ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,842	70.90	$61.02	₹47,220

*Indian basket as on October 28, 2019

SENSEX: 40,051.87 ▲ 220.03 NIFTY: 11,844.10 ▲ 57.25 NIKKEI: 22,843.12 ▼ 131.01 HANG SENG: 26,667.71 ▼ 119.05 FTSE: 7,309.30 ▲ 3.04 DAX: 12,924.84 ▼ 14.78

International market data till 1900 IST

POLICY WATCH
GOODS AND SERVICES TAX

Centre planning cap on number of invoices for new registrants

To come into effect when new GST returns system is rolled out next year

AANCHAL MAGAZINE
NEW DELHI, OCTOBER 30

TO PUT a check on fly-by-night operators and generation of fake invoices under the Goods and Services Tax (GST) regime, the Centre is mulling limiting the number of invoices generated by new registrants. The cap on the number of invoices will be in line with the annual turnover of the businesses, which could then be raised on basis of credit history, a senior Finance Ministry official said.

The restrictions on the number of invoices are likely to come into effect once the new GST returns system is rolled out from April 1 next year. "We are detecting tax evasion through data analytics and artificial intelligence instead of randomly going on the street and trying to scare traders and businessmen. What we are doing is very, very targeted, non-obtrusive, non-manual approach. In most cases, it is based on concrete data analytics, solid information and in most cases we end up being successful. Now, we are going a step beyond — we will go further as to how to check the tax evasion from taking place," the official told *The Indian Express*.

"The use of Aadhaar is being brought for new registration. So, the fly-by-night operators will not be able to register and issue invoices, pass on input tax credit (ITC) and disappear. Now, at the time of registration itself these checks will be introduced. Any new registration will have some initial checks. There could be a limit on issuing the number of invoices for new registrants and if he needs a higher limit, then there could be a completely objective method to increase the limit depending upon the requirement and once he establishes his credit history, then these limits could be further increased," the official added.

The cap on number of invoices would be in line with the annual turnover so that small businesses do not generate large number of invoices seen for big companies to possibly generate a fraud trail for claiming ITC, as has been seen in some cases, officials said.

Tax evasion under the GST regime has been a major concern for both the Centre and the states. As per government data shared in Parliament in July, a total of 9,385 cases of tax fraud involving an amount of Rs 45,682.83 crore have been detected by the tax authorities under the GST regime since its rollout on July 1, 2017. Out of this, 1,593 tax fraud cases involving an amount of Rs 6520.40 crore were detected in April-June, the first three months of this financial year.

The Centre recently amended rules to restrict ITC under GST to 20 per cent of the eligible amount for an entity if its supplier has not uploaded relevant invoices. There was no such restriction earlier and ITC was claimed by taxpayers on the basis of self-assessment.

The 20 per cent restriction on availing ITC was initially part of the recently introduced Section 43A in the Central GST (CGST) Act, which would be notified once new returns system would be rolled out next fiscal. However, discrepancies in ITC being claimed by businesses prompted the government to bring in this restriction first via changing the GST rules, another Finance Ministry official said.

The recently introduced Section 43A of CGST Act relates to the procedure for furnishing return and availing ITC. Section 43A(8) states the procedure, safeguards and threshold of the tax amount in relation to outward supplies details have to be furnished by a registered person within six months of taking registration and the one who has defaulted in "payment of tax and where such default has continued for more than two months from the due date of payment of such default amount, shall be such as may be prescribed."

'IN LINE WITH TURNOVER'

■ The cap on the number of invoices will be in line with the annual turnover of the businesses, which could then be raised on basis of credit history, a senior Finance Ministry official said

■ The Centre recently amended rules to restrict input tax credit under GST to 20 per cent of the eligible amount for an entity if its supplier has not uploaded relevant invoices

INDUSTRY BODY WARNS OF 'UNPRECEDENTED CRISIS'

'Breach of trust': Jio on COAI letter to govt on telecom sector

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 30

RELIANCE JIO Infocomm Limited (RJIL) on Wednesday criticised telecom industry body COAI for writing a letter to the government highlighting financial stress in the telecom sector without waiting to incorporate Jio's comments and acting in the sole interests of two competing players Bharti Airtel and Vodafone Idea.

Taking strong exception to the Cellular Operators Association of India's (COAI) Tuesday night communication to the government without waiting for its comments, Jio said in its letter to the association's director general Rajan Mathews that an unlikely event of failure of two operators "will not have an impact on the sector dynamics with existence of vibrant competition including presence of the PSUs and there is no restriction on entry by new operators."

