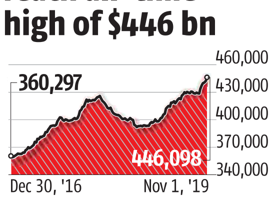
IN BRIEF

Pak may remain on FATF Grey List beyond Feb '20

Pakistan may remain on the Financial Action Task Force's (FATF's) Grey List beyond February 2020 for money laundering and terror financing due to its "risk profile", according to media reports. Pakistan was placed on the Grey List by the Paris-based FATF in June last year and was given a plan of action to complete it by October 2019, or face the risk of being placed on the Black List with Iran and North Korea. The FATF retained Pakistan on the Grey List and warned the country of action for its failure in combating money laundering and terror financing. The decision was taken after a five-day plenary of the FATF held in Paris in October. PTI

Forex reserves reach all-time high of $446 bn



India's foreign exchange reserves rose by $3.515 billion, to touch a fresh lifetime high of $446.098 billion in the week to November 1, helped by increase in foreign currency assets, RBI's weekly data showed. The reserves in the current week increased on account of a jump in foreign currency assets. BS REPORTER

IDBI Bank's loss before tax falls to ₹4,632 crore

Private sector lender IDBI Bank's loss before tax fell to ₹4,631.88 crore for the second quarter ended September 2019 (Q2FY20) from ₹5,729.82 crore in Q2FY19. The net loss also declined to ₹3,458.84 crore in Q2 from ₹3,602.49 crore the previous year. It informed stock exchange that its board has given a nod to exit the mutual fund business – asset management company and trustee company. BS REPORTER

Allahabad Bank loss widens to ₹2,100 cr on higher bad loans

Allahabad Bank on Friday reported widening of net loss to ₹2,103.19 crore for the September quarter 2019-20 due to higher provision for bad loans. It saw a loss of ₹1,816.19 crore during the year-ago period. In the preceding June quarter, the bank clocked a profit of ₹128 crore. The bank is evaluating the option of lower corporation tax under the amended tax rules. PTI

Should explore Israel, Brazil models for onion storage: Ficci

India, witnessing a spike in retail onion price up to ₹100/kg on tight supply, should explore low-cost modern technology models from countries like Israel and Brazil for storing the commodity, industry body Ficci said on Friday. Ficci stated that ad-hocism in export bans had serious repercussions and there was a need to remove onion from the purview of the Essential Commodities Act. PTI

'Bulbul' to make landfall in between WB, Bangladesh

Cyclone 'Bulbul', which has intensified into a very severe cyclonic storm, is likely to make landfall between West Bengal and Bangladesh in the early hours of Sunday, bringing in its wake heavy rain and gusts of up to 135 kmph in the coastal areas, the Met department said. PTI

Complete trade deal may need new US admin, says Rajan

The US-China trade war could still escalate despite recent discussions on removing imposed tariffs, and the Donald Trump administration may not be able to secure a lasting deal, former RBI governor Raghuram Rajan said. "There were some discussions of moving down the tariffs, but it's not the end," Rajan said. "The chances of a comprehensive deal are really quite small." BLOOMBERG

US has a 'very good' relationship with India, says Donald Trump

The US has a "very good" relationship with India and a lot of things are happening between the two countries, US President Donald Trump said on Friday. Trump, who has accepted an invitation from Prime Minister Narendra Modi to travel to India, said that he would be going there at some point of time. "We have a very good relationship with India," Trump told reporters on the South Lawns of the White House, when asked about the progress in his trade deal with India. Trump, during his meeting with Modi in New York in September, said the two countries are working on a trade deal. Officials from both India and the US have said that the work is in progress. PTI

OECD weaves net to stop Google, FB shifting profit

Proposes rules that would provide jurisdictions with a right to 'tax back'

DILASHA SETH
New Delhi, 9 November

Digital companies such as Facebook, Google, and Netflix will soon find it difficult to shift profits to low- or no-tax jurisdictions, with the Organization of Economic Cooperation and Development (OECD) proposing measures to ensure they pay a minimum level of tax.

The Paris-headquartered organisation on Friday released a consultation paper proposing rules that would provide jurisdiction with a right to tax back where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation.

India has been leading the global effort to rework the traditional international tax system to make digital firms pay taxes regardless of their physical presence or measured profits in a country.

Base erosion and profit shifting (BEPS) refers to exploiting gaps and mismatches in tax rules to shift profits by multinational companies to low-tax regimes. Internet companies operate out of low-tax jurisdictions, but do business in several others, without having a physical presence and end up avoiding taxes.

