

24 ECONOMY

RATE CHANGE EFFECTIVE FROM AUGUST 1

Boost for EVs: GST Council trims tax on electric cars, chargers to 5%

ENS ECONOMIC BUREAU
NEW DELHI, JULY 27

THE 36TH Goods and Services Tax (GST) Council meeting Saturday approved reduction in GST rate for all electric vehicles to 5 per cent from 12 per cent and for chargers or charging stations for electric vehicles to 5 per cent from 18 per cent along with exempting hiring of electric buses (of carrying capacity of more than 12 passengers) by local authorities.

The changes would be effective from August 1. The reduced GST rates for electric vehicles (EVs) are estimated to lead to an annual revenue loss of around Rs 60 crore, officials said.

Opposition-led states such as Punjab, West Bengal and Delhi raised concerns against the decision to cut GST rate for electric vehicles in the Council meeting, officials said. While West Bengal is learnt to have questioned the hurried nature of the Council meeting to decide on this single item agenda, Punjab and Delhi flagged the impact of these rate cuts on the revenue position of states.

These states were of the view that states which are already in revenue deficit would find it difficult to cope with the latest round

NEW RATES WILL LEAD TO REVENUE LOSS OF ₹60 CR

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of rate cuts, given that slashing of GST rate for electric vehicles apart from the estimated revenue loss is likely to also result in lower automobile sales from petrol and diesel segments, which in turn, will dent the states' VAT earnings from the sale of petrol and diesel.

Punjab's Finance Minister Manpreet Singh Badal said his state being a revenue deficit state is concerned about the impact of the rate cut for electric vehicles on his state's revenues. Also, the nature of hurried decision of GST Council is questionable given that there was no such urgency to cut rates for EVs when other items such as jams, pickles and bottled water continue to be taxed at a higher rate of 12 per cent. "The rate cut for electric vehicles will result in revenue loss to states and

Punjab being a revenue deficit state is concerned. I am not sure the extent to which the automobile industry was engaged with for taking this decision since it will have an impact on the non-EV (petrol and diesel) segment of automobiles. You do not tax similar goods (comparing petrol, diesel automobiles and EVs) in different tax brackets. Even jams, pickles, bottled water are in a higher tax slab of 12 per cent," Badal told *The Indian Express*.

Badal said, "There was no concrete reason for a hurried meeting through videoconferencing to decide on electric vehicles when the Council has not discussed more important issues of revenue management, arrears, compensation from the last four months. Every decision is being taken for optics.

I am worried how the GST Council agenda is getting decided."

The council also decided to extend the last date for enrolling under new composition scheme for service provider. "Last date for filing of intimation, in FORM GST CMP-02, for availing the option of payment of tax under notification No. 2/2019-Central Tax (Rate) dated 07.03.2019 (by exclusive supplier of services), to be extended from 31.07.2019 to 30.09.2019," a statement said.

In the Union Budget for 2019-20, the Centre had announced incentives for EVs: an income tax deduction of Rs 1.5 lakh on interest paid on loans taken to purchase EVs, and customs duty exemptions on imports of specific components. At present, India is only playing catch-up in the global push for EVs. While global sales of passenger EVs crossed 4 million this month, just about 2,000 EVs were sold in India last year.

The Central government has set a target of 30 per cent vehicles becoming EVs by 2030. Industry and tax experts welcomed the incentives for electric vehicles but some also flagged concerns of the impact of tax cut for EVs on other segments of the auto industry. Waman Parkhi, partner, Indirect Tax, KPMG in India said, "The re-

duction in the GST rates for EVs and its infrastructure are in line with the government's policy to incentivise EVs. The government aims to have public transport and two wheelers converted to EVs by 2025 in order to achieve its objectives of cleaner and greener India. However, it should be noted that various state governments have given tax incentives over the last few years to automobile and component manufacturers bringing in huge investments in the conventional petrol and diesel run vehicles in India. Whether pushing for speedy EV revolution would adversely impact such investments needs to be studied by the government."

