

POLICY WATCH  
TAXATION

MP, Punjab raise concerns over delay in release of GST revenue by Centre

ENSECONOMIC BUREAU  
NEW DELHI, OCTOBER 3

RAISING CONCERNS over the design of Goods and Services Tax (GST) and delay in the release of revenue share of states, Opposition-ruled states Madhya Pradesh and Punjab said the issues were affecting the functioning of states. Punjab's Finance Minister Manpreet Singh Badal called for a fresh look at the GST structure, saying the current system was "badly designed". Badal said the Council should desist from cutting rates around state elections as a favour. "Punjab has been consistently opposing the design of the current GST ... the arrogance which is there within the Council, the idea of giving favours and knee-jerk reactions, for example, if there is Gujarat election you immediately cut rates. We should desist from that," he said.

Badal further said, "If I am not mistaken, in the last two years we have had almost 4,000 changes in the GST law, changes and amendments for which they have to go to Parliament and state legislatures. Can you imagine if there was a patient and was operated on 4,000 times would there be anything left of the patient?"

Madhya Pradesh's Chief Minister Kamal Nath said that most of the BJP-ruled states sign on dotted lines in the GST Council meetings.

"GST Council consists of states. The states are falling in line with the central government because they may be run by one party. If they are few states and rest are being run by one party then they come to sign on dotted lines. It is pre-determined. There is no engagement. There is no intellectual understanding of the situation. It's all in theory. All on paper. We must recognise and we cannot shut our eyes to this," he said while speaking at the India Economic Summit.

Punjab Chief Minister Amarinder Singh said there is a delay in the release of states'

On Wednesday, Kerala Finance Minister Thomas Isaac had pointed to the low revenue under GST, saying it's a sign of issues under GST apart from the economic slowdown

revenue share under GST. "In the meantime, what do we do. Now for our expenditure, we have to borrow money. This is a very sad thing that is happening," he said.

On Wednesday, Kerala Finance Minister Thomas Isaac had also pointed out to the low revenue under GST, saying it's a sign of issues under GST apart from the economic slowdown. "Record low GST collection is not only a reflection of economic slowdown but also the mess in GST administration. What compliance can you expect when even first annual return is yet to be filed? And also rates have been continuously slashed to less than revenue neutral levels," he had tweeted.

A senior Finance Ministry official said states are equal participants in all rate reductions and deliberations under GST. "As far as the rate cuts are concerned, most of the rate cuts happened during 2018. It may be noted that during the period Nov 2018 to Mar 2019, GST revenues have seen a growth rate of 14 per cent. It is only after May, 2019 that lower growth rates of the level of 5 per cent are being observed. The only major rate rationalisation that happened during the current calendar year is that pertaining to real estate which is not even in the nature of rate cut... linking sudden drop in revenues to rate reduction alone would be farfetched, because the same rate structure was leading to high revenue growths during the last quarter of the previous financial year," the official said.

Madhya Pradesh's Chief Minister Kamal Nath said that most of the BJP-ruled states sign on dotted lines in the GST Council meetings.

Centre reduces interest rate on house building advance for govt employees

PRESS TRUST OF INDIA  
NEW DELHI, OCTOBER 3

THE CENTRE has reduced the interest on House Building Advance from 8.5 per cent to 7.9 per cent for its employees, a move aimed at boosting housing demand, an official statement stated on Thursday.

According to the Union Housing and Urban Affairs Ministry, the new interest rate has come into force from October 1.

"The rate of interest on House Building Advance (HBA) has been reduced from existing 8.5 per cent to 7.9 per cent for government employees for a period of one year, irrespective of the loan amount of HBA," the ministry said.

The House Building Advance is admissible to permanent employees and all those temporary employees who have rendered five years of continuous service.

"The ministries/departments are delegated powers to sanction House Building Advance to their employees in accordance with the HBA rules," it stated.

Last month, Union Finance Minister Nirmala Sitharaman had announced that the interest rate on house building advance would be lowered and linked to the 10-year G-sec yields.

INDIA ECONOMIC SUMMIT

'No structural reason' ... trade deal can happen 'pretty quickly': Ross

ENSECONOMIC BUREAU  
NEW DELHI, OCTOBER 3

WHILE EXPECTATIONS of a potential trade deal between India and the US fell flat during Prime Minister Narendra Modi's visit to the US late last month, Union Commerce and Industry Minister Piyush Goyal and US Commerce Secretary Wilbur Ross on Thursday suggested progress on resolving issues between the two countries would be faster.

"We do think that there is no structural reason why there can't be one (a trade deal) pretty quickly. We each know the other's issues, we have for quite some little while... Now that the election has come and gone and Prime Minister Modi has a very clear, strong position in Parliament, it should be a lot easier to take decisive action," said Ross.