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The Consultation on Pillar 1 approach was released last month dealing with re-allocation of profit and revised nexus rules. It explores potential solutions for determining where tax should be paid and on what basis (nexus), as well as what portion of profits could or should be taxed in the jurisdictions where clients or users are located (profit allocation).

The OECD secretariat has sought public comments by December 2 on three specific aspects to GloBE — use of financial accounts as starting point to determine tax base, the extent to which a multinational company can combine income and taxes from different sources in determining effective tax rate, carve-outs and thresholds that may be considered.

The OECD's Pillar Two or GloBE proposals could lead to significant changes to the overall international tax rules under which multinational businesses currently operate, said Rajendra Nayak, partner, EY India.

The proposals would, through changes to domestic law and tax treaties, provide jurisdictions with a right to tax back where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of taxation, he added.

The proposals are intended to advance a multilateral framework that achieves a balanced outcome, limiting the distortive impact of direct taxes on investment and business location decisions, said Nayak.

A public consultation meeting on the GloBE proposal will be held on December 9.

Rakesh Nangia, chairman, Nangia Andersen Consulting, said pursuant to receipt of proposals from the stakeholders, one can expect the OECD to issue the final consensus based solution to tax this new version of world economy.

Addressing the tax challenges of a digitalised economy may give options to treaty partners and like multilateral instruments, the matching concept may prevail, said Nangia.

Under Pillar 2, four rules are being discussed — the income-inclusion rule, the undertaxed payments rule, the switch-over rule, and a subject-to-tax rule.

The income-inclusion rule aims to tax the income of a foreign branch or a controlled entity if that income was subject to tax at an effective rate that is below a minimum rate. The undertaxed payments rule would operate by way of a denial of a deduction or imposition of source-based taxation (including withholding tax) for a payment to a related party if that payment was not subject to tax at or above a minimum rate.

No charges on NEFT payments from January

SUBRATA PANDA
Mumbai, 8 November

Banks will not be able to charge their savings account customers for online transactions done via the National Electronic Funds Transfer (NEFT) system from next year. Mandate banks not to charge savings bank account customers for online transactions in the NEFT system with effect from January 2020, the Reserve Bank of India (RBI) said in a release on Friday.

NEFT can be done by bank customers either online or offline through bank branches. While several major banks, including State Bank of India (SBI), ICICI Bank, Axis Bank, HDFC Bank, and YES Bank, do not charge for online NEFT transactions, Bank of Baroda and Union Bank of India charge ₹2.25, excluding the goods and services tax (GST), for such transfers up to ₹10,000.

The RBI earlier this year had waived the charges it levied on banks for transactions routed through NEFT and the Real-Time Gross Settlement System (RTGS), which is used for large fund transfers.

It had asked banks to pass on the benefit to customers to provide an impetus to the digital funds movement.

According to the RBI, in the period between October 2018 and September 2019, digital payments constituted 96 per cent of the non-cash retail payments, said the RBI. NEFT and Unified Payments Interface (UPI) in the same period handled 2.5 billion and 8.7 billion transactions with year-on-year growth of 20 per cent and 263 per cent, respectively.

To further promote digital payments, the RBI has decided to operationalise the acceptance development fund with effect from January 1, 2020.

The fund was created to improve the payments infrastructure in small towns and villages with the help of various stakeholders, including banks, card payment networks, and the government.

The Nandan Nilekani committee on digital payments had recommended the RBI to consider the setting up of an acceptance development fund, which would be used to develop new merchants in poorly served areas.

This, the panel recommended, could be funded by the market.

The RBI will also constitute a committee to asses the need for plurality of Quick Response (QR) codes and merits of their co-existence or convergence from both systemic and consumer viewpoints.

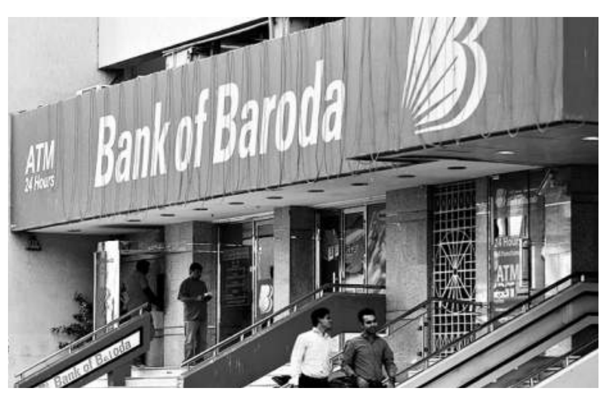
Furthermore, the central bank has permitted all authorised payment systems and instruments, including non-bank prepaid payment instruments (PPIs), cards and UPI for linking with National Electronic Toll Collection FASTags. This will facilitate the use of FASTags for parking, fuel, etc., payments in an interoperable environment, the RBI said. The RBI also said it would enable the processing of e-mandates for transactions through UPI.