Rahil Ansari, head, Audi India said, "The lowering of the GST rate on EVs from 12 per cent to 5 per cent is definitely going to give a boost to EVs in India and we are confident that it will motivate customers looking for both entry-level EVs as well as luxury EVs that will enter the market...while these are great steps for the future, short-term measures supporting the overall industry, also the luxury segment, are required by the government. All players are struggling with declining sales which in turn is leading to production cuts and may lead to job losses, too."

ICICI Bank posts Q1 profit at ₹1,908 crore; NPAs, provisions fall

ENS ECONOMIC BUREAU
MUMBAI, JULY 27

AIDED BY a decline in bad loans and provisions, ICICI Bank on Saturday reported a standalone net profit of Rs 1,908 crore for the first quarter ended June 2019 as against a net loss of Rs 120 crore in the same quarter a year ago.

Gross non-performing assets (NPAs) declined to Rs 45,763 crore (6.49 per cent of advances) in the June 2019 quarter as against Rs 46,291 crore in the March 2019 quarter and Rs 53,464 crore (8.81 per cent) in the June 2018 quarter. The bank said.

Total income on standalone basis in the reported quarter rose to Rs 21,405.50 crore from Rs 18,574.17 crore a year earlier, the private-sector bank said in a regulatory filing.

On a consolidated basis, the bank's net profit for the April-June period stood at Rs 2,513.69 crore as against Rs 5 crore in the corresponding quarter of 2018. The bank's income (consolidated) rose to Rs 33,868.89 crore in the latest quarter from Rs 27,174.12 crore in April-June 2018.

The bank witnessed an im-

GROSS NPAs DECLINE TO ₹45,763 CRORE

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provement in asset quality as gross non-performing assets (NPAs) fell to 6.49 per cent of the gross advances by the end of June 2019, from 8.81 per cent a year ago. Net NPAs were 1.77 per cent, down from 4.19 per cent a year ago.

The provisioning for bad loans and contingencies fell to Rs 3,495.73 crore for April-June 2019 as against Rs 5,971.29 crore a year earlier.

"Gross NPA additions in Q1 of 2020 were Rs 2,779 crore compared to Rs 3,547 crore in the quarter ended March 2019 (Q4-2019)," it said.

The gross additions to NPA were Rs 2,779 crore in Q1 of 2020 compared to Rs 4,036 crore in Q1-2019 and Rs 3,547 crore in Q4-2019. Recoveries

and upgrades of non-performing loans were 931 crore in Q1-2020. As on June 30, 2019, the fund-based and non-fund based outstanding to borrowers rated BB and below (excluding nonperforming assets) was Rs 15,355 crore compared to Rs 24,629 crore in June 2018.

According to the bank, the year-on-year growth in domestic advances was 18 per cent as of June 2019.

"The bank has continued to leverage its strong retail franchise, resulting in a 22 per cent year-on-year growth in the retail loan portfolio as of June 2019. Excluding non-performing and restructured loans, the growth in domestic corporate loans was about 13 per cent year-on-year.

BRIEFLY

Novartis CEO pledges not to sell generics unit

Zurich: Novartis Chief Executive Vas Narasimhan pledged in an interview published on Saturday not to sell the Swiss drugmaker's generics unit Sandoz amid a revamp that has prompted speculation he is preparing to offload the business. "No, we will not sell Sandoz," Narasimhan told the *Sueddeutsche Zeitung* newspaper. "We will make Sandoz autonomous within Novartis, so it's more competitive. Our plan is to focus Sandoz and make it better in the long-term." **REUTERS**

Alkem Lab founder passes away

New Delhi: Drug firm Alkem Laboratories on Saturday said its Founder and Chairman Emeritus Samprada Singh has passed away. **PTI**

LSE in talks to buy Refinitiv for \$27 billion

New York/London: London Stock Exchange Group Plc said on Friday it was in discussions to acquire financial data analytics provider Refinitiv Holdings Ltd for \$27 billion, including debt. The deal would come less than a year after Blackstone Group Inc acquired a majority stake in Refinitiv. **REUTERS**

Prasad to telecom CEOs: There should be fair competition, will not encourage monopoly

KIRAN RATHEE
NEW DELHI, JULY 27

TELECOM OPERATORS on Saturday urged telecom and IT minister Ravi Shankar Prasad to rationalise various kinds of levies on the sector.