Ross indicated the US would not change its stance towards trade practices it found to be "unfair", but also said the Trump administration expected it to be "a lot easier to take decisive action" towards a trade deal between the two countries now that the Prime Minister had been re-elected.

"The first time I was able to meet and really further the talks and progress the talks actively was only on the Monday following Howdy Modi," said Goyal during the World Economic Forum's India Economic Summit amid



"Now that the election has come and gone and Prime Minister Modi has a very clear, strong position in Parliament, it should be a lot easier to take decisive action"

WILBUR ROSS,  
US SECRETARY OF COMMERCE

concerns that an expected trade deal between the two countries did not fructify during the Prime Minister's visit.

In response to concerns that India was meted out harsh treatment despite reducing trade deficit with the US, Ross said that, "We can add and subtract too, so we're well aware of the differences between the amounts of trade deficit between the two countries (India compared with China) ... That doesn't mean that we shouldn't be dealing with unfair practices even if they result in smaller trade deficits with other countries."

At the same time, the US plans to focus on measures to improve total trade with India and talks with the commerce minister later in the day would focus on products where India could step up exports to the US in place of Chinese products, according to him.

"When I'm meeting with minister Goyal one-on-one a bit later,

we've actually prepared a chart about what are the areas where China is the big exporter to us, how does that compare with what India is exporting to us and what are the possible solutions to how do we change that mixture. So, don't think that we're just focussing on total trade," said Ross.

US' e-commerce push

India will have to "balance" the interests of its small retailers by giving its population access to cheaper products through e-commerce if it does not want to hold back on growth, said Ross in response to Goyal's statement that e-commerce players could not act as predatory pricing platforms or "use muscle power of large capital" to put the country's small retail out of business.

"If a hundred years from now, India still has as many small retailers as now, it will have held back growth of the country im-

EXPLAINED  
**E.**  
**Confidence building step**  
A RESOLUTION of the problematic issues would be a confidence building measure as both the governments indicated that they want to consult on the policies and provisions that they are considering.

mensely," Ross said.

India's stance on e-commerce has been seen as one of several sticking points for the US, with recent changes to the country's e-commerce policy expected to have hit investment plans of giants like Amazon.

"There has been absolutely no change in India's stand as far as e-commerce is concerned," said Goyal at the summit.

"The spirit of Indian law is protecting small retail, and I think every country in the world would like to protect employment, work and livelihoods of their people. And in that spirit, we welcome all e-commerce companies to India to work as agnostic platform for people to trade in," he said.

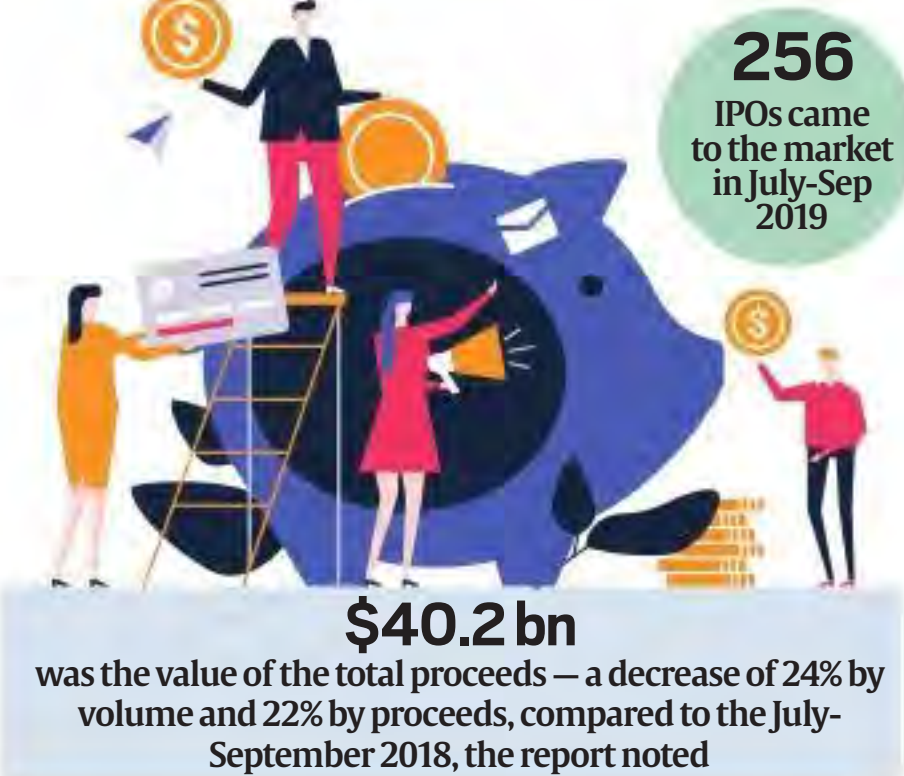
'Indian firms raised ₹6,000 cr via 10 IPOs in Q3 2019'