In its letter to COAI on Wednesday, Jio accused COAI of "serious breach of trust" and said "it seems that there were extraneous consideration to send this letter, only on the behest of other two members. By such unwarranted behaviour COAI has just proved that they are not an industry organisation but just a mouthpiece of two service providers."

COAI on Tuesday urged a newly formed panel of secretaries to prescribe immediate relief measures to address stress situation in the telecom industry, especially after the Supreme Court's order on adjusted gross revenue (AGR).

As per the order, telecom firms will be required to include non-core income for calculation of AGR, requiring them to pay the Centre as much as Rs 92,641 crore extra, including disputed demand, interest and penalty. Of the 15 old operators impacted by the order, only two private sector operators, Bharti Airtel and Vodafone-Idea, remain in service today, with the rest having folded up or merged.

Jio, the latest entrant and the most aggressive player in the sector, said it disagrees with intent, tone and contents of COAI's letter, which it argued does not represent industry views by any stretch of imagination. The COAI letter to the government said that in absence of an immediate relief by the Centre, two of the three private mobile operators — Airtel and Vodafone Idea, which provide services to 63 per cent of the current subscriber base — will face "unprecedented crisis".

Attacking COAI's position, Jio said, "We are taking a strong umbrage at COAI exploiting the legitimate payout obligations to create an alarmist propaganda for the doom of the telecom sector in the country." It further said it disagrees with the "threatening and blackmailing tone" of COAI and accused the older operators of not investing sufficiently in the sector and "shedding crocodile tears" by claiming financial stress.

Jio said the older operators have not shown any inclination to modernise networks, while Jio promoters have made an equity investment of Rs 1.75 lakh crore.

The financial difficulties of the said operators is their own doing and effect of their own commercial decisions, Jio said, adding the "government should not be obliged to bail them out of their own commercial failure and financial mismanagement".

Jio said that COAI's observations were not only factually incorrect and unwarranted, but tantamount to contempt of court.

"COAI's intent of using this as an opportunity to seek non-enforcement of the Supreme Court judgment and asking for relief is strongly objected by RJIL ... These operators have the capacity and enough monetisation possibility to comfortably pay government dues," Jio said. It added that COAI, as an organisation "supposedly representing all operators", should stop blaming the apex court ruling and instead ask members to respect the judgment and "stop forum shopping for relief".

Seeking the Centre's immediate intervention to avert an unprecedented crisis, COAI also mentioned that one of its members has a different opinion on the matter and will present its comments separately.

As per a *PTI* report, the COAI warned that the impact of the crisis could be potentially catastrophic for the country, leading to curtailing of investment and deterioration of services and job losses, as well as shattering of investor confidence. The apex court had last week upheld the Centre's position on including revenue from non-telecommunication businesses in calculating the annual AGR of telecom firms, a share of which is paid as licence and spectrum fee to the exchequer.

EXPLAINED
It's incumbents versus new entrant Jio

THE TELECOM sector has become a two-way contest between incumbents Bharti Airtel and Vodafone Idea pitted against the newest and most aggressive player Reliance Jio.

The Supreme Court's recent order upholding the government's position on including revenue from non-telecommunication businesses in calculating the AGR of telecom companies, has led to divergent impact on these two sets of competitors, leading to a tug of war most recently from COAI's distress call to the government.

'WILL ENSURE SAFEGUARDS FOR INDUSTRY'

Goyal on free trade agreements: Don't create fear psychosis

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 30

INDIA WILL have to do away with its "fear psychosis" of entering into free trade agreements (FTAs) with other nations, as isolating the country by refraining from such trade deals will do it harm, Commerce and Industry Minister Piyush Goyal said Wednesday. While negotiations for a potential FTA with the United States and a larger trade deal with member nations of the Regional Comprehensive Economic Partnership (RCEP) bloc are on, India does not intend to compromise national interest and wrap up such deals without ensuring safeguards for its own industries, according to him.

"Like FTAs (which) where signed in the past with a forced deadline, our government will never do it. It will ensure sufficient, adequate safeguards for the Indian industry while also ensuring huge business opportunities for India, particularly when dealing internationally," he said at the release of the High Level Advisory Group (HLAG) report on Trade and Policy at an event organised by Confederation of Indian Industry (CII).

The report states there is a need to "urgently" tackle the perception that India has not benefited from FTAs and that trade partners have instead grown at its cost, which is true for nations like Korea and Japan. "However, that speaks only half the truth," stated the HLAG, which has recommended that India launch a five-year programme for negotiations of FTAs identified based on factors like long-term sustainability.