On his part, Prasad, while informing them that he's already seized of the matter and has formed a committee under the department of telecommunications secretary to look into the matter, asking them to improve quality of services. He said there should be fair competition and nobody should have a monopoly.

"I highlighted to them, the need for a robust involvement of the industry in 5G innovation, startups and creation of 5G products that can create India specific patents,"

RAVI SHANKAR PRASAD
TELECOM MINISTER

Prasad, who met the CEOs of various telecom companies, also asked them to have a robust involvement in 5G and the making of a \$5-trillion economy.

He said he has already written to the finance ministry regarding reduction in GST rates for telecom sector to 12 per cent from the current 18 per cent and also about input tax credit. A DoI committee is already working on a proposal to

reduce the licence fee by 2 percentage points. "I have assured them three things. We want a fair competition. The government will not encourage any monopoly and will do its best for ease of doing business," Prasad said.

The meeting was attended by Bharti Airtel CEO Gopal Vittal, Vodafone Idea CEO Balesh Sharma, Mahendra Nahata, board member of Reliance Jio and BSNL

chairman PK Purwar. The operators also raised the issue of reserve prices of the proposed auction, terming them as too high.

But Prasad refused to comment, as there is already a system in place. A standing committee is looking into the issue after Trai refused to reduce the prices. The minister said telecom operators have agreed to participate in the auction. "I highlighted to them the need for a robust involvement in 5G innovation, start-ups and creation of 5G products that can create India-specific patents. I said that in the \$5-trillion economy target, 25 per cent should be telecom's contribution," he said. **FE**

'Despite slowdown, realty sector gets \$2.7 bn fund inflows'

Despite the continuing slowdown in the real estate sector driven mainly by various regulatory changes, the industry saw amongst \$2.7 billion flowing into the market in the first half of 2019, as per a report by Vestian-Ficci

Investment momentum: The momentum of investment in the realty sector between 2015 and 2018 continued in the first half of 2019, with nearly \$2.7 billion flowing in

\$25.7 bn: Fund inflows stood touched \$25.7

billion between 2015 and 2018

Way forward: Improvement in infrastructure, roads, and the metro networks coupled with the increased speed of technology implementation can further boost investor

interest, the report said

Highest amount: With 50 per cent of total investments, commercial assets has seen highest amount of investments. The investment value in the segment was recorded at \$14.2 billion during 2015-18, depicting several large-scale deals.

Industrial assets: Commercial assets was followed by warehousing and logistics sector. Despite occupying the least share, investment into industrial assets, mainly comprising warehousing and logistics sector, has observed considerable interest in 2018 and 2019

INSTITUTIONAL INVESTMENT

One of the major trends observed in the last decade has been the rise in institutional investment in real estate, particularly PE investments that has been a key factor in keeping the market confident about its revival

80%:

Nearly 80 percent of institutional investments are accounted for by PE investors



THE BOEING PLANE REMAINS GROUNDED FOLLOWING TWO DEADLY CRASHES

Roots of 737 MAX crisis: A regulator relaxes its oversight

NATALIE KITROEFF,
DAVID GELLES &
JACK NICLAS
SEATTLE, JULY 27

IN THE days after the first crash of Boeing's 737 MAX, engineers at the Federal Aviation Administration came to a troubling realization: They didn't fully understand the automated system that helped send the plane into a nose-dive, killing everyone on board.

Engineers at the agency scoured their files for information about the system designed to help avoid stalls. They didn't find much. Regulators had never independently assessed the risks of the dangerous software

known as MCAS when they approved the plane in 2017.

More than a dozen current and former employees at the FAA and Boeing who spoke with *The New York Times* described a broken regulatory process that effectively neutered the oversight authority of the agency.

