

18 ECONOMY

\$784 MN REMITTED FOR TRAVEL, \$531 MN FOR EDUCATION IN AUGUST

Aug LRS figures hit new high; Apr-Jul remittance surpasses FPI inflows

SANDEEP SINGH
NEW DELHI, OCTOBER 12

EVEN AS domestic consumption as well as private investment continue to witness a deep slowdown, the outward remittance by resident Indians has been clocking a new high every passing month. If July saw a record outflow of \$1.69 billion by resident Indians under the liberalised remittance scheme (LRS), August numbers are even higher, with the remittance hitting a new high of \$1.875 billion.

The August figure takes the total outward remittance under LRS since April 2014 to \$47 billion. It has been rising exponentially over the last five years. While it amounted to \$1.3 billion in financial year (FY) 2014-15, it jumped to \$4.6 billion in FY2015-16. For the year ended March 31, 2019, resident Indians sent \$13.78 billion under the scheme.

In the first five months of the current fiscal year, the outward

| RISE IN OUTWARD REMITTANCE UNDER LRS | |
|--------------------------------------|---------------|
| Year | Amount (\$bn) |
| 2014-15 | 1.32 |
| 2015-16 | 4.64 |
| 2016-17 | 8.17 |
| 2017-18 | 11.33 |
| 2018-19 | 13.78 |
| 2019-20* | 7.74 |

**Data for April to August
Source: RBI*

remittance amounted to \$7.7 billion and it has outpaced the aggregate inflows by foreign portfolio investors (FPIs) this financial year. Between April and October (till date), FPIs invested a net of Rs 32,094 crore (around \$4.6 billion) in both debt and equity markets.

A look into the LRS data for August shows that while \$784 million were remitted for travel

EXPLAINED Capital outflows a concern, but tax cuts a silver lining

AT A time when domestic investment and consumption are witnessing a slowdown, a sharp rise in remittance raises concern of capital outflows from the country, which, in turn, will not only hurt future investment and job creation, but will also put pressure on the currency.

There are some, however, who feel the recent corporate tax cut may push business sentiment and arrest this outflow.

purposes, \$531 million were sent out for education. Another \$281 million were sent on account of maintenance of close relatives, and \$177 million was sent under the head gift.

Under the Reserve Bank of India's LRS, resident individuals are allowed to remit up to \$250,000 in a financial year under various heads—including current account transactions such as go-

ing overseas on employment, studies overseas, emigration, maintenance of close relatives, and medical treatment.

The residents can also transfer money for capital account transactions under LRS, including opening of foreign currency account overseas with a bank, purchase of property and making investments in units of mutual funds, and venture capital funds.

Experts in the remittance business say that the recent jump in remittance under LRS is a result of various factors.

While the United States is set to raise the fee for EB5 Visa Green Card applications for US (for US residency and citizenship) from the current \$500,000 to \$900,000 beginning mid-November, the outflows also grew on account of domestic factors like weak investment and business climate in India and a sharp rise in effective tax rates for individuals earning over Rs 2 crore and Rs 5 crore.

One immigration advisor, however, said that there has been some positivity among businessmen in India after the government announced a cut in the corporate tax rate from 30 per cent (exclusive of surcharge and cess) to 22 per cent. "There is a sense that doing business in India may improve their return on investment as the tax rate has now been cut to 15 per cent for new business set-up," said the advisor.

BRIEFLY

'FAA must ramp up staffing for certification'

Washington: The US Federal Aviation Administration (FAA) had insufficient personnel to oversee the certification of new Boeing airplanes and should make significant reforms in how it approves new aircraft, an aviation panel said Friday. The committee faulted assumptions made by the American airplane manufacturer in designing the 737 MAX and for not disclosing more information. *Reuters* reported on a draft copy of the Joint Authorities Technical Review findings and recommendations earlier on Friday that called for sweeping changes in how the FAA evaluates and certifies new airplanes. Representative **REUTERS**

Boeing board strips CEO of chairman title

Bengaluru: Boeing's board has stripped CEO Dennis Muilenburg of his chairmanship, in an unexpected strategy shift announced by it on Friday. Separating the roles, which will enable Muilenburg to have "maximum focus" on steering daily operations, was the latest step the board has taken in recent weeks. **REUTERS**

FB's Libra currency abandoned by major financial companies

PETE SCHROEDER, SHANTISNAIR & KATIE PAUL
BENGALURU/SAN FRANCISCO, OCTOBER 12

FACEBOOK INC'S ambitious efforts to establish a global digital currency called Libra suffered severe setbacks on Friday, as major payment companies including Mastercard and Visa Inc quit the group behind the project.

