reuters File Photo*

EARNS ₹23,621 CRORE, DESPITE SENSEX GAINING 5,417 POINTS IN THE FISCAL

LIC's FY19 profit from stock markets down 7.89%

GEORGE MATHEW
MUMBAI, JUNE 30

LIFE INSURANCE Corporation (LIC) of India has realised a lower profit of Rs 23,621 crore from its equity investment during 2018-19, down 7.89 per cent from Rs 25,646 crore in the previous year. The life insurance behemoth had made a gross equity investment of Rs 68,621 crore during the year.

The profit of LIC from the market declined despite the volatile stock market index Sensex gaining 5,417 points at 38,672.91 in the fiscal ended March 2019.

Even though Sensex rose only 3,348 points in FY18, LIC booked a higher profit of Rs 25,646 crore from the stock market in the year. LIC, the largest stock market investor in India, made Rs 19,302 crore profit in 2016-17 while the Sensex gained 4,279 points.

The corporation, which is now the largest capital market investor in the country, has kicked off 2019-20 with an investible corpus of Rs 348.692 crore, which will be invested in capital market instruments like bonds including government securities, corporate bonds and equities.

The market value of LIC's investment as at end of FY19 is Rs 28.74 lakh crore, as against Rs 26.46 lakh crore in 2017-18, showing a growth of 8.61 per cent. Moreover, the total assets of the corporation crossed the historic figure of Rs 30 lakh crore for the first time to Rs 31.11 lakh crore, a rise of 9.38 per cent.

As per provisional results, in 2018-19, the corporation invested more than Rs 2 lakh crore in central and state government securities with an average annualised yield of almost 8.25 per cent.

Currently, about 65 per cent of investments in life fund – total investment corpus accumulated over decades – of LIC are in central and state government bonds and long term securities with high interest coupons.

An investment of Rs 30,595 crore was made in corporate bonds with an average annualised yield of 9.11 per cent

As per the provisional accounts for 2018-19, LIC's total premium income — new premium along with the renewal premium — was Rs 337,185 crore, showing a growth of 6.08 per cent, while the total benefits paid amounted to Rs 250,936 crore, growing by as much as 26.66 per cent. LIC had mobilised a total new premium of Rs 41,086.31 crore in FY19. The total income of LIC, which includes total premium and investment income, was around Rs 560,784 crore in 2018-19, a rise of 7.10 per cent.

Such a robust income augurs well for the corporation's policyholders, who can continue to expect a decent bonus for 2018-19.

At a time when the financial sector is facing a huge crisis amid rising non-performing assets in banking sector and defaults in debt payments by India Inc, as a result of regular follow ups, LIC's growth in the investment income has risen by 5.17 per cent during 2018-19.

Over the last four years, LIC's investments income has risen from Rs 1.53 lakh crore to Rs 2.06 lakh crore up to FY19.

"Over the years, barring one or two, LIC's expenses have been met with from the income generated from investments by way of interest and dividends," LIC officials said.

"Our investment portfolio remains untouched and continues to grow every year and is likely to cross Rs 30 lakh crore as at the end of the current fiscal," they said.

However, with LIC's declining market share in the domestic market, the company's performance has been an area of deep concern for its new top management.

According to the performance analysis by LIC's top management, headed by newly-appointed chairman M R Kumar, the corporation — except in pension and group scheme (P&GS) — has missed its own targets in the most of the parameters during financial year 2018-19.

According to officials, one of the critical areas that glaringly stand out is that while the corporation still holds 74.71 per cent of the market share in terms of number of policies, its market share in individual non-single premium has fallen to 40.32 per cent in 2018-19.

> **At a time when the financial sector is facing a huge crisis amid rising non-performing assets in banking sector and defaults in debt payments by India Inc, LIC's growth in the investment income has risen by 5.17 per cent during 2018-19**