FREE SERVICES

- In June, RBI waived off NEFT/RTGS charges levied on banks
- It asked banks to pass on the benefits to customers by July 1
- RBI has now mandated banks to stop charging savings account customers for online NEFT transactions
- SBI, PNB, HDFC Bank, Axis Bank, ICICI Bank, and YES Bank don't charge customers
- Bank of Baroda, Union Bank of India, Central Bank of India charge customers for the service

Bank of Baroda Sept quarter pre-tax profit zooms 184%

NIDHI RAI
Mumbai, 8 November



The bank did not factor in the effect of deferred tax assets for this quarter. It will, however, do it before March 2020

Public sector lender Bank of Baroda's profit before tax (PBT) rose 184 per cent to ₹1,127 crore for the September 2019 quarter (Q2FY20).

This figure is for the amalgamated entity (standalone basis). The three-way merger of Bank of Baroda, Vijaya Bank, and Dena Bank came into effect during the previous quarter (Q1FY20).

The comparable PBT for Q2FY19 was ₹397 crore. Net profit of the amalgamated entity rose 394.6 per cent to ₹739 crore for Q2FY20. Net profit for Q2FY18 stood at ₹149 crore.

Shares of Bank of Baroda closed at ₹93.80 apiece on the BSE, down 2.39 per cent from the previous close.

The bank did not factor in the effect of deferred tax assets for this quarter. It will, however, do it before March 2020.

Net interest income (NII) increased by 10.1 per cent to ₹7,028 crore in Q2, while net interest margin (NIM) improved by 19 bps to 2.81 per cent in Q2FY20 from 2.62 per cent last year.

Domestic advances grew 2 per cent to ₹5.33 trillion in Q2, from ₹5.23 crore a year ago. The increase was led by retail loans, which grew 16.2 per cent.

Our focus will be on retail loans. In the corporate segment, we will try to extend 80 per cent of our loans to AAA and AA-rated companies, said Murali Ramaswami, executive director of Bank of Baroda. Domestic deposits increased by 4 per cent year-on-year to ₹7.83 crore as on September 30, 2019. The share of low-cost Current Account Savings Account (CASA) deposits stood at 37.9 per cent as on September 30, 2019. Gross non-performing assets (GNPA) stood at ₹69,969 crore (10.25 per cent), while the net NPA ratio stood at 3.91 per cent. Loans to two non-banking financial companies (NBFCs), one textile and one plastic company, slipped in the quarter.

Shares of Bank of Baroda closed at ₹93.80 apiece on the BSE, down 2.39%

Exposure to these two NBFCs was ₹2,000 crore, said S L Jain, executive director of Bank of Baroda.

Jain added that the bank's total real estate exposure was at ₹15,000 crore and the exposure to troubled mortgage lender Dewan Housing Finance Corporation or DHFL stood at close to ₹2,000 crore.

Revenue officers should act as facilitators, says Sitharaman

PRESS TRUST OF INDIA
Faridabad, 8 November

Finance Minister Nirmala Sitharaman on Friday asked revenue intelligence officials to be facilitators for taxpayers and ensure they do not feel intimidated when it comes to paying taxes.

There are times when I have gone around the country in the last few months to meet up with officers of tax authorities, I have sent the message that we are facilitators. One or two black sheep among us should not change the narrative (and) people start feeling that tax authorities... are difficult to deal with and can become very demanding, Sitharaman said.

She was speaking at the passing out parade ceremony of the 69th Batch of IRS (Customs and Central Excise) at the National Academy of Customs, Indirect Taxes and Narcotics, Faridabad.

Sitharaman said the new officers have a better and a bigger role to play as facilitators, and explain to taxpayers that everyone should pay his/her share of taxes.

RBI raises limit for borrowing from MFIs

The Reserve Bank of India (RBI) on Friday increased the household income limits for borrowers of non-banking financial companies and micro-finance institutions (MFIs) from ₹1 lakh to ₹1.25 lakh for the rural areas with an aim to strengthen credit to those in the bottom of the economic pyramid. Similarly, the limit has been increased from ₹1.6 lakh for urban or semi-urban areas to ₹2 lakh, the RBI said in a circular. PTI

'Bond market hurt by multiple regulators'

A senior Reserve Bank of India official on Friday blamed the presence of multiple regulators with disparate priorities for the ills plaguing the corporate bond market saying multiple regulators are leading to poor coordination and long delays. The need for a robust bond market has increased, thanks to the stressed balance-sheets of banks, M Rajeshwar Rao, an executive director at the central bank, said. PTI

BPCL to raise diesel exports

AMRITHA PILLAY
Mumbai, 8 November

Bharat Petroleum Corporation (BPCL) is looking to increase its diesel exports through tendered term contracts, company officials said. The move is to ensure refinery utilisation levels are maintained, despite a decline in domestic diesel demand. On the discussions for privatisation of the company, N Vijayagopal, director-finance for BPCL, said the firm has not received any official communication from the government.