It has also recommended that India look at both tariff and non-tariff barriers in partner countries and that its negotiations on the services segment should go beyond focussing on movement of persons to also focus on commercial presence, "as Indian investors are interested in investing in the FTA partner country." Apart from talking to the US on trade issues and negotiating with RCEP countries, Goyal said he would like to begin discussions "once again" with the EU and begin talks for a potential FTA with the UK post Brexit. "Ultimately, the government has to look at consumer interests and industry interests ... If we look at things only from an individual perspective, we will be doing a lot of harm for India," said Goyal, adding that "several" sectors are hurting because India does not have a more "open" economy.

"Don't create a fear psychosis, which is unwarranted and unfair to the people of India ... We have to explore new opportunities," he said, adding "all" stakeholders would be taken into confidence before ratifying any agreement.

Goyal's comments come ahead of the 35th ASEAN Summit, where RCEP negotiations are expected to be concluded and a deal potentially signed. RCEP is a mega free-trade deal negotiated between 16 nations — ASEAN members India, China, Japan, South Korea, New Zealand and Australia.

The HLAG — chaired by Surjit S Bhalla, who has recently been appointed Executive Director for India at International Monetary Fund — also recommended measures to boost exports by measures like enhancing the capital base of the Exim Bank by another Rs 20,000 crore by 2022 and a simpler regulatory and tax framework to attract more overseas investments both from individuals and funds. Bhalla is also a Contributing Editor with *The Indian Express*.

The panel also reiterated in its report an earlier recommendation on implementing elephant bonds — long-term sovereign bonds purchased by people declaring undisclosed income — to "help alleviate the dual problems of black money as well as funds for long term infrastructure."

"... the government has to look at consumer interests and industry interests ... If we look at things only from an individual perspective, we will be doing a lot of harm for India"

PIYUSH GOYAL
COMMERCE AND INDUSTRY MINISTER

Not sought debt recast from any lender: Vodafone Idea

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 30

VODAFONE IDEA on Wednesday said it has not approached banks for recast of its debt. "There has been reportage in some media alleging that Vodafone Idea has approached its lenders for debt recast. We categorically deny and dismiss this as baseless and factually incorrect," the company said.

"We have not made any request for debt recast to any lender or asked for reworking of payment terms. We continue to pay all our debts as and when these fall due," the statement added.

Meanwhile, Airtel said it is in best interest of all parties to form a "constructive mechanism" to ensure large levies are addressed in a "fair manner". **WITH PTI**

Care, Fitch action on telcos

New Delhi: Fitch Ratings on Wednesday placed Bharti Airtel's 'BBB-' Long-Term Foreign-Currency Issuer Default Rating on 'rating watch negative' (RWN), in light of the recent Supreme Court order on AGR.

It also placed Airtel's and Bharti Airtel International (Netherlands) BV's senior unsecured bonds and Network i2i's subordinated perpetual bonds on RWN.

Meanwhile, Vodafone Idea said that Care Ratings has downgraded its rating on 'long-term bank facilities' and non-convertible debentures'. **PTI**

White House says it still aims to sign US-China trade deal next month

REUTERS
WASHINGTON, OCTOBER 30

THE TRUMP administration still expects to sign an initial trade agreement with China next month despite the cancellation of the APEC summit in Chile where officials had hoped to finalize the pact, the White House said on Wednesday.

The White House said that it appeared that the Asia-Pacific Economic Cooperation (APEC) forum did not yet have an alternate location planned for its November 11-17 meeting after Chile earlier on Wednesday canceled its plan to host world leaders at Santiago.

"We look forward to finalising Phase One of the historic trade deal with China within the same time frame," the White House said.

The APEC summit was scheduled to bring together 20 world leaders, including US President Donald Trump and Chinese President Xi Jinping, on November 16-17.

However, riots, arson and protests over inequality this month — which have left at least 18 people dead, 7,000 arrested and Chilean businesses hit with losses of around $1.4 billion — mean the summit stands cancelled, as does the COP25 global climate summit between December 2 and December 13.

The metro public transport system in the capital suffered nearly $400 million in damages.

Chile's cancellation of the trade summit caught the Trump administration by surprise, a White House official told *Reuters*.