The two companies announced they would leave the association Friday afternoon, as did eBay Inc, Stripe Inc and Mercado Pago. They join PayPal Holdings Inc which exited the group a week ago, as global regulators continue to air concerns about the project.

The latest exodus leaves the Libra Association without any remaining major payments companies as members, meaning it can no longer count on a global player to help consumers turn their currency into Libra and facilitate transactions.

The remaining association

Mastercard and Visa Inc announced they would leave the association Friday afternoon, as did eBay Inc, Stripe Inc and Mercado Pago

members, including Lyft and Vodafone, consist mainly of venture capital, telecommunications, blockchain and technology companies, as well as nonprofit groups.

"Visa has decided not to join the Libra Association at this time," the company said in a statement. "We will continue to evaluate and our ultimate decision will be determined by a number of factors, including the Association's ability to fully satisfy all requisite regulatory expectations."

Facebook's head of the project, former PayPal executive David Marcus, cautioned on Twitter against "reading the fate of Libra into this update," although he acknowledged "it's not great news in the short term." **REUTERS**

'Telecom infra revenue potential may touch ₹ 31,000 crore by 2023'

Indian telecom infrastructure's revenue potential is expected to reach Rs 21,500-Rs 31,000 crore by 2023, as latest information technology developments are driving demand for new business models, an EY study said

₹66,000- 93,000 CRORE
Range of investment required by the sector to catch up with revenue potential

₹215-310 BILLION
Revenue potential that tower cos today are well placed to tap in by 2023

₹660 – 930 BILLION
Investment required in the 2018-2023 time frame to tap on these emerging business models at full potential

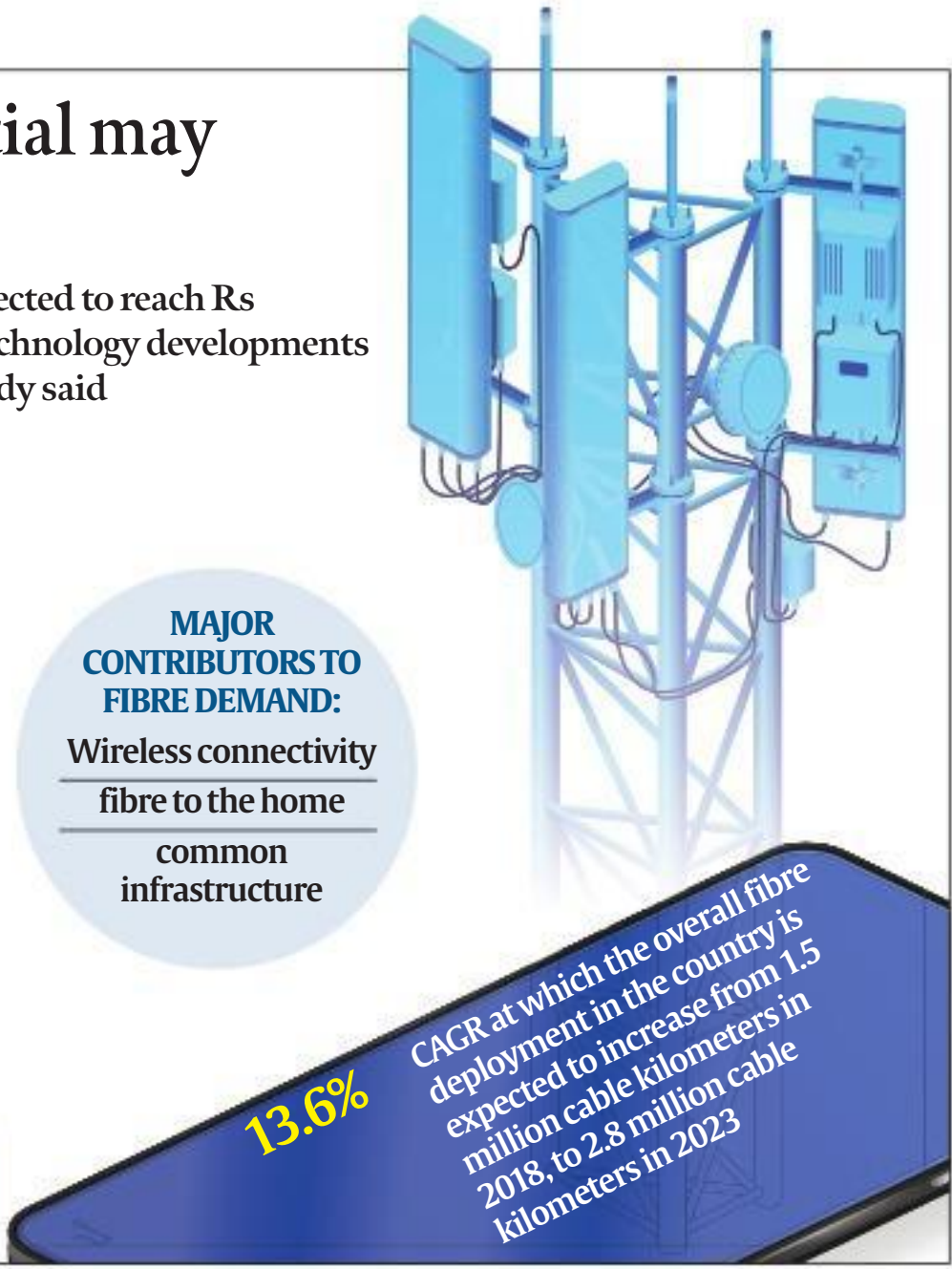
NEW AVENUES FOR INFRA PROVIDERS TO TAP INTO
Fibre | Small cells | Wi-Fi | Smart cities