The regulator had been passing off routine tasks to manufacturers for years, with the goal of freeing up specialists to focus on the most important safety concerns. But on the MAX, the regulator handed nearly complete control to Boeing, leaving some key agency officials in the dark about important systems like MCAS, according to the current and former employees.

While the agency's flawed

"The 737 MAX met the FAA's stringent standards and requirements as it was certified through the FAA's processes,"

BOEING

oversight of the Boeing 737 MAX has attracted much scrutiny since the first crash in October and a second one in March, a *Times* investigation revealed previously unreported details about weaknesses in the regulatory process that compromised the safety of the plane.

The company performed its own assessments of the system, which were not stress-tested by the regulator. Turnover at the agency left two relatively inexperienced engineers overseeing Boeing's early work on the system.

The FAA eventually handed over responsibility for approval of MCAS to the manufacturer. After that, Boeing didn't have to share the details of the system with the two agency engineers. They weren't aware of its intricacies, according to two people with knowledge of the matter.

Late in the development of the MAX, Boeing decided to expand the use of MCAS, to ensure the plane flew smoothly. The new, riskier version relied on a single sensor and could push down the nose of the plane by a

much larger amount. Boeing did not submit a formal review of MCAS after the overhaul. It wasn't required by FAA rules. An engineering test pilot at the regulator knew about the changes, according to an agency official. But his job was to evaluate the way the plane flew, not to determine the safety of the system.

The agency ultimately certified the jet as safe, required little training for pilots and allowed the plane to keep flying until a second deadly MAX crash, less than five months after the first.

The plane remains grounded as regulators await a fix from Boeing. If the ban persists much longer, Boeing said this past week that it could be forced to halt production.

The FAA and Boeing have defended the plane's certification, saying they followed proper procedures and adhered to the highest standards. "The agency's certification processes are well-established and have consistently produced safe aircraft designs," the regulator said in a statement Friday. "The 737 MAX certification program involved 110,000 hours of work on the part of FAA personnel, including flying or supporting 297 test flights."

Boeing said "the FAA's rigor and regulatory leadership has driven ever-increasing levels of safety over the decades," adding that "the 737 MAX met the FAA's stringent standards and requirements as it was certified through the FAA's processes." **NYT**

China trying to delay trade deal till US presidential poll: Trump

LALIT K JHA
WASHINGTON, JULY 27

US PRESIDENT Donald Trump alleged on Friday that China was trying to delay the trade deal till the next presidential polls hoping that he would not be re-elected and that it would be easier for them to deal with the Democrats.

"I think China will probably say let's wait. It's 14, 15 months until the election. Let's see if one of these people that give the United States away, let's see if one of them could possibly get elected," Trump told reporters, responding to a question on status of trade negotiations with China. US Trade Representative

Robert Lighthizer and Treasury Secretary Steven Mnuchin are headed to Shanghai next week for resumption of trade talks.

"I'll tell you what, when I win, like almost immediately they're all going to sign deals. They're going to be phenomenal deals for the country," Trump said.

He added that it was up to the Chinese to make the deal, as he was okay even without it, because this was bringing in "billions and billions" of dollars from China and had an adverse impact on their economy. "I don't know if they're going to make a deal. Maybe they will, maybe they won't. I don't care, because we're taking in tens of billions of dollars worth of tariffs," Trump said. **PTI**

EXPLAINED E. Move to prevent misuse of info

THE MOVE comes as documents pertaining to vehicles under total loss (TL) claim are being misused like giving new identity to stolen vehicles by forging engine number and chassis number of such destroyed vehicles, IRDAI said it has been informed by the law enforcement authorities

Under a motor insurance policy, there are two major components: Third-party insurance and Own Damage Insurance.

As per The Motor Vehicles Act, 1988, it is mandatory to insure vehicles with at least third party insurance cover. OD covers loss or damage to the vehicle insured due to accident including fire and theft. Third party covers any damage or injury caused by the insured, to another person or property.

Last month, IRDAI had asked general insurers to make available stand-alone annual Own Damage (OD) covers (including stand-alone OD cover for fire or theft if opted for by the policyholder) for cars and two-wheelers. The new regulation will be applicable for both new and old vehicles.