BPCL will soon float tenders to seek term contracts for diesel exports. Vijayagopal said the company is aiming to export 200,000 tonnes of diesel every month.

The firm witnessed a decline of 2.4 per cent in diesel volumes for Q2FY20. "The decline in diesel demand is a matter of concern for us. It may not reverse in the next six months," he added. The company also plans to increase focus on rural areas for its fuel retailing business. "We want to take our share of rural markets in fuel retailing to 20-25 per cent in the next four years. It is currently at 15 per cent, lower than that of our nearest competitor," Vijayagopal said.

For the current financial year, BPCL has a capital expenditure plan of ₹8,000 crore, of which it has spent ₹4,000 crore. For the next financial year, BPCL looks to spend ₹12,000 crore as capital expenditure.

Gross refining margins (GRMs) for the firm were at $3.38 per barrel, compared to $5.57 per barrel reported in the same quarter a year ago. Vijayagopal expects GRMs to improve in the next two quarters owing to the new International Maritime Organization (IMO) regulations. They require ships to switch to cleaner fuel starting January 2020. "We expect Q3 and Q4 GRMs to be better than the first half," he said.

On adoption of the new corporate tax structure, Vijayagopal said, "We have a MAT (minimum alternate tax) credit of ₹500 crore for the current financial year. Not sure if it is advisable to move to a different tax bracket." He added a final decision is yet to be taken. However, the company is unlikely to go for a change this year.

New scrap recycling policy a boost for steel sector

Vehicle makers to give rebate on new cars in exchange for old ones

JYOTI MUKUL
New Delhi, 8 November

The government on Friday notified a scrap recycling policy to promote use of scrap from vehicles and white goods, and boost a circular economy in the steel sector. The Ministry of Road Transport and Highways (MoRTH) and the Department of Heavy Industry will work towards extending producer responsibility under the policy.

It will require manufacturers to incentivise scrapping by giving discounts on new vehicles in exchange of old, unfit ones.

The MoRTH may formulate an Automobile Fitness Certification Policy to prevent plying of unfit and polluting vehicles. This would facilitate establishment of fitness centres in the private sector by providing supporting policy framework, the policy, notified by the Ministry of Steel, said.

Original equipment manufacturers (OEMs) and dealers will facilitate collection of old or end-of-life vehicles as well as recyclable spare parts of old cars.

SHOT IN THE ARM FOR RECYCLING

The scrapping policy seeks to ensure availability of quality scrap for the steel industry

Current supply:	25 mn tonnes (mt)
Import:	7 mt
INFRASTRUCTURE NEEDED	
Scrap-processing centres:	70, each with capacity of 100,000 tonnes
Collection and dismantling centres:	300#
Jobs potential:	2,800

These should be set up near highways, industrial corridors, railway sidings, and in the proximity of the Sagarmala project

They will start take-back schemes or set up their own scrapping centres or tie up with such facilities. Vehicles considered to be unfit by owners would feed the scrapping centres.

The new scrapping centres will be able to avail of the corporation tax cut benefits announced by Finance Minister Nirmala Sitharaman on September 20. They will be able to pay income tax at 15 per cent.

The Department of Revenue will also consider providing exemptions under Section 35AD of the Income-Tax Act to new scrapping units.

Under the policy, vehicle manufacturers will use more recycled material in cars and other products, without compromising safety or environment standards. This will create a market for recycled products. How much of recycled material is used in vehicles will be audited to ensure compliance.

Makers of vehicles or white goods will also have to provide details of how to dismantle their products, and assist recycling centres.

A hub-and-spoke model has been suggested for collecting end-of-life products and structuring the informal recycling sector, based on environment and scientific norms.

The collection and dismantling centres or scrap-processing centres will issue certificates of destruction or proof of scrappage to owners. Records will have to be maintained for scrutiny by authorities.

An inter-ministerial coordination committee has been set up with the steel secretary as convener and secretaries of the MoRTH, the department of heavy industry, the ministry of environment, forest and climate change, the department of revenue, and the ministry of labour and employment as members.

It will look into policy changes required for creating an organised steel scrapping ecosystem.

The Centre said there was a deficit of 7 million tonnes in the availability of scrap in 2017. In 2017-18, the import bill for scrap was about ₹24,500 crore. With the new policy, the country could be self-sufficient by 2030.