4X The number of operator format to which the telecom market has shrunk; three private and BSNL-MTNL combined

5X Expected increase in demand for data between 2018 and 2023

35-40% Overall addressable market of the new revenue segments which infrastructure companies have the potential to tap

MAJOR CONTRIBUTORS TO FIBRE DEMAND:
Wireless connectivity
fibre to the home
common infrastructure



ED attaches Bhushan Steel's assets worth over ₹4,000 crore in PMLA case

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 12

THE ENFORCEMENT Directorate Saturday said it has attached assets worth over Rs 4,025 crore of Bhushan Power and Steel Limited (BPSP) in connection with its money laundering probe linked to an alleged bank loan fraud.

The central probe agency said it has attached land, build-

ing, plant and machinery of the firm located in Odisha under the provision of the Prevention of Money Laundering Act (PMLA).

The total value, under the provisional order for attachment, is Rs 4,025.23 crore. This is the first attachment in the case and more is expected.

The ED, in a statement, alleged that BPSP used various modus operandi to siphon funds obtained as loans from

various banks.

"An amount of Rs 695.14 crore was introduced as capital by Sanjay Singal (the then CMD of the company) and his family members in BPSP out of artificially generated long term capital gains (LTCG) by diversion of bank loans fund of BPSP," the agency said.

LTCG was exempted from income tax during the relevant time, it added.

The ED's case of money

"An amount of ₹695.14 crore was introduced as capital by Sanjay Singal (the then CMD of the company) and his family members in BPSP out of artificially generated long term capital gains (LTCG) by diversion of bank loans fund of BPSP"

ENFORCEMENT DIRECTORATE

laundering was filed after studying the Central Bureau of Investigation FIR registered against the company, Singal and others on charges of cor-

ruption.

The ED charged that BPSP had also made RTGS payments to various entities against "fictitious purchases" of capital



China's Vice Premier Liu He looks on during a meeting with US President Donald Trump in the Oval Office in Washington, US, on Friday. Reuters

"it is impossible to resolve the problem by putting arbitrary pressure on the Chinese side."

Trump, who is eager to show farmers in political swing states that he has their backs, lauded China for agreeing to buy as much as \$50 billion in agricultural products. But he left tariffs on hundreds of billions of dollars of Chinese products in place.

His announcement, while seen as progress, drew some scepticism. "I'm unsure that calling what was announced by

President Trump an agreement is justified," said Scott Kennedy, a China trade expert at the Center for Strategic and International Studies in Washington.

"If they couldn't agree on a text, that must mean they're not done. Wishing an agreement does not one make. This isn't a skinny deal. It's an invisible one."

Mnuchin said the president had agreed not to proceed with a hike in tariffs to 30 per cent from 25 per cent on about \$250 billion in Chinese goods that was sup-

Tax Watch

I-T CONDUCTS SEARCHES IN GOA, TN

New Delhi: According to an official statement issued by the income-tax department on Saturday, search action on October 11 in the case of a business group based in Namakkal, Tamil Nadu was undertaken, along with searches in six Goa hotels on October 10. **PTI**

FM: Spoke to RBI Governor, concerns of PMC Bank's customers will be addressed

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 12

EXTENDING AN assurance to the account holders of the Punjab and Maharashtra Co-operative (PMC) Bank, Finance Minister Nirmala Sitharaman on Saturday said that she has spoken to Reserve Bank of India Governor Shaktikanta Das, who assured her that the bank's customers' concerns will be taken on top priority.