India Inc raised \$0.86 billion (about Rs 6,000 crore) through 10 initial public offerings in the July-September quarter of this year. The IPO activity is expected to gain momentum in the first half of 2020, according to the EY India IPO Trends Report Q3 2019

**6th**  
The BSE and the NSE, including SMEs, ranked sixth globally in terms of the number of IPOs in the third quarter of 2019

**4** IPOs were recorded by the BSE and the NSE in the third quarter of this year, as against three in the year-ago period

**FISCAL REFORMS A POSITIVE:** The report noted that the recent fiscal reforms were likely to instill confidence in the capital markets and were expected to improve market sentiments and liquidity in the economy



**CORPORATE EARNINGS** are likely to be positively impacted owing to the

recent fiscal reforms announced and demand in the upcoming festive season

**POSITIVE MOMENTUM IN H1 2020:** Khetan said the firm expects to see positive momentum around IPOs in the first half of 2020

**SECTOR-WISE ANALYSIS**  
■ Consumer products and retail sector — 3 IPOs  
■ Real estate, hospitality construction and technology — 2 IPOs each (including main and SME markets)

**GLOBAL SCENARIO** The backlog of IPOs continues to grow as issuers worldwide await more favourable market conditions, pushing IPO activity down across many markets in Q3 2019, compared to Q3 2018

Yes Bank stock bounces back 33% after clarification

ENSECONOMIC BUREAU  
MUMBAI, OCTOBER 3

YES BANK'S shares on Thursday soared nearly 33 per cent after the bank said its financials were strong and liquidity was well in excess of regulatory requirements. Following the bank's assurance, the scrip jumped 32.97 per cent to close at Rs 42.55 on the BSE, even as Rajat Monga, senior group president and former chief financial officer, quit.

Yes Bank on Wednesday said the decline in its stock price was mainly due to forced sale of 10 crore equity shares on the back

Sell-off continues for 4th straight session

Mumbai: Equities continued to reel under selling pressure for a fourth straight session on Thursday as GST shortfall, financial sector woes and renewed concerns over global trade worried investors.

Market participants also maintained a cautious stance

awaiting the Reserve Bank's monetary policy outcome, due on Friday.

The Sensex swung between a high of 38,310.93 and a low of 37,957.56, before settling at 38,106.87, showing a decline of 198.54 points or 0.52 per cent. PTI

of invocation of pledged shares by a large stakeholder. The private sector lender's share price plunged nearly 30 per cent during intra-day trade on Tuesday

(October 1), before closing the session down 22.8 per cent at Rs 32.

"Rajat has decided to move on. For the past two years he has

been carrying a lot of load and needed some time off ... so has decided to leave," chief executive Ravneet Gill said on Thursday.

The new deposits are also up 13 per cent quarter-on-quarter, he said. The bank is engaged in regular discussions with the RBI and the Finance Ministry, and both of them want a "strong and independent" Yes Bank, said Gill in a conference call. The bank is on the lookout for capital either from a private equity investor, a strategic investor or family office, he said.

Meanwhile, Morgan Credits Pvt Ltd (MCPL) and Yes Capital, part of the promoter group of Yes

Bank, expressed their disappointment over Reliance Nippon Asset Management Company (RNAM) selling pledged shares of the lender at a 'dismal price' on Tuesday. "We are highly dejected that our family shareholding in Yes Bank was sold at such dismal price levels, despite the bank having created long-term shareholder value and over 20,000 jobs during the last 15 years. We will continue to focus our energies on growing the start-up ventures incubated by us where we see potential for meaningful value creation in the long-term," they said in a press statement.

**"If the American administration rejects the hand that has been held out by France and the European Union, we are preparing ourselves to react with sanctions"**

BRUNO LE MAIRE,  
FRENCH FINANCE MINISTER

Association said jobs and investment were at risk from a 25 per cent tariff on single malt. Scotch whisky exports to the United States, the industry's biggest single market, were worth 1 billion pounds (\$1.23 billion) last year. "Despite the fact that this dis-

pute is about aircraft subsidies, our sector has been hit hard," the association's chief executive, Karen Betts, said in a statement, urging restraint from both sides.

Spanish vintners said their wine would cost too much in US stores if tariffs were confirmed.

"The tariffs will affect our competitiveness," said a spokesman for CECRV, the association for producers of Spanish wines such as Rioja and Cava. Germany's VDMA engineering association said it was disappointed the European Commission, the EU executive, had not defused the row. "The current situation resembles a table tennis match," said VDMA trade expert Ulrich Ackermann.

IRCTC public offering subscribed 112 times

ENSECONOMIC BUREAU  
MUMBAI, OCTOBER 3

PROVIDING A boost to the government's disinvestment plan, Indian Railway Catering and Tourism Corp's (IRCTC) initial public offering (IPO) to raise Rs 645 crore was subscribed nearly 112 times by the end of the book-running process, according to stock exchange data.