'Only 10% of stressed power assets resolved so far'

Progress on stressed thermal power asset resolution remained slow as only 10 per cent of affected generation capacity witnessed resolution despite several steps taken by the government and lenders, ICRA said

SUBDUED PLF LEVELS: Thermal power plants PLF (plant load factor or capacity utilisation) levels remain subdued with the increasing renewable generation and modest demand growth

ACQUISITION BY NEW SPONSOR: Around 10 per cent of the country's 40 giga watt (GW) stressed coal-based thermal power plants achieving resolution, mainly through acquisition by a new sponsor

UNCERTAIN RESOLUTION OF GAS-BASED ASSETS: Resolution of 12 GW stressed gas-based power assets continues to remain uncertain, given the inadequate availability of domestic gas

MAJOR FACTORS AFFECTING RESOLUTION OF POWER ASSETS:
■ Long time taken to achieve sustainable resolution
■ Regulatory challenges in getting approvals for projects
■ Limited progress in signing of new long-term power purchase agreements (PPAs)
■ Subdued thermal capacity utilisation levels
■ Lower than expected improvement in financial position of distribution companies (discoms)

4.4% Growth in all India electricity demand in first half of FY20, falling from 6 per cent in corresponding year-ago period

7.4% Growth in electricity demand witnessed first quarter of FY20

57.7% Al India thermal PLF in first half of FY20, falling from 59.5 per cent in first half of fiscal 2018-19

TARGET RANGE OF 1.50% AND 1.75%; THIRD CUT IN INTEREST RATES THIS YEAR TO HELP TACKLE TRADE WAR

US Fed cuts rates by 0.25%, but signals pause in easing cycle

HOWARD SCHNEIDER & LINDSAY DUNSMUIR
WASHINGTON/BEIJING, OCTOBER 30

THE FEDERAL Reserve on Wednesday cut interest rates for the third time this year in a move to ensure the US economy weathers a global trade war without slipping into a recession, but signaled its rate-cut cycle might be at a pause.

In lowering its policy rate by a quarter of a percentage point to a target range of between 1.50 per cent and 1.75 per cent, the US central bank dropped a previous reference in its policy statement that it "will act as appropriate" to sustain the economic expansion — language that was considered a sign for future rate cuts.

Instead, the Fed said it will "monitor the implications of incoming information for the economic outlook as it assesses the appropriate path" of its target interest rate, a less decisive phrase.

Fed Chair Jerome Powell will hold a news conference at 2:30 p.m. EDT (1830 GMT) to elaborate on the decision.

Kansas City Fed President Esther George and Boston Fed President Eric Rosengren dissented from the decision. They have opposed all three Fed rate cuts this year as unnecessary.

The Fed's description of the US economy on Wednesday remained largely unchanged, with labor markets said to be "strong," and economic activity "rising at a moderate rate."

As in its previous policy statement, the Fed said it took the action to reduce borrowing costs "in light of the implications of global developments for the economic outlook as well as muted inflation pressures."

The Fed said business investment and exports remained "weak."

The central bank and US economy are at an unusual juncture.

Unemployment is near a 50-year low, inflation is moderate, and data earlier on Wednesday showed gross domestic product grew at an annual rate of 1.9 per cent in the third quarter, a slowdown from the first half of the year but not as sharp a decline as many economists expected and some Fed officials feared.

But parts of the economy, particularly manufacturing, have stuttered in recent months as the global economy slowed. Businesses have pared investment in response to the US-China trade war that both raised tariffs on many goods, and also made the world a riskier place to make long-term commitments.

While that has not had an obvious impact yet on US hiring or consumer spending, Fed officials felt a round of "insurance" rate cuts was appropriate to guard against a worse outcome.

The Fed cut rates in July and again in September, and by doing so hoped to encourage businesses and consumers with more affordable borrowing costs.

The approach was successful in the 1990s when risks developed during another prolonged period of economic growth. **REUTERS**

US Fed Chair Jerome Powell will hold a news conference to elaborate on the decision. The US regulator's description of the economy on Wednesday remained largely unchanged, with economic activity "rising at a moderate rate." *Reuters file photo*

US economy slows marginally in Q3

REUTERS
WASHINGTON, OCTOBER 30

US ECONOMIC growth slowed less than expected in the third quarter as a further contraction in business investment was offset by resilient consumer spending, further allaying financial market fears of a recession.

As per the US Commerce Department's report, GDP rose at a 1.9 per cent annualised rate in the third quarter, as businesses maintained a steady pace of inventory accumulation, exports rose and the housing market rebounded after contracting for six straight quarters. The economy grew at a 2.0 per cent pace in the April-June quarter.

Third-quarter growth marked a further slowdown from the brisk 3.1 per cent rate notched in the first three months of the year.

Meanwhile, the US Treasury yield curve flattened Wednesday after the Fed cut interest rates for the third time this year, but signaled that monetary easing could be on hold going forward. Yields rose, before retracing those gains as the market digested the news.

On the day, yields remains down, with the benchmark 10-year yield last 3.4 basis points lower to 1.801 per cent.

The two-year yield, which serves as a proxy for market expectations of rate cuts, was last down 1.2 basis points to 1.630 per cent. The spread between the two- and 10-year yields , the most commonly used measure of the yield curve, fell to 17.2 basis points from 19.2 at last close.