The cooperative bank was put under "directions" by the Reserve Bank of India (RBI) last month due to weak financial health, with the central bank having capped the deposit withdrawals at Rs 25,000.

In a post on her official Twitter handle, Sitharaman wrote on Saturday, "Spoken to governor @RBI on the #PMCBank matter. He assured me that clients & their concerns will be kept on top priority."

"I wish to reiterate that @FinMinIndia will ensure that customers concerns are com-

Secretaries from the departments of financial services and economic affairs will be meeting a deputy governor of the RBI soon to look into the "shortcomings" of the functioning of multi-state cooperative banks, the FM said last week

prehensively addressed. We understand the justified worries of the customers," her tweet added.

PMC Bank is in trouble allegedly due to its exposure to near-bankrupt real estate development company HDIL, to which the lender has loaned over 70 per cent of its Rs 9,000 crore in advances.

Earlier this week, during an interaction with mediapersons, the FM had said, "The Finance Ministry may have nothing to do with it (PMC Bank matter) directly because RBI is the regulator. But from my side, I've asked the secretaries of my ministry to work with Rural Development Ministry and the Urban Development Ministry to

study in detail as to what is happening".

Secretaries from the departments of financial services and economic affairs will be meeting a deputy governor of the Reserve Bank soon to look into the "shortcomings" of the functioning of multi-state cooperative banks and see if any amendments can be made to the laws, she had said.

"They will discuss legislative steps needed to prevent such incidents from happening and empower the regulator better," the Finance Minister had said.

She further said that the government will bring in a legislation to this effect during the upcoming winter session of Parliament. **WITH PTI**

GSTN to release new version of return filing interface this month

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 12

THE GST Network (GSTN) will release an improved version of the GST return filing interface on October 22, with an aim to further simplify the process.

"Many of the suggestions were incorporated in version 2 which is in place right now. Version 3 is going to come on October 22 of this month," GST Network CEO Prakash Kumar said at a seminar organised by IIT Delhi Alumni Association here.

The GSTN provides IT infrastructure and services to central and state governments, taxpayers and other stakeholders for implementation of the GST.

The GST has reduced complexity in indirect taxation as its implementation has lowered the

number of forms to be filed by businesses to just 12, from 495 under as many as 17 central and state laws in the pre-GST era, Kumar said. The indirect tax administration now shares data with the income tax department, a move that has helped in unearthing instances of tax evasion, he added.

Kumar said that income-tax department confirms the range of turnover, not the exact data of tax payer, which has helped in detecting mismatches. At present, there are 12.3 million registered GST tax payers.

Speaking at the occasion, GST Council Special Secretary Rajeev Ranjan said that GST has also aided in cutting the logistics cost for businesses, while successive rounds of rate cuts in the new tax indirect tax regime reduced prices and helped keeping inflation under check.

goods.

Against RTGS payments, these entities had transferred cash to Bhushan Steel which was ultimately traced to have been used for generation of artificial LTCG by jacking up the prices of penny stocks by way of synchronised trading, the ED said.

Another amount of Rs 3,330 crore invested as equity (share capital and premium) by promoter companies was also

found to have been routed out of the funds obtained as various loans and diverted from accounts of BPSP in the shape of advances shown to various shell companies operated by the different entry operators, said the agency.

The proceeds of crime in this case, the agency said, were laundered by way of introduction into the books of accounts as equity for window dressing the debt equity ratio.

Companies welcome trade truce; economists say disputes remain

Beijing: Companies have welcomed a US-Chinese trade truce as a possible step toward breaking a deadlock in the tariff war, while economists caution there was little progress toward settling core disputes including technology that threaten global growth.

President Donald Trump said US will suspend a tariff hike planned for Tuesday on \$250 billion of Chinese goods. In exchange, Trump said

China agreed to buy as much as \$50 billion of American farm goods. Details of other agreements weren't released.

The bruising battle over China's trade surplus and technology ambitions has disrupted global trade. Economists warn a final settlement might take years to negotiate. Despite that, financial markets rise ahead of each round of talks and fall back when no progress is reported. **AP**

from a sweeping agreement that was nearly finished over a refusal to make changes to Chinese laws that would have ensured its enforceability.

Trump had said previously he would not be satisfied with a partial deal to resolve his effort to change China's trade, intellectual property and industrial policy practices, which he argues cost millions of US jobs.

On Friday he said he had decided that a phased approach was appropriate. **REUTERS**