The category meant for qualified institutional buyers (QIBs) was subscribed 108.79 times, non-institutional investors (NIIs) was subscribed 354.52 times and retail investors was subscribed 14.65 times. The issue comprised an offer-for-sale of 2.01 crore shares of face value of Rs 10 each. Out of the total issue size, 1,60,000 equity shares are reserved for eligible employees.

The company is authorised by the railway ministry to offer railway tickets online, offer catering service and exclusively manufacture and supply packaged drinking water at railway stations and on trains in India.

"IRCTC IPO has evoked tremendous response from all the categories of investors, with the issue being subscribed more than 111 times. The issue, which divested 12.6 per cent of the government's stake in the CPSE is expected to generate a revenue of Rs 645 crore. It is the 2nd CPSE to be listed this fiscal," the Department of Investment and Public Asset Management (DIPAM) said in a tweet.

Overall, IRCTC has been the best PSU as well as the most successful IPO in the last two fiscals

Bharat-22 ETF: Anchor investors submit ₹13,500-cr bids

New Delhi: The fourth tranche of Bharat-22 exchange traded fund received an overwhelming response from institutional players on Thursday with the portion reserved for anchor investors garnering bids worth Rs 13,500 crore, around 27 times the size.

The ETF issue that opened on Thursday received subscriptions from investors like mutual funds, foreign portfolio investors, and insurance funds.

The follow-on fund offer will open for subscription for retail and other institutional investors on Friday. The investors would get a 3 per cent discount over the issue price. PTI

in terms of overall subscription where it leads in the QIB, NII and employee segments, analysts said. In retail category, RITES leads the PSU IPO league table.

A group of secretaries had recently cleared strategic sales in Bharat Petroleum Corp, BEMIL, Container Corporation of India and Shipping Corporation of India (SCI). Stake sales in THDC India and Neepco, both power companies, have also been approved.

Godrej calls for cut in personal I-T rates

ENSECONOMIC BUREAU  
NEW DELHI, OCTOBER 3

CALLING FOR a reduction in personal income-tax rates after the recent reduction in corporate tax rate, Godrej Group Chairman Adi Godrej said more measures need to be taken to stimulate GDP growth and there is need to provide more stimulus to the industry.

"The government should provide more stimulus ... the current growth rate of the economy is slow and we need to stimulate it. We need to have the growth rate up and even if it means that the fiscal deficit goes up, I do not think it matters. It must do," the chairman said on the sidelines of the World Economic Forum's India Economic Summit.

Godrej said the recent cut in corporate tax rate will help the business cycle and also help in improving the consumption. Going ahead though, he said, more specific measures need to be taken to boost consumption, he added.

"(Corporate tax rate cut) will certainly help the business cycle and help consumption go up... I think they (government) will announce some reduction in personal income tax rates and there will be other measures for specific industries to increase consumption," he said.

Gordej further said that the Reserve Bank of India has undertaken rate cuts but they need to be better transmitted.

When asked to list few measures to revive growth, especially in the FMCG sector,

Godrej said: "GDP growth is low, we need to do more and more to stimulate the economy and increase the GDP growth".

The government had on September 20 announced cuts in tax rates for domestic companies to 22 per cent and for new domestic manufacturing companies to 15 per cent.

The new effective tax rate inclusive of surcharge and cess for domestic companies is 25.17 per cent and for new domestic manufacturing companies is 17.01 per cent. Earlier, the tax rate for companies with annual sales over Rs 400 crore was 30 per cent (exclusive of surcharge and cess).

The Task Force on drafting direct tax law, which submitted its report to the government in August that is yet to be made public, has recommended rationalisation of personal income tax rates along with the reduction in corporate tax rates.

A cut in tax rates is being seen necessary to boost consumption demand and thereby, the overall economic growth, which had slipped to a 25-quarter low of 5 per cent in April-June. The overall economic slowdown has also started to reflect in the government's revenues.

Gross Goods and Services Tax (GST) collections fell to a 19-month low of Rs 91,916 crore in September, while net direct tax collections during April 1-September 15 grew at just 5 per cent to Rs 4.4 lakh crore, as against the annual targeted growth rate of 17.3 per cent.

Representative (USTR) was deliberately not using the full extent of WTO-approved ruling to coax the EU into negotiations. But the USTR also issued a warning.

"The US has the authority to increase the tariffs at any time, or change the products affected. USTR will continually re-evaluate these tariffs based on our discussions with the EU," it said.

Airbus and US firm Boeing, the world's two largest plane-makers, have waged a war of attrition over subsidies at the WTO since 2004. The dispute has tested the trade policeman's influence and is expected to set the tone for competition from would-be rivals from China.